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:
- Focus on shareholders
- Stuck with the past
- Low uncertainty
- Reputation

New technology ventures:
- Explore new things
- High uncertainty
- Need critical mass
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

Positioning options
- Advertising
- E-commerce

Stepping stone options
- Mike
- Real estate

Enhancements
Scouting options

Technology and execution uncertainty
- High
- Low

Market and organizational uncertainty
- Low
- High
Exercise

Brainstorm new opportunities for this product

Technology and execution uncertainty

- High
  - Positioning options
    - Ball with zipper for cola
    - Self inflating ball
  - Stepping stone options
    - Ball w motion sensor
  - Enhancements
    - Logo on the ball
  - Scouting options
    - Fair trade ball
    - Light in ball

Market and organizational uncertainty

- Low
- High

To add a note drag it to the canvas
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

<table>
<thead>
<tr>
<th>Partners</th>
<th>Projects</th>
<th>Value Propositions</th>
<th>Get, Keep, Grow</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-service providers</td>
<td>E-commerce</td>
<td>Generates more revenue</td>
<td>Mediated by e-service providers</td>
<td>E-service providers</td>
</tr>
<tr>
<td>joe</td>
<td>joe</td>
<td>mike</td>
<td>mike</td>
<td>joe</td>
</tr>
<tr>
<td>Resources</td>
<td>Resources</td>
<td>Attractive advertising</td>
<td>Channels</td>
<td>Store owners</td>
</tr>
<tr>
<td>mike</td>
<td>Publishing platform</td>
<td>mike</td>
<td>Web</td>
<td>mike</td>
</tr>
<tr>
<td>Costs</td>
<td>Revenue</td>
<td>Revenue sharing</td>
<td>Ongoing service fees</td>
<td></td>
</tr>
<tr>
<td>mike</td>
<td></td>
<td>mike</td>
<td></td>
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</tr>
</tbody>
</table>
Exercise

How can our "soccer" venture lever partners?

<table>
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<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverage companies</td>
<td>Ball with zipper for coke, beer etc.</td>
<td>Additional revenue</td>
<td>Make the less thirst / convenience</td>
<td>Thirsty soccer players</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resources</th>
<th>Channels</th>
<th>Costs</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Health (medium/long term)</td>
<td></td>
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</tbody>
</table>
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

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


Business model canvas explained, https://www.youtube.com/watch?v=QoAOzMTLP5s