

FEASIBILITY ANALYSIS FOR NEW VENTURES

Course Number: MBA 542



Jones International University®, Ltd.

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Feasibility Analysis for New Ventures
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INTRODUCTION

The purpose of this course is to give you a set of skills that can be used to screen and evaluate ideas for new businesses and growth strategies for existing businesses. The course is designed to help you recognize and test opportunity in a variety of settings and through a variety of analytical methods. You will develop techniques for analyzing the risks and benefits of the industry, the product/service, the customer/market, the distribution channel, the founding/management team, and the financial requirements to start a venture. This course will address entrepreneurial businesses rather than lifestyle small businesses; that is, the examples and mindset presented are appropriate to ventures that are innovative, have growth potential, and create value. To be successful in a fast-paced digital and global world, any business must be continually innovating. Merely replicating a business model that currently exists and is successful is not enough to ensure that your new business concept will be successful as well. In this course, you will learn what it takes to start an entrepreneurial venture that has the potential to grow into a winning business that can endure over time.

The goals of the course will be delivered through readings and cases, as well as Web-based and real-world activities that simulate the environment of entrepreneurship. You will take away research and analytical skills that you can immediately apply to a new venture, an existing one, or inside a company for which you may work.

COURSE PERFORMANCE OBJECTIVES

Upon completion of this course, you will be able to:

- Recognize and formulate a business opportunity from a real world setting that satisfied a customer need.
- Define a business concept for an opportunity in no more than two sentences and include the product/service, customer, benefit, and distribution.
- Test a business concept through feasibility analysis and draw a conclusion as to the conditions under which this concept would be feasible.

REQUIRED MATERIALS AND TECHNOLOGY

Required Text and Article Packet

Allen, Kathleen R. (2003). Launching New Ventures, (3rd ed.). Kathleen R. Allen, Boston: Houghton-Mifflin.

Online Reading Packet assembled specifically for this course containing readings and case studies tied to topics covered in each unit.

Check the course web site for additional readings.

Required Technologies

For a current list of our Technical Requirements, please visit <http://www.jonesinternational.edu/techreq>.

COURSE STRUCTURE

The course has an easy organizational pattern to follow. Each module contains the following sections:

- *Path to complete the module:* Here you are given a suggested strategy for working your way through the module in a logical order. Following this guide is the best way to insure that you're in the right place at the right time with the rest of your classmates, which is necessary for effective discussion forums.
- *Performance Objectives:* This section will alert you to the various skills you will be exposed to and should be able to demonstrate upon completion of the module.
- *Overview and Critical Themes:* This section will introduce you to the major themes and topics in the module as well as to the various activities that you will undertake while going through the module.
- *Assignments:* The next section deals with the various assignments you will have for the module. Types of assignments you will encounter include:
 - *Required Readings:* These readings include your textbook for the course and usually a couple of other readings that supplement the text.
 - *Non-graded Exercises:* In each module, you will find several exercises that will not receive a grade. They are put there to help you work through the skills you need to acquire from the module. The exercises are designed to complement the major project and help you complete it. Many of these exercises are Web based.

- *Graded Applications/Projects:* Each module will contain one or more graded exercise. Your major project for the semester, the feasibility study, will be completed by doing a series of graded exercises, one in each module. You will find it listed under “Feasibility Track.” In addition you will, from time to time, have a case study for which you will answer questions by way of analysis. These case studies are related to the themes of the modules.
- *Lesson Synthesizer and Extensions/Challenges:* The Study Guide concludes with a section that brings together the topics discussed in the module and offers some challenging ideas for further consideration.

COURSE EVALUATION

Module	Assignment	Weight
Module 1 Preparing for Opportunity	1.1 Diary of an opportunity	2%
	1.2 Case Brief: Mrs. Gooch's	2%
Module 2 The Business Concept	2.1 Online Business Concept Evaluation	2%
	2.2 Feasibility Track: Description and Discussion of the Business Concept	10%
Module 3 Evaluating the Industry	3.1 Industry Expert Review	2%
	3.2 Online Feasibility Evaluation: Industry Analysis	2%
	3.3 Feasibility Track: Evaluation of the Industry	10%
Module 4 Evaluating the Market	4.1 Online Feasibility Study Evaluation: Market Analysis	2%
	4.2 Profile Your Customer	2%
	4.3 Feasibility Track: Evaluation of the market/customer	8%

Module 5 Evaluating Your Product/Service	5.1 Case Brief Wizards of the Coast	3%
	5.2 Online Feasibility Evaluation: Product Service Plan	3%
	5.3 Feasibility Track: The product/service test	6%
Module 6 Evaluating your start-up team	6.1 Case Study: The Start-up Diaries	2%
	6.2 Forum Debate: Pros & Cons of an Advisory Board	2%
	6.3 Feasibility Track: The Founding Team	6%
Module 7 Evaluating the distribution channel	7.1 Evaluating Your Distribution Options	2%
	7.2 Forum Discussion: Channel Surfers	2%
	7.3 Value Chain	1%
	7.4 Feasibility Track: The Distribution Channel	4%
Module 8 Evaluating Your Financial Strength	8.1 Fantasy Tour	3%
	8.2 Feasibility Track: The Entire Feasibility Study	22%
	8.3 Posting Your Take-Away	2%
		100%

Final Grade	Total Points Earned
A	90% – 100%
B	80% - 89%
C	70% - 79%
U	Less than 70%

OVERVIEW OF COURSE MODULES

Module1: Preparing for Opportunity

- Enhancing creative skills
- Sources of opportunity
- Ideas v. opportunities
- Techniques for recognizing opportunity

Module 2: The Business Concept

- Developing a business concept
- Quick testing a concept
- Overview of feasibility analysis

Module 3: Evaluating the Industry

- Defining the industry
- Researching the industry
- The model industry

Module 4: Evaluating the Market

- Defining the target market
- Researching the target market
- Profiling the customer
- Forecasting demand

Module 5: Evaluating Your Product/Service

- Product/process development
- Protecting the business concept
- Competitive Advantage

Module 6: Evaluating Your Start-up Team

- What makes a great start-up team
- How to fill the gaps in expertise
- Using advisors and independent contractors

Module 7: Evaluating the Distribution Channel

- Distribution Channels Alternatives
- Distribution as a competitive strategy

Module 8: Evaluating Your Financial Strength

- Gathering financial data
- Estimating sales and capital expenditures
- Forecasting expenditures
- Preparing income and cash flow statements
- Calculating start-up needs

COURSE MATRIX

Module/Topic	Reading Assignment	Assignments
Module 1: <i>Preparing for Opportunity</i>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 3 and Case Study "Mrs. Gooch's"</p> <p><i>Web-based Reading:</i> Hills, G.E., Lumpkin, G.T. & Singh, R. (1997) Opportunity recognition: Perceptions and behaviors of entrepreneurs. <i>Frontiers of Entrepreneurship Research</i>, 17: 168-182. Available online. Check the Resources section on the course Web site.</p> <p><i>Online Reading Packet:</i> Timmons, J.A. (1997) Opportunity recognition: The search for higher-potential ventures. In W.D.Bygrave, (ed.), <i>The Portable MBA in Entrepreneurship, 2nd Edition</i>. (pp. 27-58). New York: John Wiley & Sons.</p> <p><i>See course web site for additional readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 1.1) Case Brief • 1.2) Diary of an Opportunity <p><i>Study Guide Exercises:</i></p> <ul style="list-style-type: none"> • 1A <p><i>Web Themes and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 & 2 and exercises 1B – 1E <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
Module 2: <i>The Business Concept</i>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 2002. Chapter 5</p> <p><i>Web-based Reading:</i> Feasibility Analysis (online)</p> <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 2.1) Online Feasibility Study Evaluation: Business Concept. • 2.2) Feasibility Track: The Business Concept <p><i>Web Theme and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 – 2 and exercises 2A & 2B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>

<p>Module 3: <i>Evaluating the Industry</i></p>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 12003. Chapter 4.</p> <p><i>Web-based Readings:</i> John Case, "What's the Key to Great Forecasting?" <i>INC</i>, July 1, 1998 at http://www.inc.com Susan Greco, "The Online Sleuth: Market Research via the Web," <i>INC</i>, at http://www.inc.com <i>A Manual for Writers of Term Papers, Theses, and Dissertations</i> (Chicago Guides to Writing, Editing, and Publishing) by Kate L. Turabian, John Grossman, Alice Bennett. Paperback 6th Rev edition (March 1996)</p> <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 3.1) Industry Expert Interview • 3.2) Online Feasibility Study Evaluation: Industry Analysis • 3.3) Feasibility Track: Industry Analysis <p><i>Web Theme and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 & 2 and exercises 3A & 3B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
<p>Module 4: <i>Evaluating the Market</i></p>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 6</p> <p><i>Web-based Readings:</i> "How to Prepare a Market Analysis" Available online. Check the Resources section on the course Web site. "How to Identify a Target Market and Prepare a Customer Profile" Available online. Check the Resources section on the course Web site.</p> <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 4.1) Online Feasibility Study Evaluation: Market Analysis • 4.2) Profile Your Primary Customer • 4.3) Feasibility Track: The Market/Customer Analysis <p><i>Web Theme and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 – 2 and exercises 4A & 4B <p><i>Study Guide Exercises:</i></p> <ul style="list-style-type: none"> • 4C <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>

<p>Module 5: <i>Evaluating Your Product/Service</i></p>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 7</p> <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 5.1) Case Brief Wizards of the Coast • 5.2) Online Feasibility Evaluation: Product Service Plan • 5.3) Feasibility Track: The Product/Service Plan <p><i>Web Theme and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 & 2 and exercises 5A – 5C <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
<p>Module 6: <i>Evaluating Your Start-up Team</i></p>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 8; Chapter 10, pages 279-281</p> <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> •6.1) Case Study: The Start-Up Diaries •6.2) Forum Debate: Pros & Cons of an Advisory Board •6.3) Feasibility Track: The Founding Team <p><i>Study Guide Exercises:</i></p> <ul style="list-style-type: none"> • 6A <p><i>Web Theme and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 & 2 and exercises 6B – 6D <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>

<p>Module 7: <i>Evaluating Your Distribution Channel</i></p>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 10</p> <p><i>Web-based Reading:</i> "Channel Surfers," by Teri Lammers Prior, <i>Inc.</i> February 1, 1995. Available online. Check the Resources section on the course Web site.</p> <p>See course web site for additional online readings.</p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 7.1) Evaluating Your Distribution Options • 7.2) Forum Discussion • 7.3) Value Chain • 7.4) Feasibility Track: The Distribution Channel <p><i>Web Theme and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 & 2 and exercises 7A – 7C <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
<p>Module 8: <i>Evaluating Your Financial Strength</i></p>	<p><i>Text:</i> <i>Launching New Ventures, 3rd ed.</i> Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 9</p> <p>See course web site for additional online readings.</p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 8.1) Fantasy Tour • 8.2) Putting Together the Entire Feasibility Analysis • 8.3) Posting Your Take-Away <p><i>Study Guide Exercises:</i></p> <ul style="list-style-type: none"> • 8A <p><i>Web Theme and Exercises:</i></p> <ul style="list-style-type: none"> • Themes 1 & 2 and exercises 8B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>

MODULE 1

PREPARING FOR OPPORTUNITY

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module.
2. Do the required readings listed in the study guide.
3. Do Exercise 1A (study guide).
4. Read Theme One in the Web module.
 - Do Exercises 1B - 1D (web).
5. Do Application/Project 1.1 - Case Brief (study guide).
6. Read Theme Two in the Web module.
 - Do Application /Project 1.2 – Diary of an Opportunity (web).
 - Do Exercises 1E & 1F (web).

PERFORMANCE OBJECTIVES

The student will be able to:

- Explain five techniques for stimulating creative and opportunistic thinking.
- Describe the difference between an idea and an opportunity.
- List at least five sources of business opportunity.
- Given a real-world situation (i.e. the student is in an airport), demonstrate an opportunistic mindset by identifying and writing about a business opportunity that he or she sees as a result of being in that situation.

OVERVIEW AND CRITICAL THEMES

Have you ever wondered where people come up with those great ideas that become successful companies? Some of them seem so simple and even obvious; yet, there had to be something about the

idea that gave it the possibility of becoming a successful venture opportunity and not just an idea. You have hundreds of ideas a day - that's nothing new, but what turns an idea into an opportunity?

This module is designed to help you prepare yourself to become more opportunistic. You will learn some techniques and ways of thinking about the world around you that will put you in a better position to recognize opportunity when you see it. We start by getting you to *improve your creative skills*. While some people seem to be born creative, the truth is that creativity is a skill you can develop. Creativity is the ability to look at things in a new and exciting way. Some people call it thinking "out-of-the-box," or thinking upside-down and backwards. In any case, learning to tap into your creative skills is the first step in beginning to recognize opportunity.

You will also learn about *sources of opportunity*. These are techniques you can use to apply your newfound creativity to the task of discovering or creating an opportunity. Discovering or creating an opportunity is just the beginning. You also need to develop a business concept, the subject of Module 2.

In one of your readings, you will learn about the "window of opportunity." A particular opportunity has a point at which it is ripe for development and another point when it has missed the boat. Larger markets have more opportunities and the window is larger. You want to find opportunities that have a large enough window to allow the opportunity to be developed and to find success in the marketplace.

At the end of this module, you will be in a better position to look at the world with an opportunistic mindset and understand how to recognize and create opportunity.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 3 and Case Study "Mrs. Gooch's".

Web-based Reading

Hills, G.E., Lumpkin, G.T. & Singh, R. (1997) Opportunity recognition: Perceptions and behaviors of entrepreneurs. *Frontiers of Entrepreneurship Research*, 17: 168-182. Available online. Check the Resources section on the course Web site.

Online Reading Packet

Timmons, J.A. (1997) Opportunity recognition: The search for higher-potential ventures. In W.D.Bygrave, (ed.), *The Portable MBA in Entrepreneurship, 2nd Edition*. (pp. 26-54). New York: John Wiley & Sons.

Check the course Web site for additional readings.

Exercises (non-graded)

- 1A) **Change a Business Exercise:** Choose a business in your community. Make sure it's one that you understand. Then figure out a way to do that business differently from the way it is currently operating. For example, suppose you choose a restaurant that is operating in the traditional manner as a retail location where people come to eat. You could put the restaurant on the Internet, let people click through a menu and order online. The food is then delivered to their homes. In this exercise, you're applying creative thinking to an existing business.
- 1B) **Solve a Problem with Creativity Exercise:** Examine your home environment carefully to find a problem that needs to be solved. Ideally, it will be something that requires a better process. This is an opportunity -an opportunity to solve a problem. *Now create an opportunity that will solve the problem.* For example, suppose you discover that you often miss deadlines for paying bills because when the mail comes in, you stack it up in a corner to get to later. Unfortunately, you never get to it, and the stack grows continually higher. This is definitely a problem and an opportunity. Chances are you are not the only person in the world who has this problem. What if you could devise a product that allowed a person to sort their mail quickly and easily? Would that be the basis for a business opportunity?
- 1C) **Brainstorming in a Jar:** Check the course Web site for complete details.
- 1D) **Online Brainstorming Session:** Check the course Web site for complete details.
- 1E) **Learning a New Creativity Technique:** Check the course Web site for complete details.
- 1F) **Wrap-up Web Posting:** Check the course Web site for complete details.

Applications/Projects (graded)

- 1.1) **Case Brief - Mrs. Gooch's:** Read the assigned case found in the *Launching New Ventures* book. Then answer the two questions clearly and concisely on no more than one single-spaced page. E-mail to your instructor.
- How did Mrs. Gooch recognize her business opportunity? Be sure to relate your findings to the various opportunity recognition techniques you learned about in this module.
 - What are some other possibilities for growing this business that Mrs. Gooch should explore? In this question, use your creative skills to come up with other products/services/opportunities appropriate for this company.
- 1.2) **Diary of an Opportunity.** This is a written assignment of approximately two pages in which you will demonstrate how you used opportunistic thinking and opportunity recognition techniques to identify a business opportunity. Check the course Web site for complete details on this assignment.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

Recognizing that the business environment today is more complex, diverse, and global than ever before, you can see why identifying opportunities can be a challenge. At the same time, because of technology and the Internet, there are probably more opportunities available now than ever before. These opportunities are found not only in new products and services, but in new distribution, marketing, and organizational strategies as well.

It's important to realize that opportunity does not just come in the form of ideas for new businesses. As you found in the second practice exercise and in the case study on Toy Tips, there are chances to discover new opportunities for existing businesses as well.

The *Diary of an Opportunity* exercise gives you a chance to explore the opportunity recognition process, while the second and third practice exercises let you create an opportunity. Both processes are important aspects of entrepreneurship. In fact, we could say that opportunity recognition and creation are the genesis of entrepreneurship and everything that follows.

Here's a challenging question to consider now that you have enhanced your creative ability and perhaps have a more opportunistic mindset. Do we recognize opportunity or create opportunity? There's a big difference. Recognizing opportunity is a semi-passive activity where we see something in the environment that we think has potential. Creating opportunity, on the other hand, is a proactive task

requiring the ability to not only see an opportunity, but to create a way for that opportunity to be realized. That's what entrepreneurs do; they create opportunity where none existed previously. What do you think? Can you create an opportunity for yourself?

MODULE 2

THE BUSINESS CONCEPT

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module.
2. Do the required readings listed in the study guide.
3. Read Theme One in the Web module.
 - Do Exercise 2A & 2B (web).
4. Read Theme Two in the Web module.
 - Do Application/Project 2.1 Online Feasibility Study Evaluation (web).
5. Do Application/Project 2.2) Feasibility Track: The Business Concept (study guide)

PERFORMANCE OBJECTIVES

- Given a general business idea, the student will be able to convert that idea to a business concept that contains the product/service, customer, benefit and distribution in no more than two sentences.
- Given a business concept that the student has developed, the student will be able to do a "quick-test" of the concept to determine if a feasibility analysis is warranted.
- The student will demonstrate an understanding of feasibility analysis by listing the components of the analysis and the key questions to be answered by each step of the analysis.

OVERVIEW AND CRITICAL THEMES

In the previous module, you learned about how to recognize opportunity. In fact, in your assignment, *Diary of an Opportunity*, you practiced your creativity and opportunity recognition skills in coming up with an idea for a business. But an idea is just that. To turn an opportunity into a business you need to start with something you can test, and we call that a *business concept*. In your readings, you'll learn that a business concept has four components: the product or service, the identification of the customer, the

benefit provided to the customer, and the means of delivering the benefit to the customer. Each one of those components can be tested through a process that is known as *feasibility analysis*.

In this module, you'll learn why it's important to do a feasibility analysis of a new business concept before you write a business plan. You will also get an overview of the components of a feasibility study, and each subsequent module will treat a component of feasibility in depth. Think of feasibility analysis as a big cone or funnel. We start with the broadest area of analysis first, the industry, and work our way down to the customer, the start-up team, and the financial requirements.

In this module, you'll also learn how to quick-test a concept to make sure that it has at least some potential before you spend the time and effort on a feasibility study. Testing a business concept is important. In a complex and fast-paced global market, you don't have time to make too many mistakes, so before you invest a lot of money and resources in a business, you will want to be reasonably certain that it has a chance for success and survivability over the long term.

This module is probably the shortest of all but that is because you are in the midst of a very important task - defining an opportunity - one that you will use for the rest of the course. For this reason, it's important that you choose an opportunity that you're interested in and will enjoy working on for the next seven weeks. Take advantage of this time to revisit the opportunity that you ended up with in Module 1 and make sure you're still excited about it. Who knows, it might actually lead to a real business!

The Feasibility Study

From this point on, each module that you study will look at one component of the feasibility study. Your complete feasibility study is the final project for this course. So as you do each "Feasibility Track" Assignment, you can begin to build your final project. In a later module, we'll discuss some of the fill-in things you'll want to add to make your feasibility study complete, including a decision about whether or not you believe the concept is feasible based on your research. Your final project will be 15-20 pages single-spaced but with lots of white space, bullets and headers so that it's easy to read and easy to find things.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 1999. Chapter 5.

Web-based Reading

Feasibility Analysis (online)

Check the course Web site for additional readings.

Exercises (non-graded)

2A) **Concept Development Practice.** Check the course Web site for complete details

2B) **Quick, Test the Concept.** Check the course Web site for complete details.

Applications/Projects (graded)

2.1) **Online Feasibility Study Evaluation: Business Concept.** Evaluate the Business Concept section of the Online Feasibility Study example. Check the course Web site for complete details.

2.2) **Feasibility Track: The Business Concept.** In this assignment, you will be defining your business concept and elaborating on it. This will be a piece of your final feasibility study so make sure that you are firm on the business opportunity you want to explore. Check Chapter 3 in the *Launching* book for a complete discussion of concept development. This assignment should contain the following components.

- Attention grabbing opening sentence or two.
- The two-sentence concept statement (just as you did in the practice Web exercises)
- A short discussion of each of the four components: product/service, customer, benefits, distribution.

- A section on what you perceive to be your competitive advantage in the market (ie. what makes your product/service unique and able to stand out from the rest. Strive to have a bundle of several competitive advantages)
- A section on what you see as the growth potential for the company. In other words, what spin-off products or services can you develop in the future, and which new markets can you capture.

This assignment should be titled "Business Concept" and be approximately two to three pages, single-spaced with headers to divide sections. Submit to your instructor as an email attachment (document file) so that you don't lose your formatting.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

One of the biggest problems students face when discussing their product or service is understanding the difference between features and benefits. This is important, because typically customers are really more interested in features than benefits. So what is the difference? Features are the particular characteristics of your product or service. Let's take a clothing boutique as an example business. Some of the features of your business might be

- An excellent location with lots of parking
- Designer clothes not found in department stores.
- Great salespeople who learn what your needs are.

Those are important features that describe the business, but we don't know if they're benefits to the customer because they're not presented from the customer's point of view. Let's see how a customer might benefit from these features we just listed. Here are those same features from the customer's perspective.

- The customer *saves time* by being able to easily park right next to the boutique.
- The customer will be able to find *in one location* the designer clothes they want.
- The customer will *not have to waste time* trying to figure out what works on her and what piece of clothing goes with what. They will receive personal attention.

Any easy way to try to view the benefits of the product or service you're offering is to put yourself in the customer's shoes and ask, "what's in it for me?" In other words, why should I shop at this boutique?

If you know what the customer values - saving time by going to one location and getting expert help - you are better able to design your business to meet those needs. And that will result in loyal customers.

As you work on your Business Concept section, challenge yourself to think about benefits over features. Remember that those benefits can also lead to spin-off products and services, another section of your Business Concept. What you don't want to create is a "one-product" company that has no chance of long-term survival. To avoid that, you need to find additional products and services you can offer to solve your customers' problems and fill their needs. So, even at this early stage in the process, you should be thinking ahead to the next customer, the next product, the next service, the next level of growth. How can you build a sustainable business?

MODULE 3

EVALUATING THE INDUSTRY

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module.
2. Do the required readings listed in the study guide.
3. Read Theme One in the Web module.
 - Do Exercises 3A & 3B (web)
4. Do Application/Project 3.1: Industry Expert Interview (study guide)
5. Read Theme Two in the Web module.
 - Do Application/Project 3.2 – Online Feasibility Study Evaluation: Industry Analysis (web)
6. Do Application/Project 3.3 – Feasibility Track: Industry Analysis (study guide)

PERFORMANCE OBJECTIVES

- The student will demonstrate his or her understanding of industry analysis by designing a step-by-step plan for researching an industry.
- The student will evaluate the viability of an industry by benchmarking it against a model industry based on primary and secondary research gathered on the industry.

OVERVIEW AND CRITICAL THEMES

By this module, you have found an opportunity and turned it into a working business concept. You have even completed a quick test to make sure it was a worthy concept – worthy of your time and effort. And, of course, you had to make certain you were still interested in working on that concept. Doing a feasibility analysis takes a lot of concentrated effort, so it's important that you're enjoying studying the industry and concept you have chosen.

The first step in feasibility analysis is to understand the **nature of the industry** in which your concept will start. Every business, no matter how small is influenced by industry characteristics, such as

- The number of significant competitors
- How hostile or friendly competitors are
- The speed at which the industry moves and changes
- The trends occurring in the industry
- The level of technology required to enter the industry
- The number of entry barriers existing companies have set up
- How large the industry is
- What the potential for growth and profit is.

These are just a few of the kinds of industry indicators that you will be looking for as you begin to study your industry. Many business owners make the mistake of not looking beyond their immediate physical surroundings or their direct customers. The risk they take is that something new will be happening in the industry that they are not aware of, but which can put them out of business. As a business owner, you have an obligation to your business to keep up with changes going on, not only in your industry, but in the general economy as well. No business today operates in a vacuum. Every business today operates in a global environment.

A compatible theme with that of understanding the nature of your industry is that of learning how to **research an industry**. Where do you go to find reliable information? You will learn some effective research strategies in your chapter in the *Launching* book. The important thing to keep in mind is that you can't do all your research online or in books – you have to pound the pavement. You have to talk to suppliers, distributors, competitors, customers, and anyone else who can give you “inside” information on how the industry operates. It could mean the difference between success and failure for your business.

As with every module, you will do assignments to learn content and assignments to practice what you have learned. At the completion of this module, you will have finished a major section of your feasibility study.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 4.

Web-based Readings

John Case, "What's the Key to Great Forecasting?" *INC*, July 1, 1998 at <http://www.inc.com/home/> (You will need to type in the name of the article in the search window.)

A Manual for Writers of Term Papers, Theses, and Dissertations (Chicago Guides to Writing, Editing, and Publishing) by [Kate L. Turabian](#), [John Grossman](#), [Alice Bennett](#). Paperback 6th Rev edition (March 1996)

Check the course Web site for additional readings

Exercises (non-graded)

- 3A) **Find Your SIC Code:** Check the course Web site for complete details.
- 3B) **Research the Industry.** Once you have your SIC Code, you can begin to research your industry. Check the Web site for some Internet resources to get you started. Your book also gives you some suggestions for sources of information. You are doing data gathering right now, attempting to answer the key questions about the industry that you found in your chapter in *Launching*. TIP: As you gather information, organize it according to which area of the analysis it deals with. Be sure to keep complete records of where you got the information because you will want to do footnotes as references in your feasibility analysis. Also, you will want to interrelate your sources; that is, you want to show how one piece of information supports another. You will also have to deal with conflicting information.

Applications/Projects (graded)

- 3.1) **Industry Expert Interview.** Some of the most relevant information you can collect on your industry comes from people you actually talk to. This assignment allows you to gather primary information

for your feasibility study. Choose a person who is active in your industry either as a supplier, competitor, or distributor. Conduct an in-person interview with that person and include the following pieces of information:

- Where is this person in the distribution channel for that industry?
- How does this person describe the industry in terms of how it is to deal in?
- What does this person see as trends for the future of the industry?
- What recommendations does he or she have for someone starting a business in that industry?

Write up your interview in about four-five pages, double-spaced, in a narrative form and submit a document file attachment to your instructor by email so that you don't lose the formatting. You might want to use headers to define the four areas listed above and any others you might want to use.

3.2) **Online Feasibility Study Evaluation: Industry Analysis.** Evaluate the Industry Analysis section of the Online Feasibility Study example. Check the course Web site for complete details.

3.3) **Feasibility Track: The Industry Analysis.** For this assignment, you will be doing a thorough analysis of the industry in which your business concept will operate. Using the resources provided in your book, in the assigned readings, and in the resources in the Web materials is a good way to put together your secondary research. You should also include first-hand or primary research that you gathered by getting out in the industry and talking to people in various areas such as distribution, supply, competitors, and customers. Here are some of the key areas that you will want to cover in your research.

- The size and demographics of the industry
- A discussion of the key players
- The growth potential
- Industry trends
- Seasonality effects
- Profit potential, sales patterns

- Gross margins
- The status of technology
- Any government regulation that might be pertinent

Present your findings in a three to four page, single-spaced report following the guidelines given for the Business Concept Section. Remember that sometimes a graphic can tell a story much better than a lot of words. However, when you present a graphic, be sure to briefly discuss what you want the reader to see as important. You should also be sure to give full citations for any information you gather from sources – footnotes work well – and for your primary research, discuss how you selected the sample and conducted your research. Giving credit where credit is due is something that students often neglect to do, but it's necessary, not only because it's the right thing to do, but because it makes your report more credible.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

When it comes to analyzing the competitive environment in your industry, be sure to summarize all your findings in a competitive grid as pictured in your chapter in the Launching book. This matrix lets you easily see differences among your competitors, and it also lets you easily see where you might gain a competitive advantage with your concept. You can put whatever categories or descriptors you want on the horizontal axis; just be sure that you include the primary customer, benefit, and distribution method. Students often include the marketing strategy or pricing strategy to round out the comparison. Be sure to check out the resources in the article “The Online Sleuth: Market Research via the Web,” for some great ways to gather competitor information.

It might not be a bad idea to put your business concept in the grid as well, so you can clearly indicate to readers how you're differentiating yourself from the competition. Challenge yourself to look at what everyone else is doing in all the categories you have defined and then see if you can find a better way for your business to do those things.

MODULE 4

EVALUATING THE MARKET

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module.
2. Do the required readings in the *Launching Text*.
3. Read Theme One in the Web Module
 - Do exercises 4A and 4B (web)
 - Do Application/Project 4.1 - Online Feasibility Study Evaluation: Market Analysis (web)
4. Read Theme Two in the Web Module.
 - Do Application /Project 4.2 - Profile Your Primary Customer (web)
5. Do exercises 4C (study guide)
6. Do Application/Project 4.3 - Feasibility Track: The Market/Customer Analysis (study guide)

PERFORMANCE OBJECTIVES

- The student will demonstrate their understanding of market/customer analysis by developing an in-depth customer profile.
- The student will be able to design a questionnaire to gather primary data on the customer.
- The student will evaluate the viability of the market by benchmarking it against a model market based on primary and secondary research gathered.

OVERVIEW AND CRITICAL THEMES

You have now completed the first two steps on the path to the feasibility decision. You have developed a business concept suitable for testing and you have researched the industry in which your business concept would play out. Now it's time to go a bit deeper in the analysis to get to the customer, perhaps the most critical component of feasibility analysis.

In this module, through a series of activities, you are going **define a market**, then a market segment, then a niche, and finally you're going to profile a customer. Here's a depiction of where we are so far.

As you can see, we're moving our way down to the customer. You can also readily see that each subset within the industry is affected by the many subsets above it, which is why we have chosen this technique



for attacking the industry/market analysis.

It's easy to come up with ideas of customers for your product or service, but the goal is to find the one that is most likely to be your first customer, because that's the customer that will put you in business. The other customers will come later.

The readings in this module give you an overview of the whole area of market research and will help you devise a plan of attack, which will be your first objective. Two other readings will delve deeper into the "how-to" aspects of doing a **market analysis and preparing a customer profile**. One of your Web assignments, "How to Identify a Target Market and Prepare a Customer Profile," will actually walk you through the process in an interactive environment.

As with the industry analysis, you will have to get out into the marketplace and actually talk to customers. You can't honestly say that you know what customers want or if they're even interested in what you have to offer if you don't ask them. There are lots of ways to approach this type of research – surveys, phone interviews, focus groups – and they are discussed in your textbook reading assignment. You will also get practice designing a questionnaire in one of your Web assignments and you will test your ability to identify

a target market through the forum. If you choose a representative sample of your customers for a focus group, it can be one of the most effective ways to get really useful information because you can actually interact with your customers as opposed to merely asking questions and getting answers. Your instructor will ask for a student volunteer to submit their customer questionnaire to the class as a practice focus group.

The culminating experience will be the presentation of your market research findings in a report that will become part of your feasibility study. This is perhaps the most crucial part of the feasibility analysis because it is here that you determine whether or not you have customers in sufficient numbers to justify the time and effort to do the business.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 6.

Web-based Reading

"How to Prepare a Market Analysis" Available online. Check the Resources section on the course Web site.

Exercises (non-graded)

- 4A) **Who is the Target Market?** Check the course Web site for complete details.
- 4B) **Discussion of Target Markets.** Check the course Web site for complete details.
- 4C) **The Customer Grid.** In this exercise you will be creating a matrix showing the various customers you think might be interested in your product or service, the benefit that will be delivered to each, and how that benefit will be delivered. In this way you will be able to make a more informed choice about which customer to target first. Refer to the example of Rhino Records' three categories of customers in your textbook. When you have finished, post your grid on the forum. Look at your classmates' grids and give constructive feedback to them. One thing to look for in particular is whether or not they differentiating their customers through the benefit or the

distribution. If the benefit and distribution are the same for all the customers, then they really have identified only one customer.

Assignments (graded)

4.1) **Online Feasibility Study Evaluation: Market Analysis.** Evaluate the Market Analysis section of the Online Feasibility Study. Check the course Web site for complete details.

4.2) **Profile Your Primary Customer.** Check the course Web site for complete details.

4.3) **Feasibility Track: The Market/Customer Analysis.** For this assignment, you will be doing a thorough analysis of the market in which your business will operate. Using the resources provided in your book, in the assigned readings, and in the resources on the Web is a good way to put together your secondary research on your target market. You must include first-hand or primary research that you gathered by getting out in the market and talking to customers. Here are some of the key areas that you will want to cover in your research.

- Identify and discuss the Target Market for your product or service. Include demographics such as size of market, growth, etc.
- Identify your niche in the market – your market entry strategy
- Present the results of primary research with the customer
- Present your customer profile

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

The biggest challenge in doing a market analysis is to convincingly and persuasively prove that there is a market for your product or service and that it is of sufficient size to make the business concept feasible. Students will often make the mistake of assuming that because they have sampled an assortment of their friends and family – who are overwhelmingly positive about the concept – that they are “home free,” and the concept is feasible.

Nothing could be further from the truth. In the first place, to get good data – unbiased data – you must choose a representative sample of your target market that is unknown to you. You want people who don't have a personal interest in seeing you succeed. Secondly, just asking potential customers if they would buy is not giving you the kind of information you need. You need answers to “why” questions.

- Why will you buy this product?

- Why are you not interested in this product?
- Why do you purchase in these locations?

The answers to why questions give you information that you can use to refine your business concept and make sure you're really giving the customer what they want.

You also want to know something about demand. Five people telling you that they will buy is not enough. You need to know that five out six people questioned at random said they would purchase your product or service. If you can come up with that kind of result each time you question a focus group, for example, then you have a pretty good sense that demand will be there. Your challenge is to find the best way to gauge demand for your product or service. Now is not the time to fool yourself – there is too much at stake.

MODULE 5

EVALUATING YOUR PRODUCT/SERVICE

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module
2. Do the required readings listed in the study guide
3. Read Theme One in the Web Module
 - Do Exercise 5A (web)
4. Do Application/Project 5.1 - Case Study: Wizards of the Coast (study guide)
5. Read Theme Two in the Web Module
 - Do Exercises 5B & 5C (web)
 - Do Application /Project 5.2 - Online Feasibility Study Evaluation: Product/Service Plan (web)
 - Do Application/Project 5.3 - Feasibility Track: The Product/Service Plan (study guide)

PERFORMANCE OBJECTIVES

- The student will be able to design on paper a product or service and create a graphical timeline of tasks to produce a prototype that is ready for market.
- The student will be able to list the competitive advantages of the product or service.

OVERVIEW AND CRITICAL THEMES

You have now worked your way down from the industry to the market and customer. Now you are ready to consider your competitive advantage in terms of the product or service you are offering. Your ability to differentiate your product or service in the market is essential to your business's success.

Whether you are doing a product business or a service business, you will need to develop a prototype, which is a working physical model. This is easy enough to understand when you're developing a product, but students often have trouble understanding how a service business can have a prototype. Suppose,

for example, that you desire to start an advertising firm dedicated to e-commerce businesses. Your prototype is the design of the service delivery process. You will need to figure out how long it takes and what it takes to be able to deliver a particular marketing strategy, so your prototype may be in the form of a drawing or graphic depicting the process.

Related to the discussion of prototyping is the discussion of the **nature of product development for entrepreneurs**, which is the first major theme of this module. In a fast changing, global and digital world, the way that product development has been done in the past is no longer viable, so you will learn how we have moved from linear product development to a simultaneous team process. You will also learn the critical factors in successful product development today.

The second theme in this module is **intellectual property**. You will learn how to differentiate your business in the areas of product features and benefits as well as intellectual property related to the product/service and the business. Intellectual property refers to legal rights granted to holders of patents, trademarks, copyrights, and trade secrets. These are important assets of your business, and they help to create value that can generate revenue streams and potential for sale and licensing.

In your readings, you will get an overview of the various issues that come into play when you test your product/service for feasibility. Through the various assignments, you will begin to build a bundle of competitive advantages for your business that will set up barriers to other businesses when you enter the market. You will also be preparing the Product/Service Plan for your feasibility study.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. **Chapter 7 and Case Study “Wizards of the Coast.”**

Practice Exercises (non-graded)

- 5A) **Learn About QFD** Check the course Web site for complete details.
- 5B) **Do a Patent Search** Check the course Web site for complete details.

5C) **onsidering Trademark Possibilities** Check the course Web site for complete details.

Assignments (graded)

5.1) **Case Study: Wizards of the Coast.** This case study takes you into the world of product development from an entrepreneur's perspective. Read the case and answer questions #1 -4on 1-2 pages. Submit to your instructor by email as a document file attachment.

5.2) **Online Feasibility Study Evaluation: Product/Service Plan** In this assignment, you are analyzing the effectiveness of the example feasibility study against the benchmark of your requirements for the Product/Service Plan. Check the course Web site for complete details.

5.3) **Feasibility Track: The Product/Service Plan** In this assignment, you will be creating another portion of your feasibility study, this time to explain the benefits and risks of your product/service and to underscore your competitive advantages. Your report should answer the following questions:

- What are the specific features and benefits of your product or service?
- What product development tasks must be undertaken and what is the timeline for completion of those tasks? A graphic or Gantt chart would be appropriate here.
- Is there potential for intellectual property rights? If so, what are they?
- How is the product or service differentiated from others in the market?

Submit your report according to the guidelines presented in the Business Concept Section. Make your that key points stand out. This section can be done in 2-3 pages. Submit to your instructor by email as a document file attachment.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

In this module, you have learned what it takes to develop a new product or service as an entrepreneur with limited resources and to protect that product or service so that it becomes a unique part of your business. New product development is a costly and time-consuming process when you have limited resources. Unfortunately, time is a luxury most businesses don't have in this fast-moving marketplace. To overcome the liability of being a start-up company with a new product, many entrepreneurs have chosen to find partners in other companies that have the capabilities they lack.

A Coopers & Lybrand study found that 51 percent of fast growth companies have collaborated with outside partners. Consequently, those companies have launched 23 percent more new products than those that relied solely on their own resources. Most of the collaboration took place between the entrepreneurial company and its suppliers or subcontractors, but about 24 percent occurred with marketing or selling partners. The majority of the fast-growing firms introduced between one and four new products and services over a two-year period.¹

What this means to you is that as you look at your product development plan, consider how you might use outside partners to help shoulder the burden, keep the costs down, and speed up development time. You might consider outsourcing design, prototyping, and manufacturing of the product.

¹ "Growth Companies Find Teaming with outside Companies Aids in Product Development," Doc. #7603, *Entrepreneurial Edge Online*, Spring 1996.

MODULE 6

EVALUATING YOUR START-UP TEAM

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module.
2. Do the required readings in the *Launching Text*.
3. Do Exercise 6A (study guide)
4. Read Theme One in the Web Module
 - Do Application/Project 6.1 – Case Study: The Start-Up Diaries (web)
 - Do Exercises 6B & 6C (web)
5. Read Theme Two in the Web Module
 - Do Exercises 6D (web)
 - Do Application /Project 6.2 – Forum Debate: Pros & Cons of an Advisory Board (web)
6. Do Application/Project 6.3 – Feasibility Track: The Founding Team (study guide)

PERFORMANCE OBJECTIVES

- The student will benchmark his or her start-up team against a model for the ideal team.
- The student will be able to describe how they will fill the gaps on their team.

OVERVIEW AND CRITICAL THEMES

The days when you could start a new venture as a solo entrepreneur seem to be disappearing rather quickly. The most successful ventures today start as teams of entrepreneurs, inventors, and others, each

of whom has a skill that will benefit the start-up. In this module, you will learn about the various aspects of an effective entrepreneurial team. The module starts by looking at the **founding or genesis team**. This is the core group of people who conceive the idea for the business and bring together the resources and talent it takes to make it happen. The founding team consists of the people who have a vested interest in seeing the business go forward and succeed. The founding team is usually helped by an **outside group of people, a shadow team**. These include professional advisors such as attorneys, accountants, bankers, and others with specialized expertise that the founding team needs. These professional advisors are usually accessed on an as-needed basis.

Another group that helps the founding team is independent contractors who may be consultants, manufacturers, sales representatives, and so forth. As you study this group – the shadow team, you will learn about some very important laws relative to independent contractors that you must follow. It is important to carefully distinguish independent contractors from employees and follow the rules to the letter or you could face stiff penalties. A lot of small companies who can't afford the burden of employees (the single largest expense of any business) often resort to calling someone an independent contractor when they actually treat them the same as they would an employee. In this module, you'll learn how to reap the benefits of independent contractors without running afoul of the IRS.

Through your exercises and projects/applications, you will learn how other companies have structured their founding teams and also been able to hire top management talent even though their budgets are limited. You will also have the opportunity to get out into the market and interview a potential professional advisor. The capstone assignment will have you writing the portion of your feasibility study that deals with the start-up team, its experience, abilities, and how you're going to fill any gaps.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 4; Chapter 8, pages 279-281.

Exercises (non-graded)

6A) **Interview a Professional Advisor.** Choose a lawyer, accountant, or banker to interview as a potential professional adviser to your business. Think about what kind of information you will

need to get to be able to make a decision about whether this person is the right one to help your business.

- 6B) **Hire the Best.** Check the course Web site for complete details.
- 6C) **Forum: Post Your Informational Questions for Your Professional Adviser.** Check the course Web site for complete details.
- 6D) **Employee or Contractor?** Check the course Web site for complete details.

Applications/Projects (graded)

- 6.1) **Case Study: The Start-Up Diaries: Taking the Leap.** In this assignment, you are asked to read the five brief case studies of the start-up five companies. Check the course Web site for complete details.
- 6.2) **Forum Debate: Pros & Cons of an Advisory Board.** An online article will form the basis for a debate with your classmates on the forum. Check the course Web site for complete details.
- 6.3) **Feasibility Track: The Founding Team.** This assignment will form part of your feasibility study. In two to three pages, you will describe your founding team showing which experiences they bring to the venture that will help it become a success. You will also want to indicate what role the team member will play in the organization. Most start-up teams are missing some particular expertise they need, so be sure to indicate where you will find that expertise in the form of professional advisors or independent contractors. If you have an advisory board or board of directors, you should name them as well.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

By now you have a good sense that it literally “takes a village” to start a new company. Trying to do everything yourself is nearly impossible. But, as you now know, there are many sources of help out there, from professional advisors to consultants, independent contractors of all sorts, and other companies that have expertise you’re lacking.

As your business gets going and your formal organizational structure is in place, you will probably want to think about a more formal board of directors. Of course, if you have a corporate form for your business, you are required by law to have a Board, but in some states like California and Delaware, you only need one director on that Board. In general, the stockholders elect a Board of Directors, and it’s their job to

monitor the operations of the company. They hire and fire the officers of the corporation, decide on compensation and do other activities related to the policies of the company.

The big challenge is to decide whether or not you want outside directors. Recall from your reading that outside directors are those who have no relationship with the company in any form. Inside directors are officers and others who actually work for the company or are owners of the company. One thing that you ought to think about when you're forming your Board of Directors is that if your board consists entirely of friends, family, and company management, it's not going to look too desirable to potential investors. This is because there is no one on the Board to bring a fresh point of view and look at the company more objectively. If you look for outside directors who fill gaps in your company's expertise, who have important contacts in the industry, who have access to financing what you might need in the future, and who bring a level of integrity and credibility to your company, you will find that having outside board members is a real asset to the company. Think about whom you might approach to serve on your Board of Directors.

MODULE 7

EVALUATING YOUR DISTRIBUTION CHANNEL

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module.
2. Do the required readings.
3. Read Theme One in the Web Module
 - Do Exercises 7A (web)
 - Do Application/Project 7.1 – Evaluating Your Distribution Options (web)
4. Read Theme Two in the Web Module
 - Do Exercises 7B (web)
 - Do Application/Project 7.2 (web)
5. Do Application/Project 7.3 – Value Chain. (study guide)
 - Do Application/Project 7.4 – Feasibility Track: The Distribution Channel (study guide)

PERFORMANCE OBJECTIVES

- The student will be able to list at list three distribution channel alternatives for a business concept.
- The student will demonstrate his or her understanding of how value is created along a distribution channel by picking a product and tracing it back to its source. The student will then produce a graphical value chain, noting the intermediaries in the value chain and how they create value.

OVERVIEW AND CRITICAL THEMES

Distribution has become one of the key competitive advantages that businesses have to build. Nearly every week, we are seeing the brands of long-time market leaders like Toys r' Us being challenged and

even blown apart by upstart dot.com companies like e-Toys that use the Internet as the centerpiece of their distribution strategies.

During the 1990s, we also saw brick and mortar companies like Wal-Mart wipe out the middleman by going direct to the consumer with low-overhead warehouse operations rather than expensive storefronts.

In this module, you'll learn about distribution and how it can help you gain and maintain a competitive advantage in the marketplace. Today, the Internet is reducing transaction costs to near zero in some cases. Transaction costs are those costs related to dealing in goods and services. We can identify six types of transaction costs:

1. Searching. The time, effort, and money it takes for a seller to find a buyer or vice versa.
2. Information. The time, effort, and money it takes for the seller to learn about the needs of the buyer, and the buyer to gather data about the seller and his products or services.
3. Bargaining. All the costs related to the time and effort to come to agreement on a price and complete a purchase.
4. Decision. The costs related to sorting through information in order to pick the right product.
5. Monitoring. The time and effort it takes to make sure what was purchased is correct according to the deal that was made.
6. Enforcement. The time, effort, and cost to remedy a faulty agreement.

So, you can see that if you had a way to reduce all of these costs, you could gain a serious advantage over other companies that are still pricing in a manner that includes these costs.

You will also learn how to evaluate various distribution options according to how they look in terms of the value chain. Is there a way to shorten the value chain so that the customer can pay less for the product or service, and your company will make the same amount of profit? In one of the projects, you will actually create a value chain for your new venture. Your distribution channel analysis project is the last piece before the financials. By this time, you should have gathered all the data you need to prepare your pro forma financial statements and calculate how much you need to start the business.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 10.

Web-based Reading

“Channel Surfers,” by Teri Lammers Prior, *Inc.* February 1, 1995. Available online. Check the Resources section on the course Web site.

Exercises (non-graded)

- 7A) **Surf the Internet.** Check the course Web site for complete details.
- 7B) **Test Drive the Pricing of a Car.** Check the course Web site for complete details.

Applications/Projects (graded)

- 7.1) **Evaluating Your Distribution Options.** Read the online article and complete the associated worksheet. Check the course Web site for complete details.
- 7.2) **Forum Discussion: Channel Surfers.** Discuss a company’s distribution strategy. Check the course Web site for complete details.
- 7.3) **Value Chain.** Pick a product in the consumer marketplace and trace it back through the value chain (the distribution channel) to its origins. Show where value was created at each point in the chain. For example, if you are the manufacturer and you sell your product to a distributor who then sells it to a retailer, there are markups in the cost along the way. Why has the product increased in price? What has the intermediary done to create value that justifies a price increase?
- 7.4) **Feasibility Track: The Distribution Channel.** This assignment will form part of your feasibility study. In one to two pages, you will describe the distribution channel for your new venture idea. It should include the following:

- A graph of your distribution channel or value chain, showing where value is added at each point.
- A justification for the channel you have chosen.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

As you have worked your way through this module, you have no doubt begun to understand that a distribution channel is much more than the sum of its parts. It provides an opportunity to differentiate your business from others in the market and to attain a sustainable competitive advantage in a rapidly changing environment.

You have also seen how the Internet has changed the face of distribution, providing businesses with a new way to reach customers at a global level. But the Internet has also destroyed many businesses in the process. By reducing the transaction costs of doing business, it has put out of business many businesses that depended on brick and mortar operations or on acting as agents for the customer. Think about the real estate industry, for example. Does a customer need an agent to preview homes on the Web, learn their features and their prices? Perhaps, a customer still needs an agent to physically preview a home, but he or she certainly doesn't need an agent to get a mortgage (that can be done on the Internet), and the customer doesn't need an agent to handle an escrow. There is no reason that the closing process couldn't be handled electronically as well. So what is the new role of the real estate agent? The virtual real estate deal is closer than we think. Wouldn't it be wise for real estate companies to reposition themselves now for that certain future?

The readings, exercises, and projects you completed in this module have helped you to choose the most effective distribution strategy for your new venture. As you saw in the "Channel Surfers" exercise, there are a variety of distribution strategies available, probably several you have never heard of before. You don't have to choose a strategy that someone else has identified as effective. You can create one your own design as long as it makes sense for the customer and is feasible. If you have carefully followed the suggestions in this module, you have created a value chain that will enhance the value of your company and give customers what they want.

One word of caution: Just because you have selected a distribution channel that seems to be the best for your type of business, doesn't mean that it will always be the best. In a digital world, the environment can change virtually overnight. That is why it's important that you constantly be scanning the environment to see what is on the horizon. Talk to your customers regularly to make sure that they are happy with the way they are able to purchase your products and services.

MODULE 8

EVALUATING YOUR FINANCIAL STRENGTH

PATH TO COMPLETE THE MODULE

1. Read the study guide in its entirety for an overview of the module.
2. Do the required readings listed in the study guide.
3. Do Exercise 8A (study guide)
4. Do Application/project 8.1 - The Fantasy Tour of the Business. To make sure that you have all the information you need to complete your financial statements, you will want to take a virtual tour of your business. Start at the front door and visually walk your way through the business noting what you see being done, who is doing it, and what equipment they need to do the task. You are trying to find out what kinds of equipment you will need to have, how many employees you will require, and how big of a facility you will need. These become the costs of your business. Set up a table with three columns headed "Task," "Person/People," "Equipment," and "Costs." Then enter the information appropriate for your business. Submit as an email document file to your instructor.
5. Read Theme One in the Web module.
6. Read Theme Two in the Web module.
 - Do Exercise 8B (web).
7. Do Application/project 8.2 - Putting Together the Entire Feasibility Analysis. (study guide)
8. Do Application/project 8.3 - Posting Your Take-Away. (study guide)

PERFORMANCE OBJECTIVES

- Given a business concept, the student will be able to list the information they will need to gather about the business in order to do pro forma financial statements.
- The student will demonstrate the capital requirements of a business concept by creating a cash needs assessment.
- The student will be able to create a first-year cash flow statement and income statement for a new business.

- The student will be able to draw a conclusion of feasibility/no feasibility based on the analyses conducted in modules 1-7, and describe in one to two paragraphs the conditions under which the student would start this business.

OVERVIEW AND CRITICAL THEMES

You have reached the final module. In each of the previous modules, you have developed a portion of your complete feasibility study, and now it's time to bring everything together to create some financial statements and draw conclusions. It would have been difficult to do the financial statements had you not done all the research on the industry and market as well as decided on the way your product or service would be delivered.

This module will have two distinct parts: 1) Capital requirements for start-up; and 2) putting together the feasibility study. In the first part, **capital requirements**, you will be learning how to determine how much capital you will need to start and run your business until the business can achieve a positive cash flow on its own. You will assemble all your costs and your estimates of sales revenues into a cash flow statement and an income statement. You will learn how to calculate a break-even point that will tell you when your company will begin to earn a profit. Since the second part of this module, the feasibility study, is so important, we will discuss it more completely in the next section.

The Feasibility Study

Recall that the feasibility study represents your estimation of the conditions under which you are willing to tackle this new venture. Of course, it is possible that you might decide that the venture is completely unfeasible for reasons that you can't control.

- It may take more money than you believe you can raise.
- It may have too many regulations associated with it, or
- the market may not be big enough to support a business of the size you want to create.

On the other hand, you may be able to modify the conditions for start-up such that you would be willing to go forward under those conditions.

Understand that making a decision about feasibility is both an economic/market decision and a personal one. You have to have confidence that you can make this business happen, assuming it has market and financial feasibility. If you're not passionate about the concept, then you probably shouldn't go forward.

Your feasibility study will include the following major sections:

- **Cover page** with your name and the name of your company, along with the words “feasibility study.”
- **Executive Summary:** a one-page summary of the key findings of your feasibility study, including your decision as to feasibility.
Include the most important points from all sections of the feasibility study. Do not exceed two pages. Make sure the first sentence captures the reader’s attention and that the first paragraph presents the business concept.

- **Table of Contents**

- **Business Concept Section** (Refer to Module 2)

What is the business?

Who is the customer?

What is the benefit(s) being delivered to the customer?

How will the benefit be delivered (distribution)?

Spin-offs and potential for growth

Environmental impact

- **Industry/Market Analysis Section** (Refer to Modules 3 and 4)

Industry analysis

Target market analysis

Niche

Competitor analysis & competitive advantages (competitive grid)

Customer Profile (results of primary research)

Distribution Channels (alternatives and risk/benefit) (Refer to Module 7)

Entry Strategies (Initial market penetration - first customer)

- **Founding Team Section** (Refer to Module 6)

Qualifications of genesis team

How critical tasks will be covered

Gap analysis (professional advisors, board of directors, independent contractors)

- **Product/Service Test Section** (Refer to Module 5)

Detailed description and unique features of product/service

Current status

Tasks and Timeline to completion. A Gantt Chart may be used.

Intellectual property acquisition (if relevant)

Plan for prototyping and testing

- **Financial Analysis** (Refer to Module 8)

Summary of key points on which financial feasibility is based

Assumptions or premises for cash needs assessment

Cash Needs Assessment [Minimum start-up capital required. Use 1-year pro forma cash flow by month

1-year pro forma income statement by month

Break-even analysis $TR=TC$

- **Appendix: resumes, questionnaires, other supporting information**

Presentation requirements

PROOFREAD CAREFULLY!!

WRITE IN THIRD PERSON USING A MIXTURE OF THE COMPANY NAME, A THIRD PERSON PRONOUN, OR PASSIVE VOICE. DO NOT USE FIRST PERSON (I, WE, ME, OUR)

Remember that this is a persuasive document. Cite sources of information (footnote or endnotes), and don't rely solely on your own experience to support any claim. Use multiple sources to support your arguments.

Introduce and discuss any graphics used to highlight the key points for the reader.

It is not the size of the feasibility study that counts but the quality of your persuasive argument - that you have a feasible business concept.

A certain amount of white space on the page is good. Remember, this is not a novel that the reader will devour cover-to-cover. Make it easy for the reader to find information. A combination of bullet points and brief narrative works well.

Be sure your most persuasive points are clearly represented and understood in every section of the feasibility study.

Use a standard type font as was used in this guide.

ASSIGNMENTS

Required Readings

Text

Launching New Ventures, 3rd ed. Kathleen R. Allen, Boston: Houghton-Mifflin, 2003. Chapter 9.

Check the course Web site for additional readings.

Exercises (non-graded)

- 8A) **Review the Sample Feasibility Study:** Look at the sample feasibility study provided on the Web site to see how the entrepreneur prepared the financial statements and reports for the feasibility study. Make a plan for how to present the financial information you have collected in a persuasive manner.
- 8B) **“Entrepreneurial Death Traps** Check the course Web site for complete details.

Applications/Projects (graded)

- 8.1) **Fantasy Tour of the Business.** To make sure that you have all the information you need to complete your financial statements, you will want to take a virtual tour of your business. Start at the front door and visually walk your way through the business noting what you see being done,

who is doing it, and what equipment they need to do the task. You are trying to find out what kinds of equipment you will need to have, how many employees you will require, and how big of a facility you will need. These become the costs of your business. Set up a table with three columns headed "Task," "Person/People," "Equipment," and "Costs." Then enter the information appropriate for your business. Submit as an email document file to your instructor.

- 8.2) **Feasibility Track: Putting Together The Entire Feasibility Study.** Your primary task for this module will be putting together your feasibility study. This will entail going back to all the parts that you created in each of the seven previous modules and revising them based on any current information you have collected. You may also want to add things that you have learned since first creating those parts. Based on the guidelines in your text and the outline in this study guide, you can prepare your feasibility study. Submit it to your instructor by email in a document file.
- 8.3) **Posting Your Take-Away.** When you have completed all the assignments for this module and turned in your feasibility study, post to the course forum a brief statement of the most important thing you will take away from this course.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

You have come a long distance in a relatively short amount of time. You can probably readily see that doing a feasibility analysis on a new business concept is a serious undertaking that requires a variety of different activities and certainly a great amount of effort on your part. You have also learned that it takes creativity to find ways to make your business different from all the others in the marketplace.

Perhaps, you have also learned some new research techniques that you can apply in many other types of situations. Of course, you have probably discovered that the Internet provides a wealth of information without having to leave the comfort of your chair. Certainly, the Internet is a good place to start any research, but it can't take the place of getting out into the marketplace and talking with real customers, suppliers, distributors, and others in your industry who can give you the latest information on trends, challenges, opportunities, and so forth. We hope that you have recognized the value of networking with others in your industry. Certainly, those contacts will be important as you grow your business, seek capital, or look at new markets.

If you have learned that you have a feasible concept, your next step would be to complete the full business plan, which is the document that describes the business you are creating to execute your business concept. As you will learn, the business plan is a living document that changes as things in the business's environment change. If you are starting an e-business, you may find that the feasibility study

alone is enough to attract the capital you need to start. Most other types of businesses will require a business plan.

Perhaps you have taken this course simply to learn something about the process of recognizing and analyzing a new business concept without any real plan to start a business. You will find that the skills you have acquired from this course can be used in any job you choose to do. The actual feasibility study is a clear demonstration of your ability to create a new concept, test it, and prove it in the marketplace. That ability can be translated to developing new products, and starting new projects inside a large organization, whether it be for-profit or non-profit ventures.

APPENDIX 1

AUTHOR BIOGRAPHY

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MBA California State University, Fresno

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Dr. Allen is the author of *Entrepreneurship and Small Business Management 2nd Ed.*, *Launching New Ventures 2nd Ed.*, and *Growing and Managing an Entrepreneurial Business*, as well as several other trade books. As a professor of entrepreneurship at the Greif Entrepreneurship Center of the Marshall School of Business at the University of Southern California, Allen is responsible for directing the new alliance of the Engineering School and the Marshall School of Business. The purpose of this effort is to develop joint programs in engineering/business. As an entrepreneur, Allen has been involved in commercial real estate development for the past 15 years. She is presently the co-founder and CFO of Gentech Corporation, a technology-based manufacturing company that recently launched a line of patented, intelligent, power source machines. Allen consults to two medical technology ventures and is directing a national research project, funded by Microsoft, 3-Com, and Compaq, to study the effects of networking technology on the competitive strategies and performance of small, growing businesses.

APPENDIX 2

BIBLIOGRAPHY AND RESOURCES

“Channel Surfers,” by Teri Lammers Prior, *Inc.* February 1, 1995. Available online. Check the Resources section on the course Web site.

“How to Identify a Target Market and Prepare a Customer Profile” Available online. Check the Resources section on the course Web site.

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