

**Module: ENTREPRENEURIAT**  
Master 1. Finances d'entreprise

Faculté des Sciences Économiques, Commerciales, et  
Sciences de Gestion - Université de Tlemcen

# Introduction

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- ▶ Entrepreneurial activity is increasing throughout the world.
- ▶ Entrepreneurs and entrepreneurship are playing important roles in today's global business environment.



# 1. Entrepreneurship

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- ▶ The concept of entrepreneurship is a complex phenomenon.
- ▶ Several definitions of entrepreneurship exist.



# 1. Entrepreneurship

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- ▶ « Entrepreneurship refers to an action process of entrepreneur towards establishing an enterprise. It is a creative and innovative process and adapting response to environment »



Figure 1. Concept of Entrepreneurship

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# 1. Entrepreneurship

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- ▶ Entrepreneurship has long been described by researchers with terms such as innovative, flexible, dynamic, creative and risk-taking.
- ▶ Many authors said that ***identifying and pursuing opportunities are an important part of entrepreneurship.***



# 1. Entrepreneurship

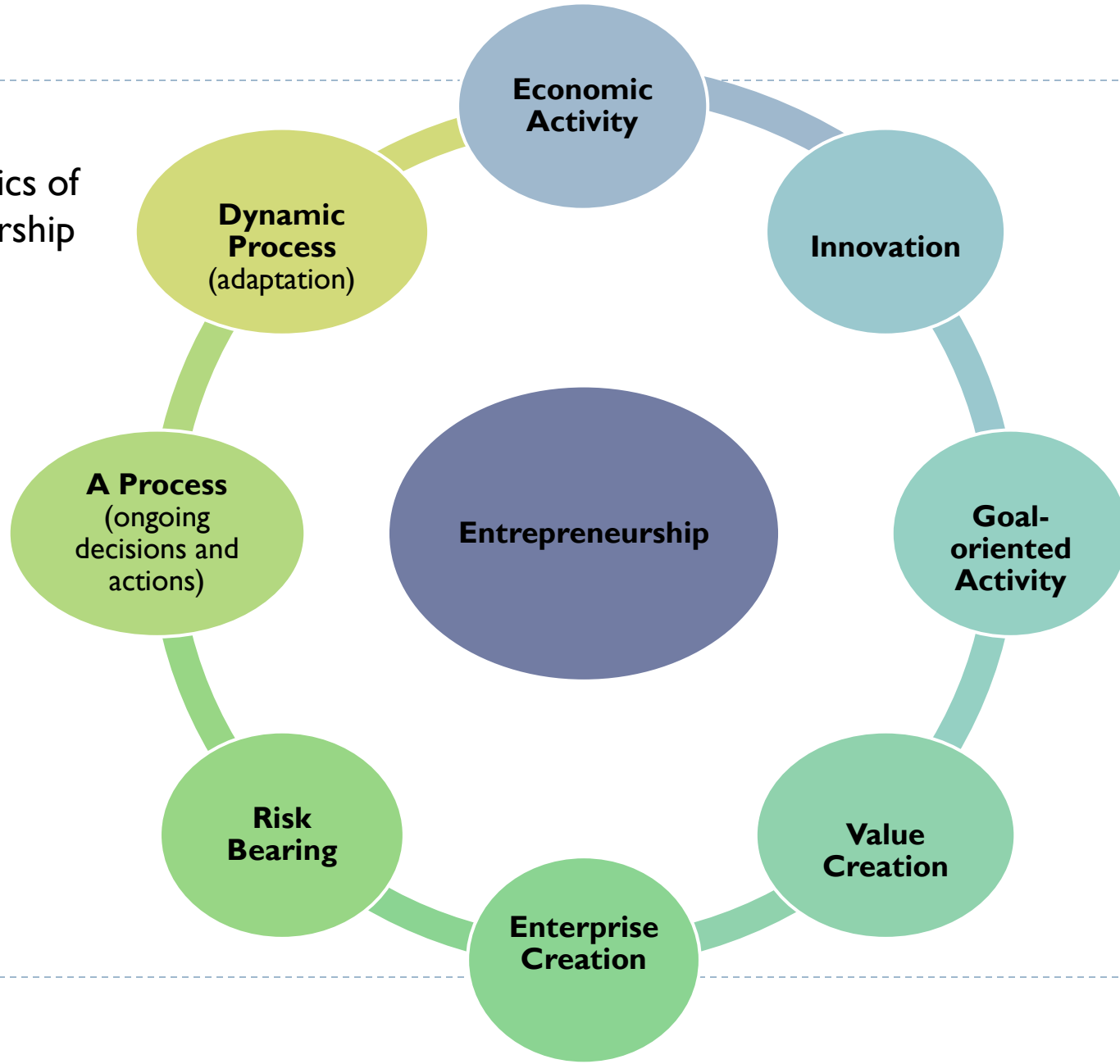
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- ▶ « Entrepreneurship is the process
- ▶ of bringing together creative and innovative ideas and actions
- ▶ with the management and organizational skills necessary
- ▶ to mobilize the appropriate people, money, and operating resources
- ▶ to meet an identifiable need
- ▶ and create wealth in the process »



## 2. Nature and Characteristics of Entrepreneurship

**Figure 2.**  
Characteristics of  
Entrepreneurship



## 2. Nature and Characteristics of Entrepreneurship

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### ▶ I. **Economic activity:**

- ▶ Entrepreneurship is primarily an economic activity because it involves the creation and operation of an enterprise. It is basically concerned with the production and distribution of goods and services and optimally utilizes resources towards productive use.





## 2. Nature and Characteristics of Entrepreneurship

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- ▶ **2. Entrepreneurship involves innovation:** it involves changing, revolutionizing, transforming, and introducing new approaches.
- ▶ Innovation may take several forms:
  - ▶ a new product/service,
  - ▶ a new source of raw material,
  - ▶ a new market,
  - ▶ a new method of production/distribution...



## 2. Nature and Characteristics of Entrepreneurship

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- ▶ **3. Goal-oriented activity:** The entrepreneur who creates and operates Es seeks to earn « profits » through satisfaction of needs of consumers. Entrepreneurship emphasizes results, achievements and targets achieved.
- ▶ **4. Value creation:** Through entrepreneurship, new products, services, transactions, approaches, resources, technologies... are created that contribute some value to a community or marketplace (transformation process).
  - ▶ Drucker says: « Until entrepreneurial act, every plant is a seed, and every mineral just another rock ».



## 2. Nature and Characteristics of Entrepreneurship

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- ▶ **5. Enterprise creation:** In order to pursue the perceived opportunities for innovation and to create value, there must be organized efforts and actions.
- ▶ **6. A function of risk bearing:** Risk is an inherent and inseparable element of entrepreneurship. An entrepreneur work under uncertainties and he assumes the uncertainty of future.



## 2. Nature and Characteristics of Entrepreneurship

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- ▶ **7. Recognition that it is a process:** the entrepreneurship is a set of ongoing decisions and actions (*dans le sens sur une base continue, permanente et régulière*).
- ▶ **8. Dynamic process:** An entrepreneur deals proactively with changing markets and environment. He looks at the changes as the source of market advantages.



# 3. What is an Entrepreneur?

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- ▶ Starbucks, Nike, and Microsoft (We don't generally associate these big-name companies with small business).
- ▶ Each of these companies was a small business started by **entrepreneurs.**



### 3. What is an Entrepreneur?

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- ▶ **Entrepreneur** = Someone who assumes the risk of creating, organizing, and operating a business and who directs the business resources.
  - ▶ Entrepreneurs most often start a business to satisfy an **opportunity niche (créneau)** – a need in the marketplace that is not being adequately fulfilled.
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### 3. What is an Entrepreneur?

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- ▶ According to the *Global Entrepreneurship Monitor* (GEM), there are those who become entrepreneurs by **necessity** (no income, etc.) and those who are **opportunistic** (exploit a need, market, invention, etc.).
  - ▶ In the U.S., 59% of those engaged in entrepreneurial activity are **opportunity entrepreneurs**, people who start businesses because they spot an opportunity in the marketplace, compared to **necessity entrepreneurs**, those who start businesses because they cannot find work any other way.
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## Example: *McDonald's*

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- ▶ All businesses have to start somewhere. Even *McDonald's* which is one of the biggest businesses in the world today, started out as just a single restaurant in California.
  - ▶ The brothers who started *McDonald's* spotted an opportunity niche. Realizing that the hamburger was the bestseller in their California restaurant, they created an assembly line that allowed them to produce burgers quickly and inexpensively, and business boomed.
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## Example: *McDonald's*

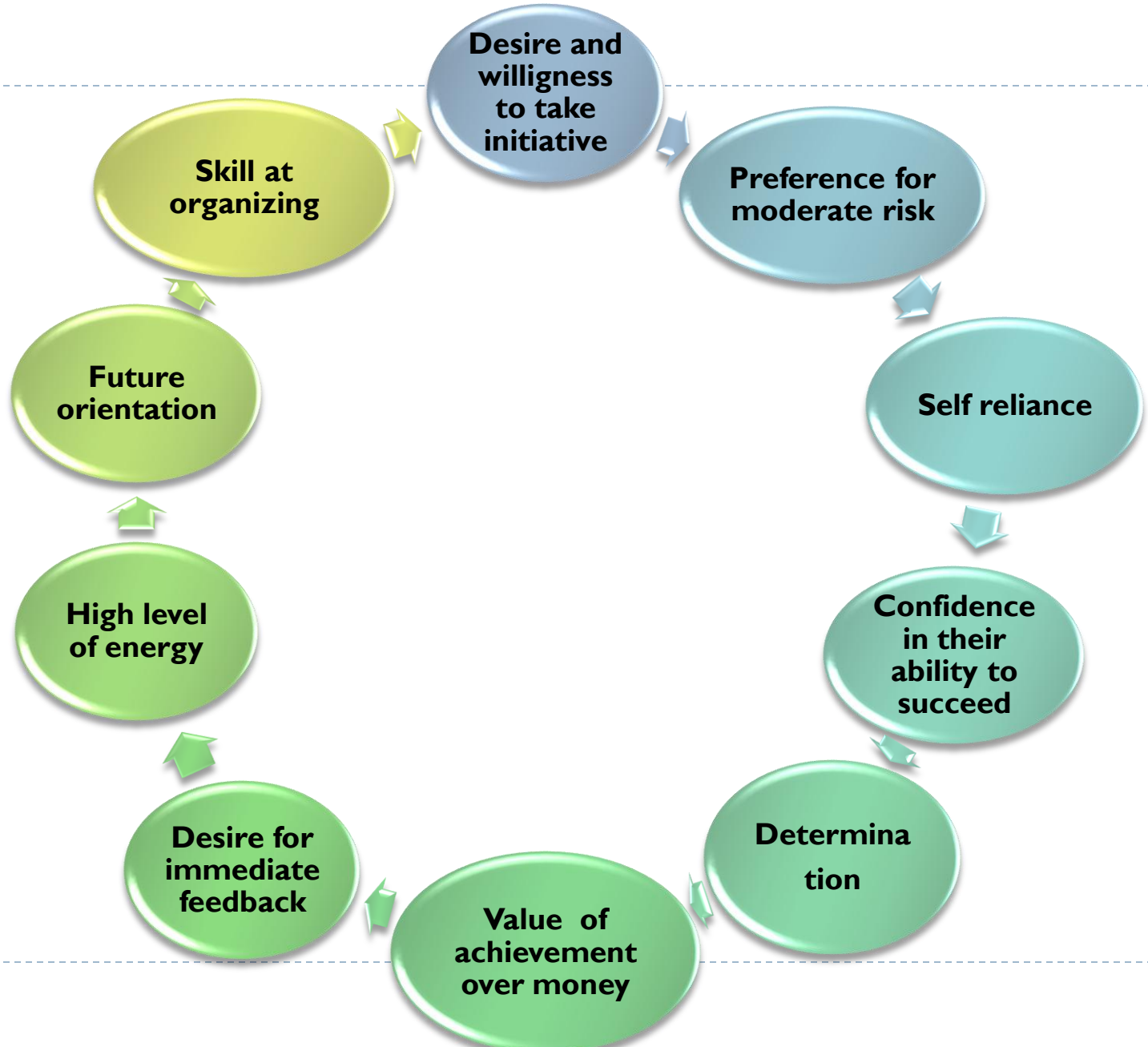
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- ▶ It expanded even more when Ray Kroc, who was selling milkshake machines in California, convinced the brothers not only to use his milkshake machines but also to let him open another *McDonald's* restaurant in Chicago.
  - ▶ Seeing the opportunity niche in fast food, Kroc later bought the *McDonald's* restaurants from the McDonald brothers.
  - ▶ The company now (2018) operates more than **38 000** restaurants in **117** countries, generating more than **US\$ 21 billion** in revenue annually.
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# 4. Entrepreneurial Profile

**Figure 3.**  
Entrepreneurial  
Profile



# 4. Entrepreneurial Profile

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- ▶ **1. *Desire for responsibility and to take initiative:*** Entrepreneurs feel a deep sense of personal responsibility for the outcome of ventures they start. They prefer to be in control of their resources and to use those resources to achieve self-determined goals.
  - ▶ **2. *Preference for moderate risk:*** Entrepreneurs are *calculating* risk-takers. The goal may appear to be high- even impossible-, but they have thought through the situation and believe that their goals are reasonable and attainable.
    - ▶ Entrepreneurs launched many now-famous businesses, including Burger King, Microsoft, FedEx, Disney, HP, ..., during economic recessions when many people believed their ideas and their timing to be not appropriate (**57% of the *Fortune 500* companies were launched in recession**).
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## 4. Entrepreneurial Profile

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- ▶ Lee Lin, who left his job at a large investment bank to start RentHop, an online service that help renters find the ideal apartment in New York City, says that entrepreneurs who risk everything typically do not stay in business very long.
  - ▶ Lin says that to minimize risk, he manages his company's finances carefully and focuses on profitable growth opportunities.
  - ▶ Successful entrepreneurs are not as much risk *takers* as they are risk *eliminators*, systematically removing as many obstacles to the successful launch of their ventures as possible. One of the most successful ways of eliminating risks is to build a **viable business plan** for a venture.
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## 4. Entrepreneurial Profile

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- ▶ **3. Self-reliance (autonomie):** Entrepreneurs must fill multiple roles to make their companies successful, especially in the early days of a start-up. Because their resources usually are limited, they end up performing many jobs themselves.
  - ▶ **4. Confidence in their ability to succeed:** They tend to be optimistic about their chances for business success. Entrepreneurs face many barriers when starting and running their companies and a healthy dose of optimism can be an important component in their success.
  - ▶ **5. Perseverance and determination:** Even when things don't work out as they planned, entrepreneurs don't give up. They simply keep trying.
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## 4. Entrepreneurial Profile

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- ▶ **Example. Romesh Wadhvani: Aspect Development**
  - ▶ 5 years after starting a canteen with several other students on the campus of Mumbai's Indian Institute of Technology in 1964 with an investment of 100 rupees (about \$10), Romesh Wadhvani arrived in the U.S. with just \$3,48 in his pocket.
  - ▶ He earned a master's degree and a *PhD* in Bioengineering from Carnegie Mellon University, and renewed his passion for entrepreneurship by launching a company that provided computer-based security and energy management services during the short recession of 1991.
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## 4. Entrepreneurial Profile

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- ▶ Wadhvani convinced an angel investor to invest \$30 000 and pitched his idea to **125** venture capital firms before he found **one** that was willing to finance a business started by an entrepreneur with no experience.
  - ▶ Just **9 years** later, Wadhvani sold *Aspect Development* to *i2 technologies* for **\$9,3 billion**.
  - ▶ Wadhvani says it never occurred to him to give up, and ultimately his tenacity paid off.
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## 4. Entrepreneurial Profile

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- ▶ **6. *Desire for immediate feedback:*** Successful entrepreneurs ensure regular monitoring to achieve the organization's goal in the best possible manner, and are constantly looking for feedback. They are always in search for new ideas and information from various sources to help reach objectives or clarify problems.
  - ▶ **7. *High level of energy:*** Entrepreneurs are more energetic than the average person. Long hours (often 60 to 80 hours a week) and hard work are the rule rather than the exception.
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## 4. Entrepreneurial Profile

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- ▶ **8. Problem Solving:** Successful entrepreneurs are challenging by nature. They always try to find out ways and means to overcome problems. They also identify new and potentially unique ideas to achieve their goals.
  - ▶ **9. Future orientation:** Entrepreneurs develop and use proper plans to accomplish their goals. They have a well-defined sense of searching for opportunities. They look ahead and are less concerned with what they did yesterday than with what they might do tomorrow. **They stay focused on the future.**
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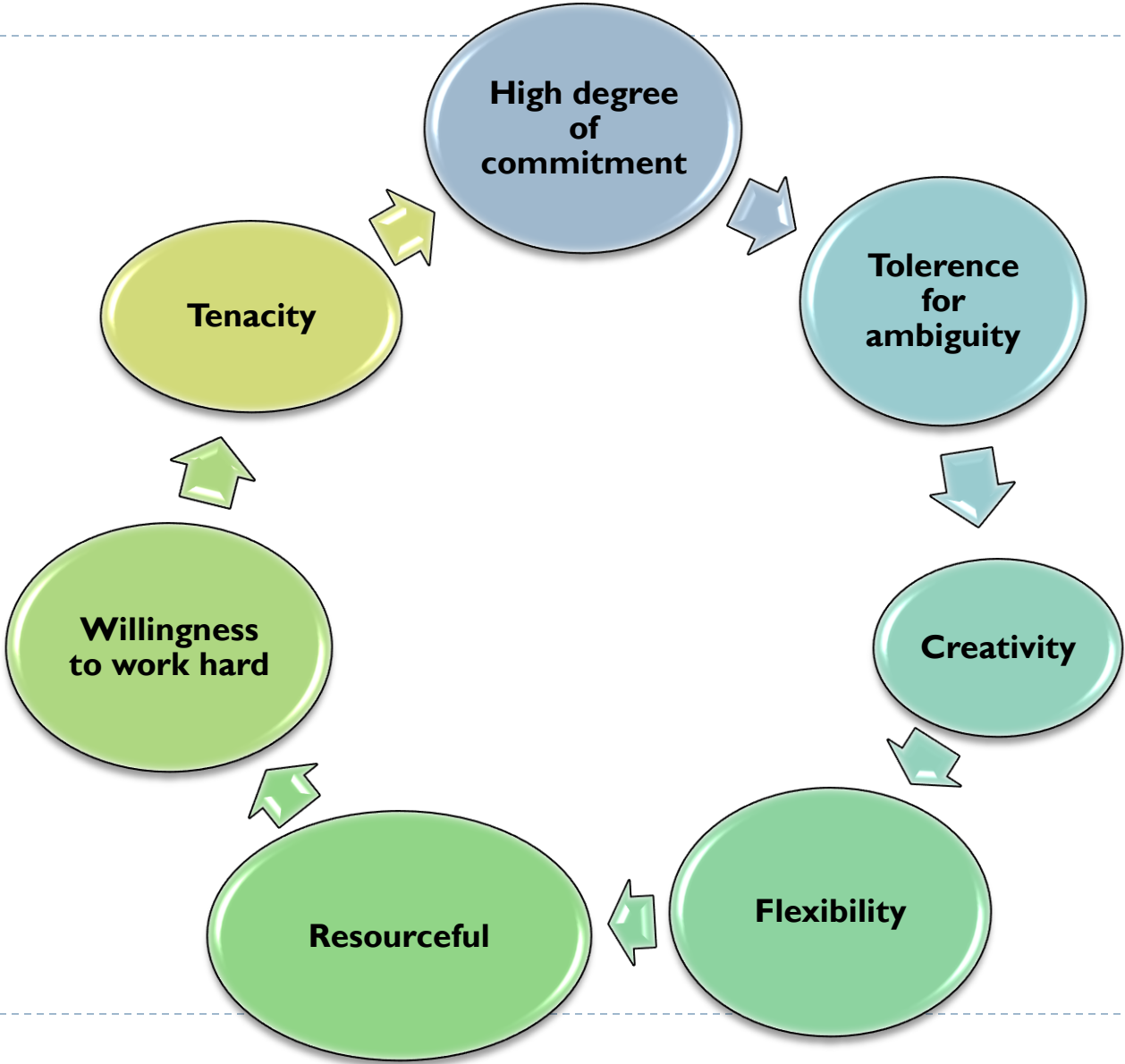
## 4. Entrepreneurial Profile

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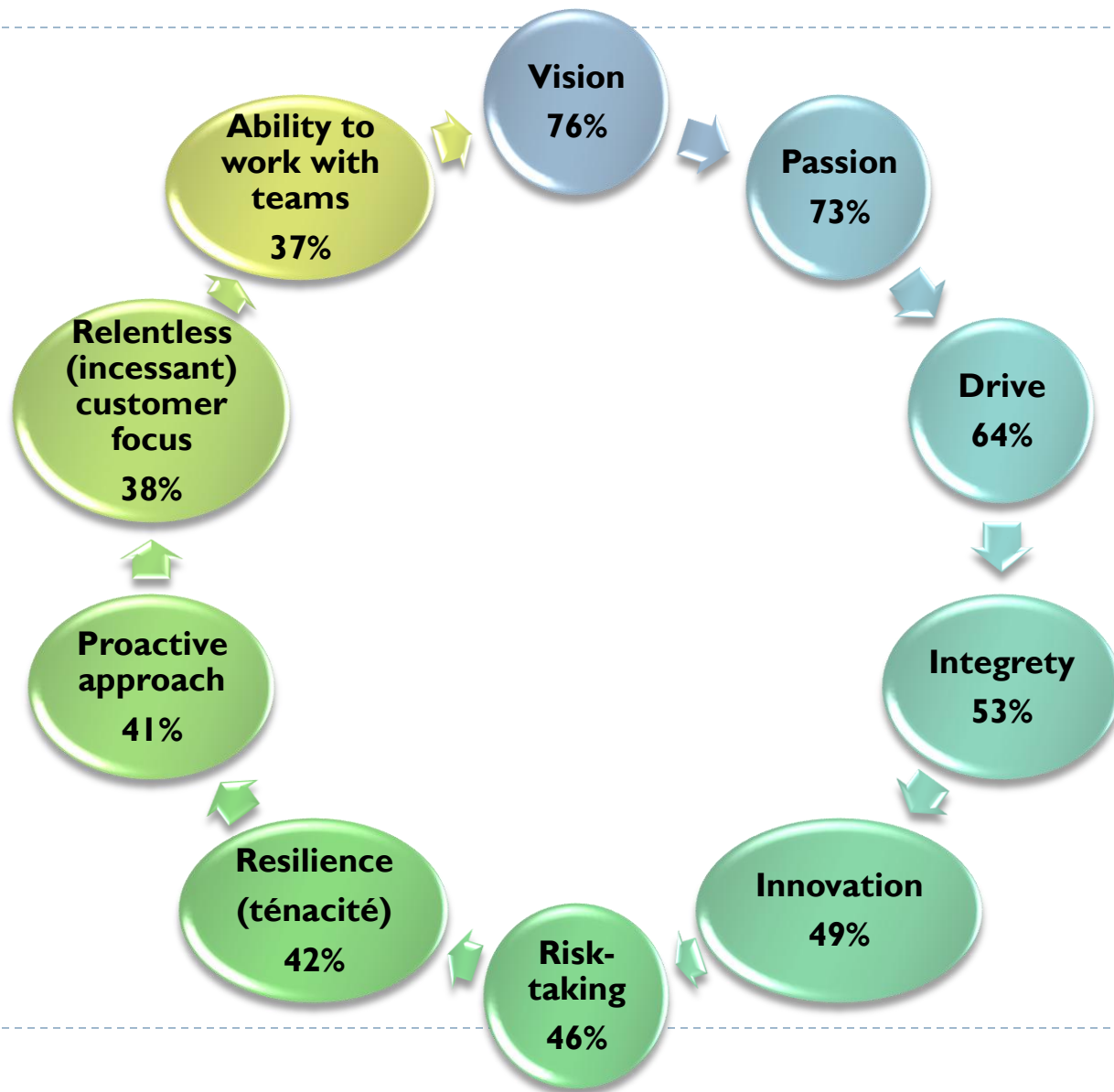
- ▶ **10. Skill at organizing:** Entrepreneurs know how to put the right people and resources together to accomplish a task and transform their vision into reality.
  - ▶ **11. Value of achievement over money:** One of the most common misconceptions about entrepreneurs is that they are driven wholly by the desire to make money. To the contrary, *achievement* seems to be the primary motivating force behind entrepreneurs (Besoin de s'accomplir (pyramide de Maslow)).
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# Figure 4. Other Characteristics of an Entrepreneur



# Figure 5. Most Important Qualities of an Entrepreneur (Ernst & Young, 2011)



# Conclusion (entrepreneurial personality)

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▶ *Entrepreneurs are not of one mold; no one set of characteristics can predict who will become entrepreneurs and whether they will succeed*

▶ **Diversity** seems to be a central characteristic of entrepreneurs

▶ *Entrepreneurship is not a genetic trait; it is a skill that is learned.*

▶ **Source:** Scarborough, N.M., J.R. Cornwall, *Essentials of Entrepreneurship and Small Business Management*, Pearson, 2016.

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## 5. The benefits of Entrepreneurship

### Financial Rewards

- Opportunity to reap impressive profits

### Social Rewards

- Making a difference
- Pride
- Reaching your full potential (Vs. Unchallenging work...)
- Worthwhile cause (opportunity to contribute to society and be recognized for your efforts)

### Independence

- Work for yourself at your own pace
- Opportunity to do what you enjoy and have fun at it

## 6. The potential Drawbacks of Entrepreneurship

### Financial Risk

- Uncertainty of income
- Risk of losing the entire investment (Substantial financial loss and even bankruptcy)

### Social Risk

- Lower quality of life until the business get established
- Long hours and hard work

### Career Risk

- Entrepreneurs usually quit their jobs to pursue their own startup, but if things go wrong in the new business venture, it may be difficult to resume a career

### Psychological Risk

- High levels of stress
- Complete responsibility

## 7. The Main Factors Driving the Growth of Entrepreneurship

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### ▶ 1. Entrepreneurs as *heroes*

- ▶ The entrepreneurs are considered as heroes and their accomplishments as models to follow.
- ▶ Business founders such as Bill Gates (*Microsoft Corporation*), Oprah Winfrey (*Harpo Productions*), Jeff Bezos (*Amazon*), Steve Jobs (*Apple*), and Mark Zuckerberg (*Facebook*) are to entrepreneurship what Michael Phelps, Roger Federer and James LeBron are to sports.

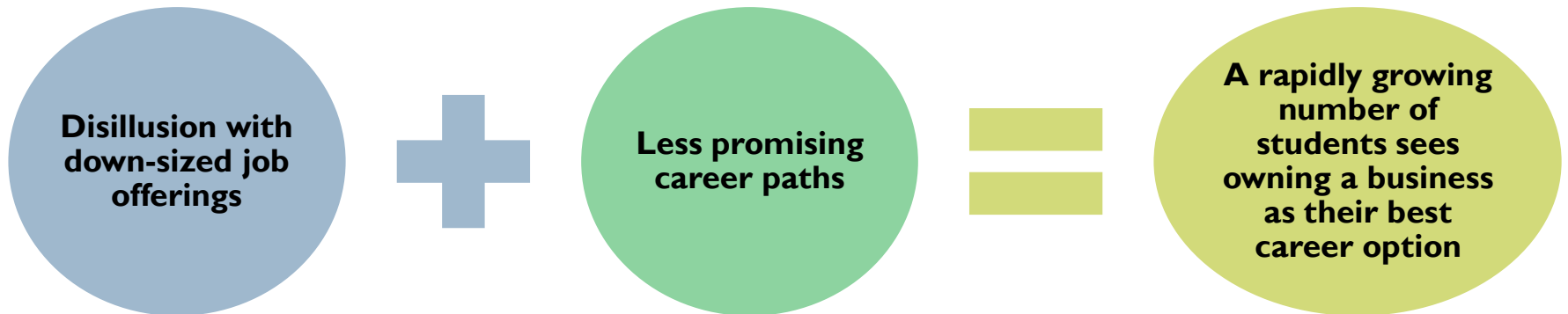


## 7. The Main Factors Driving the Growth of Entrepreneurship

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### ▶ **2. Entrepreneurial Education**

- ▶ Colleges and universities have discovered that entrepreneurship is an extremely popular course of study.



## 7. The Main Factors Driving the Growth of Entrepreneurship

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- ▶ **3. Demographic and Economic Factors**
- ▶ More than 75% of the entrepreneurs start their businesses between the ages of 20 and 44, and the number of americans in that age range currently is nearly 103 million!
- ▶ + The economic growth of the last 25 years created a significant amount of wealth among people of this age group and many business opportunities on which they can capitalize.



# Le jeune entrepreneur

Léger-Jarniou *et al.*, « Entrepreneuriat », Dunod, Paris, 2016

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- ▶ Un fort intérêt pour l'entrepreneuriat par les jeunes
- ▶ En 2015, 25% des créateurs d'entreprises sont âgés de moins de 30 ans
- ▶ Phénomène en croissance: en 10 ans, le nombre de créations par les jeunes a quasiment triplé.
- ▶ Et ce quel que soit le secteur d'activité:
  - ▶ Tourisme et loisirs (12%)
  - ▶ Services à la personne (11%)
  - ▶ Hôtellerie et restauration (11%)
  - ▶ NTIC (9%)...



# Profil du créateur d'entreprise en 2016

Léger-Jarniou *et al.*, « Entrepreneuriat », Dunod, Paris, 2016

Caractéristiques	Répartition
Age moyen	38 ans
- 30 ans	25%
+ 50 ans	20%
Diplôme de l'enseignement supérieur, dont:	44%
-Diplôme d'ingénieur ou de grande école	7%
-Diplôme universitaire	10%
Diplôme de l'enseignement secondaire technique (Bac professionnel...)	35%
Non diplômé ou titulaire d'un CAP	15%

Au niveau de l'expérience, 23% des créateurs étaient déjà chefs d'E et 34% demandeurs d'emploi.

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## Les motivations des jeunes entrepreneurs (2013)

Motivations	Pourcentage
Être indépendant	60%
Goût d'entreprendre, d'affronter de nouveaux défis	44%
Envie d'augmenter ses revenus	27%
Sans emploi, a choisi de créer	21%
Opportunité de création d'entreprise	20%
Idée nouvelle de produits, de services ou de marchés	15%
Exemples réussis d'entrepreneurs dans l'entourage	9%
Seule possibilité d'exercer sa profession	8%
Sans emploi, a été contraint de créer	4%



## 7. The Main Factors Driving the Growth of Entrepreneurship

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### ▶ 4. Shift to a Service Economy

- ▶ The service sector accounts for 82,5% of the jobs and 79,9% of the private sector GDP in the U.S.
- ▶ Because of their relatively low start-up costs, service businesses have become very popular among entrepreneurs.
- ▶ This sector continues to provide many business opportunities, from educational services, computer maintenance...



## 7. The Main Factors Driving the Growth of Entrepreneurship

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### ▶ 5. Technology Advancements

- ▶ Today, powerful computers, smart phones, and communication equipment are priced within the budgets of even the smallest businesses and have drastically reduced the cost of launching a business.
  - ▶ Noting how technology has made testing an idea and starting a business much easier, David Kappos, head of the U.S. Patent and Trademark Office, says: « The distance between an idea and the marketplace has decreased dramatically ».
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# The Main Factors Driving the Growth of Entrepreneurship

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## ▶ 5. Technology Advancements

- ▶ Entrepreneurs can run a service – or information-based company from their homes – very effectively and look like any *Fortune* 500 company to customers.
- ▶ Jimmy Wales, founder of *Wikipedia*, says, «Wherever my laptop is, that's my office».





# The Main Factors Driving the Growth of Entrepreneurship

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## ▶ **6. Independant Lifestyle**

- ▶ In general, People want the freedom to choose where they live, what hours they work, and what they do.
- ▶ Although the importance of financial security goal, many place top priority on lifestyle issues: time with family, more control over work-related stress...



# The Main Factors Driving the Growth of Entrepreneurship

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- ▶ **7. The Internet, cloud computing, and mobile marketing**
- ▶ The proliferation of the Internet since 1993 has spawned thousands of Es.
- ▶ Cloud-computing, software services, etc., that allow business owners to use a variety of business applications (Inventory control, CRM, Accounting...) has reduced business start-up and operating costs.



## 7. The Main Factors Driving the Growth of Entrepreneurship

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- ▶ Fast-growing small companies can substitute cloud computing applications for networks of computers and large office spaces, which allows entrepreneurs to build their companies without incurring high overhead costs.



# 7. The Main Factors Driving the Growth of Entrepreneurship

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- ▶ Online retail sales, which currently account for 10% of total retail sales, are forecasted to continue to grow rapidly.

U.S. Online Retail Sales						
Year	2012	2013	2014	2015	2016	2017
Online Retail Sales (in Billions \$)	231	262	291	319	345	370



## 7. The Main Factors Driving the Growth of Entrepreneurship

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- ▶ Currently, about 60% of small businesses have Web sites, (double comparing to 1997) and 67% of business owners say they use their Web sites to market to their customers, second only to word-of-mouth as a marketing tool.



## 7. The Main Factors Driving the Growth of Entrepreneurship

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- ▶ Business owners are discovering the importance of connecting with online customers through their mobile devices.
- ▶ In fact, **37%** of the time users spend on the Internet is on mobile device, but only **26%** of small companies have mobile-friendly Web sites.



## 7. The Main Factors Driving the Growth of Entrepreneurship

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### ▶ 8. International opportunities

- ▶ Today, small businesses can have a global scope from their inception.
- ▶ Called *micromultinationals*, these small companies focus more on serving customers' needs than on the countries in which their customers live.



# Quelques statistiques relatives au contexte algérien

## Chiffres Clés au 30/06/2019

Population totale des PME (tous statuts confondus)		1 171 945
PME créées		31 194
Cessations d'activités (PME privées)		8 195
PMI privées		102 055
PME publiques		244
Densité des PME (Nombre de PME pour 1000 habitants)	Tous statuts juridiques confondus/Moyenne internationale	28/45
	Personnes morales privées/Moyenne internationale	16/45
Emplois		2 818 736

► **Source.** [http://www.mdipi.gov.dz/IMG/pdf/Bulletin\\_PME\\_N\\_35\\_vf.pdf](http://www.mdipi.gov.dz/IMG/pdf/Bulletin_PME_N_35_vf.pdf)



# Typologie des PME au 1<sup>er</sup> semestre 2019

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Type de PME	Nombre de PME	%
TPE (effectif de moins de 10 salariés)	1 136 787	97
PE (effectif entre 10 et 49 salariés)	30 471	2,6
ME (effectif entre 50 et 249 salariés)	4 687	0,4
<b>Total</b>	<b>1 171 945</b>	<b>100</b>



## Répartition des PME privées par secteur d'activité

	Secteurs d'activité	Nombre	%
1	Agriculture	7 275	1,12
2	Hydrocarbures, énergie, mines et services liés	3 032	0,46
3	BTPH	188 275	28,54
4	Industries manufacturières	102 055	15,48
5	Services y compris les professions libérales	602 695	54,41
6	Artisanat	268 369	22,90
	<b>Total</b>	<b>1 171 701</b>	<b>100</b>

## 8. The Importance of Entrepreneurship and small businesses

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### ▶ The development

- ▶ Some consider Cantillon in 1755 as having been the 1st to mention the phenomena in a published work.
  - ▶ Others claim Say (1803) was first.
  - ▶ The most general and probably the earliest meaning is « celui qui entreprend quelque chose », which literally means « he who gets things done », in other words an active person.
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## 8. The Importance of Entrepreneurship and small businesses

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### ▶ The development

- ▶ Considerable academic debate for quite some time - even though Schumpeter (1934) is often considered to be the intellectual father of the modern field of entrepreneurship.
- ▶ According to Brannback and Carsrud (2016), the entrepreneurship became important in contemporary life, in 1987.



## 8. The Importance of Entrepreneurship and small businesses

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### ▶ The development

- ▶ In 1987, entrepreneurship came to be regarded as a significant factor in *national* wealth creation, not just personal wealth creation.
  - ▶ In 1987, David Birch published his book *Job Creation in America*. This book was the result of a longitudinal study carried out at MIT (*Massachusetts Institute of Technology*) between 1969 and 1986. The study traced **12 million** individual business establishments during this period of time.
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## 8. The Importance of Entrepreneurship and small businesses

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### ▶ The development

- ▶ In 1986, the establishments employed **95%** of all non-governemental workers in the U.S.
  - ▶ Birch's study showed that small start-up firms were responsible for more than **80%** of all **new jobs created** in the U.S.
  - ▶ Moreover, Birch showed that small firms and entrepreneurs were important for **economic development of regions** and subsequent studies confirmed this finding as well. One of the best known examples is **Silicon Valley**.
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## 8. The Importance of Entrepreneurship and small businesses

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**Job creation**

**Innovation**

**Contributions to big  
business**

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## 8. The Importance of Entrepreneurship and small businesses

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- ▶ Of the **27,9** million businesses in the U.S., approximately **27,8** million (or **99,7%**) are considered small (U.S.: One that employs fewer than 100 people).
- ▶ Although they may be small businesses, their contribution to the economy is important.
- ▶ E.g.: Small companies employ **49,2%** of the nation's private sector workforce.





## 8. The Importance of Entrepreneurship and small businesses

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- ▶ Almost 90% of businesses are small, employing fewer than 20 workers, but they account for **43%** of total private payroll in the U.S.
- ▶ Because they are primarily labor intensive, small businesses actually create more jobs than do big businesses.
- ▶ In fact, between **1993** and **2013**, small companies created **63%** of the new jobs in the U.S. economy.



## 8. The Importance of Entrepreneurship and small businesses

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- ▶ Small businesses also produce **46%** of the country's (U.S.) private GDP, and account for **47%** of business sales.



## 8. The Importance of Entrepreneurship and small businesses

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- ▶ Small companies are also incubators of new ideas, products, and services. Small firms create **16** times more patents per employee than large companies.
- ▶ Traditionally, small businesses have played a vital role in innovation, and they continue to do so today.
- ▶ Many important inventions trace their roots to an entrepreneur, including the escalator, personal computer, air conditioning, ...



## 9. Why businesses fail

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- ▶ Limited resources,
- ▶ Lack of financial stability (e.g. accumulating too much debt),
- ▶ Lack of market knowledge,
- ▶ Inexperienced management,
- ▶ Poor planning



# A business plan outlines a company's goals and strategies

**Figure 7.** The Business Plan



## 9. Why businesses fail

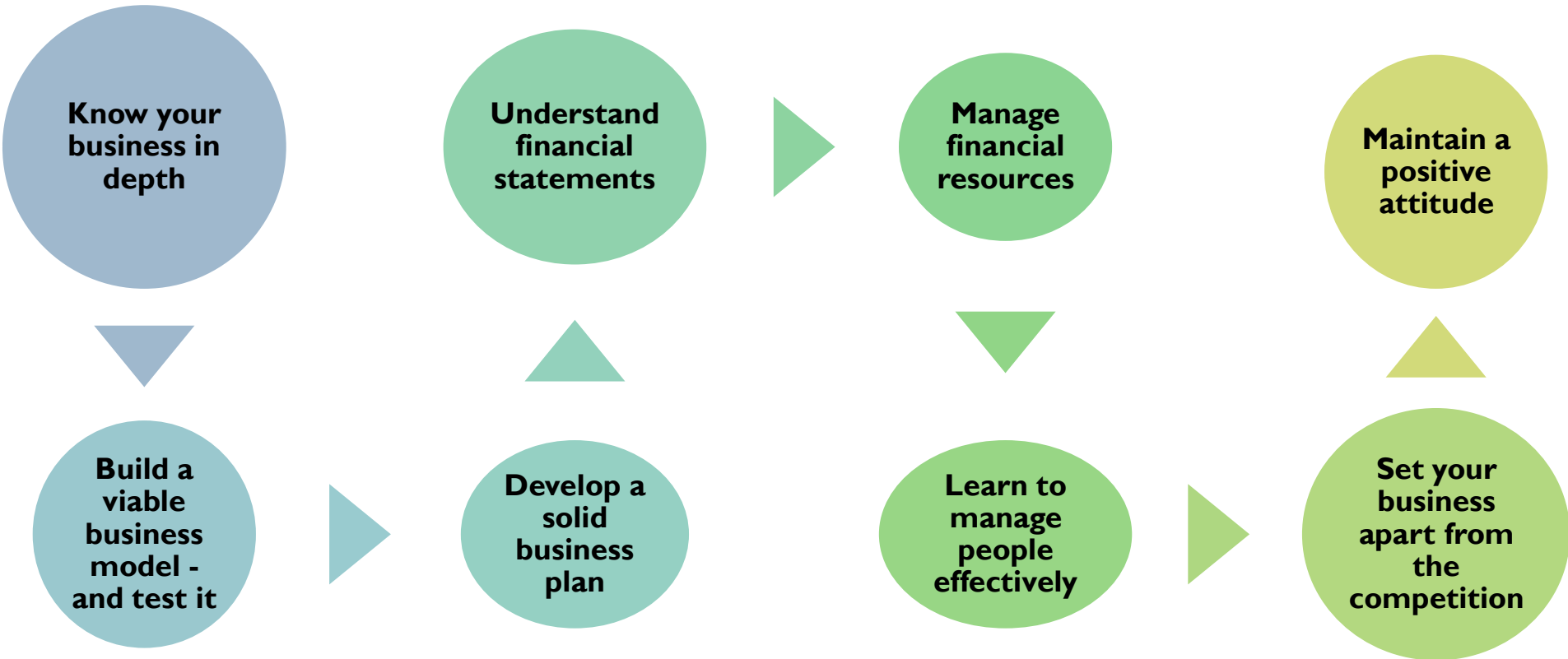
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- ▶ One hallmark of successful entrepreneurs is the ability of fail *intelligently*, learning why they failed so that they can avoid making the same mistake again.
- ▶ **James Dyson**, whose company makes one of the best-selling vacuum cleaners in the world, made **5127 prototypes** of his bagless vacuum cleaner before he hit on one that worked.
- ▶ Dyson points out that he failed 5126 times but that he learned from each failure.



# 10. How to Avoid the Pitfalls

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## 10. Creativity, Innovation, and Entrepreneurship

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- ▶ Successful entrepreneurs develop new ideas, products, and services that solve a problem or fill a need and, in doing so, create value for their customers and wealth for themselves.
- ▶ As management legend Peter Drucker said, «Innovation is the specific instrument of entrepreneurs, the act that endows resources with a new capacity to create wealth.»





## 10. Creativity, Innovation, and Entrepreneurship

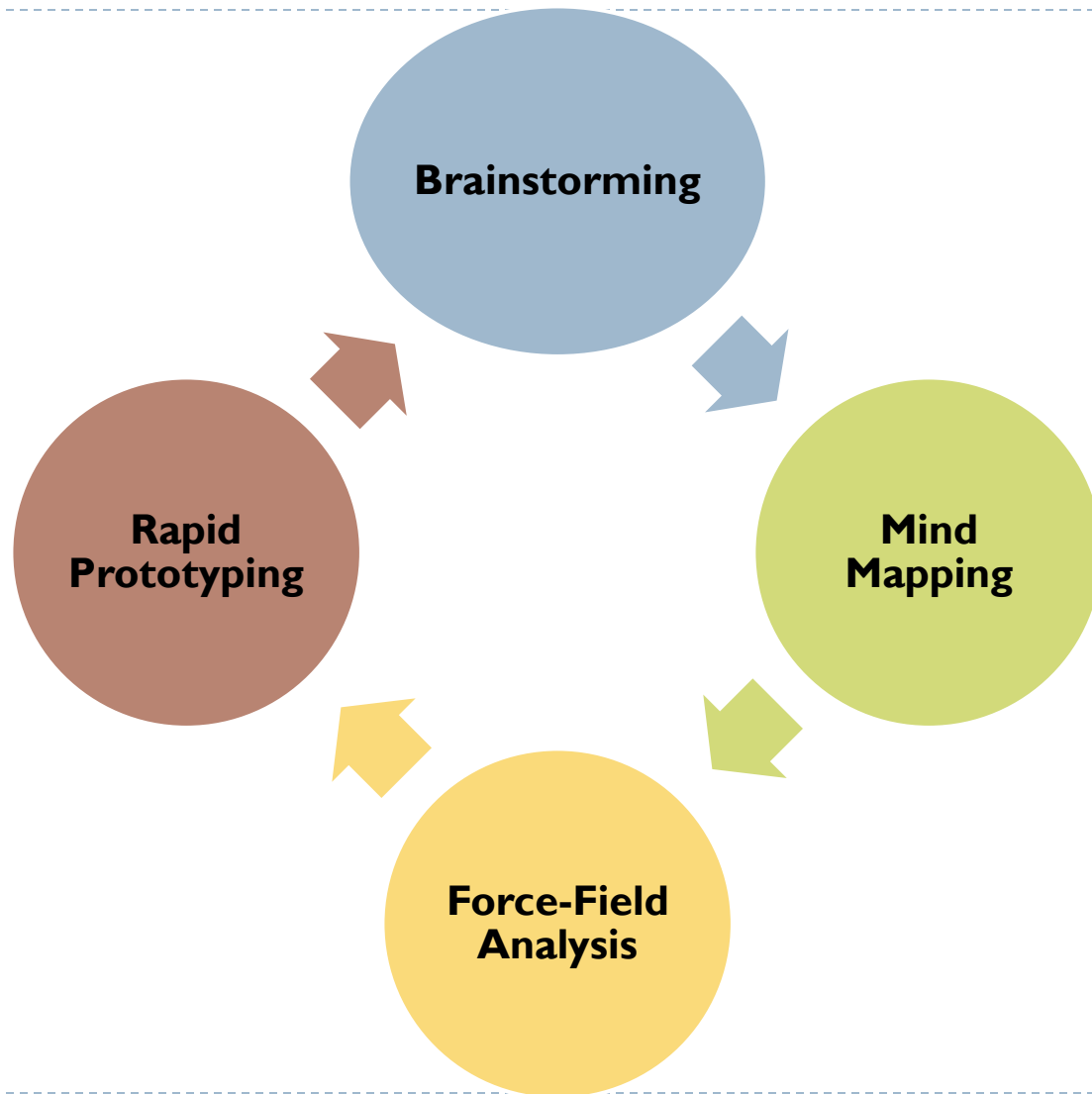
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- ▶ Creativity and innovation are vital to a company's success and ultimate survival.



# 10. Techniques for improving the Creative Process

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## 10. Techniques for improving the Creative Process

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- ▶ 1. Brainstorming: is a process in which a small group of people interact with very little structure with the goal of producing a large *quantity* of novel and imaginative ideas.
- ▶ 2. Mind mapping: is a graphical technique that visually displays the various relationships among ideas, and improves the ability to view a problem from many sides.



## 10. Techniques for improving the Creative Process

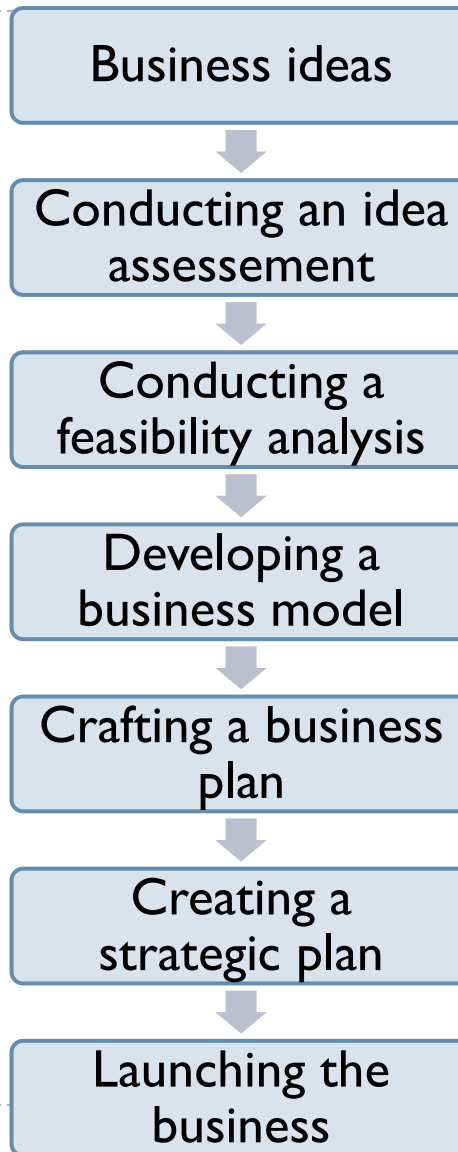
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- ▶ **3. Force-field analysis**: allows entrepreneurs to weigh both the advantages and the disadvantages of a particular decision and work to maximize the variables that support it and minimize those that work against it.
- ▶ **4. Rapid prototyping**: is based on the premise that transforming an idea into an actual model will point out flaws in the original idea and will lead to improvements in its design.



# 11. Designing a Business Model

**Figure 8.** New Business Planning Process



# 11. Developing and Testing a Business Model

- ▶ When building a business model, the entrepreneur addresses a series of key questions:
  - ▶ What value does the business offer customers?
  - ▶ Who is my target market?
  - ▶ What do they expect of me as my customers?
  - ▶ How do I get information to them, and how do they want to get the product?
  - ▶ What are the key activities to make this all come together, and what will they cost?
  - ▶ What resources do I need to make this happen, including money?
  - ▶ Who are key partners I will need to attract to be successful?



# 11. Developing and Testing a Business Model

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- ▶ In their study, Osterwalder and Pigneur (2010) have developed the *Business Model Canvas* that provides entrepreneurs with a dynamic framework to guide them through the process of developing, testing and refining their business models.



# The Business Model Canvas

## The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		



# 11. Developing and Testing a Business Model

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- ▶ **1. Customer segments:** A good business model always starts with the customer. The entrepreneur's first step is to identify a segment of customers who have a clearly defined need.
- ▶ **2. Value proposition:** The value proposition is the collection of products and/or services the business will offer to meet customers' needs.
- ▶ **3. Customer relationships:** Not every business provides the same type and same level of customer service.



# 11. Developing and Testing a Business Model

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- ▶ **4. Channels:** Channels refer to both communication channels (promotion) and distribution channels (product placement).
  - ▶ **5. Key activities:** The goal is to build a basic checklist of what needs to be done to open the business and what activities are necessary to ensure its long-term success.
  - ▶ **6. Key resources:** This will serve as an initial checklist to ensure that all key resources have been identified that will support a successful launch and sustain the business as it grows.
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# 11. Developing and Testing a Business Model

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- ▶ **7. Key partners:** This segment of the business model includes important suppliers, outsourcing partners, investors, industry partners, and all other external businesses or entities that are critical to make the business model work.
- ▶ **8. Revenue streams:** How will the value proposition generate revenue?
- ▶ **9. Cost structure:** The key activities, key resources, and key partners components of the plan help identify the basic types of costs and give some estimate of their scope.



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