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INventure: A Software-Based Model for Assessing Entrepreneurial Ventures

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INVenture: A Software-Based Model for Assessing Entrepreneurial Ventures

Abstract

Relatively few new entrepreneurs develop business plans or they go about such planning in a haphazard way that invites errors and omissions. This article presents a systemized, Web-based venture planning model that collects appropriate information and assists entrepreneurs in evaluating new ventures. The model provides self-motivated feedback progressively over a series of stages. Each stage represents a unique level of analysis crucial to accepting or rejecting proposed ventures. In the process of completing the model, a detailed and systematic business plan is created.

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Introduction

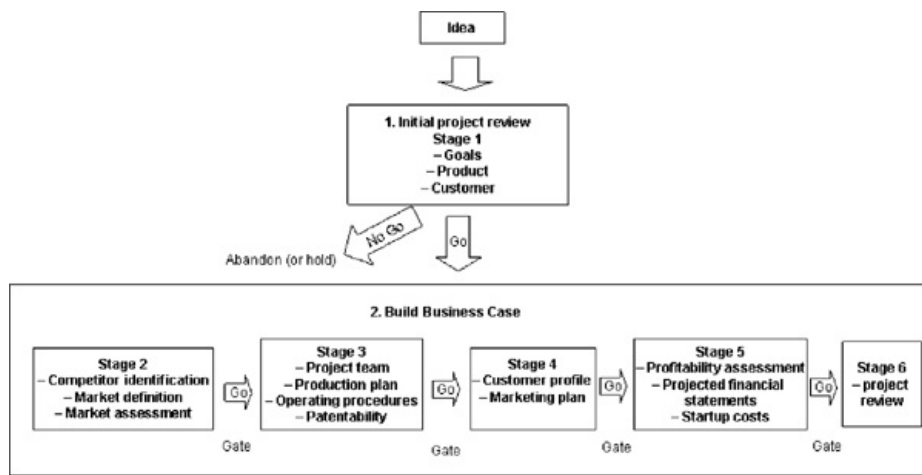
The increased interest in value-added agricultural ventures is a significant trend in rural America. Unfortunately, the commercial potential of value-added ventures and innovations is often not realized and may be frequently over-estimated. This is in part because the new venture development process is often haphazard and disorganized. There are often serious gaps--omissions of steps and poor quality of execution--in new venture development. This article presents a systemized and sequential process for venture assessment and planning to structure the development associated with such ventures so as to improve their chances of success.

INVenture

Educators at Purdue's Agricultural Innovation and Commercialization Center (AICC) have developed a systematic, sequential Web-based model to facilitate the collection and analysis of venture plan information to create a business plan. The approach uses a series of six discrete stages set within the framework of the commercialization process, as illustrated in Figure 1.

The model separates the innovation or new venture development process into a number of defined stages. Such a concept is the basis of the new product management process known as the "stage-gate method," frequently used in businesses that rely on new product innovation. Each stage is designed to gather information needed to evaluate an essential dimension of the venture before proceeding through the gate to the next stage.

Figure 1.
INVenture Stage-Gate Model



The stages of the AICC Business Planner are as follows.

Stage 1. Fundamentals of Your Business: an initial review of the venture. This introductory stage requires a cross functional overview of the venture, including the primary motivation for beginning the venture, the product (or service) that is proposed, the customer identification, and preliminary break-even calculation.

Stage 2. Analyzing Your Market: a detailed examination of the target market. Users complete a thorough review of the market and its characteristics, including an assessment of the competition.

Stage 3. Producing Your Product or Service: a broad-based inquiry into producing products and managing the venture. The venture management team is identified and profiled, production methods are outlined, ownership of the venture is reviewed, and intellectual property issues are identified.

Stage 4. Marketing Your Product or Service: a rigorous inquiry into the marketing plan. The target customer is profiled, and the components of a complete marketing plan are developed in depth, including the product definition and bundle, the pricing plan, the distribution methods, and promotion efforts.

Stage 5. Financial Analysis of Your Business: the creation of forecasted financial statements. Estimations of operating revenue and expenses, capital outlays, financing, and required rates of return are constructed.

Stage 6. Executive Summary: a focused review of the venture. An overview of the venture is written.

The format used to elicit information in this model is question and answer. Each transition to the next stage is a decision point at which entrepreneurs review the work done previously and decide, consciously, whether or not to continue to the next stage. To aid in the answering of questions, sets of "considerations" are provided to stimulate thinking and analysis about issues relevant to each of the questions.

Resources are also provided as references and background on topics, such as how to define goals and conduct an industry assessment. Because of the way that the INventure model has been constructed, users can create a business plan of higher value through both the systematic process they follow and the electronic facilitation they receive as they progress through components of the business plan.

An important element of the stage-gate method is the gate at the end of each stage. The stage-gates exist as quizzes that pose critical questions on the quality of the work done in the stage and the continued viability of the project overall. Each stage-gate contains critical quality-of-execution criteria that can be used to increase the value of the analysis and assessment. If entrepreneurs grade themselves harshly on these criteria, they are encouraged to revisit the stage to collect additional information or rethink the viability of the project. Decisions to continue with the project (go decisions) are formalized based on the information provided in the stages.

The INventure model is available as a software application delivered through either the Internet or as a standalone application for users without high speed access to the Internet. It can be found at <<http://www.agecon.purdue.edu/planner>>. In essence, the model decreases the uncertainty and poor planning often found in venture development by acting as an electronic mentor.

Illustration of the Business Planner Stage-Gate Process

Figure 2 shows what a user of INventure would see in the first of four screens in *Stage 1. Fundamentals of Your Business* when developing his or her business plan. Stage 1 is an opportunity for entrepreneurs to explain the basic motivation for and concept of their venture. The

material collected from users at this stage would appear primarily in the Overview and Goals sections of the business plan that results from INVenture. Complete business plans can be downloaded as MS Word documents to facilitate final review and sharing of the document.

The first screen of the gate from Stage 1 is illustrated in Figure 3. Assessments test both the quality of the work done in the stage (by asking entrepreneurs to rate how thoroughly they answered questions posed in the stage, for instance) and to rate their venture on criteria specific to the content found in the stage (for instance, by asking them whether they had quantified the market size or not).

Figure 2.
Illustration of a Component of Stage 2 of INVenture

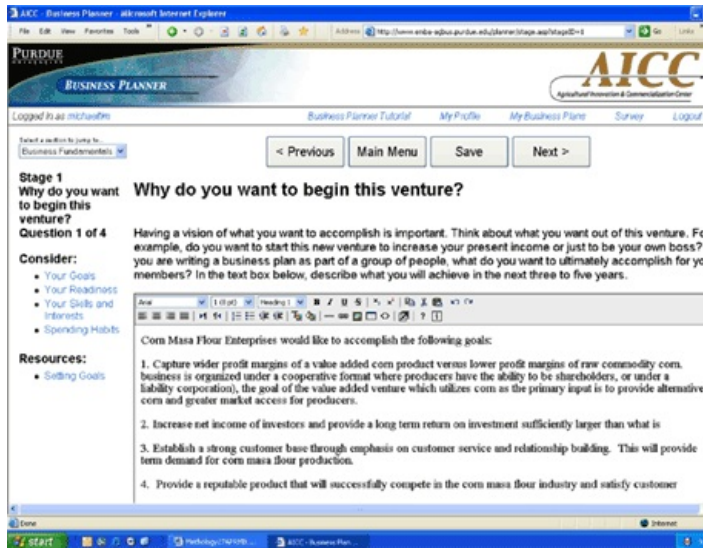
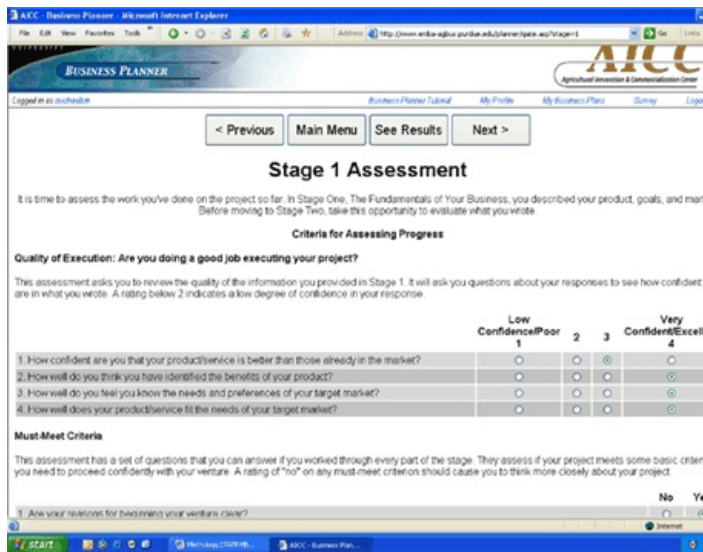


Figure 3.
Illustration of an Assessment (or Gate) in INVenture



After completing Stage 1 and its assessment, users then move to the next stages and assessments. The structure of each of these stages is similar to that illustrated in Figures 2 and 3.

Conclusions

While entrepreneurs may benefit from formal business planning, many fail to do so or do so in an unstructured way that leaves them open to errors. To overcome such problems, Purdue University educators have developed a six-stage methodology for venture assessment. This model, INVenture, helps increase the likelihood of successful ventures by systemizing and sequencing new venture planning. INVenture has been used by approximately 300 users since it became available on-line in December 2004.

Acknowledgements

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