

Decision Making in IT Ventures

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Agenda

- Definition of Decision Making
- Key steps in the Decision Making Process
- Decision Making Process applied to assessing a business idea
- Peculiarities of the IT industry and decision making in IT
- IT 496 “Decision Making in IT ventures” – Fall 2014
- Q&A / Wrap up



Decision Making: Definitions

- *“The thought process of selecting a logical choice from the available options”*

Business dictionary

- *“Decision making is the process of identifying and selecting a course of action to solve a specific problem”*

James Stoner

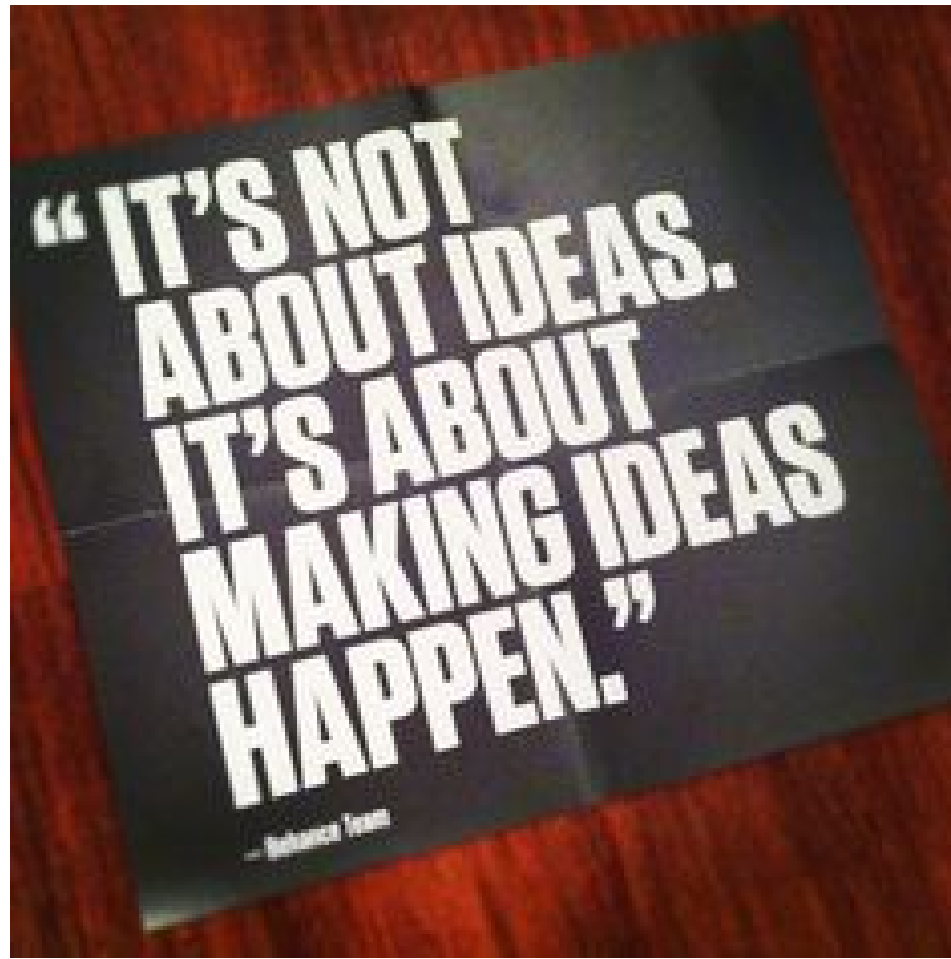
- *“Decision making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem”*

Trewartha and Newport

Decision Making – Starting a Business

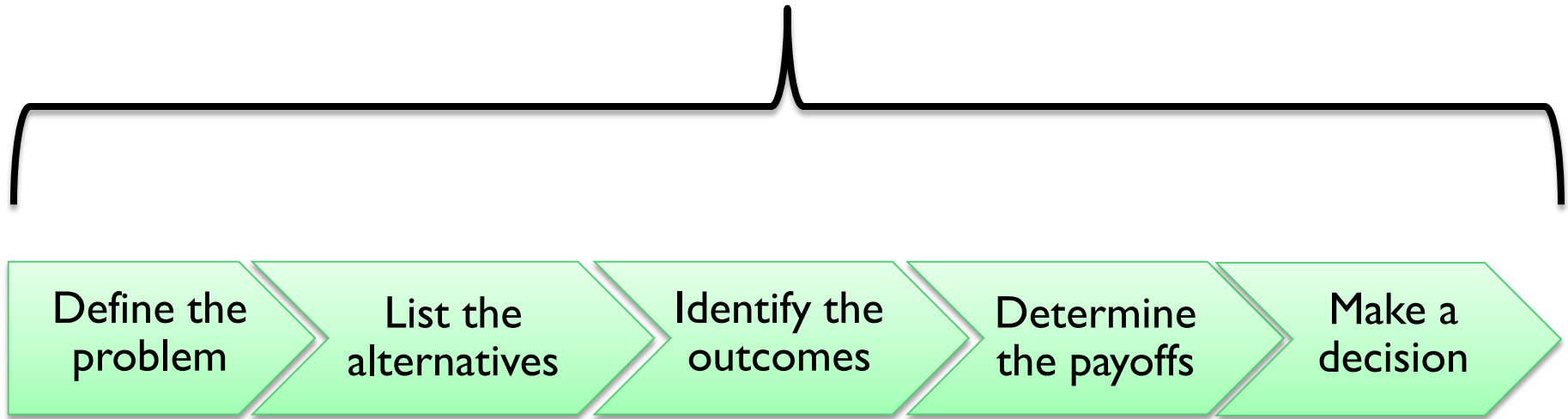


Decision Making Applied to Creating a Business



Key Steps in the Decision Making Process

Starting a new business



Step 1: Clearly Define the Problem

- What is (are) the **problem(s)/need(s)** you are trying to address?
 - Identify **unsolved problem(s)/need(s)** customers are experiencing
 - Why are they still unsolved?
 - technology not mature enough?
 - new problem?
 - market too small?
 - Expressed needs
 - Unexpressed needs

What does a man in the desert need the most?



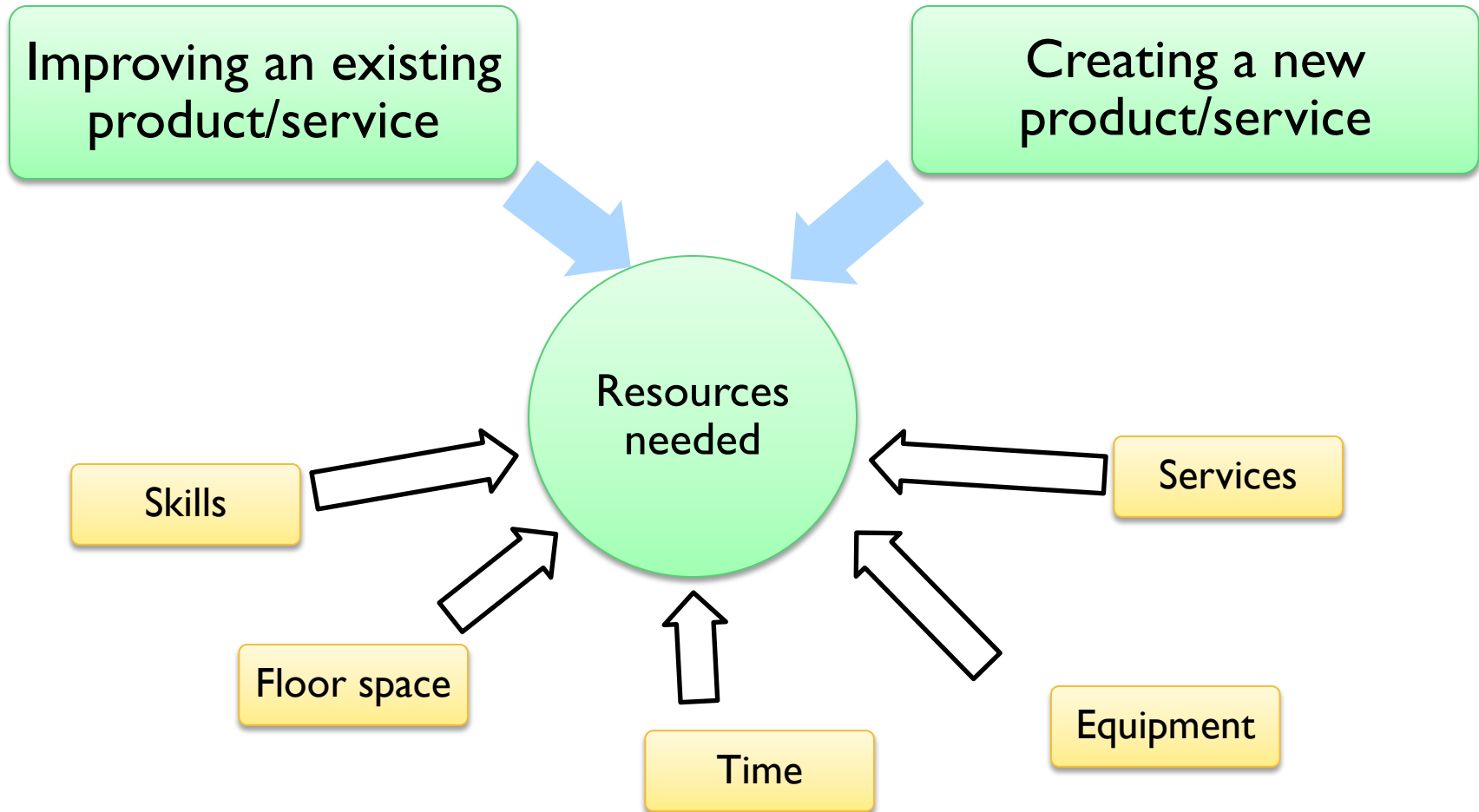
Step 2: List the Possible Alternatives

How are you going to solve the problem(s) or satisfy the need(s)?

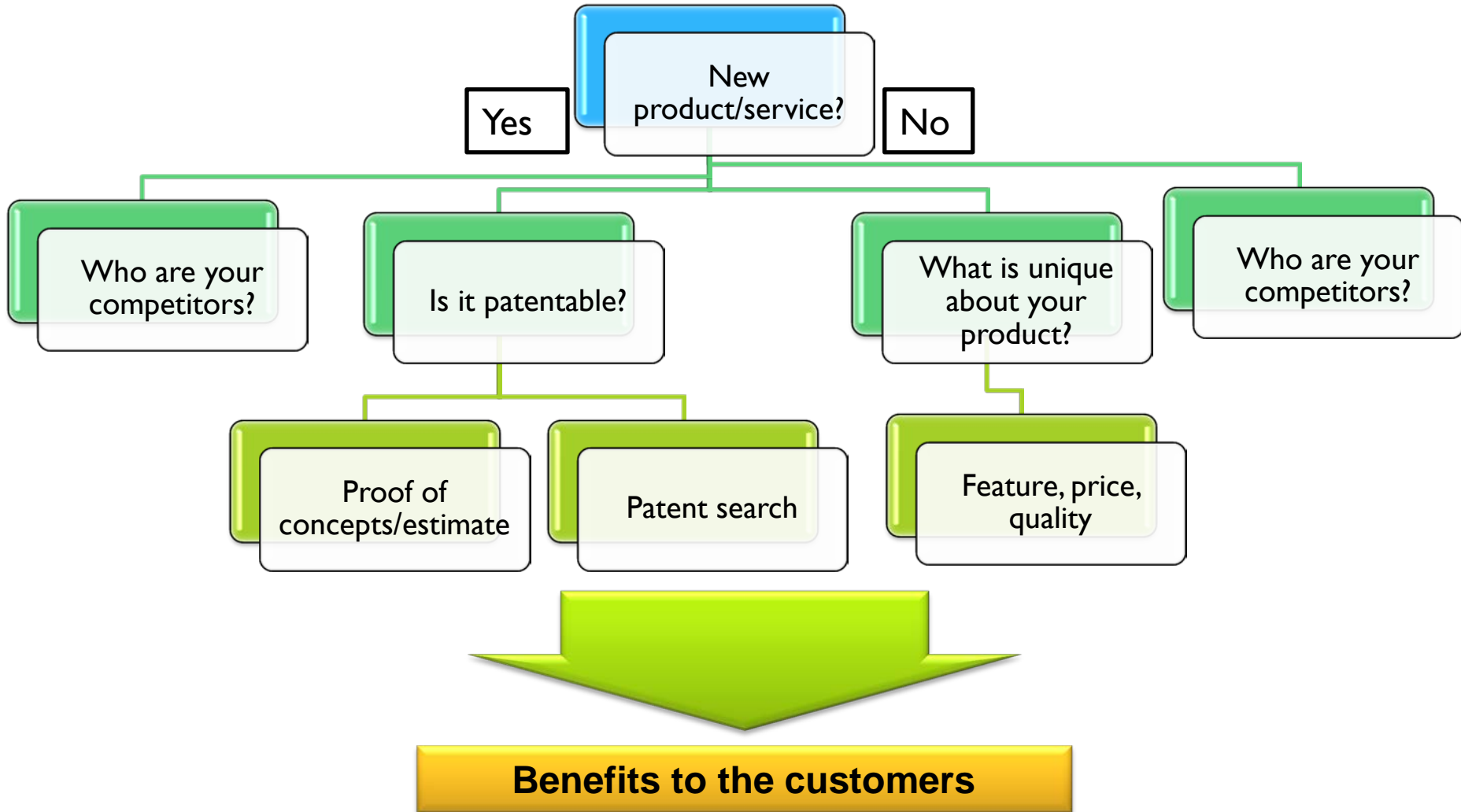
- Create a new product/service
- Improve an existing product/service



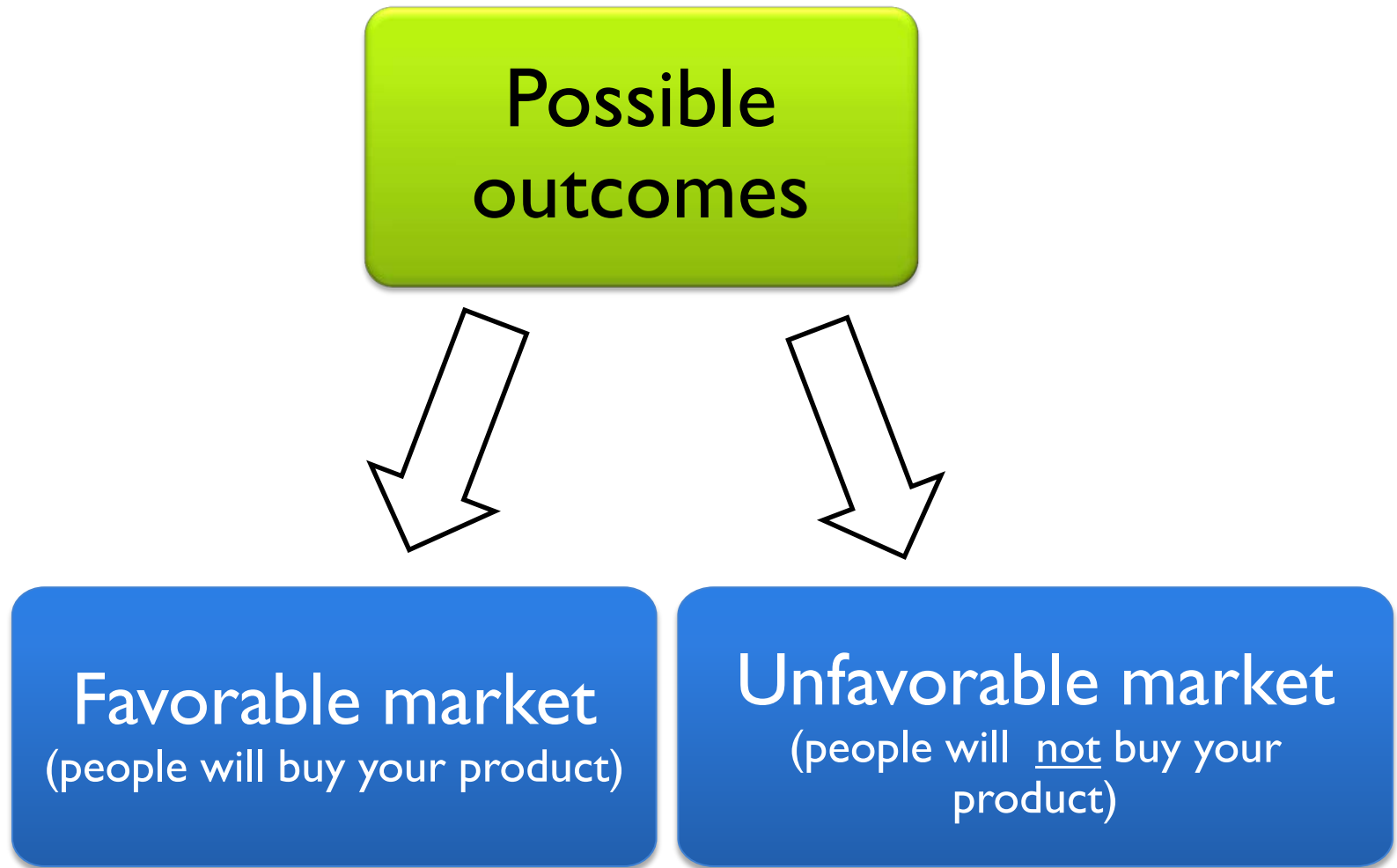
Identifying the Resources Needed



Analyzing the Alternatives



Step 3: Identify the Possible Outcomes



Will People Buy Your Product/Service?

- Identify **value/benefits** for the customers
- Identify your **target** – who will buy your product/service
- Identify the right **price**



Identify Value/Benefits for the Customers

- **Measurable**

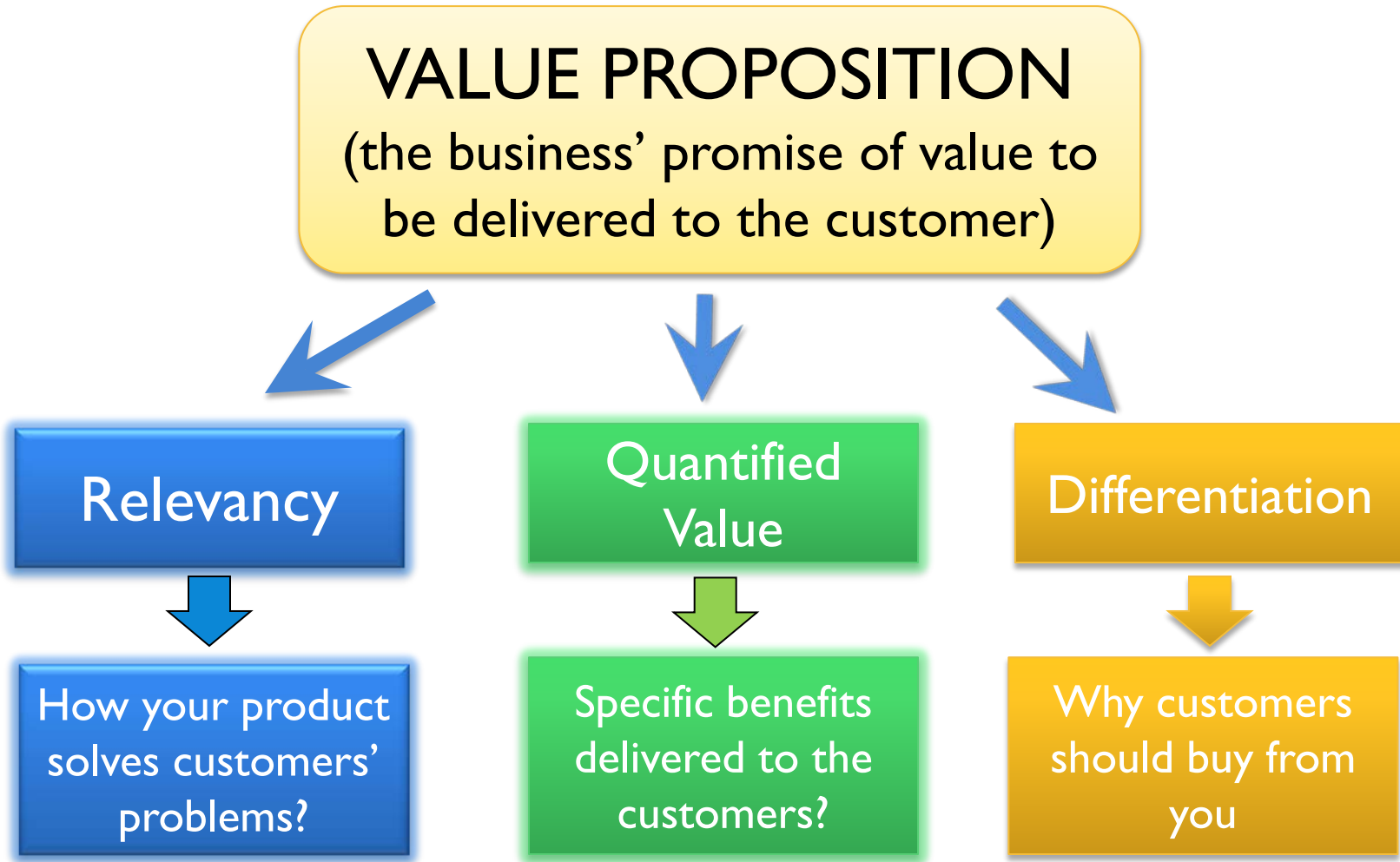
- *For example*, a product that helps the customer **save money**

- **Non-measurable**

- **Enjoyment** that a customer receives from a product or service in the face of the paid price



Defining a Value Proposition



Value Proposition – Examples

The party is over for thieves.

Prey lets you keep track of your laptop, phone and tablet whenever missing, whether you're in town or abroad. Open source, proven software with hundreds of documented recoveries all around the world.

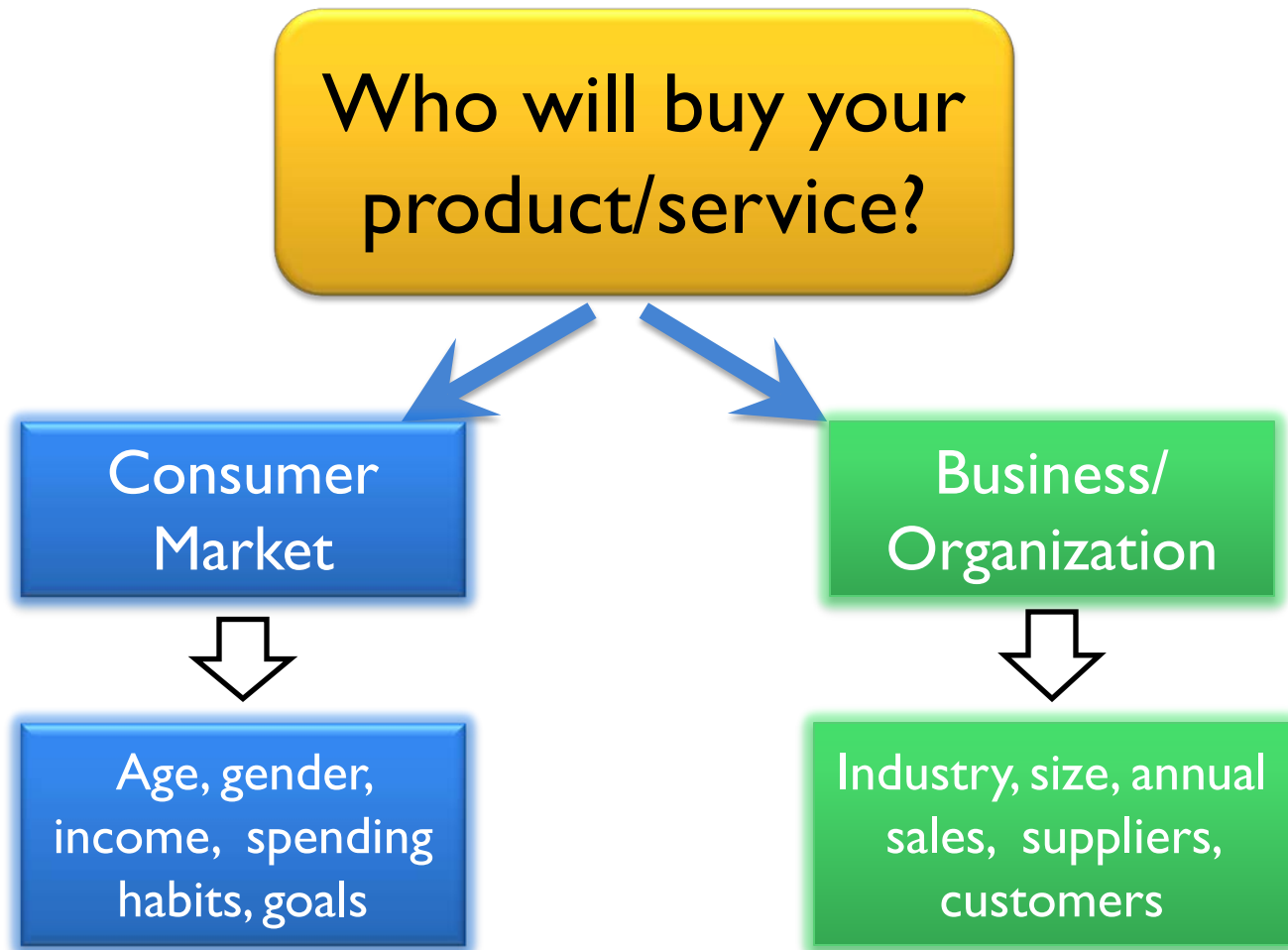
<http://preyproject.com/>

Send beautiful email newsletters.

Campaign Monitor makes it easy to attract new subscribers, send them beautiful email newsletters and see stunning reports on the results.

<http://www.campaignmonitor.com/>

Who Will Buy Your Product/Service?



Customer Profile

Why should you create a customer profile?

- Understanding *why customers may want to buy from you*
- *Segmenting your market*
 - Target customer groups with different offers tailored to their specific needs
- Making it easier to *find new customers*
 - Look for similar prospects



Steps in Creating a Customer Profile

- Describe your **customers' key features**
 - **Demographics** (age, gender, income, educational background, etc.)
 - **Psychographics** (personality, interests, lifestyle and values)
- **Locate** your customers
 - Where are your customers (**geographical area**)
- Understand their **buying process**
 - Where do they start their search?
 - What are the specific needs of each **segment**?
 - What **benefits** are they looking for?
 - What motivates them?
 - convenience, customer service, price and promotions

Identifying the Right Price

- What price are your **competitors** (direct and indirect) **charging**?
- How much are your **customers** **able/willing to pay** for your product/service?
- Is it **profitable**?
 - How much does the product **cost** to you?
 - What are the **revenue streams** (one or multiple)?



Step 4: Determine the Payoffs

- Estimate your sales for the 1st year of operation
- Factors to consider:
 - Market size
 - Geographic area
 - Level of competition ➡ Market share
 - Price
 - Plans for promotion
 - Growth potential (trends in your market/industry)
 - Capacity of your operations in the first year
 - Seasonal factors
- Scenarios: pessimistic, optimistic, and realistic

Step 4: Determine the Payoffs (cont'd)

- Estimate your costs

Resources needed & costs	Creating a new product/service	Improving an existing product/service
Inventory (products)		
Skills		
Equipment/supplies		
Floor space		
Services needed(i.e. consulting, legal)		
Time		
Other (i.e. incorporation fees, insurance)		

Step 4: Determine the Payoffs (cont'd)

- List the payoffs and make your decision

Alternatives	Pessimistic scenario	Optimistic scenario	Realistic scenario
Create a new product/service	-50,000	150,000	90,000
Improve an existing product/service	-20,000	80,000	40,000

IT Industry and Decision Making

Peculiarities of the IT Industry



IT industry - Peculiarities

- Cost Structure



IT industry – Peculiarities (cont'd)

- Rapid Technological Progress



IT industry – Peculiarities (cont'd)

- Network Effects



IT 496 - “Decision Making in IT Ventures”

- **Content**: decision making processes; evaluating the impact and outcomes of decisions in IT ventures
- **Format**: team centered; hands-on approach
 - teams will be required to complete a specific phase of their business creation process
- **When**: Fall 2014
- **Where**: Prince Williams Campus – BRH 249
- **Day/Time**: Thursdays – 4:30 to 7.10
- **More info and Syllabus**:
 - <http://lite.gmu.edu/courses/2014-FALL-IT496/>

