



Entrepreneurship Lecture 13

The Valuation Challenge in Entrepreneurship

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Valuation

“MEASURABLE”





BUSINESS VALUATION

“SCORECARD”



BUSINESS VALUATION

“Entrepreneurs need to measure their own value of business and determine the value of their competitors’ business

(Kuratko, 2017)

Business Valuation

- Buying or selling
- Buy out a partner
- Raising growth capital through stock warrants
- Going public with the company

(Kuratko, 2017)

ISSUES WHEN ACQUIRING A VENTURE

- Goals of the Buyer and Seller
- Emotional Bias
- Reasons for the Acquisition

(Kuratko, 2017)

ISSUES WHEN ACQUIRING A VENTURE

The main point is we need to
“BEING OBJECTIVE”

DUE DILIGENCE

Thorough analysis of every aspects toward business

→ Conduct a “business plan”

(Kuratko, 2017)

BUSINESS PLAN

“VIABILITY”

→ The potential and analysis of business will be successful

(Kuratko, 2017)

BUSINESS PLAN

I. Industry Analysis

- The characteristics (economic, technological, political, social, change)
- Competitive environment
- Competitor analysis

(Kuratko, 2017)

BUSINESS PLAN

II. Target Market Analysis

- Market size, growth, price
- Competitive forces
- Need or want of company's satisfaction

(Kuratko, 2017)

BUSINESS PLAN

III. Venture Analysis

- Value proposition
- Management team
- Business model

(Kuratko, 2017)

BUSINESS PLAN

III. Venture Analysis

- Strategy
- Marketing plan
- Operations

(Kuratko, 2017)

BUSINESS PLAN

IV. Situation Analysis

- Company's strengths, weakness opportunities, threats
- Key strategic factors
- Strategic issues

(Kuratko, 2017)

BUSINESS PLAN

V. Financial Analysis

- Ratio analysis: Liquidity, solvency, profitability, viability
- Projected growth rate versus historical industry growth rate
- Company's cash flow projections

(Kuratko, 2017)

BUSINESS PLAN

V. Financial Analysis

- Other financial considerations: Their breakeven, start-up cash required
- Projected growth rate versus historical industry growth rate
- Additional considerations: Accuracy, abnormalities

(Kuratko, 2017)

BUSINESS PLAN

Appendices

-Resources

-Detailed support

(Kuratko, 2017)

Viability of Potential Purchase

One essential area need to be considered is

“the future trends of the business”

(Kuratko, 2017)

Analyzing The Business

The weakness aspects of venture:

1. Lack of management depth: Skills and competence
2. Undercapitalization: The amount of equity investment relatively low

(Kuratko, 2017)

Analyzing The Business

The weakness aspects of venture:

3. Insufficient controls: The lack of available management and extra capital, lack of monitoring and controlling operations

4. Divergent goals: The entrepreneur has a different vision from the investors/stockholders

(Kuratko, 2017)

Analyzing The Business

“Concise method”

1. History of the business
2. Market and competition
3. Sales and distribution
4. Manufacturing

(Kuratko, 2017)

Analyzing The Business

5. Employees
6. Physical Facilities
7. Ownership
8. Financial
9. Management

(Kuratko, 2017)

Reference

Kuratko, D. 2017. Entrepreneurship: Theory, Process, Practice. 10th ed. Canada: Cengage Learning.



thank you

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