The timmons model of entrepreneurship

ASSIGN BUSTER

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Introduction

The Timmons Model of Entrepreneurship considers opportunities, teams, and resources as the three critical factors available to an entrepreneur and holds that success depends on the ability of the entrepreneur to balance these critical factors. The entrepreneur searches for an opportunity, and on finding it, shapes the opportunity into a high-potential venture by drawing up a team and gathering the required resources to start a business that capitalizes on the opportunity. the entrepreneur risks his or her career, personal cash flow and net worth. The process starts with opportunity, not money, not strategy, not networks, not the team, not the business plan. Most genuine opportunities are much bigger than either the talent and capacity of the team or the resources available to the team at the outset.

The business plan provides the language and code for communicating the quality of the three driving forces and of their fit and balance. The components of the Timmons model are in constant motion, expanding and contracting as the environment and opportunity change. We begin with an overview of entrepreneurship as process followed by a description of each component in the Timmons model. Teaching entrepreneurship as a rigorous course of study demands the conversion of scholarly research into applied frameworks that can be understood at all levels of education and application. Entrepreneurship education seeks to minimize the risk of venture failure when exploiting new opportunities in the marketplace and the Timmons model reflects the delicate balance of opportunities, resources, and entrepreneurs responsible for execution.

Literature review and critical analysis Timmons model dictates that the entrepreneurial process does not start with business plan, money, strategy, networks or team. The Timmons model believes strongly that entrepreneurship is nothing but opportunity driven. Opportunities are more essential than the talent or competence of lead entrepreneur and the team because a right opportunity identified ensures long- term success of the business. A good idea does not necessarily bring about a great business. An excellent idea is found when product or services could be positioned to create or add values to customer, remains attractive, durable and timely.

The two major roles of the team, relative to the other critical factors are: Removing the ambiguity and uncertainty of the opportunity by applying creativity. Providing leadership to manage the available resources in the most effective manner by interacting with exogenous forces and the capital market context that keeps changing constantly. The Timmons model discounts the popular notion than extensive resources reduce the risk of starting a venture and encourages bootstrapping or starting with the bare minimal requirements as a way to attain competitive advantages. The advantages of bootstrapping include: Driving down market cost

Instilling discipline and leanness in the organization

Encouraging creative resources to achieve more with the limited amount of money and other resources available. The entrepreneur works to “ minimize and control” rather than “ maximize and own.” The role of the entrepreneur in managing the resources include building a good resource base to draw from when required and drawing up a business plan through a “ fit and balance” method that balances the available resource with the opportunity and the potential of the team. A highly effective lead entrepreneur should be able to put the best talent together after identifying the opportunity and gathering required resources. The sizes and the background of the team are contingent upon the size and nature of opportunity. According to Timmons model, a good team can lead to great success and a badly formed team can waste great idea which is disaster to any form of business. Among all resource, only a good team can unlock a high potential with any opportunity and manage the pressure related to growth.

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The Timmons model of entrepreneurship states that entrepreneurship is opportunity driven, or that the market shapes the opportunity. A good idea is not necessarily a good business opportunity and the underlying market demand determines the potential of the idea. An idea becomes viable only when it remains anchored in products or services that create or add value to customers, and remains attractive, durable, and timely. Unlike conventional entrepreneurship models that start with a business plan and identify an opportunity, the Timmons model starts with a market opportunity. The business plan and the financing receive secondary importance, and come only after identification of a viable opportunity.

The model holds that a sound business opportunity would readily receive financing, and identification of the opportunity first makes the business plan failure-proof. Once the entrepreneur identifies an opportunity, he or she works to start a business by putting together the team and gathering the required resources. The size and nature of the opportunity determines the size and shape of the team. The Timmons model places special importance on the team and considers a good team indispensable for success. A bad team can waste a great idea. Among all resources, only a good team can unlock a higher potential with any opportunity and manage the pressure related to growth.

The two major roles of the team, relative to the other critical factors are: Removing the ambiguity and uncertainty of the opportunity by applying creativity. Providing leadership to manage the available resources in the most effective manner by interacting with exogenous forces and the capital market context that keeps changing constantly. Great teams, however, always remain scarce and the responsibility is on the entrepreneur to coach team members to excel.

The advantages of bootstrapping include:

Drives down market cost Instills discipline and leanness in the organization Encourages creative resources to achieve more with the limited amount of money and other resources available Some of the practical applications of bootstrapping include leasing instead of buying equipment, working out of a garage instead of rented space, and the like. Like the formation of the team, the size and type of opportunity determine the level and extent of resources required. While good resources remain scarce, businesses with high potential opportunities and a good management team will have no problem attracting money and other resources. The entrepreneur works to “ minimize and control” rather than “ maximize and own.” The role of the entrepreneur in managing resources includes building a good resource base to draw from when required and drawing up a business plan through a “ fit and balance” method that balances the available resources with the opportunity and the potential of the team.

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The two major roles of the team, relative to the other critical factors are: Removing the ambiguity and uncertainty of the opportunity by applying creativity. Providing leadership to manage the available resources in the most effective manner by interacting with exogenous forces and the capital market context that keeps changing constantly. The Timmons model holds the entrepreneur’s ability to conjure up a great team as a major factor of business success. Great teams, however, remain scarce always and the responsibility is on the entrepreneur to coach team members to excel.

Like the formation of the team, the size and type of opportunity determine the level and extent of resources required. While good resources remain scarce, businesses with high potential opportunities and a good management team will have no problem attracting money and other resources. The entrepreneur works to “ minimize and control” rather than “ maximize and own.” The role of the entrepreneur in managing the resources include building a good resource base to draw from when required and drawing up a business plan through a “ fit and balance” method that balances the available resource with the opportunity and the potential of the team.

Conclusion The key factors in the Timmons model (see below) are the entrepreneur and the founding team, the opportunity, and the resources that are mustered to start the new organization. Put simplistically, the Timmons model is normative. The key ingredient is the entrepreneur. If the entrepreneur has the right stuff, he or she will deliberately search for an opportunity, and upon finding it, shape it so that is has the potential to be a commercial success, or what Timmons calls a high-potential venture. The entrepreneur then gathers the resources that are necessary to start a business to capitalize on his or her opportunity.

Explicit in the Timmons framework is the notion that the entrepreneur and the provider of capital will be rewarded with profits, and that both are commensurate with the risk and effort involved in starting, financing, and building the business. The entrepreneur usually risks career, personal cash-flow, and some or all of his or her net worth. In an ideal situation, all this is quantified in a business plan before the business is operational. The ability and skill in attracting key management members and building the team is one is one of the most valued capabilities investors look for. The founder who becomes the leader does so by building heroes in the team with complementary talents and can work as a group and can play with best.

A good team must compose of people who have relevant experience and track record; motivation to excel; commitment, determination, and persistence; creativity; tolerance of risk, ambiguity, and uncertainty; team locus of control; adaptability; opportunity obsession; leadership and courage; and communication. Venture capitalist John Doer reaffirms General George Doriot’s dictum: I prefer a grade A idea entrepreneur and team with a grade B idea, over a grade B team with a grade A idea. Doer started, “ In the world today there’s plenty of technology, plenty of entrepreneurs plenty of money, plenty of venture capital. What’s in short supply is a great team. Your biggest challenge will be building a great team.