

Venture Attributes

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A. INNOVATION

1. Is there a new combination?

Discovery of Entrepreneurial Opportunities

- Understanding entrepreneurial discovery is a factor of market imperfections: Excess Demand without supply; Excess Supply without Demand
- Understanding discovery sources: Scientific and Circumstantial
- Scientific invention I & II: utilizes scientific discovery source to create opportunities with excess demand or excess supply
- Observation: utilizes circumstantial discovery source (knowledge of time, place & circumstance) to create opportunities with excess demand
- Coordination: utilizes circumstantial discovery source (knowledge of time, place, & circumstance) to create opportunities with excess supply

New Combination Types:

- New product/service or improved product/service
- New method of production
- Conquest of a new source of supply of raw materials or components
- Reorganization of an industry/market

2. Is there a product/market match (PMM)?

- Will you buy it? Will your friends buy it? Will a focus group of customers buy it? Is there a purchase order or a commitment to buy from your customers?
- If there is no PMM then you have a research project, hobby, or charity.

B. VALUE

3. Is there a benefit to customers beyond the price paid (net buyer benefit)? Perceptions of the customer and managing expectations determine NBB.

4. Are there sufficient margins? (anything below 20% pretax profits is not attractive business)

5. **Is there sufficient volume? (depends on the absolute size of the margin and the objectives of the venturer)**

C. PERSISTENCE (link between market and venture)

6. **Is it repetitive?**
7. **Is there a long term need?**
8. **Get your ducks in order before you plug away...Are resources sufficient to sustain the venture? (need capital...what type...financial, structural, human, alliance,& intellectual)**
 - High exit costs
 - High opportunity costs
 - First mover advantages
 - Investment into assets at time of founding and its fit with the market needs

D. SCARCITY

- It is not about recognizing scarcity like recognizing new combinations, it is about preserving scarcity from the market imperfections.

9. **Is it non-imitable? (Can supply increases by competition be prevented?)**

- How?
- Customer driven: reputation, quality, service quality
- Incentive: intellectual property rights
- Timing: first mover advantages, buyer switching costs, informational asymmetry, buyer evaluation costs, advertising and channel crowding, producer learning, and response lags.

10. **Is it non-substitutable? (Can demand decreases by the competition be prevented?)**

- Key action here is positioning within the value chain, therefore strategic alliances and relationships are critical

E. NON-APPROPRIABILITY

11. **Is there slack (waste or inefficiency)? Need to keep the profits from your strategic position and advantage, otherwise others will capitalize on your inefficiencies or wastes. Create incentives for all the actors in the vertical (production/distribution) relationship.**
12. **Is there hold-up problems? Who can hold you hostage?**

- Coercive power: government taxes, licenses or permits
- Economic power: stick'em up...deal with it by norms (build trust in relationships), negotiations, contracts and posturing

F. FLEXIBILITY

- Unplannable events

13. Is uncertainty minimized?

- Uncertainty—not knowing for sure (i.e. car accident...know that it will most likely happen somewhere in your life just don't know when)
- Death
- Obliteration of the business (fire, theft, act of God)
- Taxes (can kill a business if not properly planned)

14. Is there ambiguity? completely uncertain...not knowing at all

- Limited by mortality and time...it is a judgment call therefore important to have mentors, advisors and understanding of trends
- Adaptive organizations

G. COMPETENCIES

- Do you have people and resources in your organization to carry out or do it?