

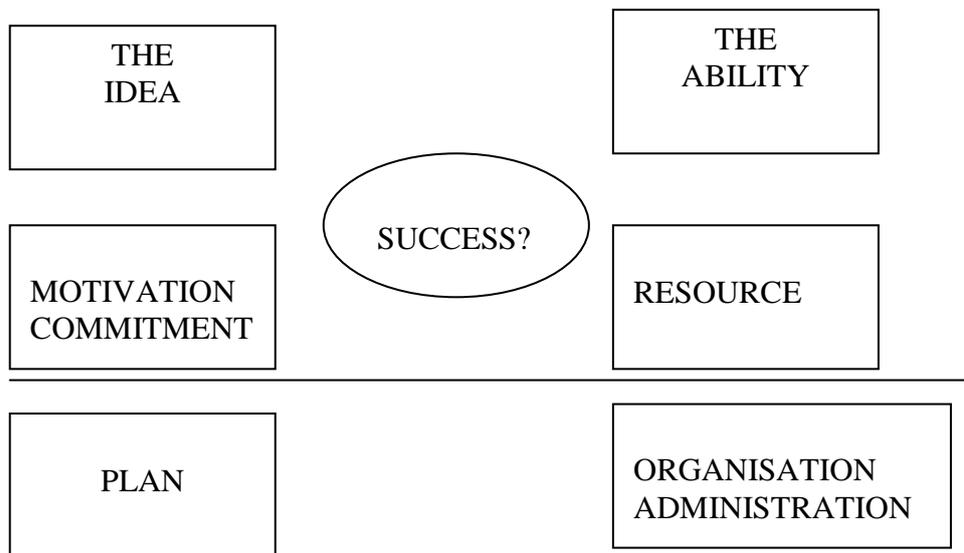
International Entrepreneurship Educator's Programme

Entrepreneurial Learning - Pedagogical Note Series

30. Start up frames, Stages of Start-up. Tasks and Learning Needs

1. What are start up frames and stages of start-up?

A new venture proposition can be appraised under 6 key headings:



The Framework is shown in detail below in Exhibit 1. It has been used extensively in the counseling of start-ups by the UK Small Firms Service. The process of setting up a new venture can also be described in terms of a number of stages below.

<p>Acquiring Motivation</p> <p style="text-align: center;">↓</p> <p>Finding an Idea</p> <p style="text-align: center;">↓</p> <p>Validating the Idea</p> <p style="text-align: center;">↓</p> <p>Identifying the Resources</p> <p style="text-align: center;">↓</p> <p>Negotiating to get into Business</p> <p style="text-align: center;">↓</p> <p>Birth and Survival</p>	<p>Finding the stimulus and commitment to pursue the objective of setting up a business or new organisation (for the individual, related group, community and family)</p> <p>Finding an idea upon which it seems reasonable to spend time evaluating further. Or an alternative means of getting into business (franchise license, buying a business, etc.)</p> <p>Making it or doing it. Testing the product/service (technically and with the customer). Protecting it. Testing the market.</p> <p>Planning the necessary or desirable scale of business entry. Identifying: the detailed resources required; the timing; the quality of suppliers, materials; identifying sources of assistance</p> <p>Applying the plan. Negotiating for finance, premises, contracts, sub-contractors, etc. Selecting the type of company and registering it.</p> <p>Developing the necessary ongoing systems to keep a business in operation. Coping with all the statutory requirements. Building relationships with professionals who can help. Establishing clear ties with customers and suppliers (and the workforce).</p>
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While it is clear that many people set up new ventures without formally going through these stages, if this is not done then it can create many difficulties that often lead to failure. Examples include those who formally set up the new venture but have not:

- really clarified the idea (the y set up a sandwich bar without clear consideration of the full range of food to be offered: they start a pottery without clear focus on the grange of ceramics to be produced)
- really validated the idea (in terms of close discussion with potential customers, examination of the full range of competition, ability to consistently make to standard etc.)
- really explored the implications of the scale of business needed to make a good living or produce a reasonable profit or return on the investment (for example, a person going into the commemorative glass engraving business fails to estimate adequately the total amount of time to be taken and the associated costing and pricing needed to make a living).
- negotiated adequate resources) for example, borrowing too little from the bank in the first instance so that recourse has to be made for further funds after only a few months of trading.
- set up adequate systems and contract arrangements (leading to inadequate control of cash or problems with contractual suppliers or customers)
- anticipated problems that might occur in early trading (for example failure of customers to pay on time, delays in supplies, bottlenecks in operations, management of personal time)

2. How is an exercise constructed?

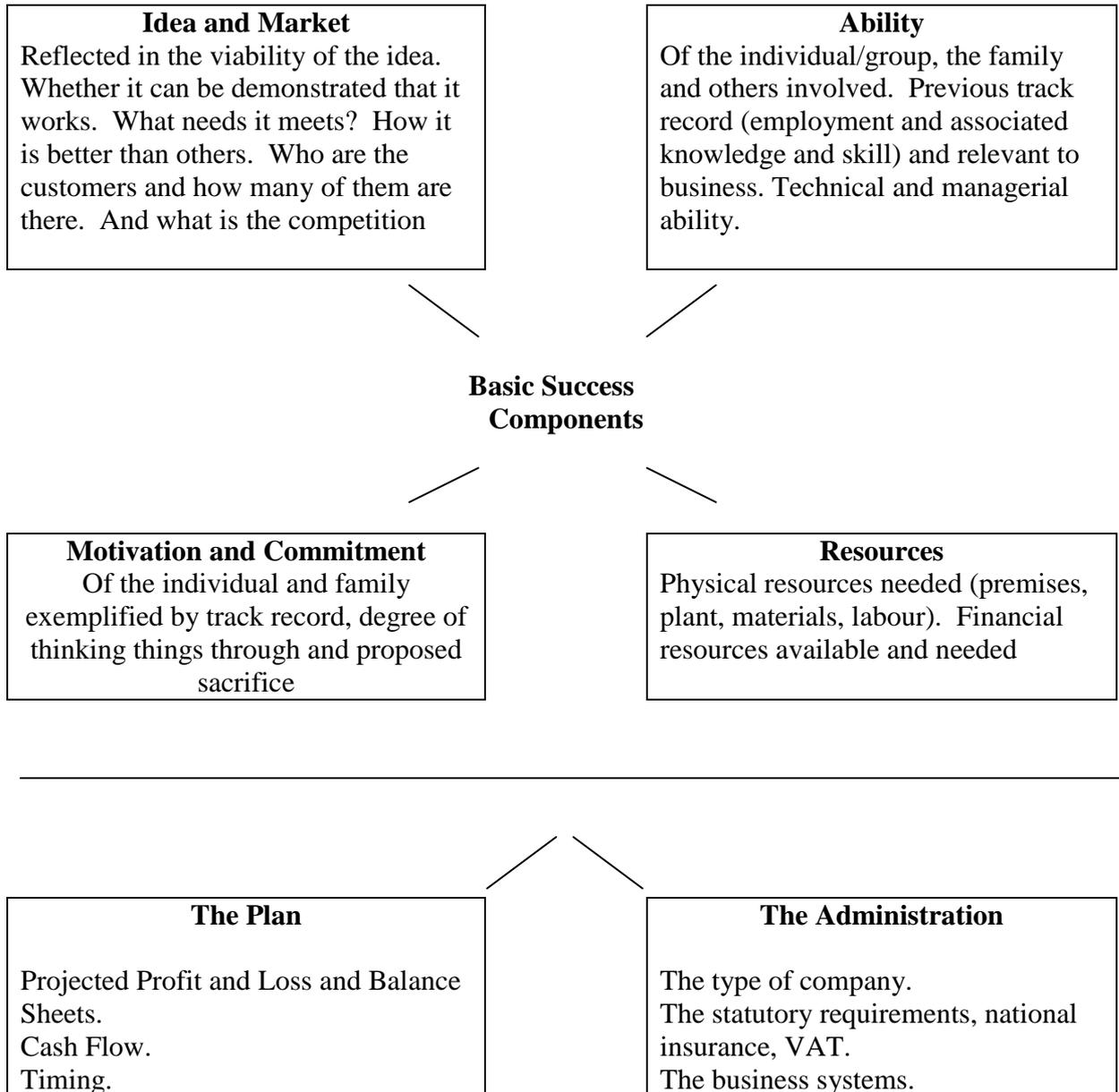
There are a number of ways of using the stages approach in the design and delivery of new venture programmes.

1. Course participants are asked first to brainstorm for 10 minutes on the question; 'If you were asked to interview the session leader on his/her business idea what questions would you ask to determine if they were likely to be successful in their new venture.
The facilitator then takes the answers for each group in turn and places them into the boxes as in Exhibit 1 below – filling it out via a process of discussion with the participants.
2. Participants can then use the framework which is handed out to appraise each others business concept – identifying strengths and weaknesses and needs for action.
3. Participants are then introduced to the stages concept as per the above. They are given a full list of the tasks as set below (Exhibit 2).
4. Participants can then be divided into small groups or conduct one to one interviews to determine at which stage their respective ideas have reached and what they need to do next.
5. The checklists can be used to determine learning needs with a group (see the Exhibit 3 below) and therefore used to determine inputs to the programme.
6. The material can be used in conjunction with a case (see Pedagogical Note 31) where participants are given the task of appraising a business plan for Strengths and Weaknesses and also to indicate at what stage the proposer has actually reached

7. The New Venture Programme can be run as a series of modules – following each module participants can be asked to undertake a number of tasks as set out for that stage.

Exhibit 1
Appraising New Ventures

Key Components in the Successful Development of a New Business Venture



Components of the above boxes as a checklist are as below:

The Idea/Market

What is the Service/Product?
Is it clear what it is?
What needs is it meeting?
Is it developed (e.g. if a product, has it been produced, tested, protected if necessary, etc.)?
i.e. Is it ready now for the customer?
Better than competition/
Enough customers?
Can reach the market
Evidence of acceptance by customers

The Ability and Experience

Previous career/experience of small business?
Has he/she had experience of this business?
What experience and for how long?
In what position?
What relevant management experience?
Recognised/unrecognised strengths/weaknesses?
Family circumstance and involvement?
Partners or other management assistance available?

Motivation and Determination

Why do they want to go into business?
How long have they been trying?
What previous earlier efforts made?
Degree of family support?
How much have they already found out about it
How will he/she live

Resources Needed and Available

On what scale is it hoped to get into business?
Is it realistic enough to make a living?
What resources will be needed for this:
premises? machinery? materials? stock?
distribution? selling? People?
Any special requirements?
Have they been obtained?
If not how can they be obtained?
What finance needed?
How will it be obtained?
What personal resources available?
Financial relationship of partners?

The Plan

Have they made a plan of any sorts?
What is the turnover envisaged (relate back to markets)?
What are overall costs – any estimates/projections?
What profit forecast?
What cash needs in first year or so?
Profit and Balance Sheet projections?
What unit costs and how arrived at?
How has price – mark up – been arrived at?
If productions involved – what targets/standards of: utilisation of labour and machinery; throughput; wastage; and quality built into proposal?

The Organisation/Administration

What form of company?
What awareness of legal requirements for employment, taxation, etc.?
What use made of accountant/solicitor?
What other environmental contacts?
What assistance sought/needed?
What book-keeping systems?
V.A.T./Tax/Dept. of Health and Social Security
Insurance needs

Exhibit 2. Linking Learning needs to the Process of New Venture Development

Personal Development: Stage, Tasks and Learning Needs		
Stage	Key Tasks	Key Learning and Development Needs
1. From idea and motivation acquisition to raw idea	<ul style="list-style-type: none"> * To find an idea * To generate an idea * To explore personal capability and motivation for self-employment 	<ul style="list-style-type: none"> * The process of idea generation and evaluation * Knowledge of sources of ideas * Understanding of the ways in which existing personal skills/knowledge might be used in self-employment * Understanding of what self-employment means * Personal insight into self-employment * Positive role image/exploration/feedback * Self-evaluation
2. From raw idea to valid idea	<ul style="list-style-type: none"> * Clarify idea * Clarify what needs it meets * Make it * See it works * See it works in operating conditions * Ensure can do it or make it to satisfactory quality * Explore customer acceptability-enough customers at the price? * Explore legality * Ensure can get into business (no insurmountable barriers) * Identify and learn from competition 	<ul style="list-style-type: none"> * What constitutes valid idea * Understanding the process of making/doing it * Technical skill to make/do it * Customer needs analysis * Customer identification * Who else does it/makes it * Idea protection * Pricing and rough costing * Ways of getting into a market * Quality standards * Competition analysis
3. From valid idea to scale of operation and resource identification	<ul style="list-style-type: none"> * Identify market as number, location, type of customers * Clarify how will reach the market (promotional) * Identify minimum desirable scale to 'make a living' * Identify physical resource requirements at that scale * Estimate additional physical resource requirements * Estimate financial requirements * Identify any additional financial requirements needed 	<ul style="list-style-type: none"> * Market research * Marketing mix (promotion etc.) (ways of reaching the customer) * Pricing * Production forecasting and process planning to set standards for utilisation, efficiency etc * Distribution systems * Materials estimating and wastage * Estimating labour, material, capital requirements * Profit/loss and cash flow forecasting
4. From 'scale' to business plan and negotiation	<ul style="list-style-type: none"> * Develop business plan and proposal * Negotiate with customers, labour, suppliers of materials, premises, capital suppliers, land etc. to ensure orders and physical supply capability * Negotiate with banks, financiers for resources 	<ul style="list-style-type: none"> * Business plan development * Negotiation and presentation skills * Knowledge of suppliers of land, etc. * Contracts and forms of agreement * Knowledge of different ways of paying * Understanding of bankers and other sources of finance * Understand forms of assistance available
5. From negotiation to birth	<ul style="list-style-type: none"> * Complete all legal requirements for business incorporation * Meet all statutory requirements * Set up basic business systems 	<ul style="list-style-type: none"> * Business incorporation * Statutory obligations (tax, legal) * Business production, marketing, financial systems and control * What advisers can do * Understand how to manage people (if have labour force)

6. From birth to survival	<ul style="list-style-type: none"> * Consolidate business systems for processing * Ensure adequate financial control (debtors, creditors, bank, etc.) * Develop market, attract and retain customers * Meet all legal obligations * Monitor and anticipate change * Maintain good relations with banks, customers, suppliers and all environment contacts * Provide effective leadership development for staff 	<ul style="list-style-type: none"> * Management control systems * Cash planning * Debtor/creditor control * Marketing * Selling skills * Environmental scanning and market research * Leadership skills * Delegation, time planning * Time management
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3.Relevance to Entrepreneurial Learning

The approach follows the heuristics of start up appraisal, implanting initially via the framework a checklist in the new venturer's mind against which he/she can appraise their own start up proposition – as a guide to action. The Stages approach allows the starter to consider what needs to be done and what needs to be learned in relation to where they are now. It thus follows the entrepreneurial learning principle of linking learning closely to doing.

4.Outcome

The intended outcome is that the starter anticipates as many problems and opportunities as possible during the process of creating the venture thus limiting considerably the risks and stress involved