



Entrepreneurship Roadmap: Key Stages of Developing a Business

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Introduction

When building a business, it can be an exciting and trying time for both new and experienced entrepreneurs. Though each business idea is different and represents a new experience for business owners, there are some key common elements in all business operations. Those elements can be classified in four different categories: value proposition, value creation, value capture and value delivery. Each business can define these categories within their own operations, most commonly stated as their goals and activities. Focusing on these four segments can help an entrepreneur transform his/her passion for starting a business into the reality of a successful venture.

“Starting, owning and running a successful small business is one of the great joys in life. No, there are no guarantees, and yes, there are obstacles” (Strauss, 2012, pg. xi). Developing a business idea isn’t for everyone, but it can be rewarding when working within an entrepreneur’s strengths. Finding a business idea that is both a passion and something that can expand one’s mind can be exciting, but it doesn’t always come with ease (Strauss, 2012, pg. 5-6). In Oklahoma, there is a high level of entrepreneurship, according to the Kauffman Foundation’s Index of Entrepreneurial Activity 1996-2009 report (Kooi, 2010). Entrepreneurs create businesses based on their current lifestyle and developed skills, though both of these can change over time. Businesses can go through phases, but how does that affect the process along the way (Lin, Pena, & Chen, 2017, pg. 213)? The entrepreneurial knowledge can be identified based on natural cognition and external or community developed knowledge. These two different types of knowledge help an entrepreneur develop and anticipate possible opportunities in daily operations (Shepherd, 2018, pg. 13-14).

The intention of this research is to guide people through the processes of business development, so when entrepreneurs seek investors, they can encompass all necessary information for possible support and funding. Planning a business is an exciting and stressful experience, many details can be missed or overlooked, but this guide can help outline key areas for focus.

Doing the Research: Company, Customers and Competitors

Before starting a business, some key items need to be researched. Outlined by Strauss, the three Cs are company, customers and competitors (Strauss, 2012, pg. 33). Some items that may be overlooked can cause a detriment in starting a business, such as the lack of proper business planning and not considering best options for raising capital. Taking the time to research the market and understand the available resources to guide new businesses can only benefit a new venture (Barringer, 2013, pg. xiii). Some easily accessible resources for market, competition and business startup data are the U.S. Census Bureau, U.S. Chamber of Commerce and each state’s Small Business Development Center (Strauss, 2012, pg. 36). Whether this is the first business startup or the tenth, using prior knowledge and resources can create connections between different markets and experiences to help one’s businesses succeed (Shepherd, 2018, pg. 35).

In the book *Launching a Business: The First 100 Days*, Bruce Barringer states, “It takes time to build a brand, establish a reputation, earn repeat business, hire good people and so on” (Barringer, 2013, pg. xii). Workshops and programs provided by local and federal organizations can help harness one’s entrepreneurial intention, which is “described as the state of one’s mind to foster new businesses” (Lin, Pena & Chen, 2017, pg. 214). “The interactive workshop is intended to help participants address marketing and financial management issues to better their businesses” (Journal Record Staff, 2006).

Performing research on markets and customers also helps entrepreneurs envision unique ways to meet the needs of consumers, sometimes via alternative uses of existing technology. Shepherd states, “Entrepreneurs frequently envision other uses for technologies in entirely different markets than the inventors.” This provides evidence of a cognition that many individuals who develop businesses might obtain. Thinking “outside the box” can help individuals thrive in a flexible environment, such as an entrepreneurship career field (Shepherd, 2018, pg. 35).

Developing the Plan

The end-goal of market research is to provide entrepreneurs with the resources to develop a plan of action for the business. Creating a plan is a vital step of starting a business, but some methods can be daunting for different types of businesses or industry sectors (i.e., manufacturing goods vs. providing services).

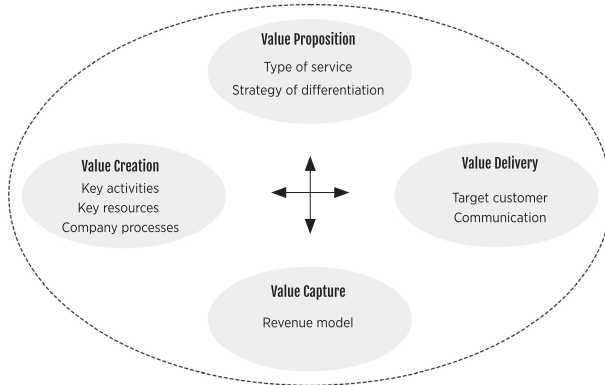


Figure 1. Referenced from The Impact of Digital Logistics Start-ups on Incumbent Firms: A Business Model Perspective written by Miki, Herold, Cwiklicki, and Kummer (2021).

The framework illustrated in this Fact Sheet borrows heavily from *The Impact of Digital Logistics Start-Ups on Incumbent Firms: A Business Model Perspective*, a collaborated writing by Miki, Herold, Cwiklicki and Kummer (2012). This article provided a detailed outline of the four key segments of a new venture's plan for creating a one-page resource for the firm and serves as a checklist for key activities that entrepreneurs need to remember as they develop a well-rounded business. The intent is to address entrepreneurial activities in four categories: value proposition, value creation, value delivery and value capture. Each primary category is further divided into two or three subcategories.

Value Proposition

The definition of value proposition is "a concise statement of the benefits that a company is delivering to customers who buy its product or services" (Twin, 2022). Value consists of recognizing customers' passion or demand for the product/service and the potential to stand out in a market, as shown in Figure 1. Once the business idea becomes focused on a specific product/service, an entrepreneur needs to develop a strategy for differentiating the business from the others in the market. This phase of the process is largely built around findings from research, examining the market interest for a specific product in an identified region and/or a specific demographic group (i.e., a market segment). For example, if one wanted to start a plumbing business, one should look at the local market area for the most common plumbing needs and the number of competitors (e.g., residences within approximately one hour radius). Flooding the market with an additional supply of plumbing services when demand is low and competition is fierce could harm one's chances for business success, which is why research is important for the value proposition phase.

Value Creation

Value creation is defined as "the process of turning labor and resources into something that meets the needs of others" (Dieffenbacher, 2022). The chosen framework divides value creation into three segments: key activities, key resources and company processes. In this segment of entrepreneurial development, key activities would be exploring the methods of providing the desired products and/or services and promoting the venture's brand for consumer recognition. Key resources would be classified as the designated parts and equipment suppliers, the needed investment capital and human resources necessary to operate the venture. Company processes could address issues such as how orders will be handled, how inventory will be calculated and monitored, and how employees or future employees are going to be managed through time and money. Extending the plumbing example, value creation would be handled with performance analytics to control labor/appointment times, payment processes/invoices and customer contact information.

Once again, research plays a strong role in each of these segments of value creation. Some key activities requiring research include assessing real estate options and generating some network insights. Some key resources include researching suppliers or possible partners for the chosen market area (e.g., business service providers). It is important to research all nearby sources for parts or assistance needed for the new business to effectively meet the needs of its customers. Furthermore, company processes incorporate multiple research items from labor to inventory and the best system for how the company is going to collect and manage its money. Many business owners use QuickBooks or Revel for simple point of sale (POS) systems, but when a service is provided, it might be better to establish a billing department system. Online ventures, such as Etsy, provide a standardized market platform and operational processes for buyers and sellers and can help alleviate some research and systems for those operating in this online marketplace.

Value Delivery

According to Kaufman (2012), value delivery encompasses all the necessary steps to ensure each customer receives the requested product/service. This process can be tricky because it is all about marketing and communicating the beneficial characteristics of the products/services offered by the business. Communication can be through different means, such as social media, door-to-door and product placement. Business-to-business markets would want to start with a primary company or target region. Word-of-mouth marketing can be managed to some degree with the proper responses to both positive and negative comments about the business. Creating incentives for active consumers can help drive business. This phase requires constant monitoring and adjustments to the mix of communication/marketing methods in response to changes in market demands and social trends. It is important to modify marketing and communication methods and technologies to follow trends in the given market.

When diving into the target customers and communication, it is important to understand the demographics of the target market area. These include population characteristics such as age, location/proximity to the business, education level, lifestyle

market analyses and household income. Using the plumber example, door-to-door and word-of-mouth marketing might be the best options. Social media is on an uprise and potential customers sometimes ask their social media acquaintances for suggested service providers, so having up-to-date social media accounts as part of a communication plan might help with value delivery. Performing research to define target customers will help alleviate some communication stress because it can help narrow the range of marketing options and allow a business owner to focus limited resources on options that most efficiently reach the top business prospects.

Value Capture

“Value capture (a business’s ability to create profit from its transactions) is one of the most interesting and understudied areas of business” (Jorgenson, 2020). To paraphrase Jorgenson, the most interesting part of a business is how it receives revenue, captures a profit and pivots to continue growing. Understanding a cost structure is one of the most crucial parts of running a business and capturing the value of offered products/services. For example, in some retail businesses, the daily numbers are compared to the year-to-date amount to identify trends in sales based on seasonality. If a review of data suggests seasonal changes in sales, a business may decide to adjust its labor to have a consistent number of full-time employees to meet the lowest demand season and add part-time labor in high-demand seasons.

To truly capture value, one must be able to measure value. In the business planning process, this means performing a financial analysis for the venture. The challenge in such analyses is making sure all business expenses – not just the costs of goods sold – are considered. These include measuring all overhead expenses such as office space, utilities and suppliers, as well as all marketing and transportation expenses. A financial advisor may be beneficial in this process to help project revenues and expenses, especially for the first few years of a new business. Understanding the full costs of operating the business may require modeling some cost structures to understand how costs may change based on business size and volume. Recognizing these costs and knowing the market prices of competitors will help the business owner determine the appropriate prices for products/services. The goal is to find the target price with the target consumer and work within that price range to cover all business costs and generate a profit.

When going through these key stages of developing a business, it is important for entrepreneurs to understand that these steps are flexible; there is no singular method for structuring a business or commercializing an idea. Starting a business is a very exciting and potentially stressful experience, but with the proper care and resources, it can thrive to become the entrepreneur’s dream business. Growth can drive change for an established business, so this information isn’t just for new developments. Changing an existing business will also require proper research to ensure market acceptance of the new or modified value proposition, creation, delivery and capture.

Conclusion

Whether one is starting a business or currently running a business, the four categories described are key for developing a business plan and understanding all aspects of the business operations. For those with an existing business,

being able to answer the key questions or identifying the sections in each category can help encourage new discoveries. For example, if an existing business can identify a potentially new target audience, running through these key planning categories can improve the marketing, communication and/or pricing to ensure that the new target market audience is reached. Conversely, if a decrease in revenue occurs, revisiting these steps can improve how the product or service is modified to better meet the needs of an existing customer base, while also lowering costs.

Performing research and addressing these key categories prior to launching a firm can help alleviate some questions and concerns along the way. Prospective entrepreneurs should outline how the business is going to operate, with as much detail as possible. If there are any remaining questions regarding any section of the plan, one can do more research to get the information needed to make informed decisions. Rash decisions made without the necessary input may not be beneficial for the long-run sustainability of the business. While trends are everchanging, an entrepreneur should make sure the business responds to the trends that directly impact the business and only when necessary to sustain the business.

Every business idea is different, but research is one of the most important parts of launching a business or identifying a market shift. A good entrepreneur will make use of government data resources such as the U.S. Census Bureau, Federal Reserve Economic Data (FRED) and reports from the Bureau of Labor Statistics (BLS). Also make use of federal, state and local human resources to obtain information and advice. Key items in research include current market trends, competitors for the chosen product or service, and key market audience data (e.g., demographic and lifestyle analysis data). These research methods can help identify how many similar products and competing businesses are in the market and both the price range and necessary features of a product/service for a competitive edge in the existing market. Reviews and incentives are a great way to encourage feedback from customers and thereby create one’s own data specific to a particular business. Incentives could include a feedback coupon or a drawing for a free product. Responses can also identify areas of weakness in both operations and marketing campaigns.

The shopping or service experience is something that can’t be replicated easily but can be a deciding factor for repeat business. This includes pricing, marketing, checkout processes and even shipping and receiving of the item, if applicable. Experience matters because customers will return based on good experiences, but once they have a poor experience, it’s hard to regain trust in the company. Some often-overlooked parts of experience are the company’s values and social responsibility.

Overall, developing a business can be a fun and rewarding adventure. It can also be stressful at times. Don’t be discouraged if the business isn’t a viral sensation. Once the business has established a market presence and a reputation, the chances for business continuity increase. Research should be a regular part of business operations, as market conditions and areas for growth often change. Developing a business could be the door to a future career and to the springboard for creating more businesses. Anyone can own a business if they have the grit to go through all the valleys and climb to the mountain tops!

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Entrepreneurship Roadmap

Key Activities to develop a successful business

Developing a business is an exciting adventure! Starting with an idea, a business can flourish into a thriving company. Each of the four sections outlined below encompasses important stages of launching a business.

Value Proposition

What is your business idea? Value proposition is a statement of the mission to be delivered to its customers. A clear business idea is a necessity for defining the type of service and strategy of differentiation.

- **Type of Service**—Identify what type of product or service you will be offering.
- **Strategy of Differentiation**—How does your product or service stand out in the current market and or geographical area?

Value Delivery

You developed a business, what now? Identify the key market in which your business fulfills a need. Communication and marketing are primary steps for reaching your target consumers. This could be partnering with other business owners to present your product or establishing a customer incentive program, such as sales or discounts.

- **Target Customers**—Identify your niche market! Key areas to find are demographics, seasonal trends and shopping preferences.
- **Communication**—Reaching the markets by delivering information on multiple platforms (word-of-mouth, social media, advertisements).

Value Creation

A key step in developing a successful business is creating value that meets the needs of others.

- **Key Activities**—Explore how to implement your idea. What is needed and where can you find it?
- **Key Resources**—Find suppliers and or employees to assist with providing the product or service.
- **Company Processes**—Develop a system for pricing, inventory and labor. This step includes employee handbooks and governmental policies for running a business.

Value Capture

Business is underway! Capturing the value is related to creating profit from the operations. Develop a cycle of expenses and identify the costs of operations to evaluate possibility of expansions and market shifts.

- **Revenue Model**—Identify the steps of the cost cycle to contribute revenue gains. Another part of the revenue model is finding ideal price points for items in the business model.
- **Cost Structure**—How expenses are being covered (labor, rent, utilities) and revenue is being gained.

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