

# Lecture 6

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“Big things have small beginnings.”

– Spoken by Mr. Dryden in the film *Lawrence of Arabia*

## Lecture 6: Venture Pathways

**Textbook Reading (Quiz Basis):** Chapter 7. Pathways to Entrepreneurial Ventures

### Lecture Agenda:

- Pathway 1: \_\_\_\_\_
- Pathway 2: \_\_\_\_\_ - Pathway 3: \_\_\_\_\_

Source: Kuratko (2024)

## Chapter 7 Objectives

- 7.1 Describe the major pathways and structures for entrepreneurial ventures.
- 7.2 Explain the newness dimensions involved in creating a “new venture.”
- 7.3 Discuss the elements involved in acquiring an established venture.
- 7.4 Outline 10 key questions to ask when buying an ongoing venture.
- 7.5 Describe the underlying issues involved in the acquisition process.
- 7.6 Define a franchise and outline its structure.
- 7.7 Outline the benefits and drawbacks of franchising.
- 7.8 Explain the franchise disclosure document (FDD) as a key item in franchises.
- 7.9 Describe the elements involved with incubators, accelerators, and entrepreneurial ecosystems.

## Last Week, We Covered

- What predicts the performance of successful new ventures?
- What are common pitfalls of new ventures?
- Why do new ventures fail?
- How to test if an idea will work?
- What are “low stakes” business models to get your idea off the ground?
- Why is legitimacy important for new business ventures?

## What IF...

- There were other ways to start a business that would flourish overnight?
- There was a playbook that allowed your business to overcome some of the common pitfalls attributed to new ventures failure?

**This week, we'll look at three pathways to pursue entrepreneurial ventures:**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

## Three Pathways

**Entrepreneurs generally enter ventures through three pathways:**

- \_\_\_\_\_: Build from scratch, new idea, higher risk but higher control.  
*Example: launching a farm-based kombucha brand.*
- \_\_\_\_\_: Buy an established business with history, contracts, staff.  
*Example: purchasing a dairy operation from retiring owners.*
- \_\_\_\_\_: Buy into a proven business system with support and brand recognition.  
*Example: running a Subway franchise near a university.*

**Analogy:**

- \_\_\_\_\_ = clearing a new field.
- \_\_\_\_\_ = buying a farm.
- \_\_\_\_\_ = joining a cooperative with shared tools and systems.

## Pathway #1 New Venture Creation

### The Story of Sweetgreen

**Origins:** Sweetgreen began as a single salad shop near Georgetown University in 2007.

- \_\_\_\_\_:
- Build healthier communities with convenient, fast-casual, sustainable food.
  - Solve the tradeoff between fast/cheap/unhealthy food and slow/expensive/fresh food.

### The Story of Sweetgreen (cont.)

**Customer** \_\_\_\_\_:

- Health-conscious consumers in urban areas and college students.
- Individuals seeking convenient meal options, willing to pay for quality.

**Key Activities:**

- Seasonal, plant-forward menu.
- Transparent supply chain with farmers.
- Mobile app for ordering/delivery.
- Automation/new kitchen technology (e.g., "Infinite Kitchen").

## The Story of Sweetgreen (cont.)

### Revenue Streams:

- Sales from in-store and online orders.
- Delivery service revenue through owned app.
- Corporate catering.

### Recent Challenges (Q2 2025):

- Decline in same-store sales and traffic.
- Wider net loss year-over-year.
- Volatile stock price, 52-week low.

## Creating New Ventures

Entrepreneurs think about how their idea is positioned relative to existing offerings.

Two approaches (textbook):

- \_\_\_\_\_ **Approach**
- \_\_\_\_\_ **Approach**

### \_\_\_\_\_ **Approach**

- Identify something that does not yet exist and create it from scratch.
- Requires observing unmet needs, frustrations, or inefficiencies.
- Example in agribusiness: apps integrating satellite imagery with irrigation scheduling.
- High risk (customers unfamiliar) but high potential reward.

### \_\_\_\_\_ **Approach**

- Adapt, improve, or extend an existing concept.
- Example: customizable CSA subscription boxes.
- Easier for customers to understand/adopt, but allows differentiation through quality, service, or market reach.

## Trends in Agri-Business Startups

- Sample of 5,290 global startups analyzed.
- Technology advances (automation, drones, biotech) drive most innovation.
- *Source: StartUs Insights (2025).*

## A Newness Framework for New Ventures

Framework helps us think about how “new” a venture is.

**Dimensions:**

- \_\_\_\_\_ (incremental vs. radical).
- \_\_\_\_\_ (incremental vs. radical).

**Entrepreneurial Newness Framework**

*Source: Kuratko, Fisher, Bloodgood, Hornsby (2017), Small Business Economics 49(1):124.*

Framework gauges:

- How bold or incremental a venture is.
- Risks and opportunities of that positioning.

**Examining the Financial Picture**

After feasibility analysis (Week 5) and business plan (not yet covered):

- **For** \_\_\_\_\_: risk vs. reward analysis.
- **For acquisitions:** picture looks different...

**Checklist for \_\_\_\_\_ Expenses:**

- Inventory
- Equipment
- Payroll
- Utilities
- Debt service
- Legal/professional fees
- Licenses
- More...

**Pathway #2 Acquisition****Acquiring an Established Venture**

**Sources:** brokers, trade associations, newspapers, contacts, online.

**Advantages:**

- Customers, contracts, brand reputation.
- Staff, inventory, facilities in place.
- Reduced failure risk, quicker path to revenue.

*Example:* Young entrepreneur buys a fruit orchard.

- Benefits: loyal customers, contracts with grocers.
- Challenges: aging trees, outdated equipment.

**Evaluating an Established Venture**

Evaluation requires background info:

- Profits, sales, ratios.
- Inventory/equipment.

- Intellectual property.
- Goodwill/reputation.

**Prompt:** Which would you prioritize in an agribusiness purchase? Why?

## The Buying Process: What to Look For (1/2)

Less about “hardball negotiation,” more about careful evaluation.

### Influences:

- **Information:** More info = better decisions.
- **Time:** Don’t rush, uncover problems.
- **Pressure:** Seller pressure (retirement, debt) shapes deal.
- **Alternatives:** More options = stronger position.

## The Buying Process: What to Look For (2/2)

### Considerations for Buyers:

- Seller may stay as minority owner for continuity.
- Price can depend on future performance (3–5 years).
- Trust only written promises.
- Review books carefully.
- Talk to vendors, customers, employees, competitors.

## Pathway #3 Franchising

### Franchising: The Hybrid

#### Discussion:

- Have you considered owning a franchise? Why/why not?
- What agribusiness-related franchises can you think of?

#### Show of hands:

- Who has eaten at McDonald’s, Subway, Dairy Queen?
- Who has been to Tractor Supply, John Deere dealers, farm supply stores?

### Franchising: Definition & Terms

\_\_\_\_\_: Arrangement where franchisor licenses franchisee to use trademarks, trade names, systems.

#### Roles:

- \_\_\_\_\_ = buyer.
- \_\_\_\_\_ = seller.

### How Franchising Works

#### Franchisee Obligations:

- Invest capital.
- Maintain standardized inventory/equipment.

- Pay fees/royalties.
- Maintain quality.

**Franchisor Provides:**

- Brand identity.
- Training/support.
- Merchandise, equipment, food.
- Financing, guidance.

## Pros and Cons of Franchising

**Advantages:**

- Training/support.
- Brand recognition.
- Proven system lowers risk.
- Financing options.

**Disadvantages:**

- High upfront/ongoing fees.
- Strict control.
- Some franchisors under-deliver.
- A franchise can feel like a “golden cage.”

## Franchise Law & FDD

**Franchise Rule (FTC):**

- Requires franchisors to provide FDD 14 days before signing/paying.

**FDD:**

- 23 required categories.
- Must be delivered pre-contract.
- Protects franchisees from incomplete info.

## Support Systems: Incubators, Accelerators, Ecosystems

**What helps you succeed once you choose a pathway?**

- **Incubators:** “Daycare” – safe, long-term support (space, training, mentorship).  
*Example: food innovation hubs with shared kitchens.*
- **Accelerators:** “Boot camp” – short, intensive, often equity-based.  
*Example: Colorado AgTech accelerators funding drone startups.*
- **Ecosystems:** Networks of entrepreneurs, mentors, regulators, investors.  
*Example: Fort Collins food innovation network (CSU, farmers, startups).*

## Recall (Week 5): How Incubators & Accelerators Help

Programs lower cost, time, risk of starting ventures.

- Provide shared space/resources, access to mentors.

- Guide funding estimates, connect with grants, investors, competitions.
- Offer market intelligence, legal/regulatory support, peer learning.
- Validate ideas technically/legally through review/testing.
- Support customer discovery, refine value proposition.
- Advise on pricing, distribution, reaching first customers.

## Reflection

Which pathway (create, acquire, franchise) would YOU choose for your first agribusiness venture, and why?

## Summary

- 7.1 Describe pathways and structures.
- 7.2 Explain newness dimensions.
- 7.3 Discuss acquiring ventures.
- 7.4 Outline 10 key questions for buying.
- 7.5 Describe acquisition issues.
- 7.6 Define a franchise and its structure.
- 7.7 Outline franchising pros/cons.
- 7.8 Explain FDD.
- 7.9 Describe incubators, accelerators, ecosystems.

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## References

Kuratko, Donald F. 2024. *Entrepreneurship: Theory, Process, Practice*. 12th ed. Cengage Learning, Inc.

Back to Title [Slide](#), All [Lectures](#), or Course [Home](#).