

# NOTE ON THE ENTREPRENEURIAL PROCESS

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For this note, the entrepreneurial process involves all the activities and actions associated with starting a business.

## Summary of Entrepreneurial Process

| <u>Stages</u> |                                  | <u>Brief description</u>   |
|---------------|----------------------------------|--|
| 1             | Potential assessment             | Assess the potential for a successful entrepreneurial path (understand the necessary attributes of an entrepreneur and evaluate the personal strengths and weaknesses) |
| 2             | Idea generation                  | Find a product or service idea   |
| 3             | Idea screening                   | Test and evaluate the idea   |
| 4             | Business model                   | Determine value creation model   |
| 5             | Market feasibility study         | Conduct market feasibility studies (industry analysis and market analysis)   |
| 6             | Organizational feasibility study | Conduct organization feasibility studies (management, advisors)  |
| 7             | Technical feasibility study      | Conduct technical feasibility study (design, research and development, intellectual property issues)   |
| 8             | Financial feasibility study      | Conduct a financial feasibility study  |
| 9             | Start or Acquire                 | Find how to operate (new business, existing business, franchise, family business, alliance)  |
| 10            | Legal issues                     | Select the business structure and legal form and type of ownership<br>Obtain licences and permits  |
| 11            | Business plan                    | Prepare a business plan  |
| 12            | Presentation                     | Prepare presentation and distribute material to potential investors  |

## Details on Entrepreneurial Process Stages

| <u>Stages</u> |                      | <u>Components</u>  |
|---------------|----------------------|--|
| 1             | Potential assessment | <i>Objective: Evaluate the potential of the proposed entrepreneur</i>  |
|               |                      | Assess the potential for a successful entrepreneurial path <ul style="list-style-type: none"> <li>- understand the necessary attributes of an entrepreneur (personal and family)</li> <li>- evaluate the personal strengths and weaknesses (business and technical skills, personal finances)</li> </ul> |
|               |                      | Techniques: <ul style="list-style-type: none"> <li>- entrepreneur test (EQ - Entrepreneur quotient)</li> </ul>   |

| <u>Stages</u> |                 | <u>Components</u>   |
|---------------|-----------------|---|
| 2             | Idea generation | <i>Objective: Generate ideas for the proposed business</i>  |
|               |                 | Look for opportunity <ul style="list-style-type: none"> <li>- understand changing environmental trends (economic, social, technological, political, regulatory and demographics changes)</li> <li>- try to unsolved problems</li> <li>- fill the gaps in the marketplace</li> </ul> |
|               |                 | Recognize a need  |
|               |                 | Find a product or service idea  |
|               |                 | Develop a concept   |
|               |                 | Techniques: <ul style="list-style-type: none"> <li>- brainstorming</li> <li>- interviews of experts</li> <li>- focus groups</li> <li>- library and internet research</li> </ul>   |

| <u>Stages</u> |                | <u>Components</u>   |
|---------------|----------------|---|
| 3             | Idea screening | <i>Objective: Determine if the proposed idea is valid and a real opportunity</i>                |
|               |                | Test and evaluate your ideas and concepts   |
|               |                | Criteria: <ul style="list-style-type: none"> <li>- timeliness</li> <li>- value added</li> </ul> |

| <u>Stages</u> |                | <u>Components</u>   |
|---------------|----------------|---|
| 4             | Business model | <i>Objective: Determine how the organization intend to create value in the marketplace</i>  |
|               |                | Describe the business model <ul style="list-style-type: none"> <li>- articulate a value proposition</li> <li>- identify a market segment</li> <li>- define the value chain structure</li> <li>- estimate the cost structure and profit potential</li> <li>- formulate the competitive strategy</li> </ul> |
|               |                | Evaluate the business model   |
|               |                | Calculate the opportunity costs   |
|               |                | Assess the potential risks and rewards  |

| <u>Stages</u> |                          | <u>Components</u>  |
|---------------|--------------------------|--|
| 5             | Market feasibility study | <i>Objective: Determine if the proposed product or service have the overall appeal of the market</i>   |
|               |                          | Conduct industry analysis<br>(size, structure, key success factors, competitors, trends)   |
|               |                          | Evaluate the competition<br>(number of competition, stage of industry life cycle, growth)  |
|               |                          | Conduct market analysis<br>(market segmentation, market selection, market share, market test)  |
|               |                          | Evaluate the barriers to entry<br>(brand loyalty, switching costs, distribution channels)  |
|               |                          | Determine the target market and demand   |
|               |                          | Assess product/service desirability and market attractiveness  |
|               |                          | Assess market timeliness   |
|               |                          | Determine competitive advantage  |
|               |                          | Determine the entry strategy (niche, differentiation, cost superiority)  |
|               |                          | Techniques: <ul style="list-style-type: none"> <li>- market research</li> <li>- SWOT analysis</li> <li>- five-force analysis (Porter)</li> </ul> |

| <u>Stages</u> |                                  | <u>Components</u>  |
|---------------|----------------------------------|--|
| 6             | Organizational feasibility study | <i>Objective: Determine if the proposed business has sufficient management expertise and organizational competence for a success</i> |
|               |                                  | Assess founder and management team prowess (passion for business, skills, experience, expertise, professional and social networks)   |
|               |                                  | Assess human resource sufficiency and personnel requirements (management, support staff, employees)                                  |
|               |                                  | Select advisors (chartered accountant, lawyer)   |

| <u>Stages</u> |                             | <u>Components</u>   |
|---------------|-----------------------------|---|
| 7             | Technical feasibility study | <i>Objective: Determine if the proposed business concept is technically feasible</i>  |
|               |                             | Develop a concept statement of the product/service idea (1p.) (description, benefits, position vs competitors)  |
|               |                             | Conduct technical feasibility study <ul style="list-style-type: none"> <li>- design challenges (durability, reliability, product safety)</li> <li>- engineering requirement (machines, tools, instruments, )</li> <li>- product development (blueprints, models, prototypes)</li> <li>- product testing (lab testing, field testing)</li> <li>- degree of innovation</li> <li>- research and development</li> <li>- intellectual property issues</li> </ul> |
|               |                             | Develop a prototype   |
|               |                             | Assess resource sufficiency <ul style="list-style-type: none"> <li>- office, lab, manufacturing, retail space</li> <li>- land, building</li> <li>- equipment (computers, office equipment, manufacturing)</li> <li>- consider outsourcing decision</li> </ul>   |

| <u>Stages</u> |                             | <u>Components</u>  |
|---------------|-----------------------------|--|
| 8             | Financial feasibility study | <i>Objective: Determine if the proposed business is financially sustainable</i>  |
|               |                             | Identify overall financial attractiveness of the venture (number of revenue drivers, time to break even, profitability)  |
|               |                             | Conduct a financial feasibility study <ul style="list-style-type: none"> <li>- financial projections (balance sheet, income statement, cash flow)</li> <li>- selection of assumptions</li> <li>- fixed costs, variable costs</li> <li>- break-even analysis</li> </ul> |
|               |                             | Determine cash needed <ul style="list-style-type: none"> <li>- initial capital investment required</li> <li>- ongoing expenses, working capital</li> <li>- research and development</li> </ul>   |
|               |                             | Assess ability to find funding   |
|               |                             | Assess potential financial performance and return on investment  |
|               |                             | Criteria: <ul style="list-style-type: none"> <li>- financial performance of similar businesses</li> <li>- possible operating margins</li> </ul>  |

| <u>Stages</u> |                  | <u>Components</u>  |
|---------------|------------------|--|
| 9             | Start or Acquire | <i>Objective: Determine the best way to operate</i>  |
|               |                  | Consider to start a new business   |
|               |                  | Consider to acquire an existing business <ul style="list-style-type: none"> <li>- Find a business (network, newspapers, associations, brokers, advisors)</li> <li>- Evaluate the potential acquisition</li> <li>- Decision on price, shares vs assets</li> </ul> |
|               |                  | Consider to acquire a franchise (find a franchise, evaluate the franchise opportunity)   |
|               |                  | Stepping into a Family Business  |
|               |                  | Consider a strategic alliance  |
|               |                  | Issues: (valuation, negotiation, due diligence)  |

| <u>Stages</u> |              | <u>Components</u>  |
|---------------|--------------|--|
| 10            | Legal issues | <i>Objective: Determine the appropriate legal structure and issues</i>   |
|               |              | Select the business structure and legal form and type of ownership <ul style="list-style-type: none"> <li>- sole proprietorship</li> <li>- partnership</li> <li>- corporation</li> </ul> |
|               |              | Consider protecting the idea<br>(trademark, copyright, patent, license, franchise, insurance, contracts)   |

| <u>Stages</u> |               | <u>Components</u>  |
|---------------|---------------|--|
| 11            | Business plan | <i>Objective: Prepare the proposed business plan</i>   |
|               |               | Prepare a business plan (see Note on Business Plan) <ul style="list-style-type: none"> <li>- executive summary</li> <li>- organization description</li> <li>- management team</li> <li>- products and services</li> <li>- industry and market analysis</li> <li>- marketing plan</li> <li>- human resources</li> <li>- operations plan</li> <li>- development plans</li> <li>- financial information</li> <li>- financing</li> <li>- harvest strategy</li> <li>- milestone schedule</li> <li>- conclusion</li> <li>- appendices</li> </ul> |

| <u>Stages</u> |              | <u>Components</u>                                     |
|---------------|--------------|---|
| 12            | Presentation | <i>Objective: Present the proposed business</i>       |
|               |              | Prepare an elevator pitch (see appendix A)            |
|               |              | Prepare a teaser                                      |
|               |              | Prepare a Powerpoint presentation                     |
|               |              | Present to investors and others                       |
|               |              | Distribute business plan (confidentiality agreement?) |

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## **APPENDIX A**

### **Elevator Pitch**

An elevator pitch is a small presentation simulating a meeting in an elevator, It could varies between 45 seconds and 2 minutes.

Steps and outline for a one minute elevator pitch:

|          |  |            |
|----------|--|------------|
| Step 1 : | Describe the opportunity or problem that needs to be solved                      | 20 seconds |
| Step 2 : | Describe how your product or service meets the opportunity or solves the problem | 20 seconds |
| Step 3 : | Describe your qualifications   | 10 seconds |
| Step 4 : | Describe your market   | 10 seconds |
|          | total  | 60 seconds |

Source: Barringer (2009, p.10)