

Decision making strategies in investment



A colleague of yours has come up with what she considers to be a slam dunk idea. You have some discretionary cash that is needed for the business to take off and you have some time that you could devote to the venture.

- How do you decide if you should invest your money and join the team?
- From your research, list some of the steps, thought processes, and methodology you would use to make the decision.

For starting the project and joining my friend with the slam dunk idea. I decided first start doing some numbers and research about the novel idea, before investing my discretionary cash in the venture. The following step for making the decision of joining the team, besides the motivation itself was finding a problem that the idea could solve in any way, and imaging a bunch of viable and unviable clarifications for the problem, but including the great idea in here.

We know that as long as different customers have problems, they need a way to find a solution to its problem, normally people looks for faster, better and smarter ways to finish everyday task, in the workplace likewise in their homes (Oppong, 2014).

According to my thoughts and the class notes (Lester & Petty, 2017), my first step would be finding a difficulty, and constructing a problem which could be solved. For this issue, I decided to start thinking as an entrepreneur and a kid. Which later would lead me to do a brainstorming of ideas, I know some of them would be useless, but I believe that we have to know all the possible variables and all the possibilities for the case. After finding a list of possible

problems. It is well known to do some extra research about the necessity, in order to come up with the best solution, also to see some previous work that has been done in the area, applying the scientific method in this case for business. In order to validate the idea and be sure that there could be a real market for it, solving a real problem does people have, while increasing the chances of success.

After finding the problem, one technique suggested for finding the correct solution is complaining about it (Kemp, 2009). I would fit it with our solution and the great idea, and see how this solves the difficulty and fixing the right problem. Following I will do a short business plan which is different than the 40 pages traditional business plan, which requires a lot of time and effort. This model is called Business Model Canvas. This model includes the following key drivers: customer segments, value propositions, channels, customer relationships, revenue streams, key activities, key resources, key partnerships and cost structure (Lester & Petty, 2017).

For answering the first item in the list and developing a methodology we must start with, *Customer Segments*, here we have to be able to answer the questions related to Segment Dimensions where I need to identify if we have a single or multi-sided market, later is required to establish the Segment Composition, which includes visualizing buyers and users, and trying to understand what do they think, see, feel. Then, it is essential to categorize the Problems, Needs, Habits and Current Alternatives, identifying what job we would be doing for the customers, and the needs that would be fulfilled. The main output of these part of the model would be a list of people organized by segment, and a pitching order prioritizing them (Cowan, 2015).

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In addition, we should continue with the second item in the list, *Value Propositions*, here I have to identify which needs identified on, I can fulfill, also here I have to distinguish what is unique about my value propositions, and why the customer would prefer my item among the current alternatives. Listing and ranking these results, in order to see the most critical, and which things would make the customer decide me against competitor. The main output would be a prioritized list of Propositions and some linkages from each Customer to the Value Proposition's most relevant to them (Cowan, 2015), we can infer that these pairing is one of the most important parts of the business model for making quick decisions.

Continuing with the list, then I should select the *Channels*. These includes units we would use to communicate our value proposition to our segments, as well as units through which we would sell our product to future service customers. The main output would be a list of different important channels, linked to customers and segments (Cowan, 2015).

In addition, we should continue with the fourth item in the list, *Customer Relationships*, here we must define how the customer would interact with us, we should define, call, video, letter, message, personal meeting, web page, or mail. It is important to ask the following question, Could the Value Proposition be delivered to the customer? could we make the numbers work, and supporting the product? it is important to include critical assumptions. As an output, we expect to have a description of the Customer Relationship, with different types of notes between Segments and People (Cowan, 2015).

Consequently, we need to complete the fifth item, *Revenue Streams*, at this point, we would map all the Segments to Propositions and to Revenue Streams. The expected output of this work, should be a list of Revenue Streams, linked to People or customers and the Value Propositions (Cowan, 2015). Here we would be driving revenue and whether it bring into line with the rest of our pivotal points

Following, we would work on the sixth step, *Key Activities*, The crucial things that our business would need to do for delivering on it propositions and making the rest of the business to work. Which includes ongoing learning about users and new possible techniques for getting a better product, maintaining superior expertise on the segment. The main output would be: a list of all the Key Activities linked to our Value Propositions (Cowan, 2015).

Subsequently we would have to accomplish the seventh step, *Key Resources*. They are the strategic assets required in our place, and we need those in place for a greater and bigger target degree than competition. According to the model itself, the core types are: product, scope, and infrastructure. The expected output is a list of all Key Recourses linked to our Key Activities (Cowan, 2015). Therefore, we would continue with the eighth number of our list, *Key Partnerships*, here we would proceed mapping Key Partners with Key Activities, choosing the best activity for the model itself. As an expected output, we would have a list of Key Partnerships with some notes on connection to Key Activities (Cowan, 2015).

Lastly, we would have the step ninth in our model, *Cost Structure*, working in how to hence our revenue, looking if costs are well aligned with key Value

Propositions, also determining if the costs are fixed or variable, testing some possibilities of the model, for improving the model. The expected output would be a list with Cost Structure of different elements with some notes on their relation with Key Activities (Cowan, 2015).

As we reached to the last step of our Business Model Canvas, we would like to state the final step, *Applications, Analysis & Next Steps*. Among the Core Applications, the claims of the Canvas are to question, if it makes sense, if it could be better, and if the rest of the team would agree with the results, and extra ideas. Among the Competitiveness, we would find out that the Canvas would have done a good job and also helped to look a competitive environment, and considering about the advantage in the market. The Next Steps. As we know every business is a working cyclic progress, and we know that eventually we would have some kind of trouble. Following, we can see the most common issues that we can address in the succeeding process.

Among the Issues in companies we found the resulting, First, crystallizing our Value Propositions and Customer Segments. Second, endways of how to project the scheme and the customer discovery, Lean style research and investigation, product development, product design. Next, a systematic way to organize work on the venture over a period of some weeks. Lastly, how much product to build or how to put it together. Lastly, how and where to partner (Cowan, 2015).

After creating the model and defining the hypothesis, establishing the solution of the problem in a manner that is testable through experimentation (Aoaeh, 2015), we should establish the Market Focus and estimate the

marketplace. For accomplishing these purpose, we defined first the TAM (Total Available Market), the SAM (Served Available Market), and the TA (Target Market).

The expected output for these steps are: For the TAM is getting the total market demand for a product or service, which is our market potential at scale. For the SAM, which is a minor segment of the TAM, aimed by our products within our geographical reach, in a few words our local market. And finally for the target market, which would be a minor portion of the SAM that could be captured easily, in a few words, out short term target of the business plan already created (the bussinesplan shop, 2013) (Le Brouster, 2013) (Berg, 2012). For accomplishing these issues, we must search relevant information in Google, statistical reports and some publications, which have all the data demanded, also use the university Library and the tools provided. Finding the relevant market and possible customers.

Ultimately, it is required to go out of the desk, talk to our potential and possible customers already identified in the previous steps, in a few words, get out of the building (Van der Pijl, 2014). It is important to mention that these steps would allow us to validate our Hypothesis and Pivot the product in case of necessity. After doing the customer safari and client interviews, it would be possible to found out if people is definitely interested in the proposed solution, but this could help us to came out with something totally different that the hypothesis established. “ *The main idea It’s to validate the problem, who has it and then how is best to solve it?*” (Lester & Petty, 2017). We must create an interview guide and establish how to close, conduct, open

and get interview data. All the results must be recorded in a Score Card with degree of relevance.

At the end the main goal of experimentation is to determine if the hypothesis determined is accurate, and correct, also to inform the subsequent actions required that the startup should take, based on the evidence (Aoaeh, 2015). But the most important is that all these pieces would help me to make a decision if it would be profitable investing the money with the “ great idea”.

Identify a failed or failing business. You are free to choose any firm, public or private, small or large (Hint: you might find this easier if you choose a narrow scope company, a conglomerate or the like will be tougher to dissect). It is very likely we will not be familiar with the organization so you need to be precise and clear in your analysis.

- Think and research issues surrounding firm failure; are there some common reasons and solutions?
- Research the issues behind the specific venture failure you chose, what happened and why?
- In hindsight, how might the failure have been avoided if you were in charge and armed with the entrepreneurial skills and information regarding this failure you have now attained?

The company that has been chosen is now in failing process, with \$9 billion writedown on the value of Westinghouse Electric Co (Litvak, 2017) (Fuse, 2017). Westinghouse Electric Company LLC is a company founded in 1999, based in nuclear power offering nuclear products and services to many

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international and local utilities, including fuel, service, operation, maintenance, instrumentation, control and final design of nuclear power plants (Westinghouse Electric Company LLC., 2017). According to statistical references, In 2014 Westinghouse operates and builds almost one-half of the operating nuclear plants in the whole world.

Toshiba in 2006 bought Westinghouse for \$5.4 billion, betting on a nuclear rebirth that hasn't been materialized, dissatisfied by low prices natural gas NG, the Fukushima Daiichi nuclear disaster activated by a tsunami and Westinghouse's own public troubles with the construction and development of the first new reactors in United States in the last three decades (Litvak, 2017).

In 2015 concerns were expressed the value of properties and friendliness in Westinghouse were exaggerated. Subsequent a scandal in which profits were exaggerated at Toshiba, The company stated that the Westinghouse nuclear business was more profitable than at acquisition in 2006 (Ando & Uranaka, 2015). And, In December 2016 Toshiba said that it expected to write down its venture in Westinghouse by several billion of dollars, adding that it was conceivable that their investment in Westinghouse Company could eventually have negative cost, due to cost besieges at nuclear reactors it was building in the US (Mochizuki, 2016). In February 2017 Toshiba revealed unaudited details of \$3.4 billion loss, mainly in its US nuclear business which was inscribed down by \$6.3 billion. Later, the same month, Toshiba delayed for filing its monetary results, and Toshiba chairman Shigenori Shiga, formerly chairman of Westinghouse, resigned (Vaswani, 2017). The same month Toshiba was planning to sell the nuclear business.

It is important to mention that the acquisition has spiraled into the current mess that Toshiba is in, Satoshi Tsanakawa CEO of the company told reporters in Tokyo. The company now is in attempts to selling off some of its most profitable segments to stay floating, with bankruptcy intimidating. As Toshiba deals with buyer's regret, it's not yet clear what all of this means for Westinghouse's future (Litvak, 2017).

During this month, In March 2017, the Company will file for Chapter 11 bankruptcy because of the \$9 billion of losses from four nuclear reactor construction projects (Walton, 2017).

Whether or not Westinghouse files for the Chapter 11th is finally a choice for its panel, and must take into explanation the various benefits of all of its investors, including Toshiba and all its creditors, it said in a declaration. That the company is looking to limit future losses at Westinghouse with a Chapter 11th filing. Westinghouse has been plagued by huge cost overruns at two U. S. nuclear projects (Reuters , 2017), which shows an actual pronouncement for a firm failure.

Among some reason, the most representative that could go higher is that nobody knows how long it will take to finish the nuclear plants in the US, which are three years behind the schedule and billions of dollars over budget (Durden, 2017). Second, low natural gas NG values and the absence of subventions and supports that make building wind and solar attractive, which makes suppliers had no incentive to complete their Nuclear work quickly. It is important to mention, that Nuclear energy, is simply, in a rapidly accelerating crisis, demand for nuclear energy globally is low, and the new

reactors being built may not keep up with the closure of nuclear plants almost all around the world. It is important to mention that Half of all nuclear power plants that are at risk of closure over the next years, only in the US (Durden, 2017).

Including some reasons of the failure we can say that was the development of the new AP1000 reactor, which was considered one of the most advanced, high tech light water reactors on the planet. It had an automatic, gravity powered with water dump that could prevent all kind of meltdowns without external power or human intervention. Also, If the cooling system failed, sensor activated valves that could open and release stored water to cool the containment vessel (Harrington, 2017). But it shows that it is not profitable, until the next nuclear generation can prove it, and can deliver fail safe designs at affordable price.

Also, the old rules which normally includes relying on nuclear, coal and some hydro power plants, were about locking in cheap base power, then complementing it with gas to meet the request peaks. But a new, more multifaceted grid is evolving. As renewables are added, utilities will lock in as much locally available alternative and renewable power as possible, and supplement it with flexible capacity from demand response, storage, and natural gas, while importing the extra electrical power from neighboring grids normally using new transmission lines and new technologies (Harrington, 2017). These rules are not applicable if the Nuclear energy is expensive in comparison with other Renewable fuels, plus the dilemma of safety, related to the Three Mile Island and the Fukushima Nuclear mayor accidents.

Besides the economic issue, we can also see some issues in the absence of information of the monopoly in building Nuclear plants. According to the Southern Company, the Georgia utility that hired Westinghouse, it is expensive, and rarely, if ever, comes in on time and on budget (Clenfield, Nakamura, Amano, Alpeyev, & Stapczynski, 2017) (Harrington, 2017). Also, the lack of knowledge related to supply chains in the US.

Consequently, it is good to mention that after 30 year in the Nuclear Market, nearly everybody with hands on and experience had retired in the last years. And the entire supply chains and a highly skilled labor force had to be rebuilt from the scratch. To reconstruct and enhance that vanished supply chain, Westinghouse found a builder with past nuclear power expertise, or at least the appearance of some expertise. It is good to include that Georgia's project monitor stated, that it wasn't long before the inexperience in the exacting field of nuclear construction sent up red flags, finding some improperly installations that have been made in one reactor foundations (Harrington, 2017). Westinghouse's sales pitch that standardized AP1000s would stay on time and within budget didn't work out. By the end of 2012, the \$14 billion project was nearly \$1 billion over budget and 7 months behind the last April 2016 date for Unit 3 to begin operation. Initially Westinghouse prearranged to fire up the new reactors in 2016 and 2017, but those dates were pushed back to 2019 and 2020 (Adams, 2017).

By 2013, more problems popped up at the factory in LA, where machineries and components were built. Welds checked by X-ray weren't up to code and had to be redone. It turns out that the welders whose were working, were used to working on oil rigs, a different area. After that some of the major

mechanisms, like the 300 ton reactor vessels were manufactured overseas. Likewise, after the earthquake and tsunami overwhelmed in Fukushima March 2011, the NRC set many severe safety standards, causing Westinghouse to review the designs for the new reactors and delay their construction time, behind schedule. These main factors contributed to high losses and in the long period the Bankruptcy. (Ando & Uranaka, 2015) (Adams, 2017).

If I were in charge of the company, with all the knowledge acquired in class of Entrepreneurship in Energy. First, I could have avoided the big failure, applying the methodology of the Business Model Canvas for the actual company. When Toshiba Bought Westinghouse back in 2006. By that time, we were potentially able to identify all possible customers and all competence in the actual Market, which in my opinion hasn't been done. Because they didn't know the US market well and all the emerging Renewable Sources, that have been incrementing in years and reducing costs.

After Identifying all the Value Proposition Canvas, which includes, the Value Proposition and the Customer Segment. I could have come with the Idea in not investing in new Big Nuclear Power Plants in the US, just supplying parts and engineering services for the Nuclear units and not taking duties in construction of Nuclear Power Plants, and make the strategic decision concerning about overseas nuclear operations, which where a nuclear power plants in North West England, and reactors in India, also considering all the new minor scale recourses in renewable energies. Maximizing the possible customer output and profile. Furthermore, another good indicator that I

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would take into account, would be the TM, SAM, and TAM. Identifying geographically the possible market for the new product, which where Big Power Plant construction.

Another issue easy to identify in the model would be the supplier, and the construction company issue, regarding the expertise of the company created and actual people working there. Also, applying the scientific method, for identifying if the people working there has actually done some projects in the area of expertise and also to see if they are qualified for the project, plus the scale of the product and all the safety and regulations involved in developing these types of projects, just by doing some extra research, before investing that amount of money.

Finally, because Westinghouse were the first using the new technology, I would take account the delays in high scale projects, known from old similar ventures, plus importing delays from overseas products and some political changes and decisions. All these issues would help the company to continue operating, without losing that much money, increasing also its reliability.

Critically evaluate your overall experience regarding the development of your business model canvas this semester; pay particular attention to your team and the final deliverable.

- In addition, provide your thoughts on you as an entrepreneur. It this is in your future, why or why not?

According to our business model canvas, in the Project Entitled KP Kinetic Products, we got the opportunity to feel, sense and sweet about one great

idea as a Venture for owning a company. The model itself and all the steps for creating the hypothesis and validating the results obtained, on the field, outside the building, were very helpful and promise.

First, for creating the model we defined a necessity in the market, and with the whole group we did a brainstorming of this necessity and we came out with many ideas about solving the problem itself, we also came out with some answers and key solutions, in our understanding. After some hours of sharing ideas and discussing them. Then we defined the Customer market, the one we thought it was the right for the post. And we tried to establish some Gains and Pains, besides the Gain Creator and Pain Relievers finding a connection between the seller, our product and the customer.

After filling all the requirements for the Business Model Canvas, doing a geographical and location research with the tools provided by the Professors and the Librarian, we came out with our test market, and also the TM, SAM, and TAM. These activities also involved a lot of group discussion of the ideas and experience of sharing ideas. These results helped us also to identify the test market for validating all the hypotheses created, which in this case was finding the correct people, expert in the area, and also to see the applicability of the idea and also to identify the correct questions.

As a group, we defined and studied carefully about the questions that we were supposed to ask to the possible customers and experts, also we established an outline for all the interviews. Because as we know it was a feedback input in order to compare our actual Business Model Canvas, with the actual customer needs and validate our considerations.

For the customer discovery process at first we decided to include as customer some experts in electrical generation area and power systems in different countries, in order to establish and see if we had deficiency in our idea, and expecting to receive some relevant reply for our propositions and a possible customer. Some of the interviews carried to the experts were very helpful, because we were able to see an essential need of our product, but also we were able to pivot and see some other needs that our product could solve, important ideas and absence of solutions for some needs that we didn't see before, when we were creating the first draft of the Business Model Canvas.

The second segment of our customer discovery process was to find some possible funding for the project, for this we recurred to the aggie fund because the idea of this project was at the beginning to start developing it in the University. The results were excellent because we could learn from them that they support new student Undertakings, what's more they are very welcome to fund sustainable projects with a very good amount of money for starting the Venture. They also showed their interest and we could also scheme the necessity that the University has related to energy efficiency requirements and sustainability.

The third segment was related to find and interview all the Possible Direct customers, the ones who were exposed in our market research process and also identified with some of the answers from the interviews with the experts. Among these, we could also define that the customers where the MCS, REC center, the Libraries and all the Buildings in the University. For accomplishing this we were possible to identify that the people responsible

for those areas is the Operation Facilities center. These people are in charge of all the complexes related to the building infrastructure and lighting, which was our main idea as a necessity to solve.

After splitting the group and doing all the interviews, we meet to talk about the answers received and the all the possible changes that we were supposed to make to our final Business Model Canvas. Amongst all the results we established that our product could be diversified in different type of solutions using the same technology but different magnitudes.

With all the results on the table, we started first checking our hypothesis, and making some changes acknowledged from the interviews. We correspondingly were possible to see that our thoughts where right but in some cases, incomplete, our final target market could be even bigger that the supposed. We also saw the possibility to expand the practice of our product to all the universities around the country, and in the long run to reach all buildings that have high circulated areas. This correspondingly have helped us to Pivot the market and see what is really the need of our possible future customer. And not what we only thought at the beginning, that it was a great business idea.

All these results where done by an excellent group work, because we were able to organize or job, and also divide the task commissioned to each one of the group members efficiently. Additionally, we could also categorize according to level of interest and importance all the product and services, derived, likewise the customer jobs for the Canvas model, in which we defined that our main product would be the electrical systems with batteries,

that would help to light any kind of buildings, with led bulbs., and out biggest user Universities with sustainable needs.

It is important to mention that while doing these work, we found out the importance of listening to our customers, which is a secret in business success. Also, we learned that this type of work is very hard with constant struggle. Sometimes we had to wait long hours without an answer, other times we have been mistreated, and in these project, we experienced that there were also rude people, who doesn't want to help, and they thought that we were just wasting their time.

I learned in this class about, the importance of being an Entrepreneur and also the importance of different levels of group work, which sometimes is difficult to coordinate. As my thoughts, I always wanted to start my own business in the field of Energy as an electrical generating company, and now that I have the required skills, I know that I will be able to start one in the long run, because as we know these types of companies require a big investment. And a lot of dedication, regarding time and research, plus development and effort. And I consider myself one of them.

Finally, it is necessary to include that I have learned that being and entrepreneur is not for everyone, it is only for people who have the patience and the strength, people who have the courage and the necessary guts to continue. Moreover, it is for people who really love their idea and want to struggle until the last consequence, learning from their mistakes and modifying them all the time. It is a process of continuous enhancement if they want to success in their venture.

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