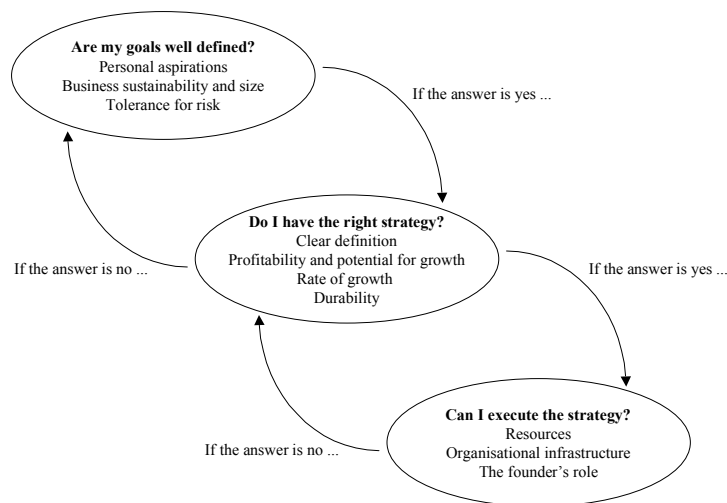


CE Entrepreneurship Getting started in enterprise.

The questions every entrepreneur must answer

“Of the hundreds of thousands of business ventures that entrepreneurs launch every year, many never get off the ground. Others fizzle after spectacular rocket starts.” [1] Why is this? Top start down the entrepreneurial road some tough questions must be asked and answered. The figure below shows a framework proposed by Bhide in 1996, it is a three stage process and all three stages must be passed before the business begins. Much of these notes is extracted from the same reference.



The Entrepreneur's Guide to the Initial Big Issues

From "The questions every entrepreneur must answer", Amar Bhide, Harvard Business Review, 1996

Stage 1. Clarifying goals: Where do I want to go?

Personal goals must align with business goals. What are your personal goals?

- Outlet for artistic talent
- A desire to experiment with a specific technology
- Be my own boss
- Desire to see something I have created grow
- An immortal edifice to my deeply held beliefs
- A financially safe retirement
- A healthy income so I can enjoy life

The underlying drivers for these example personal goals are very different and the ‘business’ that provides them could also be very different. So what kind of business is needed?

- One person studio style business
- A research laboratory
- One person business
- A physical building
- A business with a high capital value in a few years
- A steady business with good profit

These businesses, which roughly align with the personal goals above, are very different beasts, or could be.

What risks and sacrifices will the business require? What are you prepared to sacrifice to achieve your goals?

- Are you prepared to work long hours to establish the business?
- Are you prepared to put your own money into the business?
- Are you prepared to learn any new skills required to enable you to grow?

Because personal franchises are difficult to sell and often require the owner’s daily presence, founders may become locked into their businesses. They may face financial distress if they become sick or just burn out. “I’m always running, running, running,” complains one entrepreneur, whose business earns him half a million dollars per year. “I work 14-hour days, and I can’t remember the last time I took a vacation. I would like to sell the business, but who wants to buy a company with no infrastructure or employees?”

Does your personal goal implicitly require an exit route? What happens when you retire?

Stage 2. Setting strategy: How will I get there?

A sound strategy is required that meets the following four criteria:

1. The strategy is well defined

To be useful, strategy statements should be concise and easily understandable. They should be focussed and not allow jaunts down leafy lanes, even if seemingly profitable (unless that is the strategy!).

2. The strategy can generate sufficient profits and growth.
 - What are the sources of competitive advantage, if any?
 - Who is the competition?
 - Is the offering better than the competition?
 - What will the customer be prepared to pay for the offering?
 - What volume will I need to sell?
 - Can I meet this demand?
 - Is there sufficient profit to cover business costs?

3. The strategy is sustainable
 - Can the strategy be maintained over the long period?
 - Will the situation or conditions that produced the opportunity, remain the same for very long?
 - What next?

4. The strategy is a balance between aggression and conservatism

Are the growth plans right for me, the amount of effort I am prepared to put in and the amount of risk I am prepared to take?

Stage 3. Executing the strategy: Can I do it?

Now is the time to get honest with yourself. A careful and honest strengths and weaknesses analysis based around the knowledge, skills and attitudes you have towards your goals is a vital first step. “Great ideas don’t guarantee great performance.” Some key questions are:

Do I have the right resources and relationships?

- Can I gain access to the best people to help me or do I need to compromise, perhaps using friends?
- As the business grows should I recruit people for specific jobs or generalists or even create positions for good candidates?
- The use of subcontractors to keep costs down in the early stages may be OK but permanent staff will be needed as the business grows. A business with fixed assets but no people will be hard to sell!

How strong is the organisation?

- An organisation’s capacity to execute its strategy will depend on its hard infrastructure (organisational structure and systems) and its soft infrastructure (culture and norms). The hard infrastructure depends on its goals and strategies. Investment in hard infrastructure is dependent on planned growth rate. Culture also has a pronounced impact on the ability to execute the strategy.

Can I play me role?

- Am I a small business person or a grower and shaper? I must fit the strategy.
- Can I let go if I need to?
- Founder's roles change as the business develops.