

Entrepreneurship

Shuman Ghosemajumder

Stanford University Management Science & Engineering
Entrepreneurship Models for Indian Social Venture Projects

May, 2006



Copyright © 2006, Shuman Ghosemajumder
Freely distributed under a Creative Commons License 2.5

Agenda

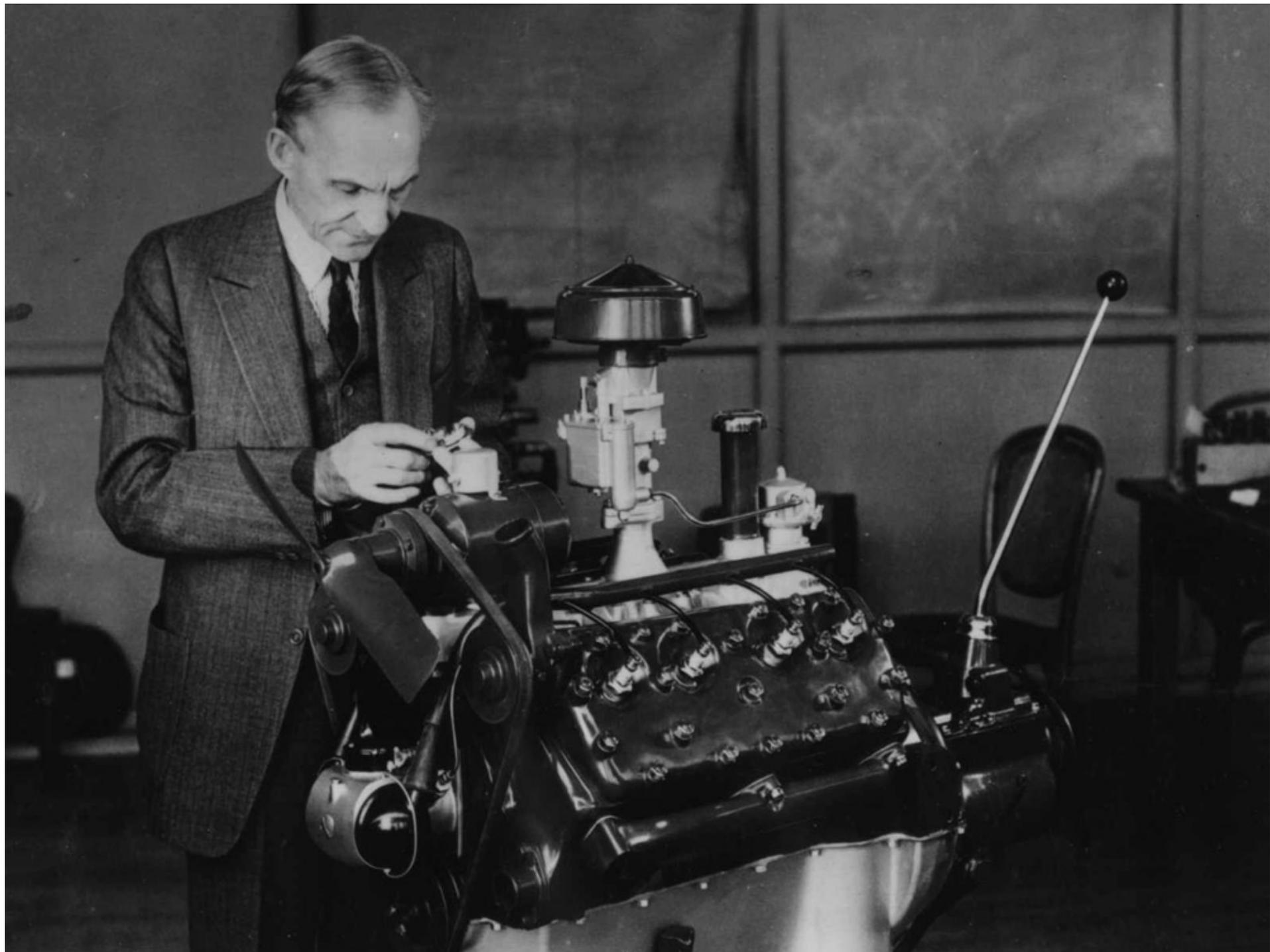
1. What is entrepreneurship?
2. Building a successful venture
3. Considerations for social ventures*

** grain of salt*

What is entrepreneurship?



















What is entrepreneurship?

- Not small business management
- Not just startups
- Not just for-profit firms
- Is the act of creating a new and innovative enterprise

“The pursuit of opportunity beyond the resources you currently control”

– Howard Stevenson, Harvard Business School

**Some less than great
new ventures...**



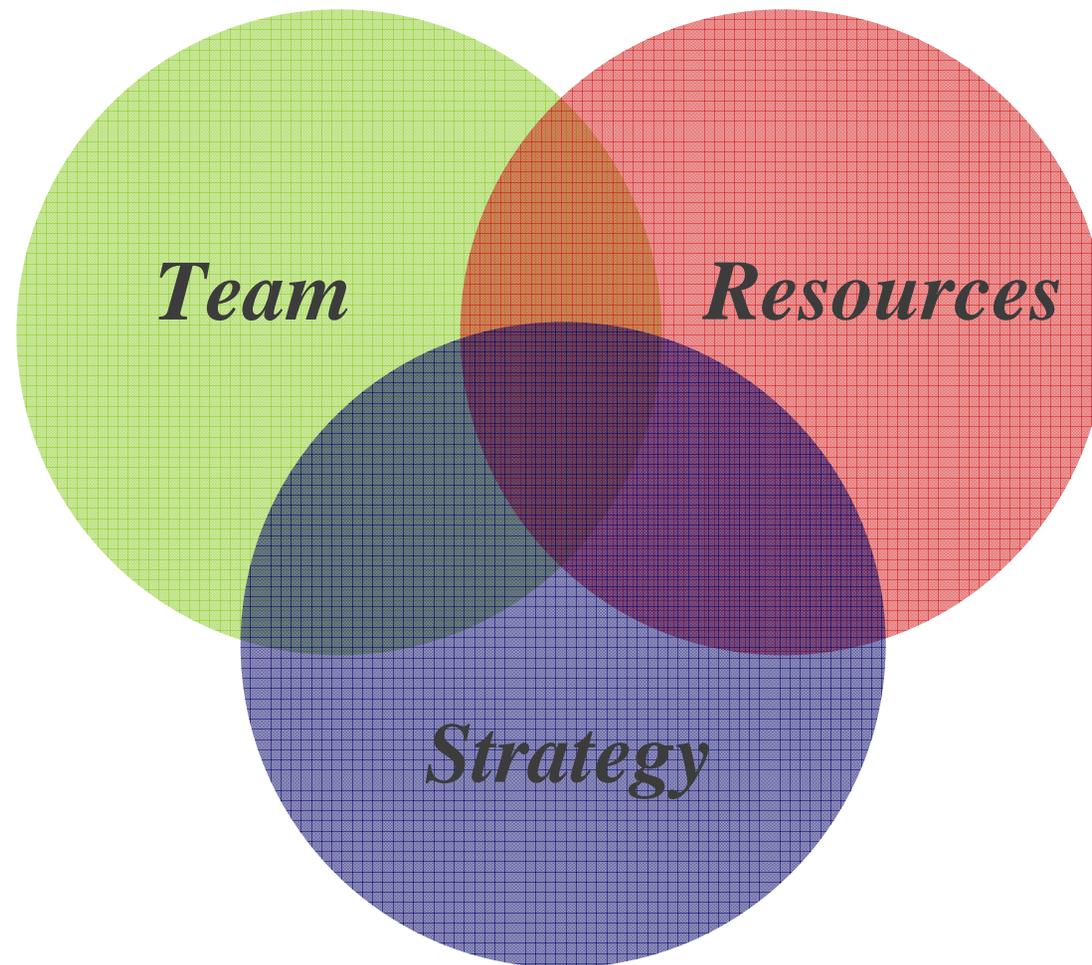






Building a successful venture

The success formula



Team – the right personalities

Everyone should be...

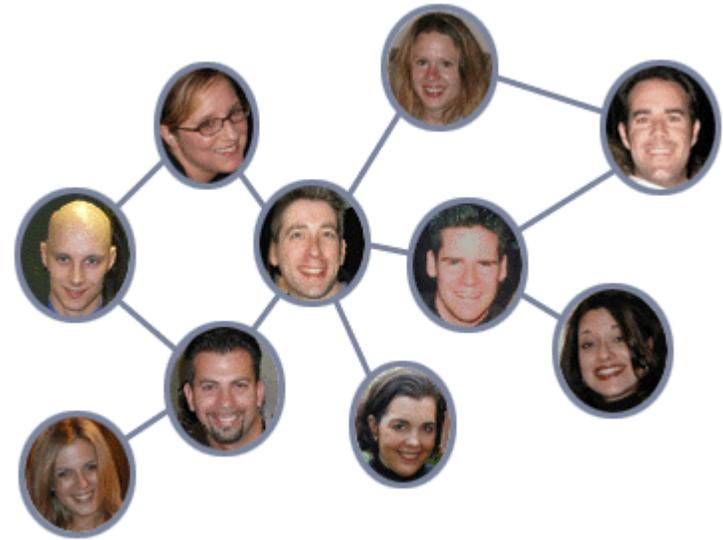
- A team player
- A hard worker
- Curious
- Flexible
- Good at listening

Team – the right skills

Need to have...

- Personal achievers
- Salespeople
- Creative people
- Managers
- Domain experts

Resources



Strategy

Fundamental issues to address

- Who is the market? What are their needs?
- How does this product/service meet these needs?
- What will they pay? How will they pay?
- What is the timeline for each stage of the business?
- What is the long term strategy?
- Who is your competition? How are you better?

Strategy – business plans

Why write a business plan?

- To organize, clarify, and scrutinize your thoughts
- To facilitate corporate development
- To attract a talented team
- *To raise any money whatsoever!*

Your business plan is your high-level strategic plan as well as your detailed all-purpose sales pitch

Key success factors – checklist

- Team
 - Personalities: what are your personality types (values, style, etc.)?
 - Interests: what are you interested in?
 - Experience: what experience do you have?
- Resources
 - IP and goods: what does the business own?
 - Cash: how much cash do you have?
 - Network: what connections support the organization?
- Strategy
 - Plan: what is your plan for establishing and growing the business?
 - Competition: how will you address the competitive challenges?

**Success formula found in most
ventures of *any kind*..**



INDIANA JONES
and the
LAST CRUSADE

Indiana Jones and the Last Crusade - Team



Leader / Manager



Domain Expert /
Idea Person

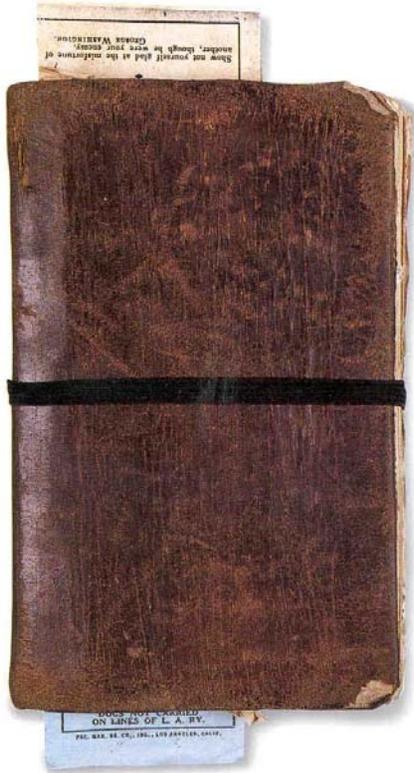


Partnerships



Investor / Director

Indiana Jones and the Last Crusade - Resources



Intellectual Property



Equipment



Capital

Indiana Jones and the Last Crusade - Strategy



Joint Venture Partners



Competition



R&D



Exit Strategy

Considerations for social ventures

Three keys to a successful social enterprise*

- Generate community wealth
 - new revenue streams
 - don't compete with scarce charitable dollars
- Making the commitment to compete
 - be organized, effective, and professional
- Bearing witness
 - call attention to real injustice and suffering

** From Bill Shore, CEO, Community Wealth Ventures*

Keys to a successful social enterprise*

Motives, Methods & Goals		Purely philanthropic ←————→ Purely commercial		
		Appeal to goodwill Mission driven Social value	Mixed motives Mission driven & market driven Social & economic value	Appeal to self-interest Market driven Economic value
Key stakeholders	beneficiaries	Pay nothing	Subsidised rates or mix of full of payers & those who pay nothing	Market-rate prices
	capital	Donations & grants	Below-market capital, or mix of donations & market-rate capital	Market-rate capital
	workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	suppliers	Make in-kind donations	Special discounts, or mix of in-kind & full price donations	Market-rate prices

* Sailendra Dev Appanah, TRN, http://www.thairuralnet.org/download/Social_entrepreneur_tools.ppt

Keys to a successful social enterprise

Motives, Methods & Goals		Purely philanthropic ←————→ Purely commercial		
		 Appeal to goodwill	Mixed motives Mission driven & market driven Social & economic value	Appeal to self-interest Market driven Economic value
Key stakeholders	beneficiaries	Pay nothing	Subsidised rates or mix of full of payers & those who pay nothing	Market-rate prices
	capital	Donations & grants	Below-market capital, or mix of donations & market-rate capital	Market-rate capital
	workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	suppliers	Make in-kind donations	Special discounts, or mix of in-kind & full price donations	Market-rate prices

Keys to a successful social enterprise

		Purely philanthropic ←————→ Purely commercial		
Motives, Methods & Goals		 <p>Altruism Voluntary Economic value</p>	 <p>Market driven Appeal to self-interest Economic value</p>	<p>Appeal to self-interest Market driven Economic value</p>
Key stakeholders	beneficiaries	Pay nothing	Subsidised rates or mix of full of payers & those who pay nothing	Market-rate prices
	capital	Donations & grants	Below-market capital, or mix of donations & market-rate capital	Market-rate capital
	workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	suppliers	Make in-kind donations	Special discounts, or mix of in-kind & full price donations	Market-rate prices

Keys to a successful social enterprise

		Purely philanthropic ←————→ Purely commercial		
Motives, Methods & Goals				
Key stakeholders	beneficiaries	Pay nothing	Subsidised rates or mix of full of payers & those who pay nothing	Market-rate prices
	capital	Donations & grants	Below-market capital, or mix of donations & market-rate capital	Market-rate capital
	workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	suppliers	Make in-kind donations	Special discounts, or mix of in-kind & full price donations	Market-rate prices

Other considerations

- Understanding culture
 - Entrepreneurship more challenging in some societies than others
- Understanding governments and educational institutions
 - Some governments and institutions more supportive than others
- Incorporation as a 501(c)(3) organization
 - Exclusively for religious, charitable, scientific, testing for public safety, literary, educational, or amateur sports fostering organizations, or organizations for the prevention of cruelty to children or animals
 - Exempt from federal income tax
 - Donations are tax deductible

Entrepreneurship in 2006 is different

Technology matters

- ICT means more opportunities, different dynamics
- information-based marketplaces provide many or most parts of the value chain with zero marginal distribution cost

Where to begin

Where to begin – the traditional model

Identify Opportunity

- general market research
- market segmentation
- segment research

Develop Plan

- pricing models
- competitive research
- financial models
- business plan

Assemble Team

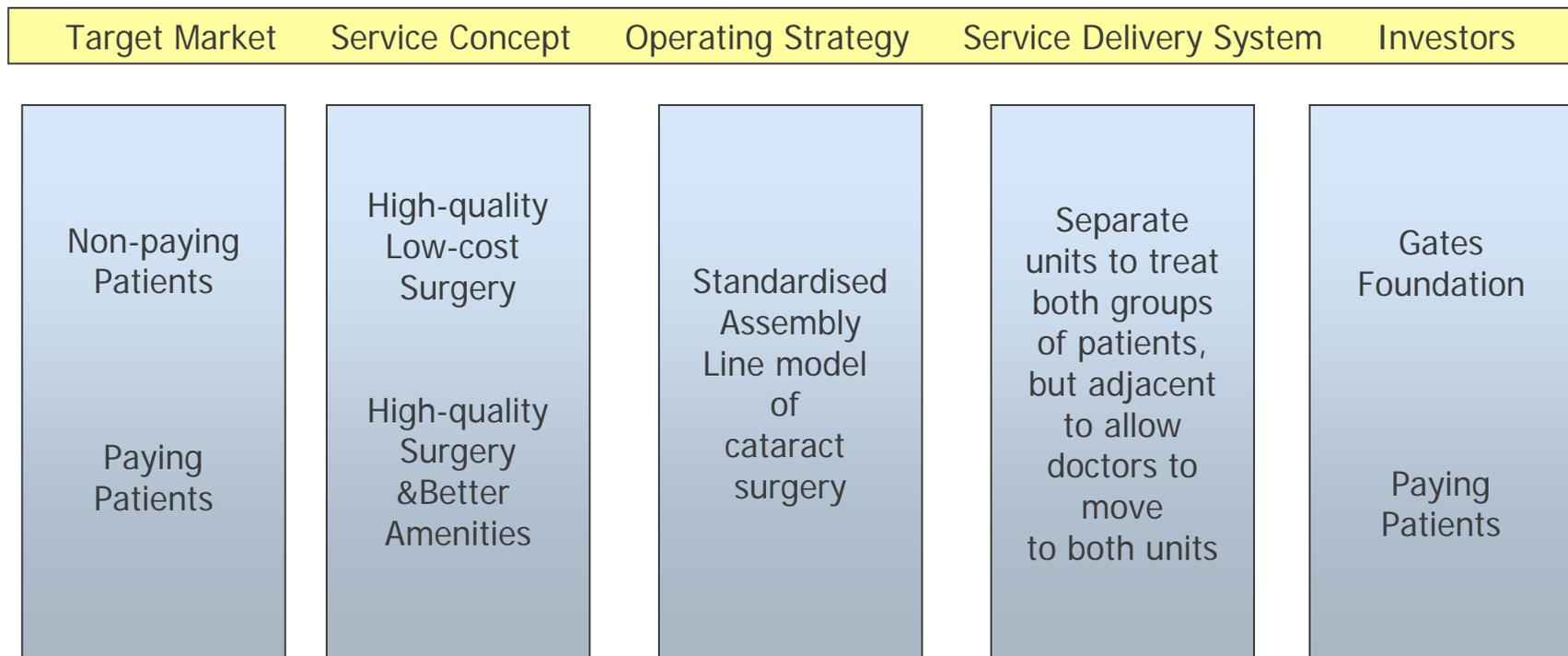
- attract and retain the best talent
- complementary skills and personalities

Funding & Support

- term sheets
- make sure you have more than enough resources to pursue your vision!

Aravind Model*

- India's Aravind Eye Hospital is the largest provider of eye surgery in the world, performing 180,000 cataract operations a year, **70% percent of them for free.**
- It costs the hospital about \$10 to perform a cataract operation which would cost about \$1650 in the United States.



Additional advice

Frameworks are only checklists

- MECE list of considerations for making a strategic decision
- a framework is not a formula; utilizing it does not provide answers

Leadership = the art and science of management

- be fact-based and analytical and make smart decisions
- also use your intuition and creativity, and take risks!

Resources

Entrepreneurship @ Stanford

- BASES (<http://bases.stanford.edu>)
- Stanford Entrepreneurship Network (<http://sen.stanford.edu>)
- Stanford Technology Ventures Program (<http://stvp.stanford.edu>)

External Resources

- Ashoka (<http://www.ashoka.org>)
- MIT OpenCourseWare (<http://ocw.mit.edu>)

Questions?

Shuman Ghosemajumder

contact@shumans.com