

Reader Exercises

Now it is your turn to apply the venturing scoping ideas of this chapter to help shape your own entrepreneurial vision. The following exercises should be done sequentially.

Also, a few words about student project teams. This type of work is often performed in teams to emulate the venture team startup process. If you do recruit team members for a project, have a separate discussion off-line in terms of roles and responsibilities. Do this early in the project so that everyone understands the amount of “skin in the game” that each team member is willing to contribute. Then, have a process for reviewing each other’s work.

This commitment to getting the work on time is so important. You don’t want to have people join your team just because they think your idea is “cool.” They must be willing to work because it is only through that work that your venture idea will continue to improve. As a fledgling entrepreneur, you do not have the time nor should you have the patience to carry noncontributors on your back.

Now on to the assignments for this chapter. It is time to define your venture scope!

Step 1: Each Team Member Needs to Complete Figure 1.8

Put down your specific work and educational experience as well as family history events. After each team member does this for themselves, you then need to assemble a composite list for all team members. Just as important as what is on that list, note in a different color (such as red) those items in terms of skills and work experience that appear to be missing for a successful venture. If you have gaps, don’t let these stop you. However, these will also help direct you in terms of what new team members you need or which other professors or advisors you might seek out in the weeks and months ahead.

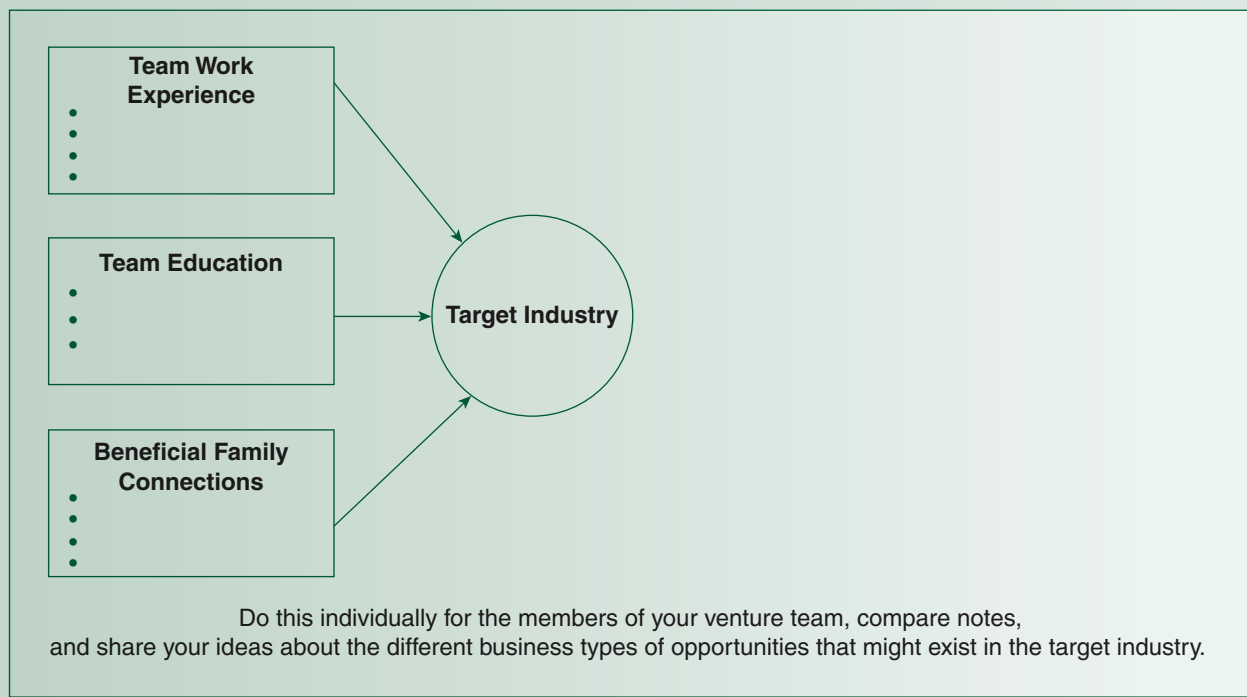


Figure 1.8 Entrepreneurial Background Template

Step 2: Conduct a Target Industry Analysis

This is a very important exercise. You need to search the Web and other data sources for information regarding your target industry. This includes hard numbers of the profitability of current market leaders and some intensive research on technology changes, channel changes, and competitors entering your target industry sector. You also need to search sources such as *MoneyTree Report* (<http://www.pwcmoneytree.com>) to see the current flow of angel and venture financing into that sector. Examples of industry sectors might be biotechnology, software, medical devices, energy, media and entertainment, networking and equipment, or health care services.

Then, once you have gathered these data, we want you to score the attractiveness of each dimension in Figure 1.9 for your industry sector. Then, make an honest assessment of this data-driven analysis. Is the sector a good place to start a venture? Does it have favorable industry dynamics or not?

	Facts / Data About Your Target Industry (Bullet-point facts)	Industry Score (1–10)
Market growth		
Profit potential for the sector (or) Operating margin of sector leaders		
High rate of technological change and new products		
Flow of venture financing		
Presence of clear channels to customers		
A lack of concentrated competition		
A lack of offshore entrants driving down prices		
A lack of barriers to gain access to channels		
A lack of barriers to gain access to suppliers		
A lack of concentrated customer buying power		
	Total Score	

Figure 1.9 The Industry Dynamics Scorecard

Scoring Key: 1 to 10, where:

1 is “a tough barrier for a new venture,” 3 is “a challenge,” 5 is “neither a barrier nor supporting success,” 7 is “conducive to a new venture,” and 10 is “an ideal setup for venture success.”

If the assessment score is low, you might wish to consider strongly looking at a different industry or a different sector of the industry that interests you. Otherwise, you need to have a serious discussion about how to overcome the negative dynamics you have uncovered. When it comes time to raise money from professional investors, assume that they know the potholes just as well as anyone else. What seasoned professionals try to find are “show stoppers,” defined as an industry dynamic that makes even a well-managed venture hard to grow.

Step 3: Conduct an Environmental Scan for Your Target Industry

Figure 1.10 presents an environmental scanning to further enrich your target industry sector analysis. Pay particular attention to the five key dimensions of environmental scanning: changes and trends in the social, economic,

technological, competitive, and regulatory conditions surrounding your venture concept. Record these with references to supporting data sources directly on the template. Then, try to identify venture opportunities that take advantage of or respond to these trends. Remember, trends can be either positive or negative from the end-user's point of view. A venture can be positioned within a larger trend—and from that “ride a wave” toward success. Ventures targeting the aging population, environmental regulations on energy production and consumption, or obesity are examples of “matching venture opportunities.”

Trends	Over-Arching Examples	Venture Opportunities
Social	<ul style="list-style-type: none"> Look for aging, health, ethnic, and other socio-demographic trends 	<ul style="list-style-type: none"> Make a list of matching venture opportunities
Economic	<ul style="list-style-type: none"> Look for macro-economic trends such as globalization and economic cycle 	<ul style="list-style-type: none"> Make a list of matching venture opportunities
Technological	<ul style="list-style-type: none"> New, disruptive technologies Current and emerging “standards” 	<ul style="list-style-type: none"> Make a list of matching venture opportunities
Competitive	<ul style="list-style-type: none"> Offshore competitors “Plays” by large corporations through acquisitions 	<ul style="list-style-type: none"> Make a list of matching venture opportunities
Regulatory	<ul style="list-style-type: none"> Regulation/deregulation “Green” regulations IP protection in emerging markets 	<ul style="list-style-type: none"> Make a list of matching venture opportunities

Figure 1.10 The Environmental Scanning Template

This template will be useful when you get to the point of discussing the venture with your professor or advisors. It will demonstrate that you have done your homework and that you recognize both opportunities and dangers on the horizon. Revisit your venture concept statement with the environmental scanning template in hand. Does it still make sense? Which if any of that statement's four elements should be revised or otherwise improved?

Step 4: Draw the Ecosystem Map for Your Target Industry

Identify all key players within the ecosystem. If there is financial information on the Web about these key players, gather it and look at their revenues, their revenue growth rates, their operating margins, and the even the number of employees. Begin to get smart about your competitors and potential partners such as OEMs, distributors, and complementary innovators or service providers. As you are doing this, look at their Websites and see if there are management team members who are alums of your university.

Step 5: Have Breakfast or Lunch With an Experienced Entrepreneur, Investor, or Executive in Your Target Industry Sector

A term project is a great excuse to reach out to business people. Students are always amazed at how executives are willing to help young aspiring entrepreneurs. Go to the Websites of local companies that are either members of your target industry sector or investors in new companies in that sector. See if any are alums of your university. Usually there is contact information for high-level managers. Try to use your professor for an introduction. Your assignment is simple: have breakfast or lunch with just one of these individuals. Armed with your industry research, you should bounce ideas off your guest and then *listen*. This will provide a world of information about your target industry sector.

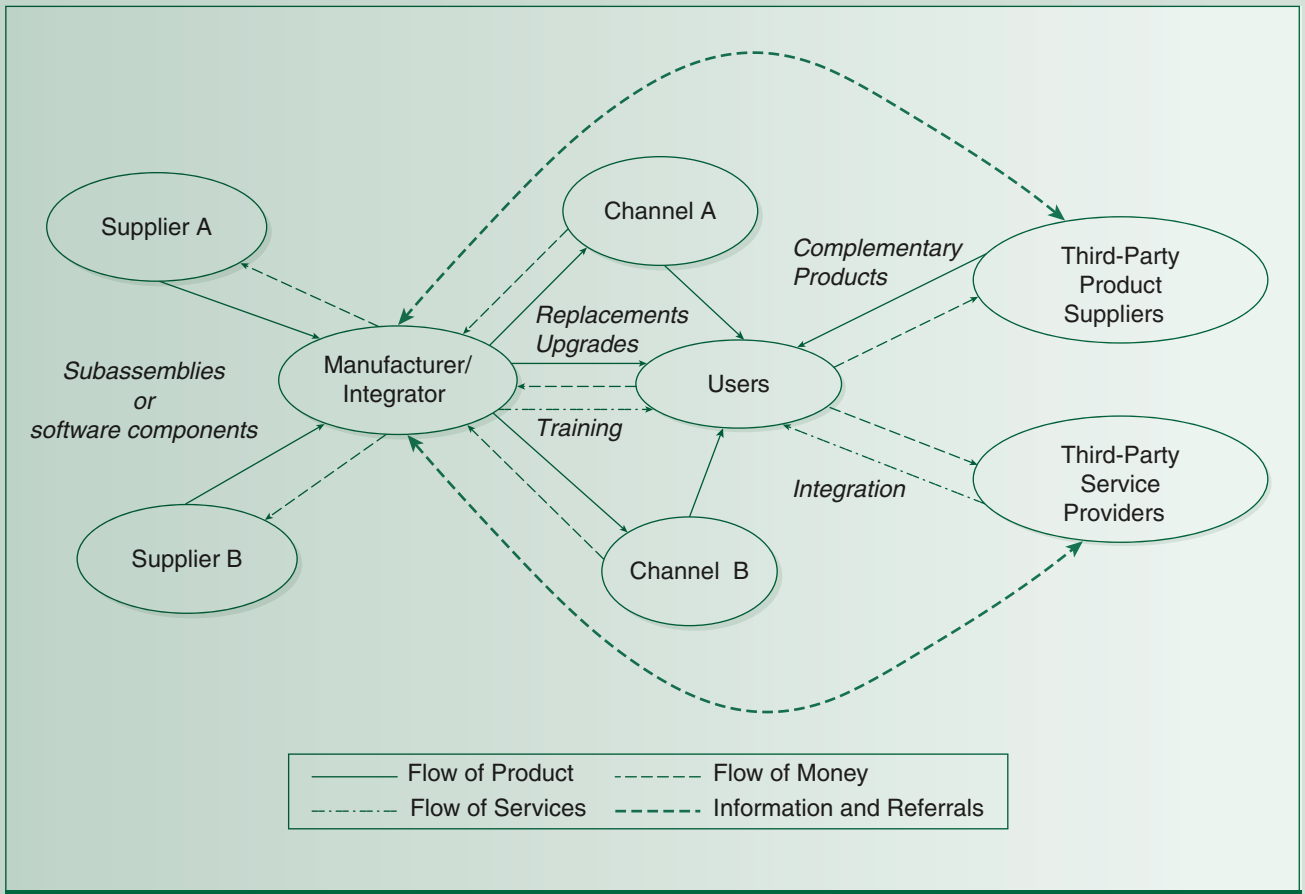


Figure 1.11 The Target Industry Sector Ecosystem Template

Knowledge is power; your job is to get as smart as you can about an industry as quickly as you can. Time is your enemy. Friendly alums can be powerful allies and, more often than not, are willing to help.

Don't worry about how to design and produce these offerings yet; specific planning for that will come later in this book. You don't really know what users truly need at this point, so keep your type of business at a very high or general level.

Step 6: Bring All of This Learning Together: Create Your Venture Scope

Figure 1.12 integrates all of the prior work into a set of venture opportunities. Based on your personal work/education/family network background, your target industry sector analysis, and your environmental scanning, you should now be able to identify several or more venture ideas. At this point, you don't need to get too specific about the products or services in these venture ideas. Instead, focus on what they will do—or the value they will bring—to users in the industry sector.

With these venture ideas placed in the template, we then want you to circle that idea which is your favorite one. Be prepared to explain why it is the favorite based on your industry analysis. The following chapters in this book will help you refine and test that venture idea.

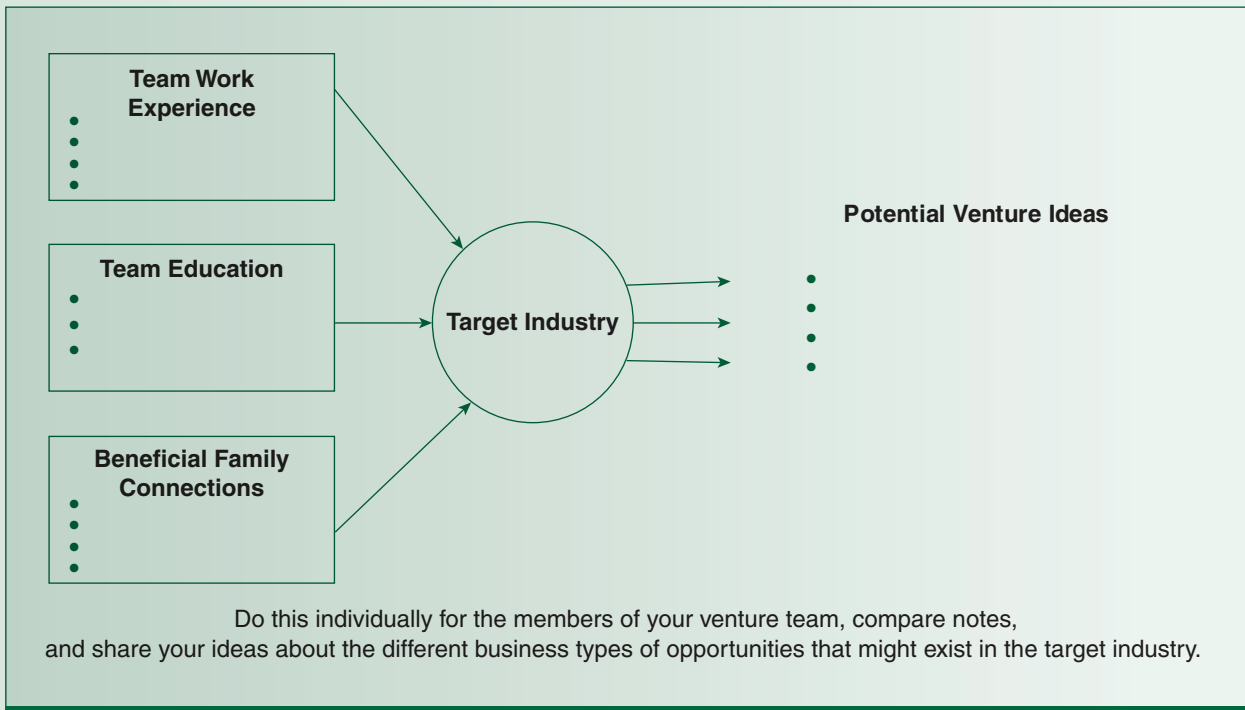


Figure 1.12 The Venture Scope Template

Great work! You have now created your “venture scope”—the definition and boundaries of the venture that you want to create. Now it’s time to get feedback on your templates. Your professor will organize an in-class presentation session where you can share your ideas with the rest of your classmates and benefit from their experiences and insights. Be prepared for some people wanting to join your team or you wanting them to join.