

Opportunity Discovery in New Ventures

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Key takeaways

- New technology ventures face **more uncertainty** than established companies
- Should focus on **experimentation and learning** rather than on planning and execution
- Need to **collaborate with partners** to secure resources and gain legitimacy

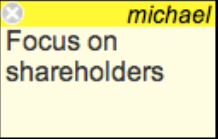
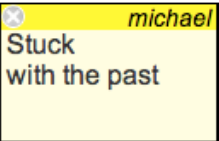
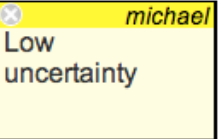
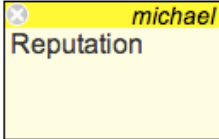
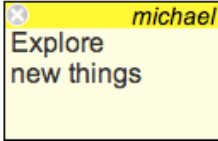
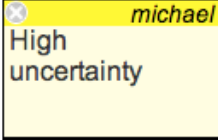
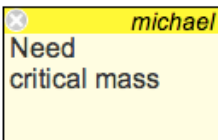
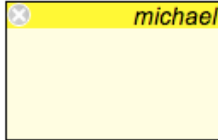

Tech entrepreneurship

An **investment in a project** that assembles and deploys specialized individuals and heterogeneous assets that are intricately related to advances in **scientific and technological knowledge** for the purpose of **creating and capturing value** for a firm (Bailetti, 2012)



Unique challenges

Compare established companies to new ventures

Established companies	New technology ventures	To add a note drag it to the canvas
<p data-bbox="191 638 407 776"> <i>michael</i> Focus on shareholders</p> <p data-bbox="58 824 275 963"> <i>michael</i> Stuck with the past</p> <p data-bbox="86 1092 302 1230"> <i>michael</i> Low uncertainty</p> <p data-bbox="373 1092 590 1230"> <i>michael</i> Reputation</p>	<p data-bbox="674 824 890 963"> <i>michael</i> Explore new things</p> <p data-bbox="936 984 1152 1122"> <i>michael</i> High uncertainty</p> <p data-bbox="680 1216 896 1354"> <i>michael</i> Need critical mass</p> <p data-bbox="957 1206 1173 1344"> <i>michael</i></p>	<p data-bbox="1255 630 1472 768"></p>



Entrepreneurial process

How do new ventures ...

- Identify and evaluate new opportunities?
- Secure resources they need but don't have?
- Overcome the liability of newness?

Three stages of the entrepreneurial process
(Elfring & Hulsink, 2013)

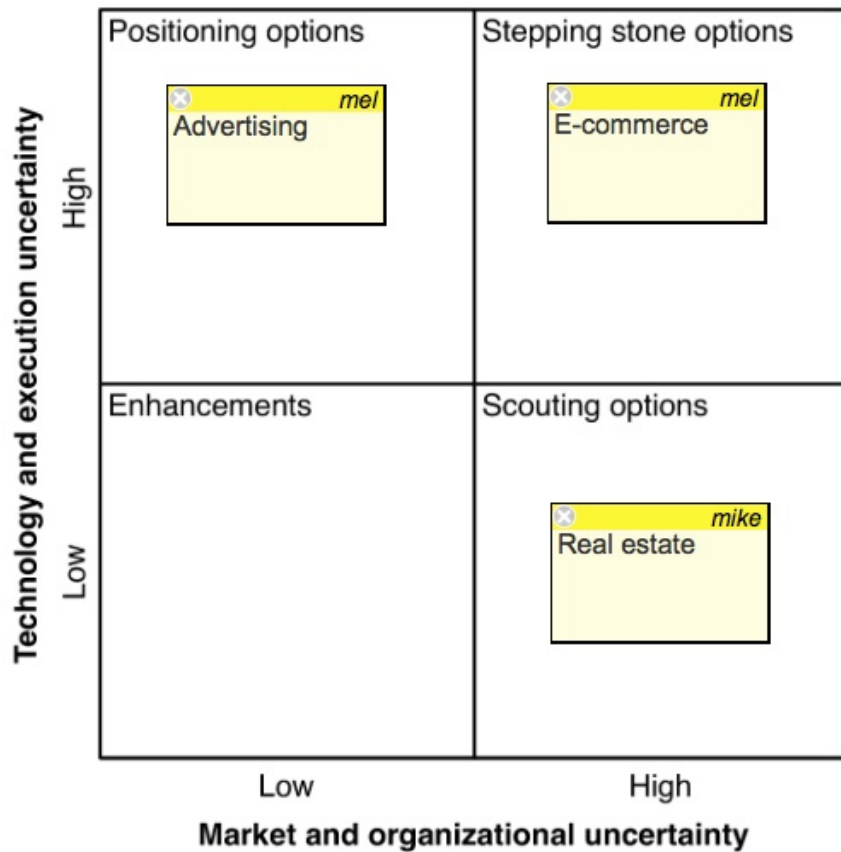


Uncertainty

- New tech ventures operate in uncertain and complex **environments**
- Sources of uncertainty (McGrath, 2010):
 - Technological and execution
 - Market and organization
- Need to manage a **portfolio of opportunities** and associated projects

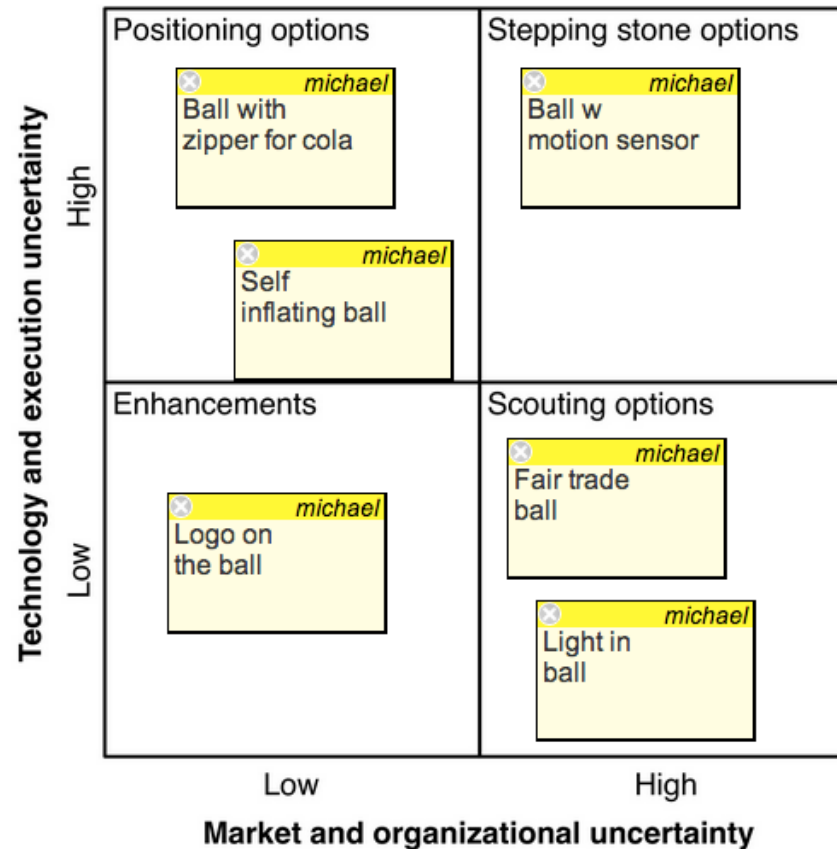
Opportunity portfolio

Example: New mobile publishing platform

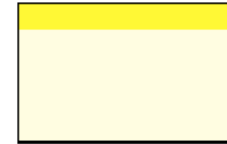


Exercise

Brainstorm new opportunities for this product



To add a note drag it to the canvas



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Experimentation

- New ventures need to ...
 - Continuously reevaluate their project portfolio
 - Invest in **small, bounded experiments**
- Probe and learn (Lynn, 1996):
 - When technology is evolving, market ill-defined, infrastructure non-existent, **probe markets** with early versions of products

Projects

- Opportunities are potentially profitable, unexploited **projects** (Casson, 2008)
- Projects commit resources to creating and capturing value (Bailetti, 2012)
- Project as a **stock of resources**, ie specialized individuals and heterogeneous assets

Project spaces

- Explore multiple **projects in same space** ...
 - Gain insights into markets to pursue, tech to use, and features to incorporate
 - Exploit **similarities** in customer needs
 - Identify key **existing players** who could serve as mediators or might prevent entry

Project space outcomes

Niche and market size

Revenue (model)

Organizational capability

Intellectual property

Synergy (platform)

Value net integration

Collaboration

- New ventures rely on their **network** to secure missing resources and gain legitimacy
- Through partners, new ventures can gain access to channels, talent, cash, or complements
- New venture provides partners with option on a new space and additional sources of revenue

Business model design

A business model answers the **why?, who?, how?, and what?** questions

Business models need to evolve with better understanding of technology/market

Business model design is an iterative process: **discovery-driven**, not analytical

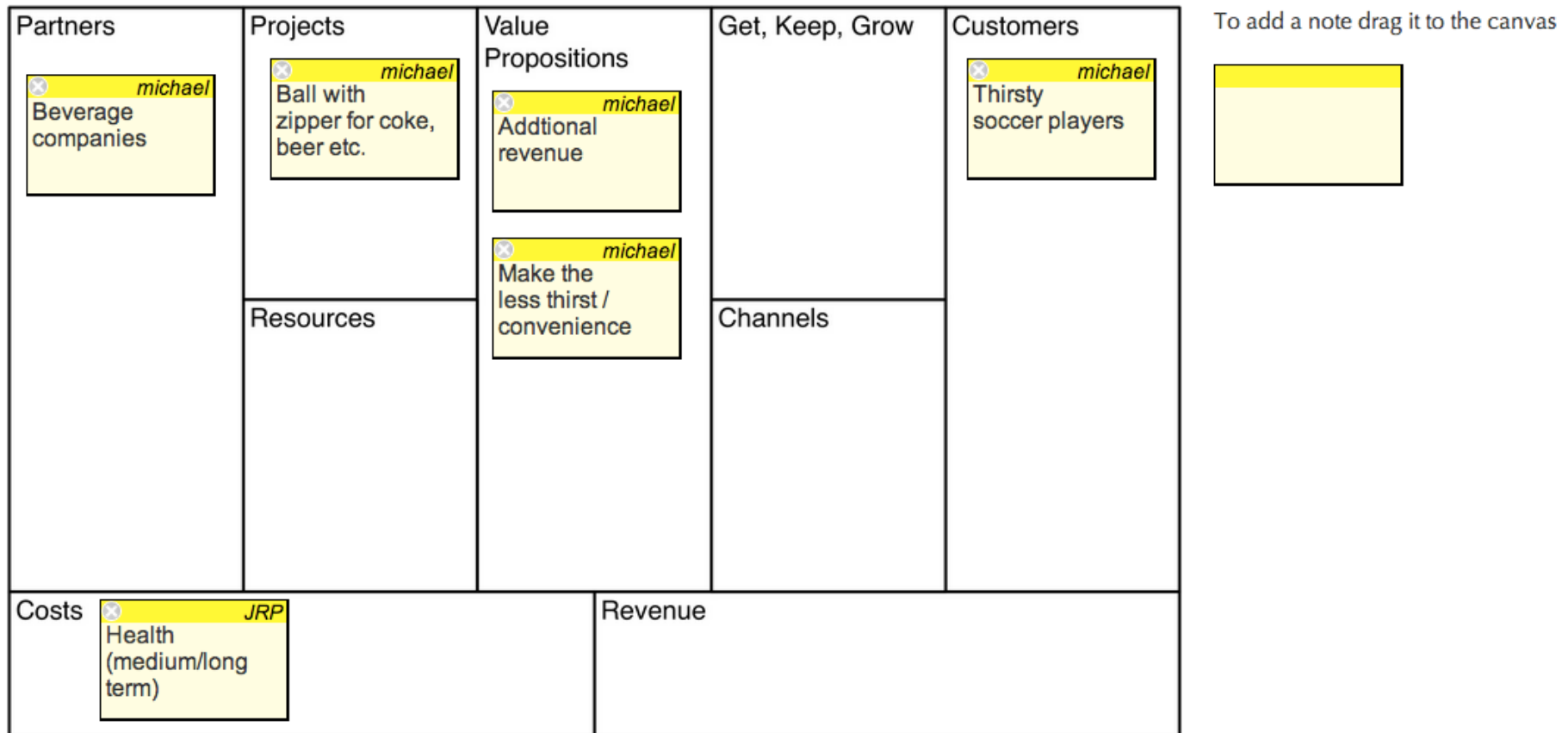
Business model canvas

Canvas modified to include projects



Exercise

How can our "soccer" venture lever partners?



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Networking strategies

- Aaboen et al (2013) identify three strategies:
 - Exploit **similarities** among customer needs
 - Get customers to **share how they use the product**, lowering your investment
 - Expand through **mediators** with established customers/users of their products

Conclusion

- New ventures can **manage uncertainty** by ...
 - Investing in small experiments
 - Collaborating with partners
- Need to manage a **portfolio of opportunities** and associated **projects** (resources, partners)
 - Map out spaces of related projects
 - Use projects to drive business model design

References

- Aaboen, L., Dubois, A., Y Lind, F. (2013),
Strategizing as networking for new ventures,
Industrial Market Management, 42, 1033-1045
- Lynn, G., Maurone, A., & Paulson, J. (1996),
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Management Review, 38(3), 8-37

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Opportunity Discovery in new Ventures through Experimentation and Collaboration

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Biography

Michael Weiss is an Associate Professor in the Department of Systems and Computer Engineering at Carleton University, and a faculty member of the Technology Innovation Management program, a master's program that focuses on technology entrepreneurship and global entrepreneurship (www.timprogram.ca). His research interests include open source, business ecosystems, social network analysis, and born global ventures. Before joining Carleton, Michael worked as a manager in the telecom industry. Michael is a founding member of the Review Board of the Technology Innovation Management (TIM) Review (www.timreview.ca). He is also the CEO of a startup working on the next generation of interactive, social e-books.

Abstract

The development of a new venture can be divided into different processes: opportunity discovery, securing resources to exploit these opportunities, and gaining legitimacy. This talk will focus on the opportunity discovery process for new technology ventures. It takes the perspective that opportunities are projects that ventures can exploit for profit. Since they operate in uncertain and complex environments, technology ventures need to manage a portfolio of opportunities that is continuously reevaluated. This suggests that, unlike conventional businesses, technology ventures must engage in rapid experimentation and learning, rather than focus on traditional planning and execution. From the business model innovation and entrepreneurial networks literature we also know that new ventures rely on partners to provide them with resources that they do not have. By collaborating with established partners they can validate their opportunities, gain access to complementary resources, and increase their visibility and recognition with customers. Students will learn about tools to manage opportunity portfolios and design business models.

Readings

- Technology entrepreneurship (Bailetti, 2012)
- Opportunity discovery and projects (Casson & Wadeson, 2007)
- Entrepreneurial networks (Elfring & Hulsink, 2013)
- Business modeling (McGrath, 2010; Trimi & Bergabel-Mirabent, 2012)

References

- Bailetti, T. (2012). What technology startups must get right to globalize early and rapidly. Oct, 5-16, <http://timreview.ca/article/614>.
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- Trimis, S., & Bergabel-Mirabent, J. (2012). Business model innovation in entrepreneurship, *International Entrepreneurship Management Journal*, 8, 449-465.
- Business model canvas explained, <https://www.youtube.com/watch?v=QoAOzMTLP5s>