Key Strategic Steps in Setting a Business; a Review of Some Basic Entrepreneurial Facts

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Abstract: 21st century - a highly dynamic and uncertain business environment, globalization, hyper-competition and new technologies that change existing market into a brand new form – shorter product life cycle, advanced communication model, transparent market information, rivalry between SME and corporation, online marketing channel, etc. These make the entrepreneur could not survive easily without a thoughtful strategic plan, strategic management provide them a systematic and comprehensive means for analyzing the environment, and identifying opportunities that could allow them develop and exploit competitive advantages. This paper discusses on the key success factors when establishing a business.

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Introduction:

From previous research, we could understand that three group of main factors that affect the survivability of new business: (1) individual characteristics of the founder (2) attributes, structural characteristics and strategies of the new business itself (3) business and economic environment (Josef et al. 1992; Oliver Falck 2007), so we could see that these factors are related to the how you lead the organization, plan and understand the highly dynamic business environment, how you manage your cost and plan for your internal organization structure and human resources management. Down to earth, an entrepreneur should do following activities in order to avoid failure when start their business: to analysis external and internal business environment (SWOT analysis), to analysis competitive rivalry (Porter's competitive strategy), to hire valuable employee (human resources management), to control cash flow and re-allocate investment capital to achieve cost effective (cost management), to maintain high team-spirit and operational efficiency (organizational structure strategy). These strategies could be applied to enhance the survivability of the new venture.

Analysis of external and internal business environment

For analysis external and internal business environment, entrepreneur should adopt SWOT analysis. SWOT analysis summaries the key issues from the business environment and the strategy development. This can be useful as a basis against which it judge future strategic choices. SWOT is divided into 4 approaches - Strengths (S), Weakness (W), Opportunity (O) and Threats (T). For evaluation of internal factor, entrepreneur could think about what is the advantage of her enterprise by comparison of her main competitor into several approaches: cost control, resources availability, organizational structure. For example: Patents, Strong brand names, Good reputation among customers, Cost advantages from proprietary know-how, exclusive access to high grade natural resources, favorable access to distribution networks. For evaluation of weakness that entrepreneur can conclude internal disadvantage so as to implement certain measure to fix the problem or at least use alternative method to reduce the impact. For example: Lock of patent protection, a weak brand name, poor reputation among customers, high cost structure, lack of access to the best natural resources, lack of access to key distribution channels. Opportunities evaluation is an external factor of the business environment that is to identify any favor factors could be valuable to her entrepreneur. For example: An unfulfilled customer need, arrival of new technologies, loosening of regulations and removal of international trade barriers. Threats evaluation is also the external factor that is to predict or notify the existing or future unfavorable or even risk factors that against the survival of the enterprises. For example: Shifts in consumer tastes away from the firm's products, emergence of substitute products, new regulations, increased trade barriers. Entrepreneur should delegate individual research institute to collect the existing economic data for market research and also analysis the entrepreneur's proposal for her new venture, then to generate an integrated evaluation report, so that she could judge the probability of success for her debuted enterprise.

Analysis of rivalry competitiveness

For analysis rivalry competitiveness, entrepreneur should adopt Porter's competitive strategy. The competitive strategy is divided into 5 aspects: Threat of new entrants, threat of substitutes, supplier power, buyer power and degree of rivalry. Threat of New Entrants: New entrants are businesses that enter the marketplace with the same product as the current members of the industry, it is related to absolute cost advantages, proprietary learning curve, access to inputs, government policy, economies of scale, brand identity, switching costs, access to distribution, expected retaliation and proprietary products. Threats of substitutes are focusing on switching costs, buyer's inclination to substitute, price-performance trade-off substitutes. Supplier power is related to bargaining leverage, buyer volume, buyer information, brand identify, price sensitivity, threat of backward integration, product differentiation, buyer concentration versus industry, substitutes available and buyer's incentives. Degree of rivalry that is between the members of the industry seeking to maintain or increase market share through price competition, product features or advertising, its affecting factors are exit barriers, industry concentration, fixed costs or value added, industry growth, intermittent overcapacity, product differences, switching costs, brand identity, diversity of rivals and corporate stakes. High intensity of rivalry tends to result in competition based on low prices. As a result, entrepreneur should collect as many information from her potential competitor as all of available source and then create an own strategic planning and operational guideline for her coming new born enterprises.

Hire valuable employee

The following issue is to hire valuable employee, what should entrepreneur do is to follow Human Resource Management (HRM) approach. Human Resources Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization. Human resources provide a source for competitive advantage and the quality of HRM is a critical influence on the performance of firms, it a strategic approach is a characteristic of HRM. Personnel management is seen as operational. It is commonly accepted that the people working for a firm are one of its main assets and one of the factors in determining its progress. Workers' qualities, attitudes and behavior in the workplace, together with other factors, play an important role in determining a company's success or lack of it. The human resource management (HRM) practices that they adopt will have a vital influence in this area and thereby on the performance achieved by the firm. The aim of these practices is to achieve a more valuable workforce, by selecting and retaining the In recent years companies have begun to implement a series of human resource management (HRM) practices that are referred to in the literature as high-performance or high-commitment. Among others these practices include employee involvement, training and organizational incentive plans. In this study we attempt to determine how and to what extent the adoption of this type of practices affects the firm's performance record. We focus specifically on the impact HRM has on operational performance. In short, entrepreneur should establish a HR department and appoint a HR manager in charge of this department to plan the hiring campaign and try to recruit elite of the industry or from the competitors.

Cost management

Moving forward to cost management, this is important that entrepreneur must rationalize to re-allocate investment capital in order to avoid wasting money in insignificant issue and also keep track of cash flow, as once cash flow is running out, the enterprise will also ruin. Cost management is the process by which companies control and plan the costs of doing business. Individual projects should have customized cost management plans, and companies as a whole also integrate cost management into their overall business model. When properly measurement implemented, cost management will translate into reduced costs of production for products and services, as well as increased value being delivered to the customer. For a company's management to be effective overall, cost management must be an integral feature of it. It is easiest to understand this concept if it is explained in the context of a single project. For instance, before a project is started, the anticipated costs should be identified and measured. These expenses should then be approved before any purchasing occurs. During the process of completing a project, all incurred costs should be noted and kept in a record of some kind, to help ensure that the costs are controlled and kept in line with initial expectations, to extent that this is possible. Effective cost management strategies will help a team deliver a finished project within the allocated budget and keep the cash flow to be stable and maximized, while also making it as valuable as possible to the company. There is always the possibility of unexpected costs, but preparation in the form of cost management will likely make them much easier to deal with when they occur. For what entrepreneur should do on cost management is to appoint a reliable financial director and setup a comprehensive cost control budget and operational cash flow to maintain sound financial status of the enterprise.

Organizational structure strategy

The last is about organizational structure strategy, the organizational strategy is focusing on how organization structured and what is appropriate structure is being organized. The first step is determining what type of organizational structure to be designed and implemented, the common type of structures are Pre-bureaucratic structures, Bureaucratic structures, Post-bureaucratic, Functional structure, Divisional structure, Matrix structure. Pre-bureaucratic structure is most common in smaller organizations and is best used to solve simple tasks. The structure is totally centralized. The strategic leader makes all key decisions and most communication is done by one on one conversations. It is particularly useful for new (entrepreneurial) business as it enables the founder to control growth and development. Bureaucratic structures have a certain degree of standardization. They are better suited for more complex or larger scale organizations. They usually adopt a tall structure. Then tension between bureaucratic structures and non-bureaucratic is echoed in Burns and Stalker distinction between mechanistic and organic structures. It is not the entire thing about bureaucratic structure. It is very much complex and useful for hierarchical structures organization, mostly in tall organizations. Post-bureaucratic provide a detailed discussion which attempts to describe an organization that is fundamentally not bureaucratic. It is used in order to encourage participation and help to empower people who normally experience oppression in groups. Functional structure is best suited as a producer of standardized goods and services at large volume and low cost. Coordination and specialization of tasks are centralized in a functional structure, which makes producing a limited amount of products or services efficient and predictable. Divisional structure, groups each organizational function into a division. Each division within a divisional structure contains all the necessary resources and functions within it. Divisions can be categorized from different points of view. One might make distinctions on a geographical basis or on product/service basis. Each division may have its own sales, engineering and marketing departments. Matrix structure is that employees are being classified by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms. Entrepreneur should setup a strategic planning on organizational structure with HR director together.

Conclusion: to conclude, it is a tough task that entrepreneur to start up new venture at all time. Unlike traditional approach, entrepreneur must have strategic planning on different aspect towards enterprise; we are living in 21st century, our advance communication technologies contributes to globalization and finally lead to hyper-competition that's why entrepreneur should adopt several strategies on who to evaluate her new venture to see if it is workable once this enterprise is started, then analysis the competitor's competitiveness and try to find a possible way to break through the entry barrier, meanwhile, entrepreneur should also take a look how their capital be spent and minimize operational expense. Following that is to hire talent employee and implement well human resource management to add value to her reliable employee. And for last step, entrepreneur has to design their own organizational structure leading effective and efficient in both operation and decision making. The essay is discussing a general approach of what activities should an entrepreneur perform prior to the start up of the enterprise but there are still many other alternative method or measurement could enhance the survivability of the new venture. I hope this essay can inspire the read for deeper thinking.

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