COLORADO STATE UNIVERSITY

Lecture 5

Dr. Lauren Chenarides

September 23, 2025

The only [wo]man who never makes a mistake is the [wo]man who never does anything.

-Theodore “Teddy” Roosevelt (26th President of the U.S.)

Lecture 5: Opportunity Assessment

Textbook Reading (Quiz Basis)

Chapter 6. Assessment of Entrepreneurial Opportunities

Lecture Agenda

Part 1: Starting a New Venture

Part 2: Methods of Venture Evaluation

Chapter 6 Objectives

6.1 Explain the challenge of new-venture start-ups.

6.2 Review common pitfalls in the selection of new-venture ideas.

6.3 Present critical factors involved in new-venture development.

6.4 Study certain factors that underlie venture success.

6.5 Explain the critical need for an effective entrepreneurial team.

6.6 Examine why new ventures fail.

6.7 Analyze the traditional venture evaluation process methods: profile analysis, the feasibility criteria approach, and the comprehensive feasibility method.

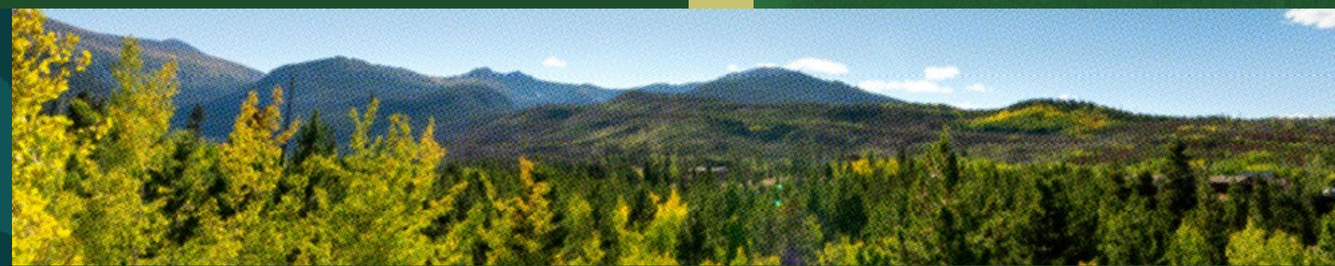
6.8 Highlight the contemporary venture evaluation methods: design methodology and the Lean Start-Up methodology.

6.9 Present the importance of new-venture legitimacy and unique strategies for the differing audiences.

COLORADO STATE UNIVERSITY

The Entrepreneur's Journey

Weeks 1-4 (Recap)



So far…

Intro to Entrepreneurship → The Entrepreneurial Mindset → The Entr. Mindset in Corporations and Social Ventures → Creativity and Innovation

- We've discussed [redacted], whether they are founders or working within an organization.
- Companies with [redacted] seek to measure impact as well as financial performance.
- Innovation is what happens when the creative process is applied to opportunities.

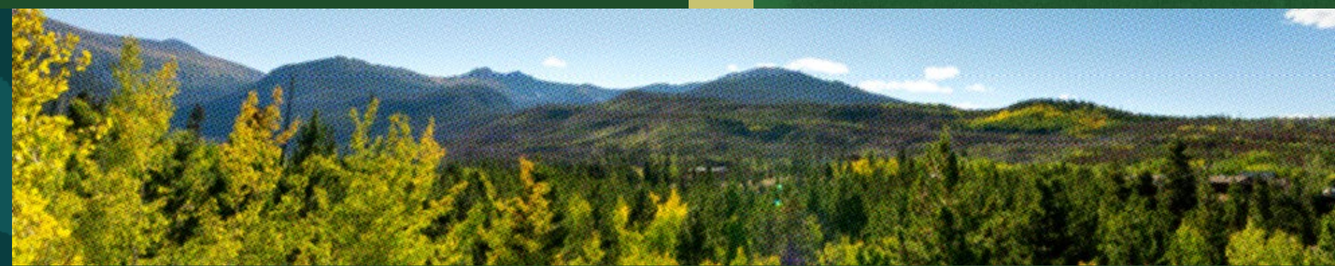
Innovations are at the center of new venture start-ups

- Last time, we ended with **innovation**.
- Creativity *fuels* the _____, and innovation is the outcome entrepreneurs bring to market.
- These can be:
  - Inventions
  - Extensions
  - Duplications
  - Synthesized concepts
- This time, we'll look at the _____.

COLORADO STATE UNIVERSITY

Starting a New Venture

Part 1



New-Venture Start-Ups

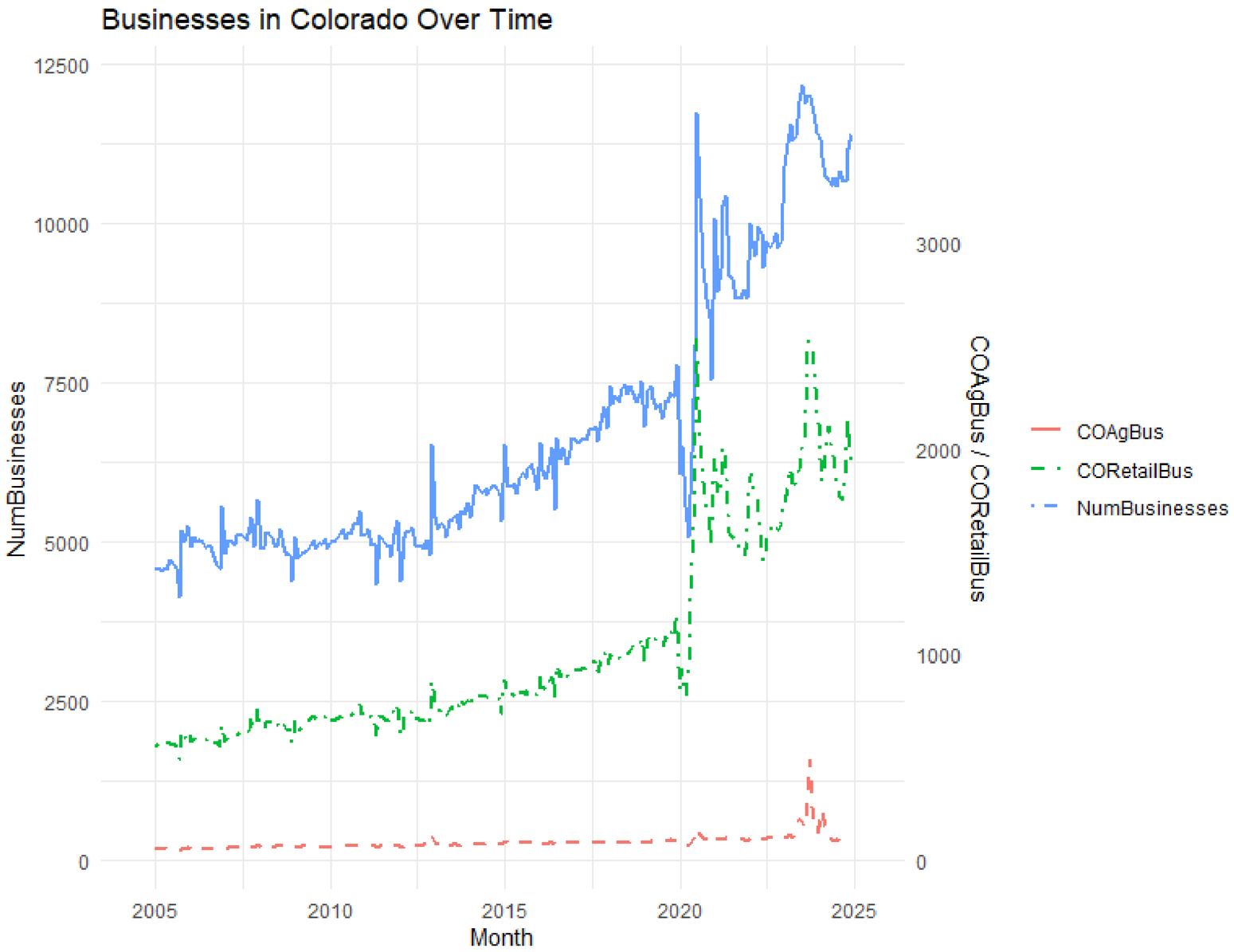
- The number of [ ] has been consistently high at reports of **more than 400,000 new firms** in the United States **every year since 2010**.
- [ ] currently receives more than *600,000 patent applications* per year.

What is a patent?
A U.S. patent gives the inventor the right to "exclude others from making, using, offering for sale, or selling" an invention or "importing" it into the U.S. A plant patent gives you additional rights on the "parts" of plants (e.g., a plant patent on an apple variety would include rights on the apples from the plant variety). What is granted is not the right to make, use, offer for sale, sell or import the invention, but the right to stop others from doing so. If someone infringes on your patent, you may initiate legal action. U.S. patents are effective only within the U.S. and its territories and possessions.

Source: US Patents Office

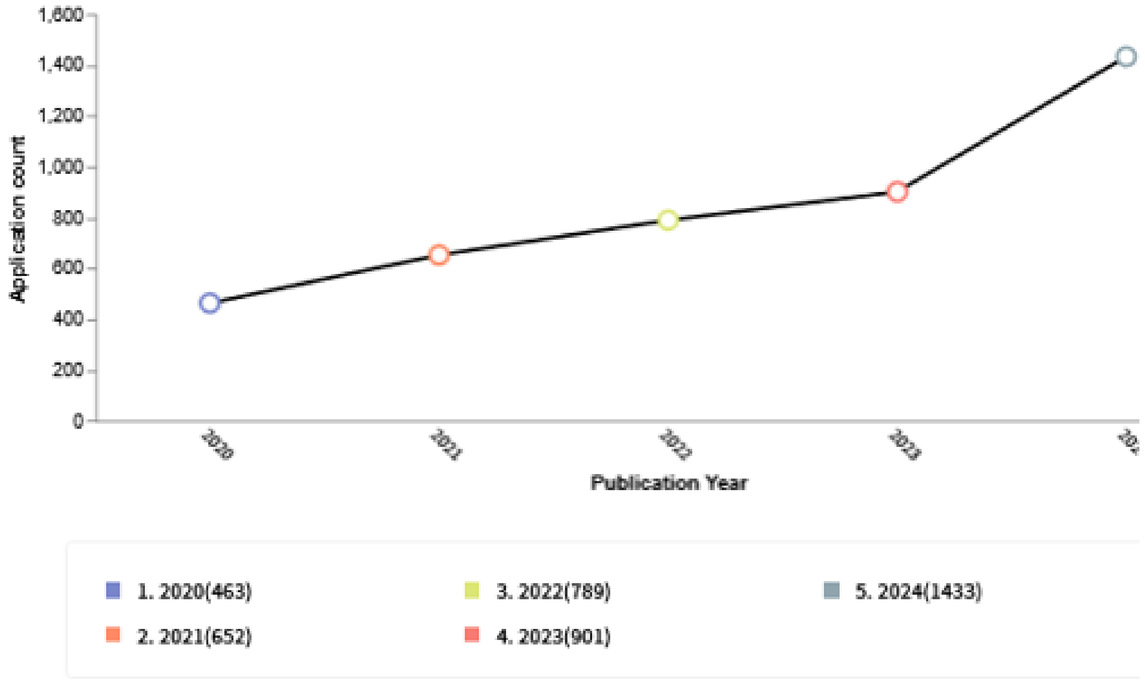
Figure plots the number of new businesses applications filed in Colorado (left axis) and the number of new business applications specifically in Agriculture (NAICS 11) & Retail Trade (NAICS 44-45) (right axis).

Source: [Business Formation Statistics Time Series / Trend Charts](#).



U.S. Patent Trends in Agriculture

- [redacted] have risen **209%** between 2020 to 2024.
- This upward trend reflects **growing innovation activity** and **heightened interest in intellectual property protection**, signaling a robust and expanding patent landscape.
- Leading categories of patents: [redacted], automated machinery and drones, [redacted], CRISPR and gene-editing tools

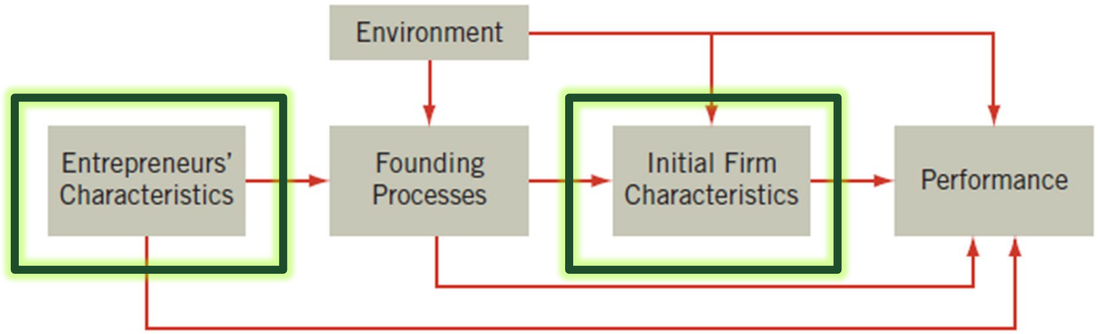


Source: Retrieved through [Derwent Innovation]

What predicts the [ ] of new-venture creation?

Entrepreneurial Motivations

- Personal characteristics
- The environment
- The venture



Successful Start-Up Characteristics

- More aggressive in making their business real
- Undertake more activities than others
- Act with more intensity
- Make use of professional advice
- Develop more detailed business plans
- Obtain legitimacy with early stakeholders

Do you see how the entrepreneurial characteristics show up here?

***Source*:** Arnold C. Cooper, "Challenges in Predicting New Firm Performance," *Journal of Business Venturing* 8, no. 3 (1993): 243.

Common Pitfalls of New Ventures (1 of 2)

- Lack of
  - All ideas need rigorous review. This happens through customer discovery, trial-and-error, and simply seeking feedback.
- No real insight into the
  - Need to understand the timing of product introduction and the product life cycle.
- Inadequate understanding of
  - Unexpected technical difficulties can be costly and time consuming.

Common Pitfalls of New Ventures (2 of 2)

- Poor [ ] understanding
  - The needed financing is often underestimated.
- Lack of venture [ ]
  - Should provide a product or service that is superior to that of the competition.
- Ignorance of [ ]
  - Need to be aware of safety requirements, patents, trademarks, and other legal issues.

Group Activity 5-1

- Work in groups of two.
- Each person should write down three business or product ideas. These could be real or made-up. They do not need to be reasonable.
- Trade ideas and evaluate each one you received based on what might be the challenge with introducing that idea. Select the one from the list that you believe is most viable.
- Trade back and share insights and thoughts.

A New-Venture Idea Checklist

Operations of the Venture
1. What personnel are needed?
2. Describe the operational procedures.
3. What is the preferred location?
Venture Management
1. What is the background and experience of the lead entrepreneur?
2. Explain the qualifications of each key person on the management team?
3. How will each person be compensated?
Venture Financing
1. How much funding will be needed?
2. What sources of funding will be pursued?
Competition & Risks
1. What is the nature of the competition?
2. Are there specific risks inherent in this venture?

Venture Feasibility
1. Is the concept possible?
2. Is the concept legal?
Value Proposition
1. Identify the specific competitive advantages of the concept?
2. What is unique about this venture idea?
3. Are the unique advantages sustainable?
Potential Market
1. What is the market niche?
2. Who would be the specific customers targeted?
3. Is this a reachable and reasonable customer market?
Marketing the Venture
1. What is the estimated share of market will the venture capture?
2. How will sales be accomplished?
3. Pricing? How does the price compare to competitors?
4. What are the distribution channels—retail, online, social media?

***Source*:** Karl H. Vesper, *New Venture Strategies* (Revised Edition), 1st Edition, © 1990. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

Critical Factors for New-Venture Success (1 of 2)

1. **Uniqueness**
   - Is your idea unique enough to stand out?
2. **Investment**
   - How much money will it take to get started?
3. **Growth of Sales**
   - Can sales grow steadily?

Critical Factors for New-Venture Success (2 of 2)

4. **Product Availability**
   - Do you actually have something to sell when you launch?
   - Problems can occur because the product or service is still in development and needs further modification or testing. For example, “bugs” in a software firm.
5. **Customer Availability**
   - Do you know who your customers are and their buying habits?

Phases in New-Venture Start-Ups

Pre-Start-Up Phase

Begins with an idea for the venture.

Ends when the doors are opened for business.

Start-Up Phase

Starts with the initiation of sales activity and the delivery of products and services.

Ends when the business is firmly established and beyond short-term threats to survival.

Post-Start-Up Phase

Starts when the company is viable.

Lasts until the venture is terminated or is no longer controlled by an entrepreneur.

Developing an Effective Entrepreneurial Team

Entrepreneurial teams are central to successful introduction of new venture.

Collaboration among team members is critical.

Team should be considered as a dynamic entity that is continually reevaluated.

FIVE GUYS®
BURGERS and FRIES

Pizza Hut®

Why New Ventures Fail

One research study examined 250 high-tech firms and found *three major categories* of causes for failure:

- Poor timing
- Product design problems
- Inappropriate distribution strategy
- Unclear business definition
- Overreliance on one customer

- Initial undercapitalization
- Assuming debt too early
- Venture capital relationship problems

- Concept of a team approach
- Human resource problems

Juicero

A $700 internet-connected juicer designed to press proprietary juice packs.

The problem: Customers discovered they could squeeze the juice packs by hand—no machine required. The design created no real value for the consumer.

Why it failed:

- Over-engineered product that solved a non-problem.
- High cost relative to alternatives (blenders, pre-bottled juice).
- Mismatch with customer needs—consumers wanted convenience and health, not an expensive gadget tied to proprietary packs.

Outcome: Despite $120M in venture funding, Juicero shut down in 2017, becoming a case study in poor product-market fit.

First-Year Start-Up Problems

1. Financing – raising funds, managing cash flow
2. Sales/Marketing – low sales, customer dependence, weak promotion
3. Product Development – building products/services that fit the market
4. Operations – supply chain, quality control, resource constraints
5. Management – inexperience, growth challenges, admin issues
6. Human Resources – hiring, retention, morale, development
7. External Factors – economy, regulations

***Source*:** David E. Terpstra and Philip D. Olson, "Entrepreneurial Start-up and Growth: A Classification of Problems," *Entrepreneurship Theory and Practice* 17, no. 3 (Spring 1993): 19.

Group Activity 5-2

- Each group will read their example of a new venture that failed.
- What might have been some issues with that venture?
- Share your findings with the class.

A fourth category: “ ”

***Definition*:**
This model predicts failure when firms are both small and financially fragile, growing at the wrong pace, lacking cash flow, and unable to manage debt.

1. Too much debt and too small (poor static solidity)
2. Growing at the wrong speed (too fast without enough money; too slow to cover costs)
3. Not enough sales coming in (poor dynamic liquidity)
4. Not enough case on hand to cover day-to-day expenses (dynamic solidity)

***Source*:** Erkki K. Laitinen, “Prediction of Failure of a Newly Founded Firm,” *Journal of Business Venturing* 7, no. 4 (1992): 326-28.

How Incubators & Accelerators Help

Programs exist to lower the cost, time, and risk of starting new ventures.

- Provide shared **space**, basic **resources**, and **access** to mentors to build a capable team.
- Guide **funding** estimates, connect ventures with grants, investors, and competitions.
- Offer **market intelligence**, **legal/regulatory support**, and **peer learning**.
- Help **validate** the idea technically and legally through expert review and testing.
- Support **customer discovery**, refine the venture's "why us," and identify reachable markets.
- Advise on **pricing**, **distribution channels**, and strategies to reach first customers.

STRATA
COLORADO STATE UNIVERSITY SYSTEM

innosphere ventures

Y

Feasibility analysis: Testing if an idea can work (1 of 2)

1. Profile Analysis Approach

- Looks at the internal strengths and weaknesses of the business: finances, marketing, operations, and people.
- Helps identify where the team is strong and where gaps may limit growth.

2. Feasibility Criteria Approach

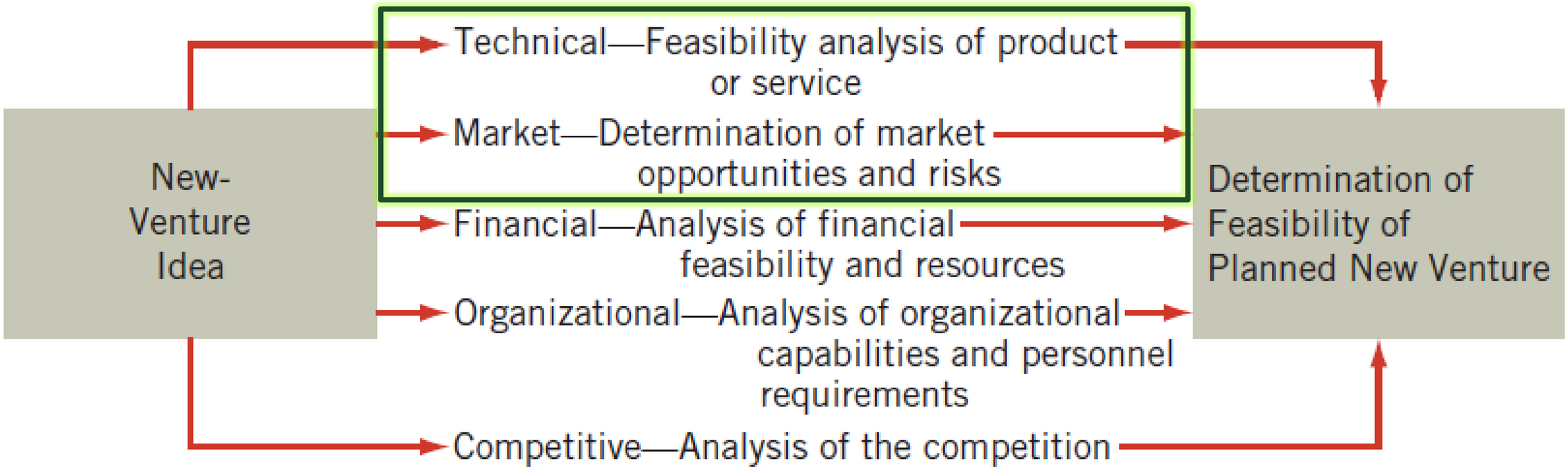
- Uses a checklist of key questions: Is the product proprietary? Are costs realistic? Is there a real customer?
- Provides a structured way to test assumptions about the product and its market.

Feasibility analysis: Testing if an idea can work (2 of 2)

3. Comprehensive Feasibility Approach

- Expands the view to include **external factors**: technical, market, financial, organizational, and competitive.
- Here, we focus on two:
  - **Technical Feasibility** – Can the product be built reliably, safely, and at reasonable cost?
  - **Marketability** – Will customers buy it, at a price that makes sense, in a competitive industry?

Comprehensive Feasibility Approach



Technical Feasibility

These ensure the product actually works for customers under real-world conditions.

- Functional design of the product and attractiveness in appearance
- Flexibility, permitting ready modification of the external features of the product to meet customer demands or technological and competitive changes
- Durability of the materials from which the product is made
- Reliability, ensuring performance as expected under normal operating conditions
- Product safety, posing no potential dangers under normal operating conditions
- Reasonable utility, an acceptable rate of obsolescence
- Ease and low cost of maintenance
- Standardization through elimination of unnecessary variety among potentially interchangeable parts
- Ease of processing or manufacture
- Ease of handling and use

Marketability

These determine whether the product can survive and grow in the market.

- General Economic Trends
  - Various economic indicators such as new orders, housing starts, inventories, and consumer spending
- Market Data
  - Customers, customer demand patterns in seasonal variations in demand, and governmental regulations affecting demand
- Pricing Data
  - Range of prices for the same, complementary, and substitute products; base prices; and discount structures
- Competitive Data
  - Major competitors and their competitive strength

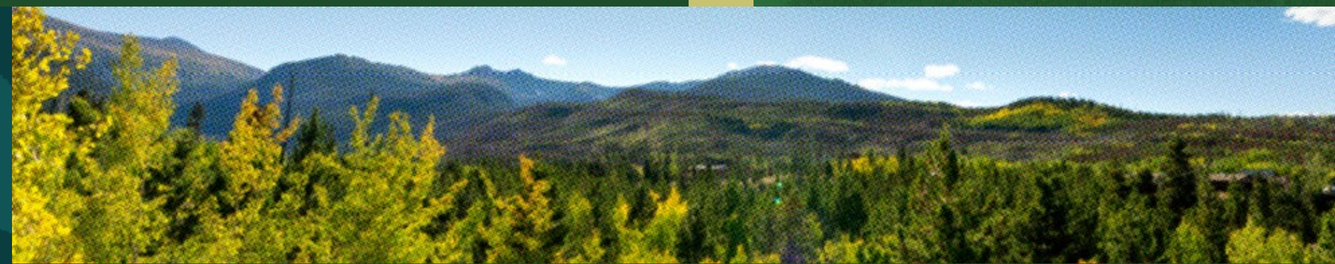
Putting it all together

- A solid **feasibility analysis** means **testing your idea from all angles**:
  - inside the business (team, finances, operations)
  - the product itself (can it be built well?)
  - and the outside world (is there real demand and a competitive place in the market?)
- If any angle reveals a fatal flaw—like costs too high, no customer demand, or a product that can't be built safely—then the entrepreneur knows to pivot, adjust, or walk away before sinking too much into a failing idea.

COLORADO STATE UNIVERSITY

Methods of Venture Evaluation

Part 2



Contemporary Approaches to Venture Evaluation

- Traditional feasibility analyses focus mainly on financials and forecasts.
- Modern methods add design, experimentation, and customer feedback to reduce risk.
- Two leading approaches:
  - **Design Methodology** – emphasizes concept design, prototyping, and stakeholder feedback to prove feasibility, desirability, and viability.
  - **Lean Startup Methodology** – emphasizes fast iteration, minimum viable products (MVPs), and customer learning to avoid wasted effort.

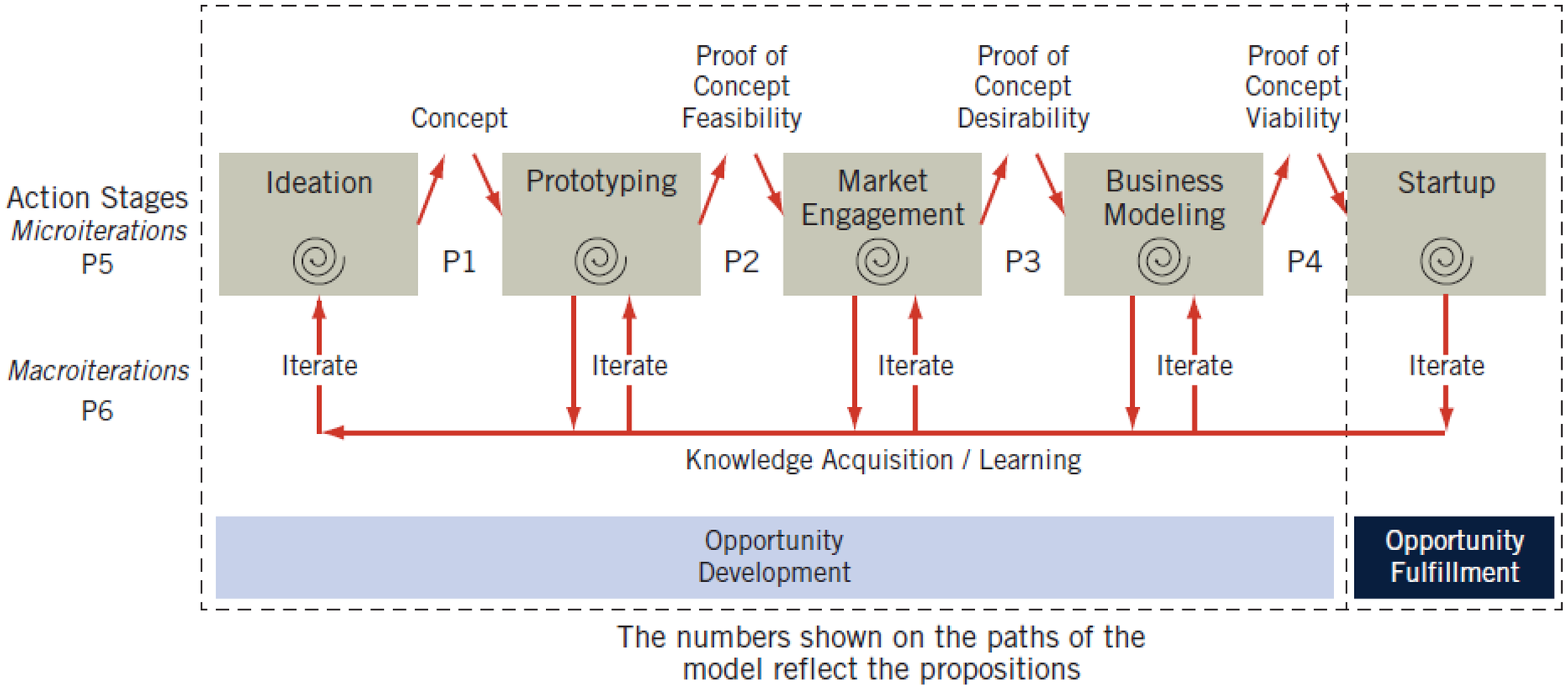
Bottom line: Both methods are about testing and adapting ideas early so entrepreneurs can spot fatal flaws and pivot before it’s too late.

The Design Methodology

- Takes an initial concept idea and **develops a proof of concept** that elicits feedback from relevant stakeholders.
- A process that **converts ideas into form**, whether that is a plan of action, an experience, or a physical thing.
- An initial concept taken and developed into a proof of concept that elicits:
  - Proof of concept feasibility
  - Proof of concept desirability
  - Proof of concept viability

Design-Centered Entrepreneurship

***Source*:** Michael G. Goldsby, Donald F. Kuratko, Matthew R. Marvel, and Thomas Nelson, "Design-Centered Entrepreneurship: A Four Stage Iterative Process for Opportunity Development," *Journal of Small Business & Entrepreneurship 29,* no. 6 (2017): 5.

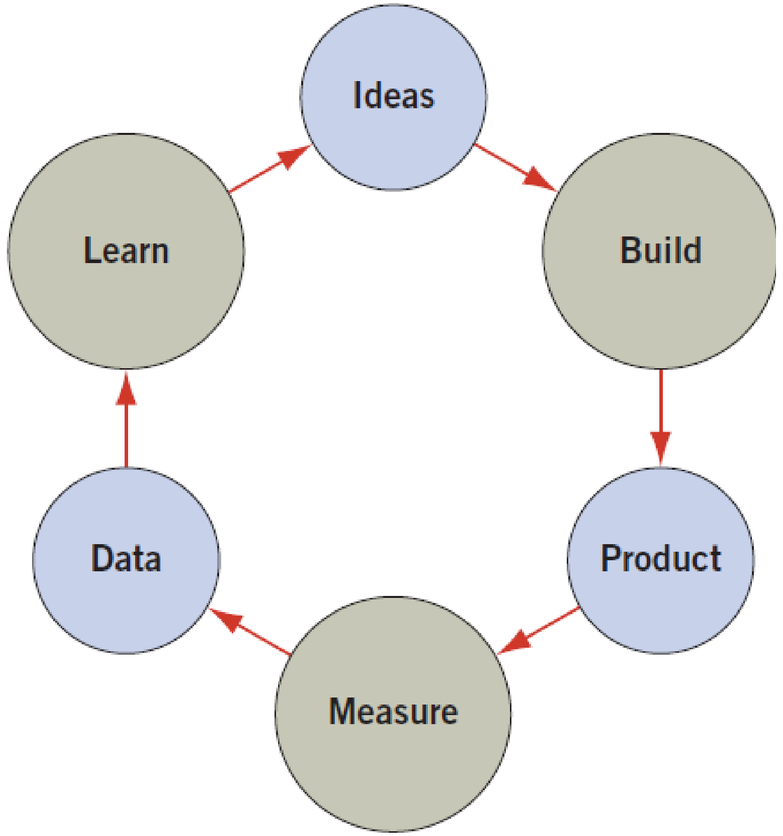


Design-Centered Entrepreneurship

- Taking action and learning that culminates in a venture concept for further development.
- Applying a **prototyping** stage that addresses the technical issues of the concept, and ensures that a feasible product or service can be made and delivered.
- Incorporating **microiterations** (within each action stage to improve the outcome) and **macroiterations** (moving from one particular action stage back to a previous stage for further development).

The Lean Startup Methodology

- A modern way to launch businesses that emphasizes **experimenting, learning, and adapting quickly** instead of spending years writing long business plans.
- The goal is to reduce wasted time and money by **testing ideas early** with customers.
- Uses the **Build–Measure–Learn feedback loop**:
  - Build – create a small version of the product.
  - Measure – see how customers react.
  - Learn – decide whether to keep going, improve, or change direction.



***Source*:** Eric Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (New York, NY: Crown Business, 2011).

Key Terms

Minimum Viable Product (MVP):

- The simplest version of a product that still delivers value to customers.
- Built to test a key assumption or idea as quickly and cheaply as possible.
- *Example: Instead of building a full food-delivery app, first test demand with a simple website and phone ordering.*

Pivot:

- A structured change in direction based on what you learned from customers.
- You keep the vision (solve the problem) but change the approach.
- *Example: A snack company discovers customers don't like the protein bar, but they love the same ingredients as a drink → pivot from bars to shakes.*

Group Activity 5-3

- Work in groups of five or six.
- Ideally, sit in a circle, or decide on an order among the group members.
- The first person should write down a product idea, and pass it to the next person.
- The second person would add how to build it.
- The third person would add how the product might actually turn out.
- Continue with testing, test results, product modification, and then the new idea. Continue!

New-Venture Legitimacy

What it is:

- Being seen as credible so investors, customers, and partners trust you.

Why it matters:

- Without legitimacy, startups struggle to raise money, hire people, or gain partners.

Who cares (Audiences):

- Government (regulations)
- Investors (ROI, professionalism)
- Corporates (partnership fit)
- Crowdfunding (community support)

How to build it:

- Follow the rules (Conformance): fit in with expectations.
- Pick the right setting (Selection): enter an industry or community that supports you.
- Match the environment (Manipulation): show you “belong” through alignment.
- Set new rules (Creation): create your own norms or standards.

Tools (Mechanisms):

- Identity – brand, symbols, storytelling
- Associations – credible partners, endorsements
- Organization – strong leadership, clear success metrics

Summary

- ✓ 6.1 Explain the challenge of new-venture start-ups.
- ✓ 6.2 Review common pitfalls in the selection of new-venture ideas.
- ✓ 6.3 Present critical factors involved in new-venture development.
- ✓ 6.4 Study certain factors that underlie venture success.
- ✓ 6.5 Explain the critical need for an effective entrepreneurial team.
- ✓ 6.6 Examine why new ventures fail.
- ✓ 6.7 Analyze the traditional venture evaluation process methods: profile analysis, the feasibility criteria approach, and the comprehensive feasibility method.
- ✓ 6.8 Highlight the contemporary venture evaluation methods: design methodology and the Lean Start-Up methodology.
- ✓ 6.9 Present the importance of new-venture legitimacy and unique strategies for the differing audiences.