MCA

Insight

New Venture Critical Success Factors, How Your Company Can Improve Its Success With New Ventures

By Brian Graves and Bob Hall

Why do some company's attempts at new ventures seem to consistently succeed while others seem to fail to achieve critical mass and drain cash from the main business? Most C-level executives and venture capitalist will agree the success of new ventures is dependant on many factors from the product/service offered, the Go To Market Plan, the Operating Model, the Management Team, and the Capital Investment. Over the years, we have had a chance to work with a number of fast growing entrepreneurial firms and creative corporations who have managed to consistently develop new ventures and integrate them into their existing business model and company culture. To some of you, it may be no surprise; our experience has found the ***two most critical success factors*** are the ***leadership of the entrepreneur/executive*** driving the new venture and their ***ability to manage risk***.

The ***leadership we are talking about is largely an "Attitude"*** (*a can do, we will succeed mind set*) supplemented with the ability to inspire and motivate customers and the new venture team. We have seen this mind set in wide spectrum of individuals from the "C/D" Student with a High School education to the Ivy League MBA entrepreneur; one thing is clear…this mind set is not taught in any books or MBA courses it is developed from experience and driven by personal determination to succeed. Of course, bulldog determination needs to be supplemented with business acumen and effective decision-making. From our experience, we find the leader's attitude becomes contagious and drives the team's ability to think out of the box to overcome challenges that others would see as insurmountable. At the same time, these successful new venture leaders know they need to constantly adapt their strategies and assess the risks. In most cases, once these New Venture Leaders make a decision to proceed, ***failure is not an option***; however, we find the successful leader evaluates each opportunity prior to fully investing significant amounts of capital. Although some of these leaders will boot strap an idea and hit the market running to discover if their business model is valid, these leaders seem to always **develop a strategy to leverage the relationships between the 3 C's**: the **C**ustomer, the **C**ompetition, and their **C**ompany (the new venture) and effectively manage the risks.

The ***combination of the leaders ability to instill the can do mind set and manage the venture's risk by adapting the strategy to the changing dynamics of the 3C's drives success***.

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Many entrepreneurs and new venture corporate executives have seen their dreams go up in smoke because they failed to adequately and quickly assess the risks of their new venture. Recently, we have noticed an increase in the number of requests we have received from established companies and venture investors to help them assess a venture requesting seed funding. Investors and corporate CFOs have found value in our ability to bring together the management team of a new venture and assess its strategy and prospects for success within one to two business days. Granted ventures that have failed our assessments, have been restructured and gone onto achieve success. But, the point is ***we have found a large number of startups fail...***

to have an effective determined leader and

to truly understand their value proposition and its impact on the dynamic relationship of the 3Cs.

For example, one of our clients recently requested that we review the potential for a new venture focused on the institutional fitness market. Although the team had a successful market test of the product and a strong product patent, our investor had to walk away from this opportunity. The venture lacked an effective leader, its original investors had unrealistic expectations for the required capital investment, formed a long-term alliance partnership with a distributor with unfavorable terms, and the original shareholders were misaligned and unable to agree on a logical Go To Market Plan. Recognizing that this venture did not have an effective leader, a risk management process, or shareholder alignment to make the necessary adjustments for a Successful product launch our investor passed on the opportunity. Our client realized the value of our new venture assessment and leveraged our services again to evaluate a motor vehicle after-market product venture, which they are now pursuing.

So the next time you launch a new venture, consider the value which can be added from the unbiased and structured assessment from an experienced strategy consultant, it just may mean the difference between securing your seed funding or loosing millions.

About the authors: Brian Graves and Bob Hall are Managing Directors at Management Consulting Associates, a Strategy Consulting firm based out of suburban Chicago. Both Brian and Bob were executives at a leading Strategy Consulting Firm and have advised a variety of executives on Strategic issues to improve the wealth creation capability of their businesses. For additional insights visit ***www.managementconsultingassociates.com***