

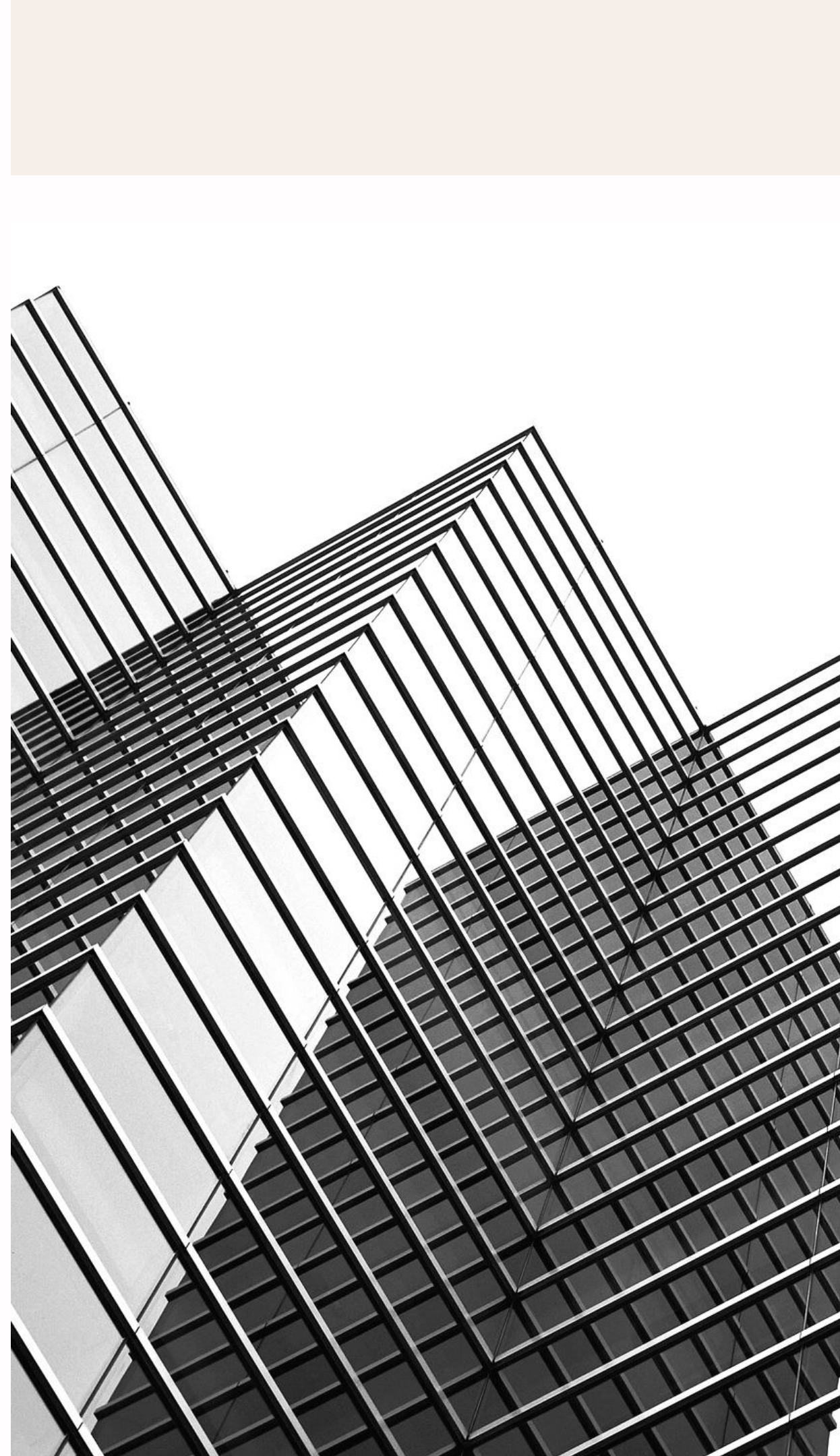
FROM ENTREPRENEURIAL SPIRIT TO BUSINESS REALITY



MALTA STOCK EXCHANGE
INSTITUTE



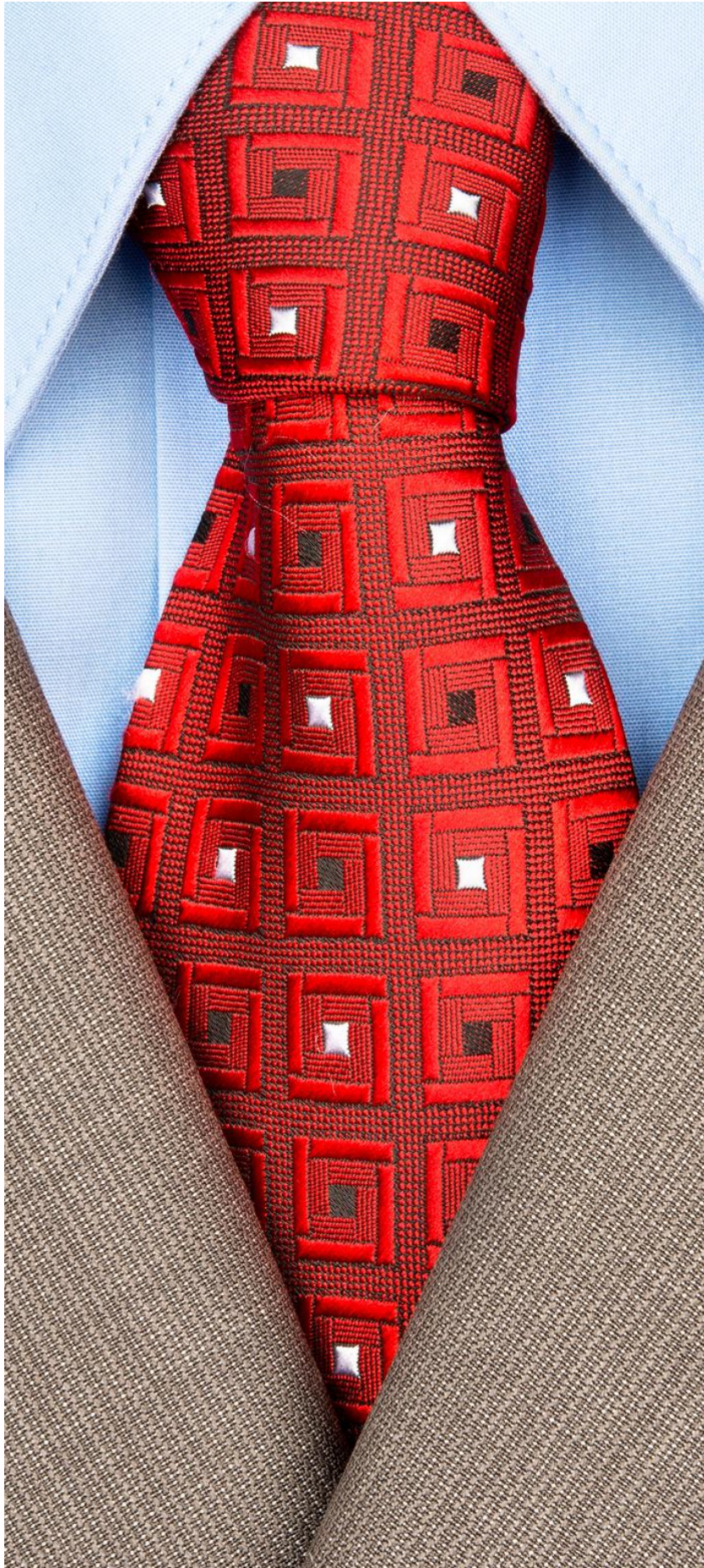
Erasmus+



LEARNING OUTCOMES

This course will enable the attendee:

- to understand the entrepreneurial drivers to creativity;
- to articulate their idea concept in a clear and well defined manner;
- to have the means to assess the feasibility and viability of turning their idea into a business proposition that is **attainable, profitable and sustainable**.



WHAT DEFINES AN ENTREPRENEUR

There are various ways of defining what an entrepreneur is:

- An entrepreneur is someone who organizes, manages, and assumes the risks of a business or enterprise.
- An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards.
- An entrepreneur develops a business around a new idea, assuming the risk for its success.

AN ENTREPRENEUR WILL PROBABLY.....



.....have some or all of the following traits:

- Be a leader not a follower
- Be innovative and opportunity seeking
- Be a risk taker
- Be creative
- Have a vision
- Have passion for the idea
- Have resilience in the face of obstacles
- Be flexible

AN ENTREPRENEUR WILL PROBABLY.....



.....fall into a broad demographic and skill set:

- 65% male (35% female)
- 53% have a post secondary education
- 28% have a university degree
- 57% aged 20 – 44 yrs
- 29% aged 20 – 34 yrs
- 58% have previous related work experience
- 40% have learnt from previous failures

AN ENTREPRENEUR WILL PROBABLY.....

- have multiple projects and ideas running at the same time
- put maximum effort to set up, launch and make the project a success before moving on to another one
- be energetic
- have confidence and self belief

AN ENTREPRENEUR WILL.....

- Generate the idea
- Take risks
- Raise funding from 3rd parties
- Organise and delegate
- Have clear market orientation



AN ENTREPRENEUR WILL *BE CREATIVE!*

... AND YOU CAN BECOME MORE CREATIVE BY:

- Always keeping your thinking hat on – this sounds tiring but it reflects an attitude and a mental approach.
- Assessing problems and issues, and turning these into opportunities
- Being a dreamer.
- Creativity is non linear. It is random, circular, unstructured. Whilst you need to be linear in the implementation, the creative phase is random.
- Seeking inspiration through creative teamwork.

1/2

AN ENTREPRENEUR WILL *BE CREATIVE!*

... AND YOU CAN BECOME MORE CREATIVE BY:

- Combining creative dreaming with pragmatic process that has focus and commitment.
- Taking a break, and then addressing the problem from a different perspective – looking at a problem from a new angle may give new insights to their solution.
- Embracing failure – most successful entrepreneurs would have failed multiple times before being successful.
- Fine tuning the status quo – great ideas are often an adaptation of the tried and tested method
- Playing – creativity comes from practicing what you enjoy doing.

2/2

FROM BLUE SKY CREATIVITY TO SOME STRUCTURE

BLUE SKY THINKING: A management cliché often heard in the UK, referring to open-ended, blue-sky-is-the-limit type of thinking, which allows creative brainstorming unfettered by reality.

- This works very well in the brainstorming, creative, and idea generation phase.
- We need to create a structure that will allow creative ideas to be filtered and assessed before rushing in headlong to the production (and marketing) phases.

HOW TO 'SEE' AN OPPORTUNITY

An entrepreneurial opportunity can be exploited through one or more of the following options:

- the creation of a new product or service,
- the opening of a new market,
- the development of a new way of organising,
- the use of new material, or
- the introduction of a new production process.

A.THE CREATION OF A NEW PRODUCT OR SERVICE

Define what the new product or service will be

- What will the new key features be – are they of significant importance to your customer.
- How **unique** is the product – is it a cosmetic or fundamental change?
- Does the change address the **core product** (enhanced or new usage, better process) or the **augmented product** (eg add-ons, packaging, image).
- What resources will be required to put changes into effect.
- What investment (blue sky estimate) would be required?

A.THE CREATION OF A NEW PRODUCT OR SERVICE (2)

Define what the new product or service will be

The level of value added, substitutability and ability for competitors to copy your idea will have a significant bearing on the below factors:

- **What price (or new price) could the new product or service command?**
- **Your marketing strategy would need to be defined:**
 - Low entry price point aimed at mass market volume
 - Short term low; long term aim at increase in price
 - High immediate entry price point, long term price competitiveness

B.THE OPENING OF A NEW MARKET

Define what the new market will be

A new market could be persons who did not use the product or service before but are now able to do so.

What are their:

- Demographics – age, gender, income, location, other...
- Options for market accessibility – physical or remotely.

C.THE DEVELOPMENT OF A NEW WAY OF ORGANISING

Define the new organisational structure that will impact:

- Sales processes
- Customer acquisition
- Resource source or usage
- Labour allocation
- Efficiencies in cash, tax, asset, resource management

D.THE USE OF NEW MATERIAL

Identify the new material characteristics:

- **Assess the benefits of use of the new material**
- **Assess the implications to the creation process and end product value on:**
 - Cost / price or revenue / end product value added / other benefits
- **Establish the new material source options (exclusivity?)**
- **Process change requirements?**
- **Resources required to do so / cost**
- **Time frames to implementation**

E.THE INTRODUCTION OF A NEW PRODUCTION PROCESS

- **How will the process add value?**
- **Is this a unique innovation?**
- **What benefit will the new process create?**

Economies of scale

Cost saving

Time efficiency

Resource usage

Labour costs

Capital requirements

F.FURTHER ASSESSMENT OF THE IDEA'S VIABILITY

We live and operate in an environment that is constantly changing.

The ideas and plans we have for our project may be biased, due to our own excitement, emotional attachment, personal involvement, resources already committed – there are many reasons why we need an unbiased and objective assessment.

We need to have a process to be able to assess the idea's viability in an objective manner.

F.FURTHER ASSESSMENT OF THE IDEA'S VIABILITY (2)

Is the fundamental concept of the project such a good idea?

As owners of the idea and the project, it is normal to have an emotional attachment. However this natural bias may lead to the project being launched to the next phase without a real business case.

You must conduct research into your business proposal to ensure an acceptable level of viability, understanding of the risks, identification of the stumbling blocks, and the availability of the required resources – human, financial, operational, IT, logistical and intellectual.

UNDERSTANDING THE EXTERNAL ENVIRONMENTS

WE LIVE IN A WORLD OF CONSTANT CHANGE. THE WAY OUR ENVIRONMENT CHANGES WILL UNDOUBTEDLY AFFECT OUR ORGANISATION SO WE NEED TO BE ABLE TO ASSESS WHAT THESE CHANGES MAY BE, AND HOW THEY MAY AFFECT OUR INDUSTRY, AND OUR ORGANISATION

THERE ARE SOME TOOLS / MODELS THAT WE CAN USE TO ASSESS THESE ENVIRONMENTS:

- PEST analysis assesses the wide macro environment
- Porter's 5 forces assess the industry attractiveness
- Industry / Product life cycle (aka BCG Matrix) assesses the longevity of the Industry / Product

THE PEST ASSESSMENT



POLITICAL AND LEGAL

ECONOMIC

SOCIAL AND ENVIROMENTAL

TECHNOLOGICAL

PEST

- IDENTIFY THE IMPORTANT AND RELEVANT CHANGES EXPECTED TO TAKE PLACE IN THE MACROENVIRONMENT
- ESTABLISH THE TRENDS AND EXPECTATIONS THAT COULD HAVE AN IMPACT ON YOUR INDUSTRY TO IDENTIFY ANY OPPORTUNITIES OR THREATS

- WHAT POLITICAL CHANGES COULD AFFECT YOUR INDUSTRY – EG BREXIT, NEW ELECTION, ATTITUDE TO BUSINESS, INFRASTRUCTURE DEVELOPMENT.
- WHAT IS THE LEGAL FRAMEWORK THAT GOVERNS YOUR BUSINESS? HOW MIGHT THIS CHANGE? (HEALTH AND SAFETY REGULATIONS, COMPLIANCE / AML REQUIREMENTS)
- ARE THERE TRADE RESTRICTIONS THAT MAY COME ABOUT?
- WHAT POLITICAL INFLUENCES CAN AFFECT YOU?

POLITICAL AND LEGAL

WHAT ARE THE ECONOMIC INDICATORS FOR THE FUTURE? IS THE CURRENT SCENARIO LIKELY TO CHANGE?

Assess factors such as unemployment and labour skills / accessibility / costs, interest rates (ie cost of capital) and inflation, access to capital, market confidence.

ECONOMIC

SOCIAL AND ENVIRONMENTAL

SOCIAL AND ENVIRONMENTAL

How is the demographic of your target customer segment changing?

- Assess population growth and related data, changes to life expectancy, income distribution, education, attitudes, consumer behaviour.
- Look into the changes in attitude to the environment, waste, energy sources and consumption, transport and other polluting activities, travel, home ownership, immigration, health, work/life balance.

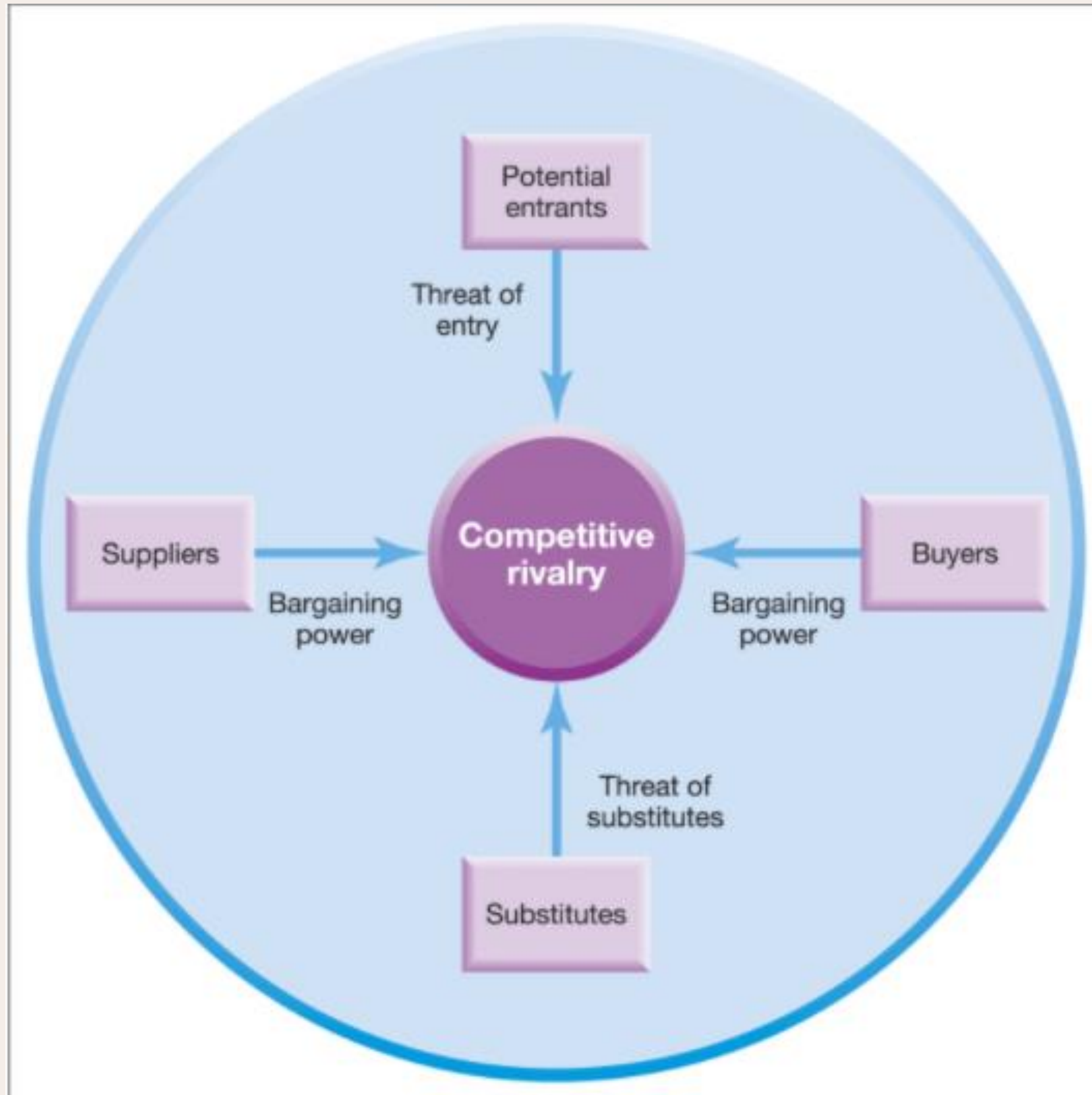
TECHNOLOGICAL

Assess the IT related changes you could expect, such as:

- eCommerce and information overload through the internet
- Impact of IT on efficiencies, blockchain
- Data ... usage, storage / security
- Process outsourcing and globalisation

PORTER'S

5 FORCES



PORTER'S FIVE FORCES FRAMEWORK

This framework helps identify the attractiveness of an industry in terms of five competitive forces:

- THE THREAT OF ENTRY,
- THE THREAT OF SUBSTITUTES,
- THE BARGAINING POWER OF BUYERS,
- THE BARGAINING POWER OF SUPPLIERS
- THE EXTENT OF RIVALRY BETWEEN COMPETITORS.

The five forces constitute an industry's 'structure'.

1.THE THREAT OF ENTRY & BARRIERS TO ENTRY

- The threat of entry is low when the barriers to entry are high and vice versa.
- The main barriers to entry are:
 - Economies of scale/high fixed costs
 - Experience and learning
 - Access to supply and distribution channels
 - Differentiation and market penetration costs
 - Government restrictions (e.g. licensing)
- Entrants must also consider the expected retaliation from organisations already in the market

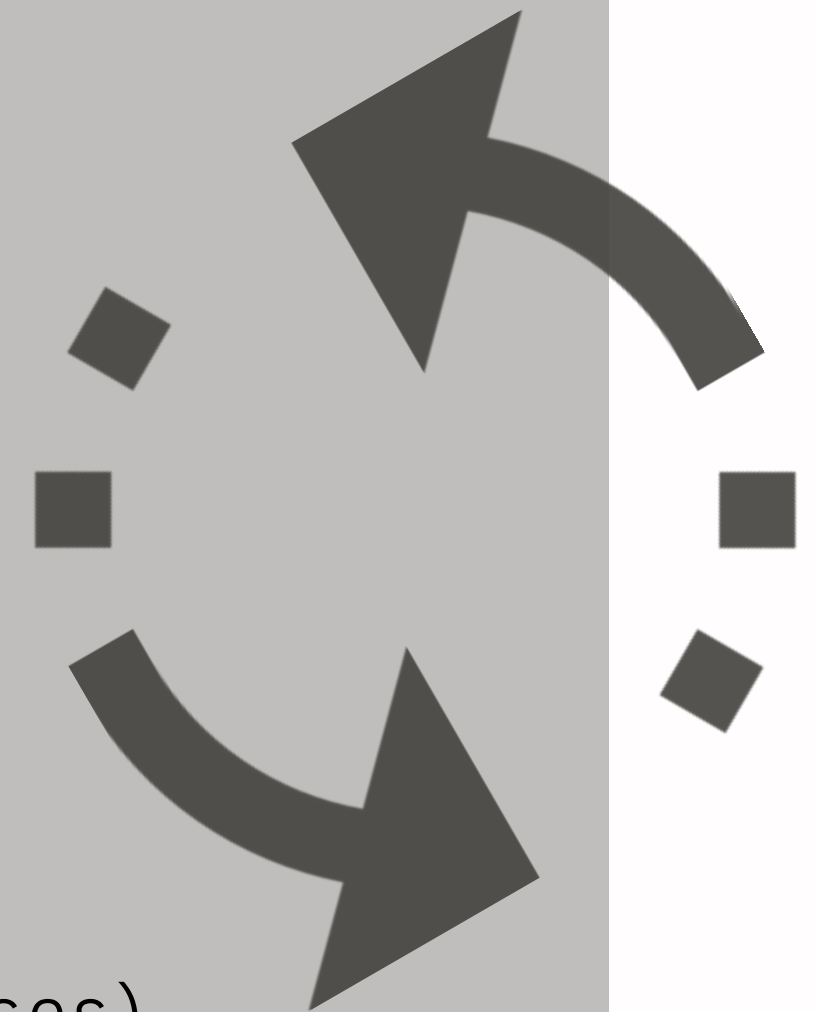


2.THREAT OF SUBSTITUTES

Substitutes are products or services that offer a similar benefit to an industry's products or services, but by a different process.

Customers will switch to alternatives (and thus the threat increases) if:

- The price/performance ratio of the substitute is superior (e.g. aluminium maybe more expensive than steel but it is more cost efficient for some car parts)
- The substitute benefits from an innovation that improves customer satisfaction (e.g. high speed trains can be quicker than airlines from city centre to city centre)



3.THE BARGAINING POWER OF BUYERS

Buyers are the organisation's immediate customers, not necessarily the ultimate consumers.

If buyers are powerful, then they can demand cheap prices or product / service improvements to reduce profits .

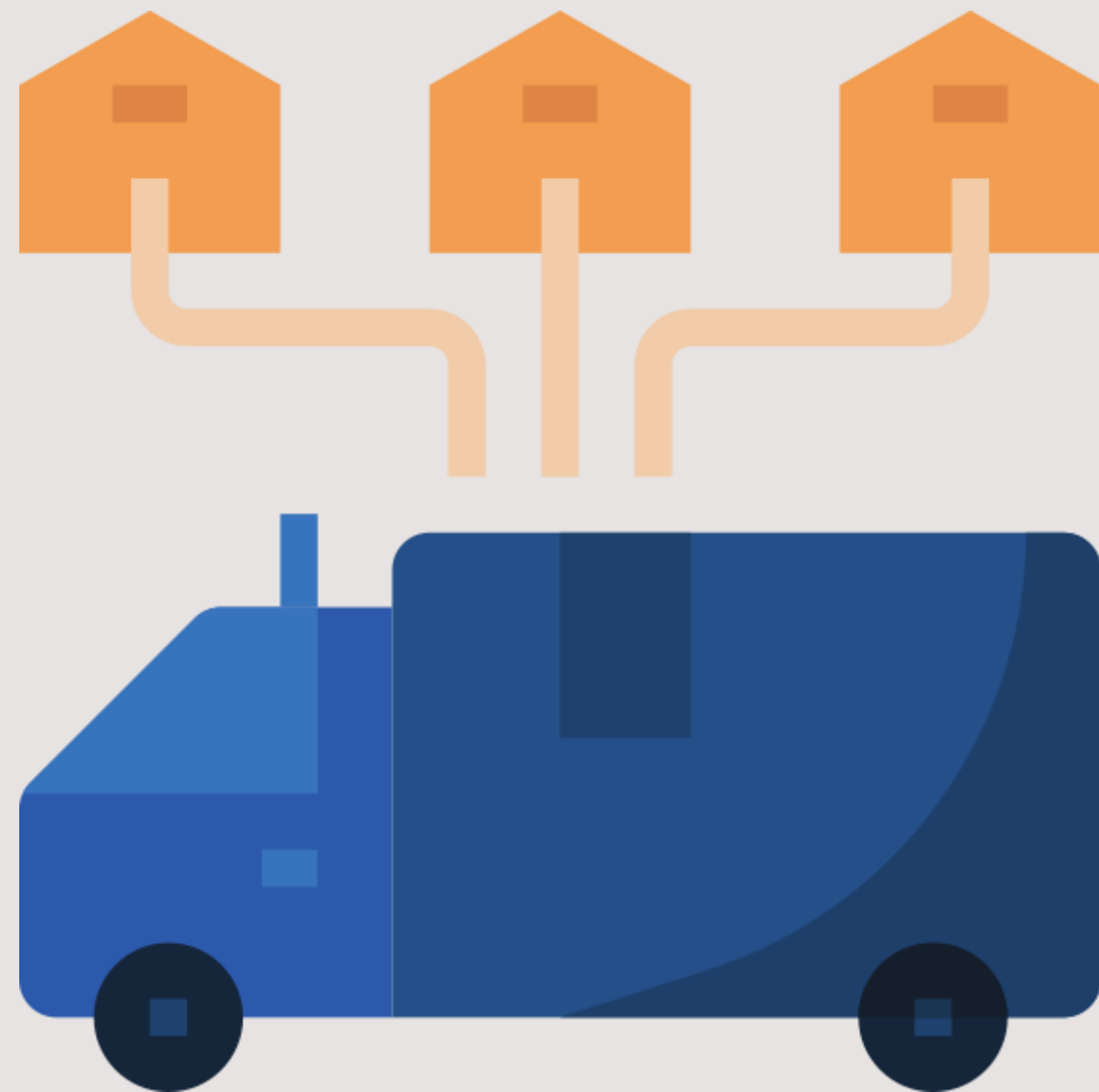


Buyer power is likely to be high when:

- Buyers are concentrated
- Buyers have low switching costs
- Buyers can supply their own inputs (backward vertical integration)

4.THE BARGAINING POWER OF SUPPLIERS

Suppliers are those who supply what organisations need to produce the product or service. Powerful suppliers can eat into an organisation's profits.

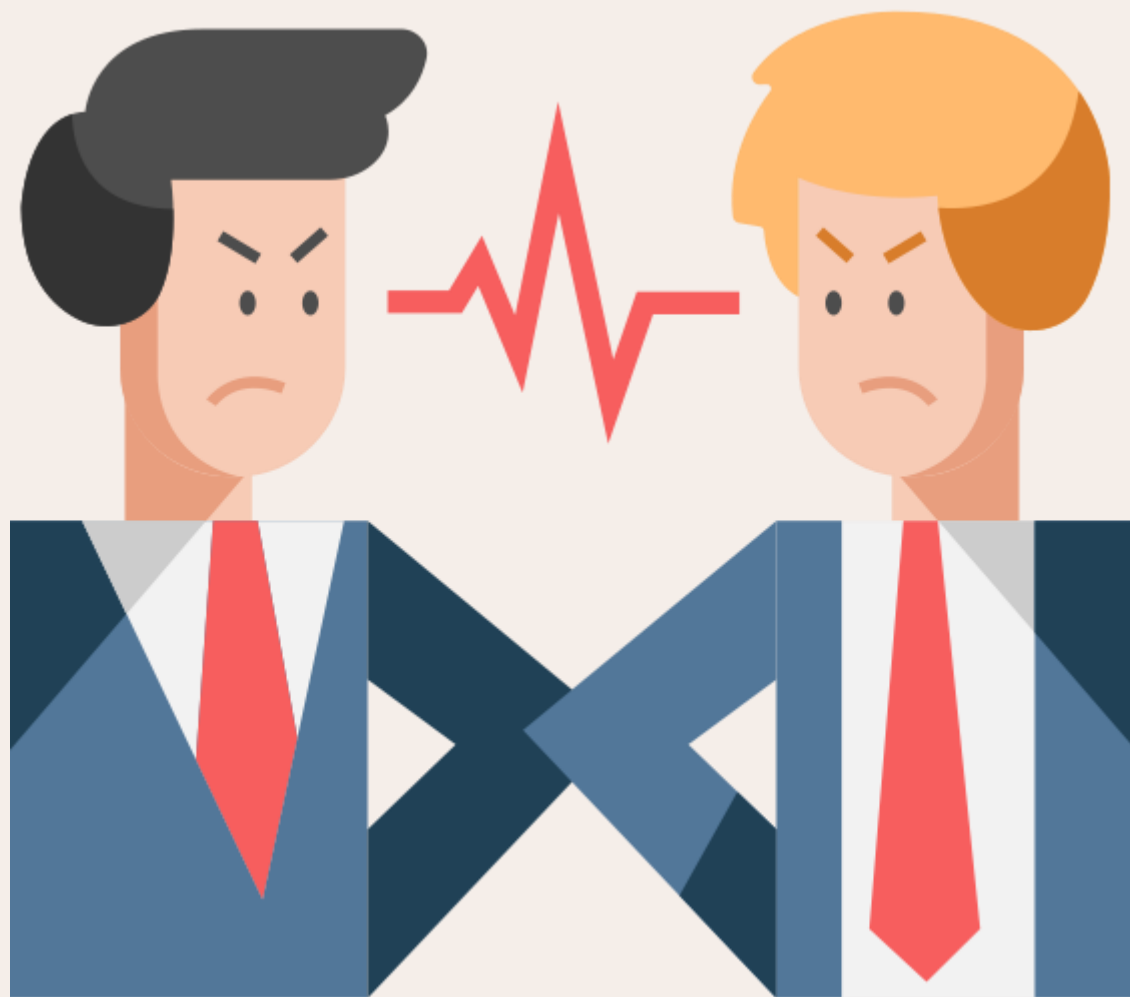


Supplier power is likely to be high when:

- The suppliers are concentrated (few of them)
- Suppliers provide a specialist or rare input.
- Switching costs are high (it is disruptive or expensive to change suppliers).
- Suppliers can integrate forwards (e.g. low cost airlines have cut out the use of travel agents).

5. RIVALRY BETWEEN COMPETITORS

Competitive rivals are organisations with similar products and services aimed at the same customer group and are direct competitors in the same industry/market (they are distinct from substitutes).



The degree of rivalry is increased when:

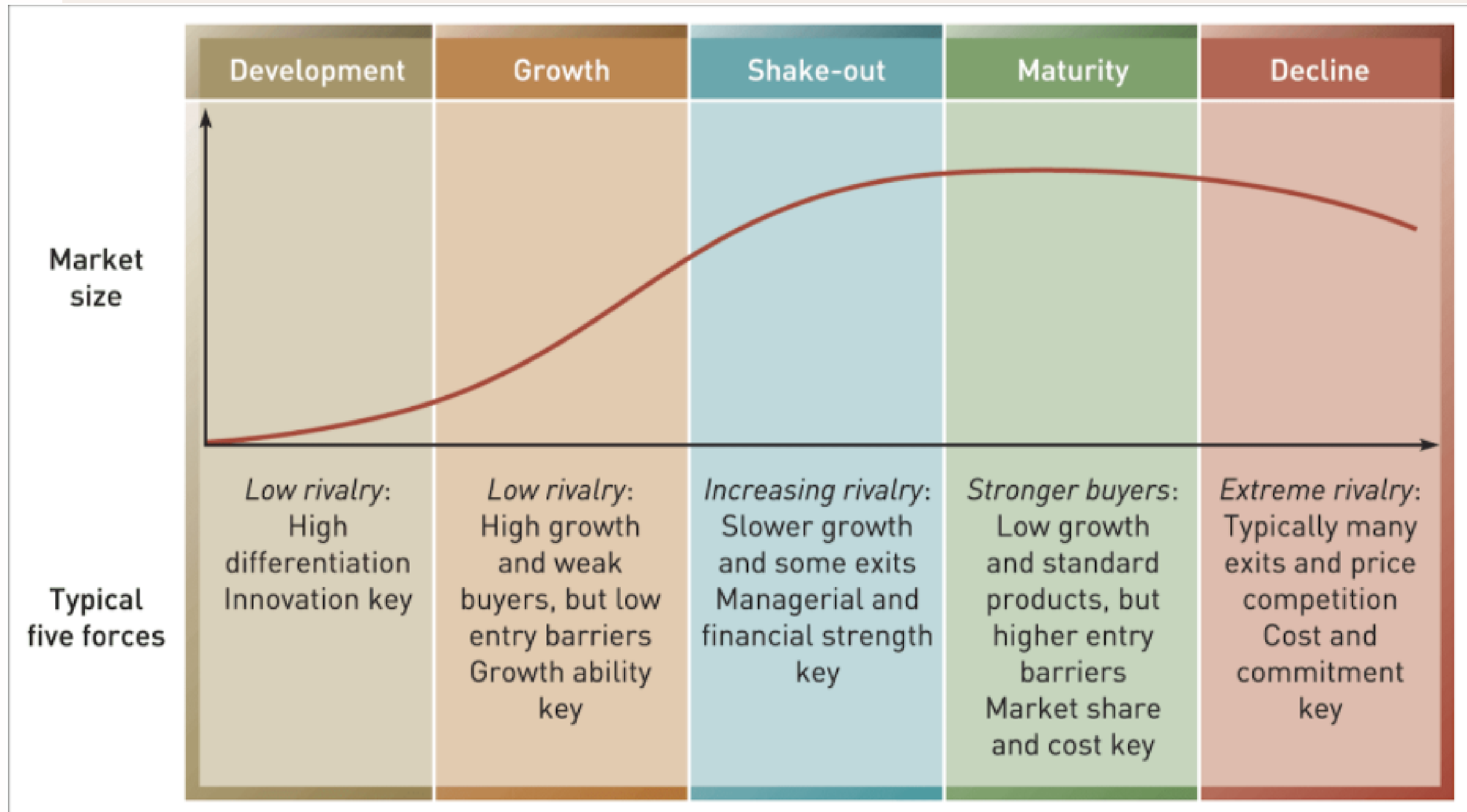
- Competitors are of roughly equal size
- Competitors are aggressive in seeking leadership
- The market is mature or declining
- There are high fixed costs
- The exit barriers are high
- There is a low level of differentiation

IMPLICATIONS OF FIVE FORCES ANALYSIS

- Identifies the attractiveness of industries – which industries/markets to enter or leave.
- Identifies strategies to influence the impact of the forces, for example, building barriers to entry by becoming more vertically integrated.
- The forces may have a different impact on different organisations e.g. large firms can deal with barriers to entry more easily than small firms.



INDUSTRY LIFE CYCLE



THE LINK BETWEEN THE LIFE CYCLE AND MARKET POSITIONING

Each phase of the life cycle can be assessed and contrasted with strategic positioning that would be appropriate at the time.

These have the implication on positioning in respect of:

- Price (premium, market or discount pricing);
- Market strategy (mass, niche market);
- Target market (influencers, innovators, traditional, niche/mass);
- Promotional strategies;
- Distribution channels (eCommerce, brick and mortar, partner networks).



EXTERNAL ASSESSMENT – WHY IS THIS IMPORTANT?

Assessing what is happening, and what is likely to happen in your industry and your competitive environment will create a picture of the threats and opportunities that exist, or are likely to exist in the short to medium term.

This will allow you to make strategic plans and decisions based on real circumstances and not only on your internal and possible biased emotional assessment.



EXTERNAL ASSESSMENT – WHY IS THIS IMPORTANT?



It will also help to create viable strategic operational and marketing plans that will be in tune with the external environment, and therefore have a greater chance of success.

When 85% of new ventures are likely to **FAIL**, you want yours to be in the 15% that **SUCCEED**.

INTERNAL ASSESSMENT

In order to complete the environmental assessment process, one cannot ignore the organisation's internal environment.

All organisations have access to resources and competencies. What they are good at, and what they excel at.

Whether one is setting up a new structure, or amending an existing one, it is critical to know where your key distinctive capabilities lie.

There are some roles that are key / critical to the success of the venture, and these are the roles that need to have the core and distinctive competencies.



RESOURCES AND COMPETENCES

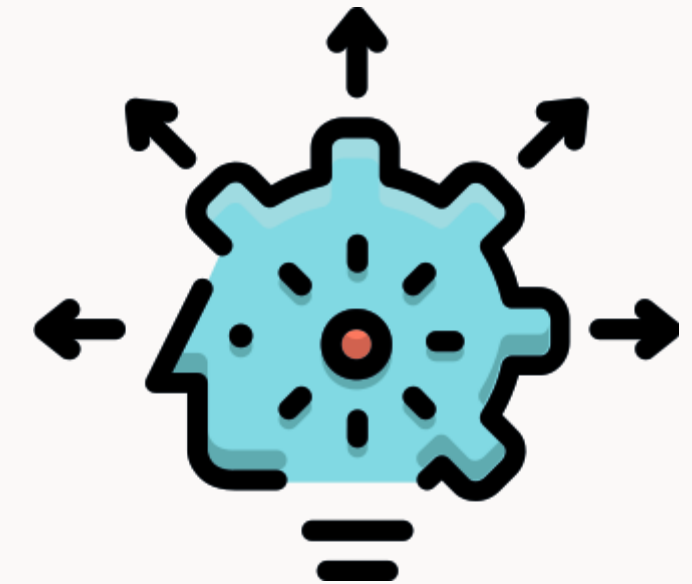
Resources are the assets that organisations have or can call upon (e.g. from partners or suppliers), that is, 'what we have'.



Competences are the ways those assets are used or deployed effectively, that is, what we do well'.

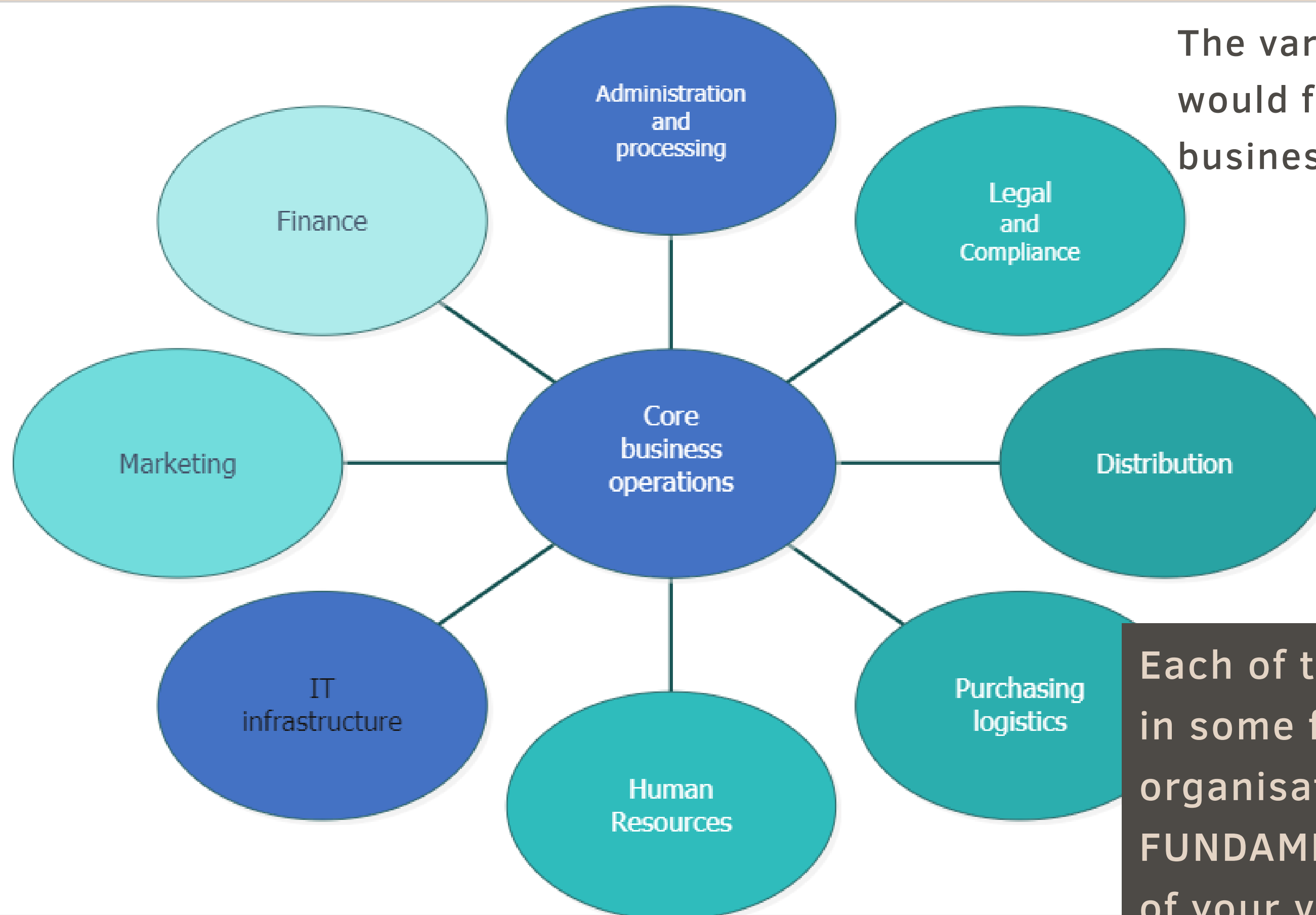
THRESHOLD AND DISTINCTIVE CAPABILITIES

Threshold capabilities are those needed for an organisation to meet the necessary requirements to compete in a given market and achieve parity with competitors in that market – *'qualifiers'*.



Distinctive capabilities are those that critically underpin competitive advantage and that others cannot imitate or obtain – *'winners'*.

The various functions that would form part of a typical business organisation



Audit

Corporate Strategy

Each of these roles must exist in some form within any organisations. Which roles are **FUNDAMENTAL** to the success of your venture?

FROM ENTREPRENEURIAL SPIRIT TO BUSINESS REALITY

This next phase allows the entrepreneur to create even more structure in order to assess what his business idea's requirements are:

Estimate the demand for the product, and establish the capacity requirements in order to meet this demand – inbound logistics, operations, human and financial resources, storage, packaging, delivery logistics, distribution, marketing.

What financial investment needs to be made to run the project?

What time frame will this be required over – bullet / front loaded, spaced over time, back ended? What is the time frame?

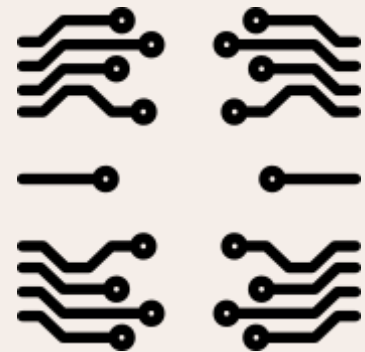
What working capital will be required to finance the operation – salaries, stocks, rent, IT accessibility

What are the human resource requirements, in terms of headcount, skills, roles and qualifications, possibly location?

What are the HR requirements that will need to be in place to start / continue this project, carry it through to finality, and eventually commence operations?

FROM ENTREPRENEURIAL SPIRIT TO BUSINESS REALITY

Are there any technical / operational / raw material or other resources / physical requirements that are needed to get the project going (machinery, production area, stock, training, logistical issues of transport and storage.



IT can be a catalyst and an enabler. Is IT required to get the job done? Does the project require specialist IT skills, hardware/ software, internet/blockchain applications?

Delivery of the end product to your end user could take place in a number of ways, and under various structures – examine the options and decide which is the most efficient, least risky, requires lowest investment, and is the most effective to get you to the marketplace, at least in the critical initial stage.



What level of marketing do you envisage to need to implement to create the need. Define the media to be used, and based on the promotional plan duration, establish their expected cost.

ANOTHER ASSESSMENT MODEL

– THE SAFe CRITERIA

Proposed strategies may be evaluated using the three *SAFe criteria*:

- *Suitability* is concerned with assessing which proposed strategies address the key *opportunities and constraints* an organisation faces. It is about the rationale of a strategy.
- The *acceptability* of a strategy relates to three issues: the level of *risk* of a strategy, the expected *return* from a strategy and the likely *reaction of stakeholders*.
- *Feasibility* is concerned with whether an organisation has or can obtain the capabilities to deliver a strategy.



THE SAFE CRITERIA

Suitability	<ul style="list-style-type: none">• Does a proposed strategy address the <i>key opportunities and constraints</i> an organisation faces?
Acceptability	<ul style="list-style-type: none">• Does a proposed strategy meet the <i>expectations of stakeholders</i>?• Is the level of risk acceptable?• Is the likely return acceptable?• Will stakeholders accept the strategy?
Feasibility	<ul style="list-style-type: none">• Would a proposed strategy <i>work in practice</i>?• Can the strategy be financed?• Do people and their skills exist or can they be obtained?• Can the required resources be obtained and integrated?

SOME EXAMPLES OF SUITABILITY

Strategic option	Why this option might be suitable in terms of:	
	Environment	Capability
Directions		
Retrenchment	Withdraw from declining markets Maintain market share	Identify and focus on established strengths
Market penetration	Gain market share for advantage	Exploit superior resources and capabilities
Product development	Exploit knowledge of customer needs	Exploit R&D
Market development	Current markets saturated New opportunities for: geographical spread, entering new segments or new uses	Exploit current products and capabilities
Diversification	Current markets saturated or declining	Exploit strategic capabilities in new arenas

SOME EXAMPLES OF SUITABILITY

Strategic option	Why this option might be suitable in terms of:	
	Environment	Capability
Methods		
Organic development	Partners or acquisitions not available or not suitable	Building on own capabilities Learning and competence development
Merger/acquisition	Speed Supply/demand P/E ratios	Acquire capabilities Scale economies
Joint development	Speed Industry norm Required for market entry	Complementary capabilities Learning from partners







YET ANOTHER ASSESSMENT TOOL – EDWARD DEBONO'S 6 THINKING HATS

The 6 Thinking Hats model is a creative, systematic and structured way of assessing a project from 6 different perspectives.

The group/ team would 'put on' each hat, and brainstorm the project using the different hats' perspective – the 6 perspectives are:

- *Data and information* - hard facts
- *Emotions/ feelings* – without judgement or assessment
- *Optimism* – just the positives
- *Pessimism* – play devil's advocate – be negative!
- *Creativity* – develop new ideas and spin offs
- *Process control* – conclusions, focus, summaries, decisions



COLOURED HAT	THINK OF	DETAILED DESCRIPTION
	<i>White paper</i>	The white hat is about data and information. It is used to record information that is currently available and to identify further information that may be needed.
	<i>Fire and warmth</i>	The red hat is associated with feelings, intuition, and emotion. The red hat allows people to put forward feelings without justification or prejudice.
	<i>Sunshine</i>	The yellow hat is for a positive view of things. It looks for benefits in a situation. This hat encourages a positive view even in people who are always critical.
	<i>A stern judge</i>	The black hat relates to caution. It is used for critical judgement. Sometimes it is easy to overuse the black hat.
	<i>Vegetation and rich growth</i>	The green hat is for creative thinking and generating new ideas. This is your creative thinking cap.
	<i>The sky and overview</i>	The blue hat is about process control. It is used for thinking about thinking. The blue hat asks for summaries, conclusions and decisions.

STARTING THE PROCESS – PROJECT MANAGEMENT

PROJECT MANAGEMENT is defined as the application of processes, methods, skills, knowledge and experience to achieve specific project objectives according to the project acceptance criteria within agreed parameters.

STARTING THE PROCESS – PROJECT MANAGEMENT

PROJECT MANAGEMENT has final deliverables that are constrained to a finite timescale and budget, and the primary challenge of project management is to achieve all of the project goals within the given constraints

PROJECT have three often conflicting constraints:

- Time
- Quality
- Cost

STARTING THE PROCESS – PROJECT MANAGEMENT

In order to succeed, a project needs a good project manager, clarity of scope, planning, resources, teamwork, coordination, communication, discipline, and leadership.

PROJECT have 5 main phases:

- Conception & Initiation
- Planning
- Execution
- Performance/monitoring
- Project close

IMPORTANCE OF GOOD PROJECT MANAGEMENT

The creation of your business plan is critical since this helps you ensure you have addressed the key issues – it can also be key to:

- Help you discover any weaknesses in your business idea so you can address them before you commit or even open for business
- Identify business opportunities you may not have considered and plan how to take advantage of them
- Analyze the market and competition to strengthen your idea
- Give you a chance to plan strategies for dealing with potential challenges so they don't derail your startup
- Convince potential partners, customers and key employees that you're serious about your idea and persuade them to work with you, or for you
- Force you to calculate when your business will make a profit and how much money you need to reach that point, so you can be prepared with adequate startup capital
- Determine your target market and how to reach them
- A good well thought out business plan can energise you, your team, and your stakeholders.



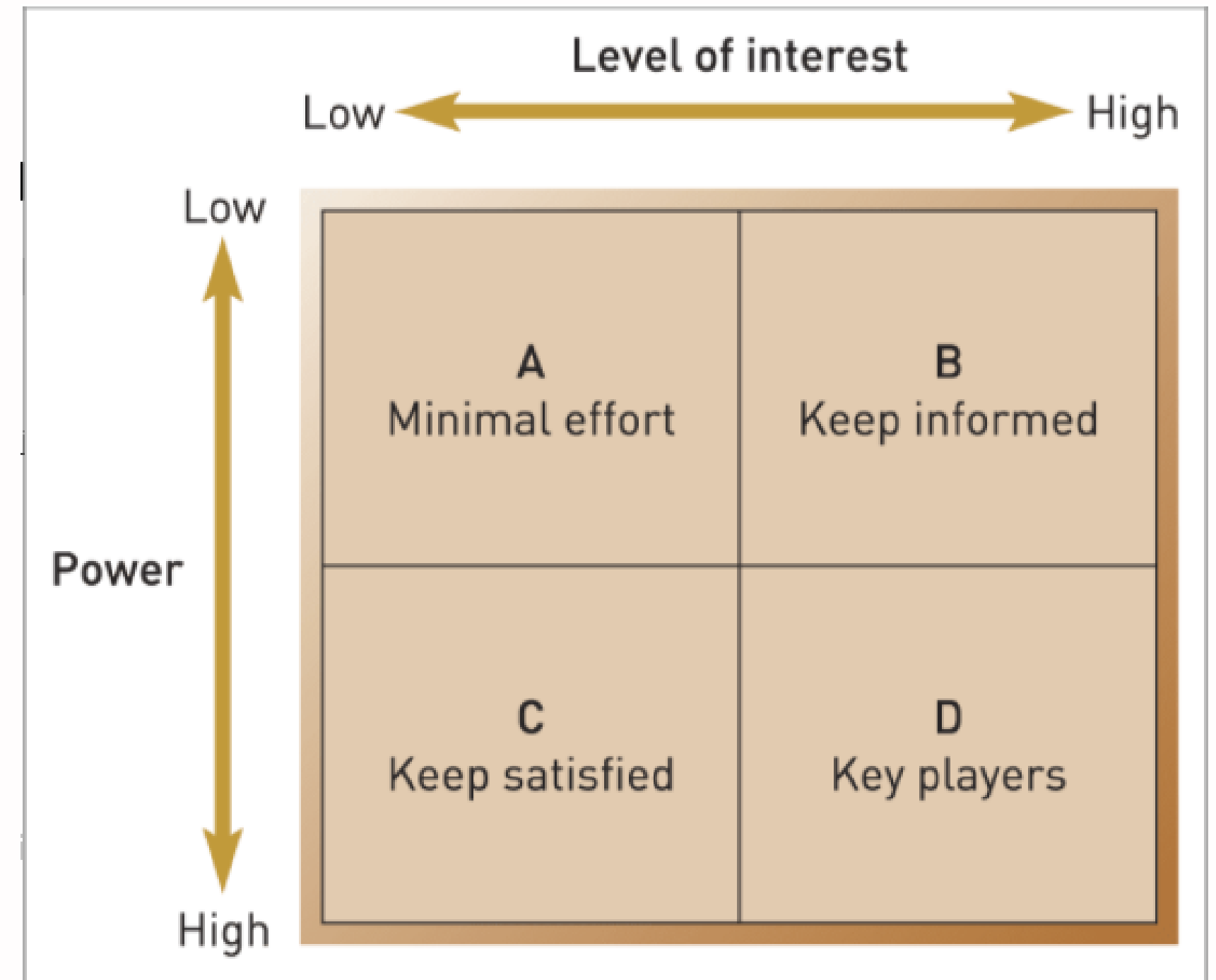
WHAT ARE THE KEY COMPONENTS OF A BUSINESS PLAN?

- Executive Summary
- Company Description – your vision and objectives
- Products and / or Services to be addressed
- Industry, competitors and overall business environment – the external factors that will impact your operations
- Marketing Plan – target customer, business strategy, pricing and the other P's
- Operational Plan – capacity, R&D, staffing levels/skills, processes, location, logistics,
- Management and Organization – how you will set up your structure
- Startup Expenses and Capitalisation – establishing your funding requirements
- Financials and Financial Plan – past, present, future
- Appendices – supporting documents, such as supplier quotes, research, preliminary agreements, data, draft contracts.

GETTING YOUR STAKEHOLDERS INVOLVED

Understand who your stakeholders are.
There are different levels of involvement:

- High influence and power
management, major shareholders,
major suppliers
- Low influence and power
Small creditor, small shareholder,
- High interest
Supplier of capital, creditors
- Low interest
Uninterested customers



You need to treat the stakeholders in a manner that is appropriate with their influence and level of interest.

WHO ARE YOUR STAKEHOLDERS?



Most new ventures start life as a sole trader/entrepreneur acting in his own name.

In the event that the entrepreneur is joined by another business partner, they may opt to create a **partnership**, which still implies personal ownership without an independent separate legal framework, but allows the use of a brand, and trading / acting as an entity that is somewhat distinct from the partners.

As it evolves, the business may be converted to a **limited liability company**, which gives it its own legal identity that is separate from its shareholders.

The creation and use of a company allows for **multiple shareholders**, with different levels of ownership, and a corporate governance structure that:

- protects the shareholder,
- allows representation on the board of directors,
- protects from liability and losses (except for negligence and fraud),
- facilitates succession planning.

Other options could be to have a **group structure**, where one or more holding companies would have ownership in one or more operating businesses.

Groups of companies are often structured as follows:

- Ultimate **ownership** of XYZ Group plc that owns shares (often 100%, usually majority, and rarely minority shareholding)
- the **operating company/companies** that generate income
- the **asset strong company** that holds and manages the group assets, securing these assets to provide capital to the financing company
- the **finance company** that raise and provide capital for the operating companies against the payment of interest

THE GO/NO GO CONUNDRUM



You've made your assessment, done the homework, drawn up the plans, consulted with the stakeholders and have a good idea what the next few months (or years) have in store for you.

If you still have concerns and / or doubts, you may wish to revisit any of the previous stages before taking that decision.

This stage is the bottom line – do you press the GO button, or do you press the NO GO button?

The background of the image features a vibrant sunset or sunrise with a gradient of orange, yellow, and red. A dark silhouette of a person stands with their arms raised in a celebratory gesture. A semi-transparent grey rectangle is centered over the image, containing the text.

**THANKS FOR
YOUR
ATTENTION**