The Entrepreneurial Process

Ernie Oliveira
DEO Associates

Entrepreneurship & Job Creation

Landmark Research findings by David Birch of MIT

- New firms created 81.5 percent of the net new jobs since 1980
- Small businesses and entrepreneurs created more than 34 million new jobs since 1980

Research findings by U.S. Small Business Administration's Office of Advocacy

- Small businesses represent 99 % of all employers
- Small businesses provide about 75 % of all new net jobs

At the Heart of the Entrepreneurial Process is the:

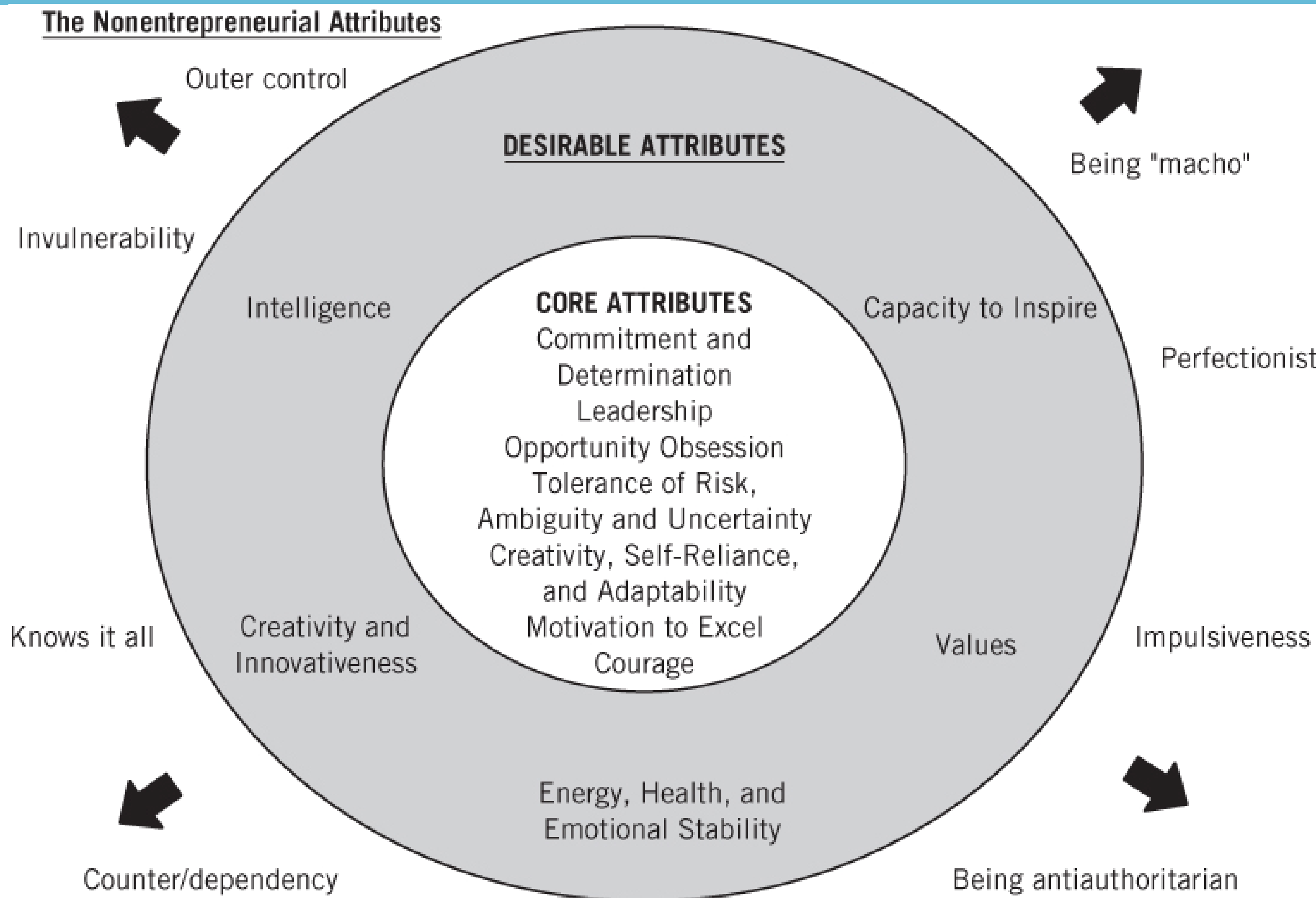
- Founder
  - The Opportunity Seeker
  - The Creator and Initiator
  - The Leader
  - The Problem Solver
  - The Motivator
  - The Strategizer, and
  - The Guardian of the Mission, Values, and Culture of the Venture

Achieving Entrepreneurial Greatness

Three core principles:

1. Treat others as you would want to be treated
2. Share the wealth that is created with all those who have contributed to it at all levels
3. Give back to the community

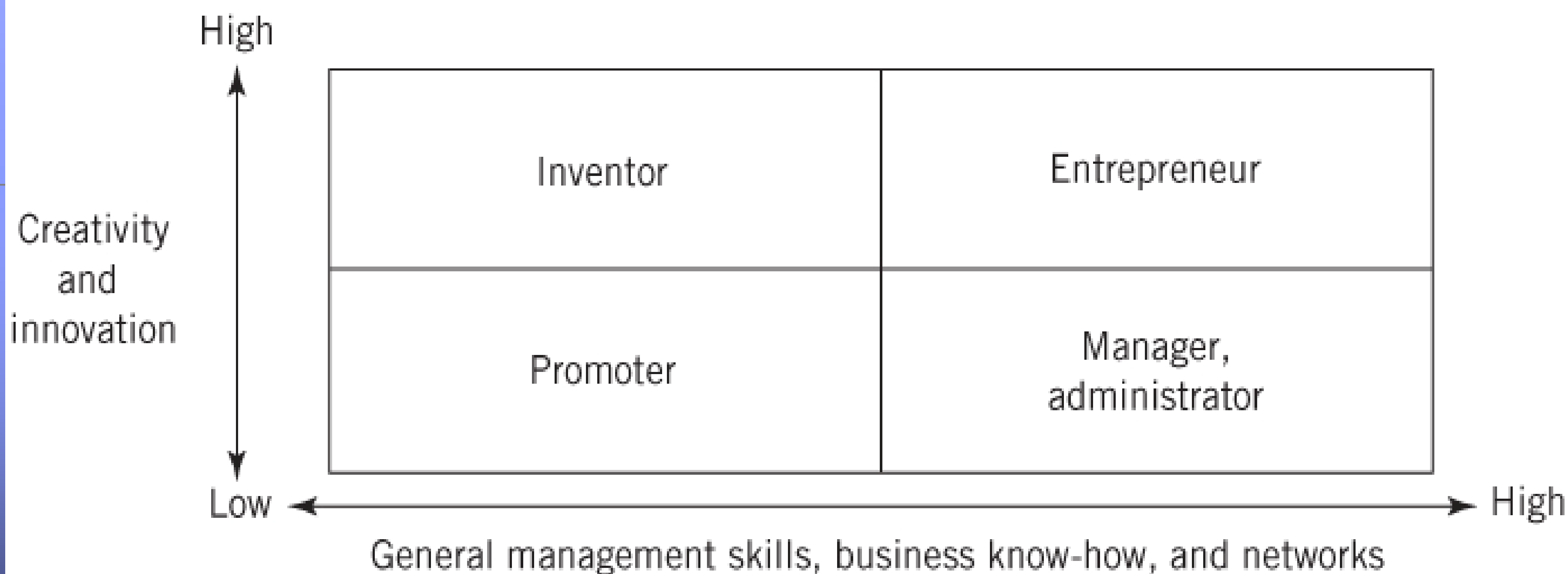
Attributes of the Entrepreneurial Leader



The Entrepreneurial Mind in Action

- Successful entrepreneurs have a wide range of personality types
  - Research has considered genetics, family, education, career experience, etc., but no psychological model of entrepreneurship has been supported.
- Acquired skills are more important that specific inherent traits

Comparing Entrepreneurs to other Professionals



The Entrepreneurial Revolution

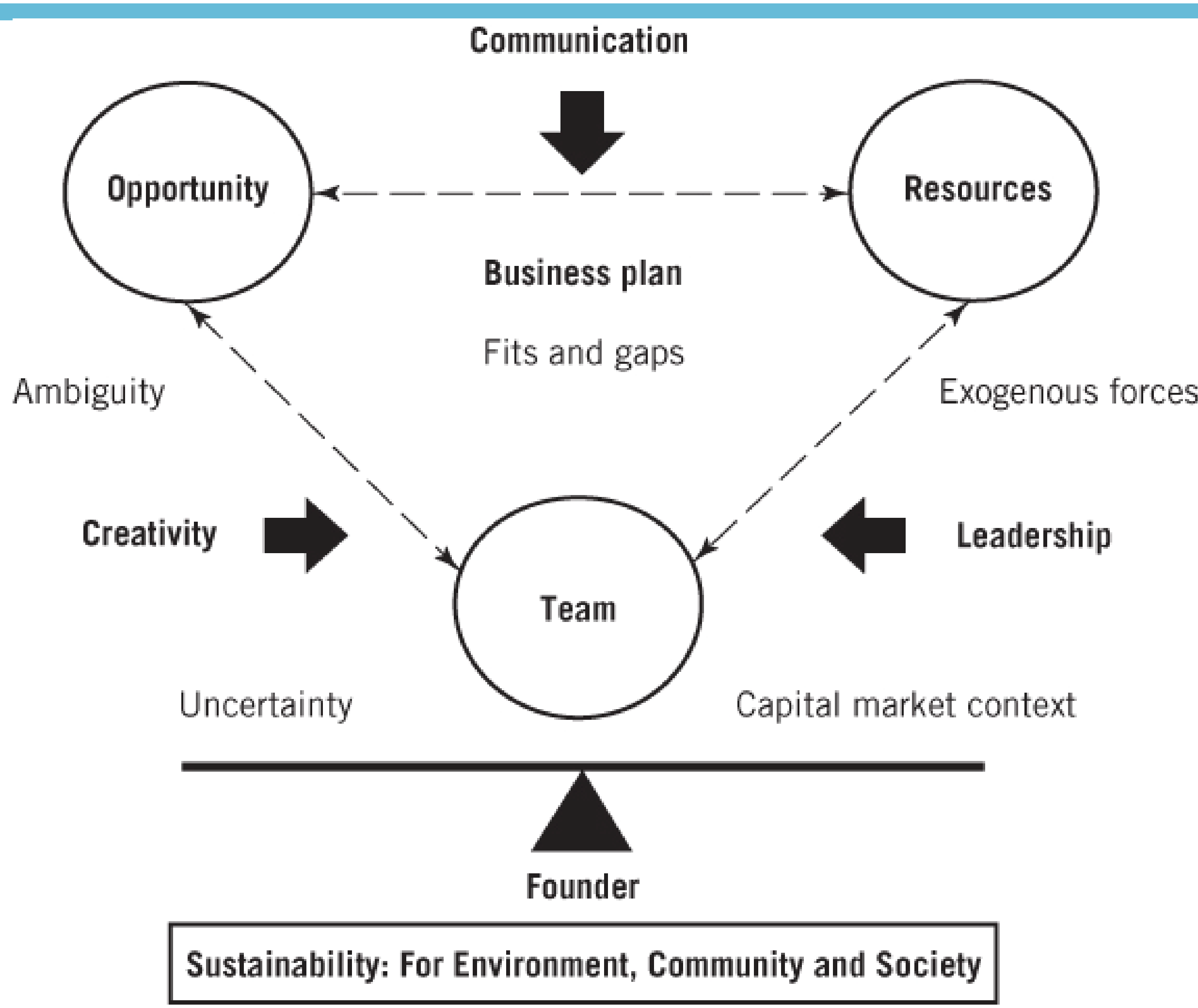
Entrepreneurship is:

- Taught at over 2,000 colleges, universities, and community colleges.
- The focus of a number of educational grants.
- Creates 75 percent of the net new jobs nationwide.
- Self-employment eliminates "glass ceilings" and "glass walls" for women and minorities.
- Gaining and growing in elementary through high schools.

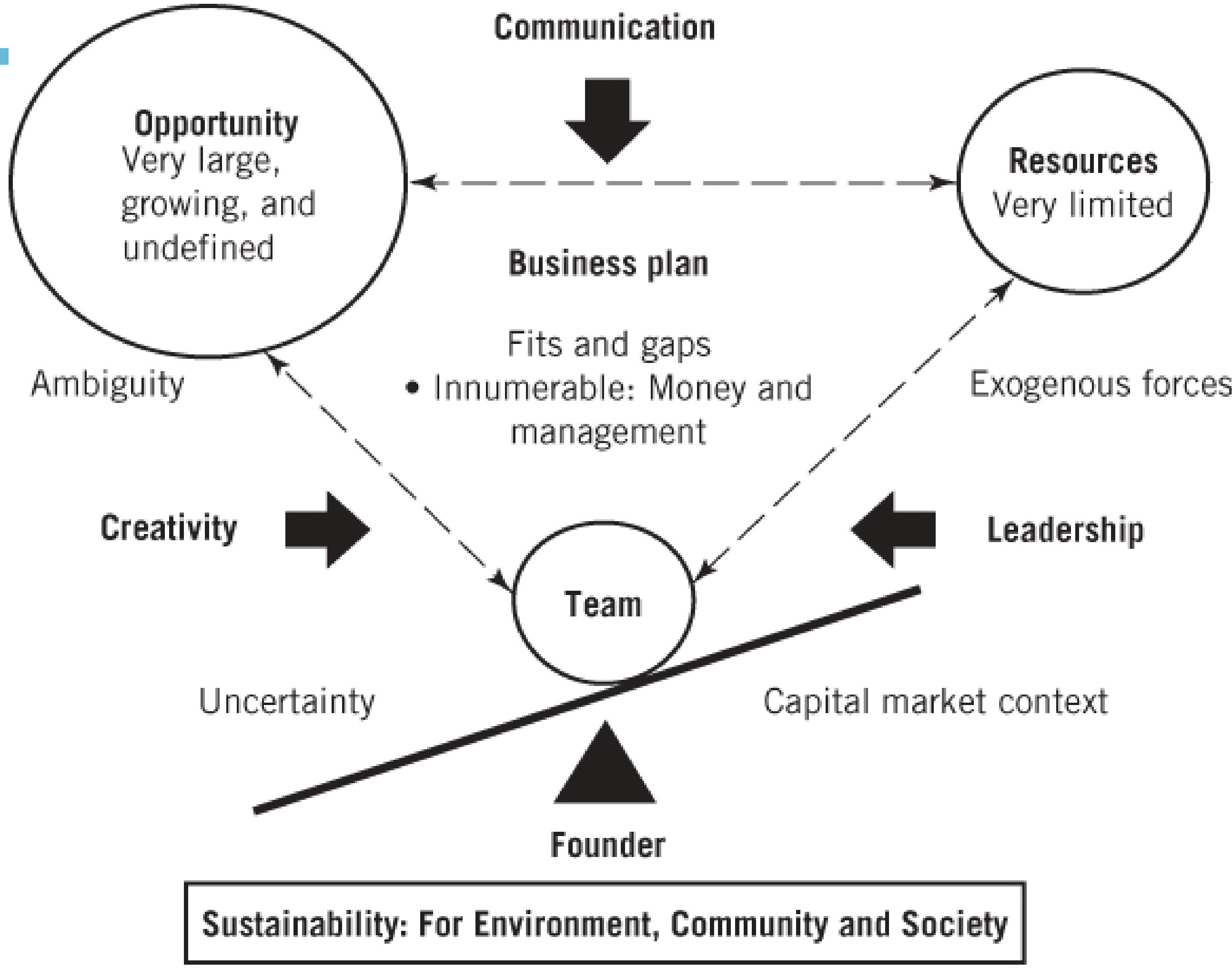
Classic Entrepreneurship: The Startup

- *Raw startup company*—an innovative idea that develops into a high growth company
- Qualities of a startup company
  - Strong leadership from the main entrepreneur
  - Complementary talents and outstanding teamwork of team members
  - Skill and ingenuity to find and control resources
  - Financial backing to chase opportunity

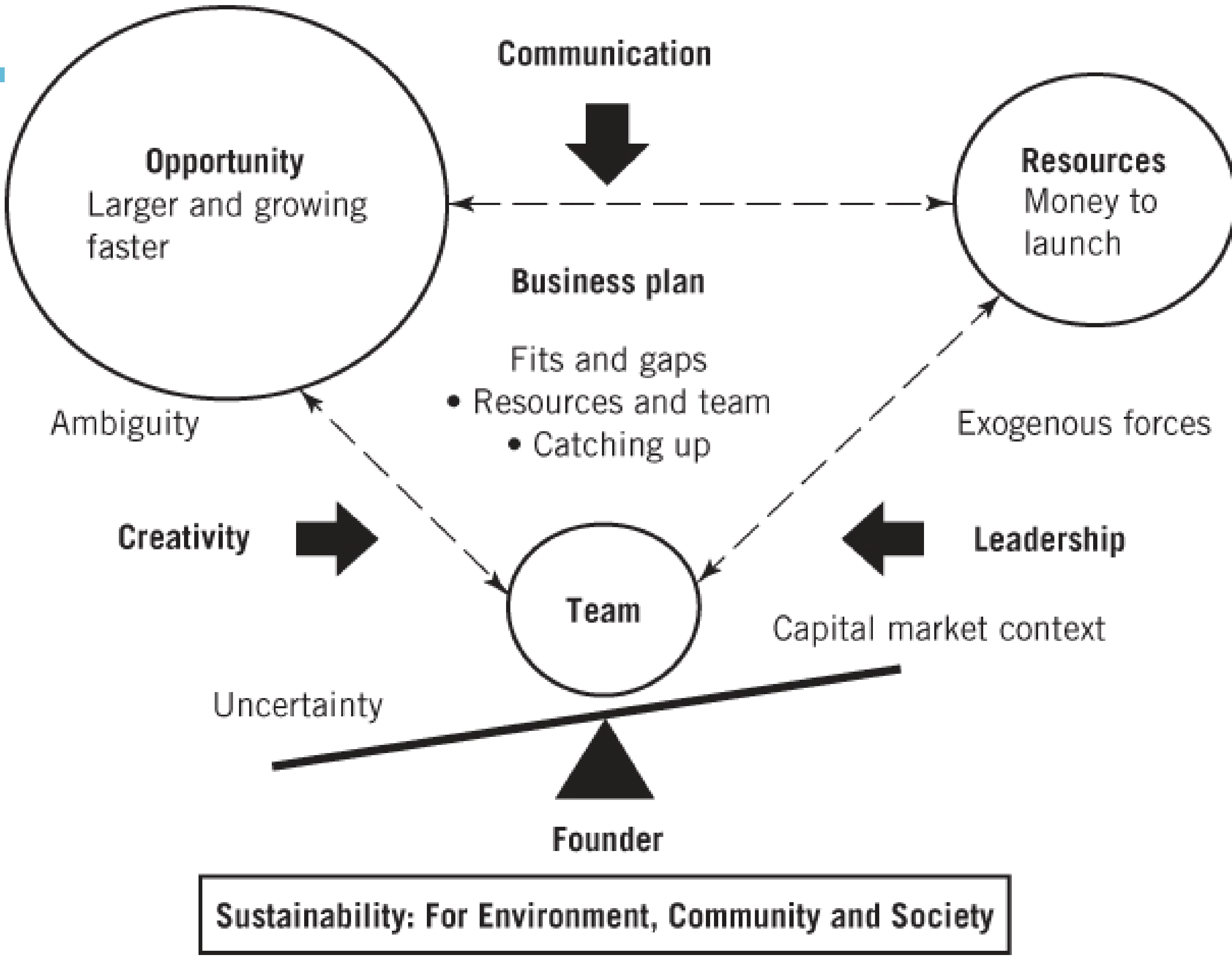
Entrepreneurial Process Model



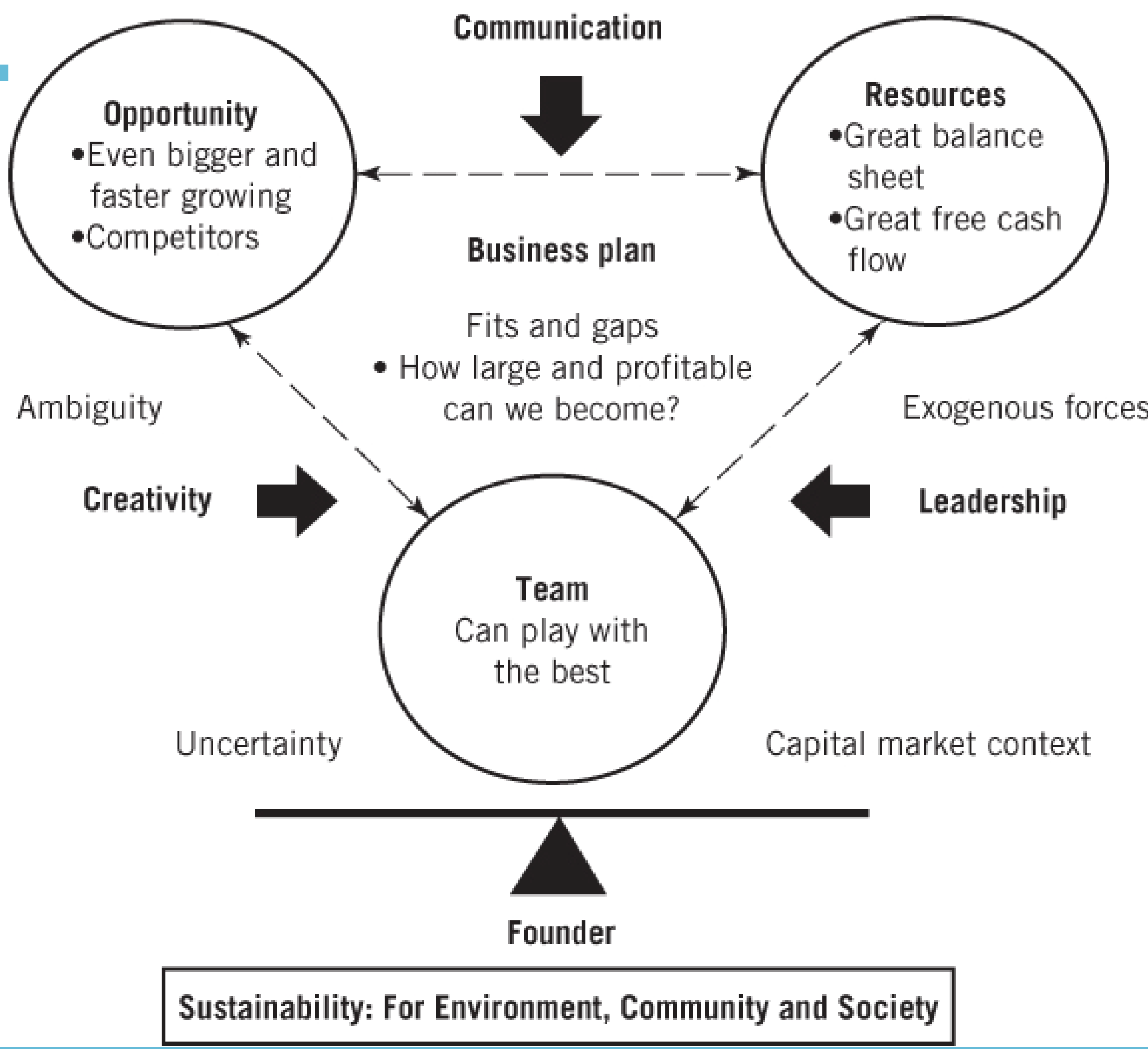
Example: Stages of the Entrepreneurial Process



Example: Stages of the Entrepreneurial Process



Example: Stages of the Entrepreneurial Process



Opportunity

Market demand is a key ingredient to measuring an opportunity:

- Is customer payback less than one year?
- Do market share and growth potential equal 20 percent annual growth and is it durable?
- Is the customer reachable?

Market structure and size help define an opportunity:

- Emerging and/or fragmented?
- $50 million or more, with a $1 billion potential?
- Proprietary barriers to entry?

Margin analysis helps differentiate an opportunity from an idea:

- Low cost provider (40 percent gross margin)?
- Low capital requirement versus the competition?
- Break even in 1–2 years?
- Value added increase of overall corporate P/E ratio?

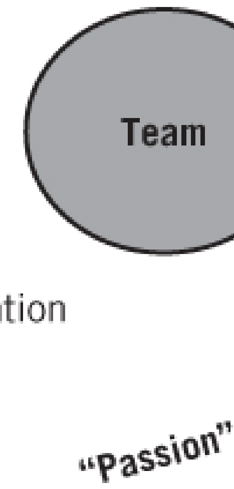
Team

An entrepreneurial leader

- Learns and teaches—faster, better
- Deals with adversity, is resilient
- Exhibits integrity, dependability, honesty
- Builds entrepreneurial culture and organization

Quality of the team

- Relevant experience and track record
- Motivation to excel
- Commitment, determination, and persistence
- Tolerance of risk, ambiguity, and uncertainty
- Creativity
- Team locus of control
- Adaptability
- Opportunity obsession
- Leadership and courage
- Communication



Resources

Resources

"Bootstrapping"

Minimize and **Control**
versus
Maximize and **Own**

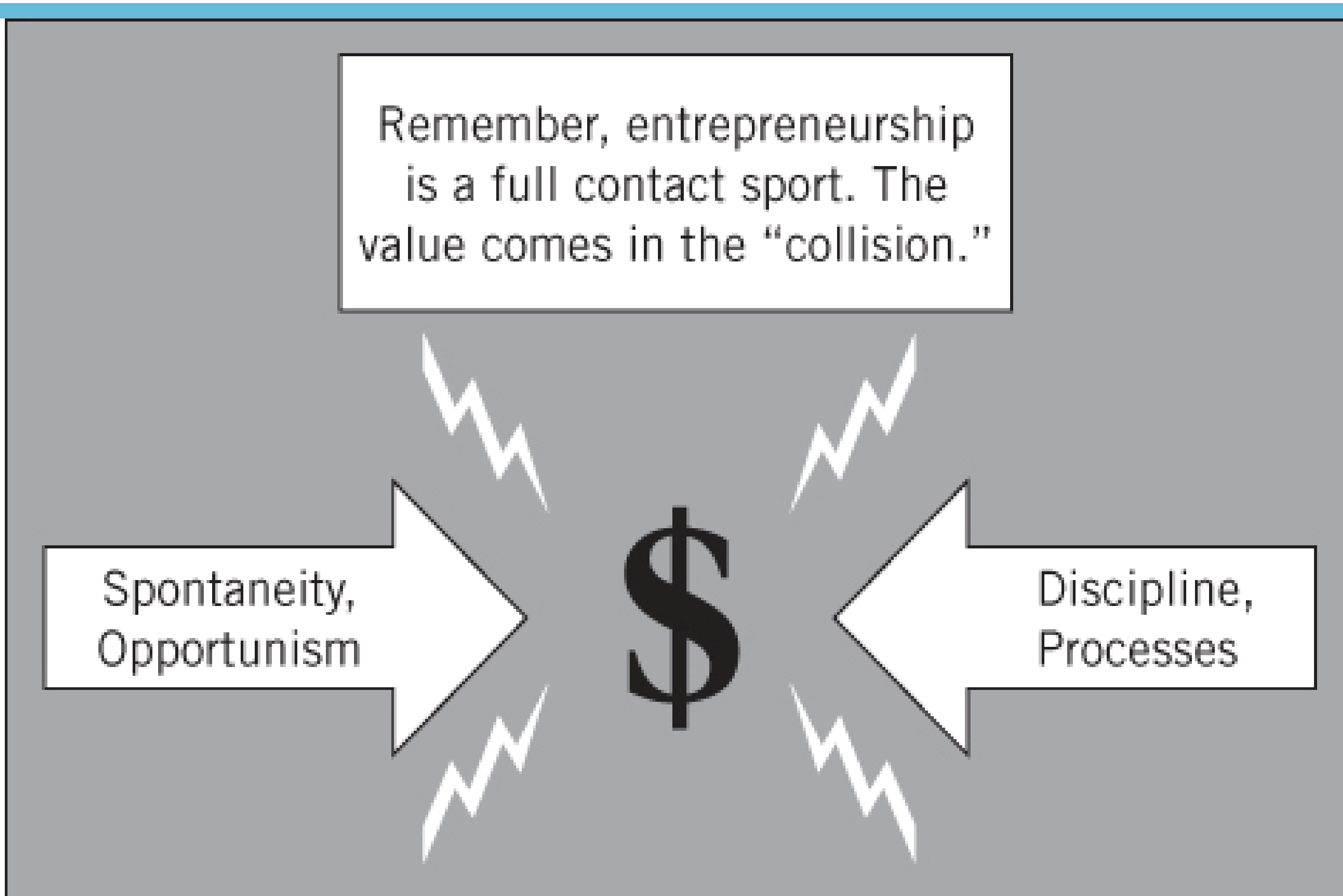
Relationships

Unleashing creativity

Financial resources
Assets
People
Your business plan

Think cash last!

Entrepreneurship



Time to Market for New Ideas

Time for New Technologies to Reach 25% of the U.S. Population

Household electricity (1873)	46 years
Telephone (1875)	35 years
Automobile (1885)	55 years
Airplane travel (1903)	54 years
Radio (1906)	22 years
Television (1925)	26 years
Videocassette recorder (1952)	34 years
Personal computer (1975)	15 years
Cellular phone	13years
Internet	**7 years**

Think Big for Higher Potential Ventures

- Don’t think too small
- Smaller often means higher failure odds
- Getting the odds in your favor
- Entrepreneurship should not be a job substitute
- Odds for survival, growth, and a higher level of success, changes when the ventures reaches a size of 10-30 people with $2-$3 million in revenues

Reference Material

- New Venture Creation- Book (McGraw Hill)
  Entrepreneurship for the 21st Century
  by Jeffery A. Timmons and Stephen Spinelli

- Lead Like an Entrepreneur- Book (McGraw Hill)
  by Neal Thinberry