

Management & Organizational Behavior

Entrepreneurship and New Ventures

Organizing

Strategic Management

- Strategy Formulation
- Strategy Implementation
- Strategies
 - Levels – corporate, business, function
 - Types – growth and diversification, retrenchment, cooperative, and Web-based

Strategic Management

- Business level strategy formulation
 - Porter's Generic Strategies
 - Product life cycle
- Corporate level strategy formulation
 - Portfolio planning – BCG Matrix and GE Business Screen
 - Adaptive strategies, Miles & Snow

Common Strategic Planning Failures

- Failures of substance
 - Inadequate attention to major strategic planning elements
- Failures of process
 - Poor handling of strategy implementation
 - Lack of participation error
 - Goal displacement error

Guidelines for Double-checking Strategy

- Is the strategy consistent with mission and values?
- Is the strategy feasible, given strengths and weaknesses?
- Is the strategy responsive to opportunities and threats?
- Does the strategy offer a sustainable competitive advantage?

Guidelines for Double-checking Strategy

- Is the risk in the strategy a “reasonable” risk?
- Is the strategy flexible enough?

Current Issues in Strategy Implementation

- Corporate governance
 - System of control and performance monitoring of top management.
 - Done by boards of directors and other major stakeholder representatives.
 - Increasing emphasis on corporate governance in contemporary businesses.

Current Issues in Strategy Implementation

- Strategic leadership
 - Strategic management is a leadership responsibility.
 - The capability to get people to successfully engage in the continuous change, refinement, and implementation of strategies.

Current Issues in Strategy Implementation

Critical tasks of strategic leadership

- Be a guardian of trade-offs.
- Create a sense of urgency.
- Ensure that everyone understands the strategy.
- Be a teacher.
- Be a great communicator.

Strategic Management

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Entrepreneurship and New Ventures

Entrepreneurship

- Entrepreneurship
 - Strategic thinking and risk-taking behavior that results in the creation of new opportunities for individuals and/or organizations.
- Entrepreneurs
 - Risk-taking individuals who take actions to pursue opportunities and situations others may fail to recognize or may view as problems or threats

Entrepreneurs

- Founders of businesses that become large-scale enterprises.
- People who:
 - Buy a local franchise outlet
 - Open a small retail shop
 - Operate a self-employed service business

Entrepreneur - Intrapreneur

- People who introduce a new product or operational change in an existing organization.

Entrepreneurs

- Typical characteristics of entrepreneurs:
 - Internal locus of control
 - High energy level
 - High need for achievement
 - Tolerance for ambiguity
 - Self-confidence
 - Action-oriented
 - Desire for independence

Entrepreneurs

- Typical entrepreneurial backgrounds and experiences:
 - Parents were entrepreneurs or self-employed.
 - Families encouraged responsibility, initiative, and independence.
 - Try more than one business venture.
 - Relevant personal or career experience.
 - Become entrepreneurs between 22 & 45 years of age.
 - Seeks independence and sense of mastery.

Myths about Entrepreneurs

- Entrepreneurs are born, not made.
- Entrepreneurs are gamblers.
- Money is the key to entrepreneurial success.
- You have to be young to be an entrepreneur.
- You must have a degree in business to be an entrepreneur.

Entrepreneurs

- Reasons for women becoming entrepreneurs:
 - Being motivated by an entrepreneurial idea.
 - Having a new idea.
 - Doing for themselves what they were already doing for other employers.
 - Prior employer not taking them seriously.
 - Glass ceiling issues.

Small Businesses

- Ones with 500 or fewer employees.
- Independently owned and operated.
- Constitute 99 percent of American businesses.
- Are established by:
 - Starting a new business.
 - Buying an existing business.
 - Buying and running a franchise.

Small Businesses

- Entrepreneurship and the Internet
 - The Internet offers numerous entrepreneurial opportunities that are limited only by personal creativity.
 - Over 85 percent of small firms are expected to conduct business via the Internet by 2002.
 - B2B ventures are risky for small ventures.

Small Businesses

- International business entrepreneurship
 - Provides strategic opportunities for small businesses.
 - Creates exporting opportunities.
 - Is supported through appropriate governmental and non-governmental organizations.

Small Businesses

- Family businesses
 - Owned and financially controlled by family members.
 - Largest percentage of businesses worldwide.
 - Can provide an ideal business situation.
 - Problems unique to family businesses:
 - Family business feud
 - Succession problem

Small Businesses

- Reasons for small business failures:
 - Lack of experience
 - Lack of expertise
 - Lack of strategy and strategic leadership
 - Poor financial control
 - Growing too fast
 - Lack of commitment
 - Ethical failure

New Venture Creation Issues

- Does the entrepreneur have good ideas and the courage to give them a chance?
- Is the entrepreneur prepared to meet and master the test of strategy and competitive advantage?
- Can the entrepreneur identify a market niche that is being missed by other established firms?

New Venture Creation Issues

- Can the entrepreneur identify a new market that has not yet been discovered by existing firms?
- Can the entrepreneur generate first-mover advantage by exploiting a niche or entering a market before competitors?

Questions to Keep New Venture Focused

- Who is your customer?
- How will you reach key customer market segments?
- What determines customer choices to buy or not buy this product or service?
- Why is your product or service a compelling choice for the customer?

Questions to Keep New Venture Focused

- How will you price your product or service for the customer?
- How much does it cost to make and deliver your product or service?
- How much does it cost to attract a customer?
- How much does it cost to support and retain a customer?

New Venture Creation

- Life cycle of entrepreneurial firms
 - Birth stage
 - Breakthrough stage
 - Maturity stage
- Each stage poses different managerial challenges and requires different managerial competencies.

New Venture Creation

- Business plan should include:
 - Executive summary
 - Industry analysis
 - Company description
 - Product and services description
 - Market description
 - Marketing strategy
 - Operations description
 - Staffing description
 - Financial projection
 - Capital needs

New Venture Creation

- Forms of legal ownership
 - Sole proprietorship
 - Partnership
 - General partnership
 - Limited partnership
 - Limited liability partnership
 - Corporation

New Venture Creation

- Financing the new venture
 - Sources of outside financing
 - Debt financing
 - Equity financing
 - Equity financing alternatives
 - Venture capitalists
 - Initial public offerings
 - Angel investors

Supporting Business Development

- Promoting entrepreneurship in large enterprises
 - Intrapreneurship
 - Skunkworks
- Business incubators
- Small business development centers

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- Function of Management
- The process of arranging people and other resources to work together to accomplish a goal.
