

Entrepreneurship & Innovation

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Lecture 1

ENT 511

Entrepreneurship & Innovation



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Entrepreneurship

Lecture 1: Introduction



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Course Aims

- Provide knowledge and understanding of entrepreneurship and entrepreneurial process
- Present various models of entrepreneurship and enterprise activity, including intrapreneurship, social enterprise and corporate entrepreneurship
- Provide understanding of the contribution of the small business sector and entrepreneurial ventures
- Provide models of entrepreneurship in technology and growth sectors
- Develop an appreciation of ethical issues (roles and responsibilities) associated with business enterprise



Course Aims

- Equip students with an experience of transferring knowledge into practice by simulating the business planning process
- Develop core skills, applicable to entrepreneurship, such as team working, communication, initiative, creativity, analysis, problem identification and solving
- Develop business skills applicable to entrepreneurship, eg, marketing, financial planning, presenting
- Equip students for future ventures by providing hands-on experience of simulated entrepreneurship



What is an entrepreneur?



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Entrepreneurs

Entrepreneur is derived from the French word *entreprendre*, meaning “to undertake”.

Entrepreneurs use innovation to exploit or create change and opportunity for the purpose of making profit. They do this by shifting economic resources from an area of lower to an area of higher productivity, accepting a high degree of risk and uncertainty in doing so.

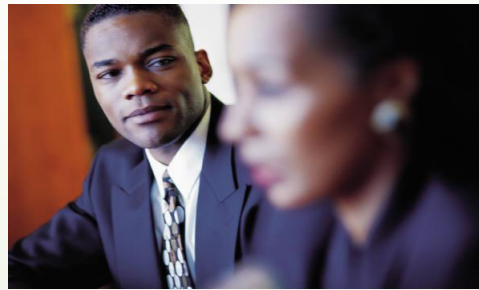


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What is an Entrepreneur?

One who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them.



Ch. 1: The Foundations of Entrepreneurship



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The World of the Entrepreneur

- ❑ Global Entrepreneurship Monitor (GEM) study reports:
 - ❑ Men are twice as likely to start a business as women.
 - ❑ Most entrepreneurs turn to family members and friends for capital.
 - ❑ Entrepreneurs are most likely to launch businesses when they are between the ages of 25 and 44.

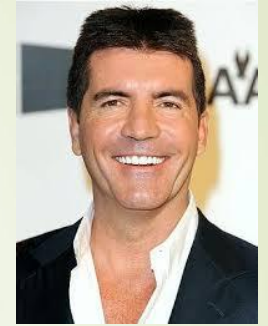


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Ch. 1: The Foundations of Entrepreneurship



Who one is the odd one out?



Characteristics of Entrepreneurs

- ❑ Desire for responsibility
- ❑ Risk Taker (solid business plan- calculated)
- ❑ Confidence in their ability to succeed
- ❑ Desire for immediate feedback
- ❑ High level of energy(hard work-long hours-proactive)
- ❑ Future orientation
- ❑ Skilled at organizing(management skills)
- ❑ Value achievement over money
- ❑ Commitment & flexibility (changes in demand & business)



Economic Theories of Entrepreneurship

• Risk Taker
– Richard Cantillon, 1755

• Capitalist –
Adam Smith,
1776, David
Ricardo, 1871

• Technological
Knowledge –
Jeremy Bentham,
1838

• Risk Taker &
Innovator –
Von Thunen,
1850

• Economic
Change –
Carl Menger,
1871

• Capitalist –
Amasa Walker,
1866, Francis A.
Walker, 1887

• Novel
Resource
Combination
– Alfred
Marshall,
1920

• Risk Taker &
Uncertainty
Avoidance –
Frank Knight,
1921

• Innovator –
Joseph
Schumpeter,
1952

• Alertness –
Israel Kirzner,
1973



Evolving Entrepreneurs

Date	Author	Concept
1755	Cantillon	Introduced the concept of entrepreneurs from entreprendre ('ability to take charge')
1803, 1817	Say	Emphasised the ability of the entrepreneur to 'marshal' resources in order to respond to unfulfilled opportunities
1871	Menger	Noted the ability of entrepreneurs to distinguish between 'economic goods' - those with a market or exchange value - and all others
1893	Ely and Hess	Attributed to entrepreneurs the ability to take integrated action in the enterprise as a whole, combining roles in capital, labour, enterprise and entrepreneur
1911, 1928	Schumpeter	Envisioned that entrepreneurs proactively 'created' opportunity using 'innovative combinations' which often included 'creative destruction' of passive or lethargic economic markets
1921	Knight	Suggested that entrepreneurs were concerned with 'efficiency' in economic factors by continually reducing waste, increasing savings and thereby creating value, implicitly understanding the opportunity-risk-award relationship
1948, 1952, 1967	Hayek	Continued the Austrian tradition of analytical entrepreneurs giving them capabilities of discovery and action, recognising the existence of information asymmetry which they could exploit
19373, 1979, 1997, 1999	Kirzner	Attributed to entrepreneurs a sense of 'alertness' to identify opportunities and exploit them accordingly
1974	Drucker	Attributed to entrepreneurs the capacity to 'foresee' market trends and make a timely response
1975, 1984, 1985	Shapero	Attributed to 'judgement' ability to entrepreneurs to identify 'credible opportunities' depending on two critical antecedents - perceptions of 'desirability' and 'feasibility' from both personal and social viewpoints



Schumpeter



- Schumpeter's entrepreneur is an *innovator*.
- The entrepreneur brings change through the introduction of new technological processes or products.
- The person who destroys the existing economic order by introducing new products and services, by creating new forms of organisation, or by exploiting new raw materials.
- Creative destruction.



Knight



- Calculated risk-taker
- The opportunity for profit arises out of uncertainty and risk
- The entrepreneur is an individual who is prepared to undertake risk and the reward - profit
- Responsibility for one's own actions



Kirzner



- Entrepreneur is alert to profitable opportunities for exchange
- Entrepreneur is the middle-man who facilitates exchange
- Entrepreneur has additional knowledge to exploit to take advantage of profitable opportunities



Opportunity Entrepreneurs Vs. Necessity Entrepreneurs

- *Opportunity Entrepreneurs*, those who start businesses because they spot an opportunity in the marketplace
- *Necessity Entrepreneurs*, those who start businesses because they cannot find work any other way.



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Serial Entrepreneurs

- *Serial Entrepreneurs*, those who repeatedly start businesses and grow them to a **sustainable size** before striking out again.
- The majority of serial entrepreneurs are **Leapfroggers**, people who start a company, manage its growth until they get bored, and then sell it to start another.



Social entrepreneurs

(entrepreneurs who
use their skills not
only to create
profitable businesses,
but also to achieve
social and
environmental goals
for the common
good).



Understanding Entrepreneurship

Author	Definition
Drucker (1985)	Entrepreneurship is an act of innovation that involves endowing existing resources with new wealth-producing capacity.
Stevenson et al. (1989)	Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities.
Low and Macmillan (1988)	Entrepreneurship is the creation of new enterprises.
Timmons (1997)	Entrepreneurship is a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach, and leadership balanced.
Venkataraman (1997)	Entrepreneurship research seeks to understand how opportunities to bring into existence future goods and services are discovered, created and exploited, by and whom, and with what consequences.



...Entrepreneurship

“An activity that involves discovery, evaluation and exploitation of opportunities to introduce new goods and services, and organize new markets, processes and raw materials through coordinating efforts of the entrepreneur that previously did not exist” (Shane, 2003: 4)

And he adds...

He adds that entrepreneurship “involves the nexus of entrepreneurial opportunities and enterprising individuals ... where a situation in which a person can create a new means-ends framework for recombining resources that the entrepreneur will yield a profit” (Shane, 2003: 18).



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Benefits of Entrepreneurship

The opportunity to:

- ❑ Create your own destiny
- ❑ Make a difference
- ❑ Reach your full potential
- ❑ Reap impressive profits
- ❑ Contribute to society and to be recognized for your efforts
- ❑ Do what you enjoy and to have fun at it



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Drawbacks of Entrepreneurship

- ❑ Uncertainty of income
- ❑ Risk of losing your entire investment
- ❑ Long hours and hard work
- ❑ Lower quality of life until the business gets established
- ❑ High levels of stress
- ❑ Complete responsibility



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Deadly Mistakes of Entrepreneurship

1. Management mistakes
2. Lack of experience
3. Poor financial control
4. Weak marketing efforts
5. Failure to develop a strategic plan
6. Poor location
7. Incorrect pricing



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Avoiding the Pitfalls of Small Business Failure

- ❑ Know your business in depth
- ❑ Develop a solid business plan
- ❑ Manage financial resources
- ❑ Learn to manage people effectively
- ❑ Set your business apart from the competition
- ❑ Maintain a positive attitude



Feeding the Entrepreneurial Fire

- ❑ Entrepreneurs as heroes
- ❑ Entrepreneurial education
- ❑ Demographic and economic factors
- ❑ Technology advancements
- ❑ Independent lifestyles
- ❑ E-commerce and the Internet
- ❑ International opportunities



Three Types of Entrepreneurship

Productive entrepreneurship is innovation leading to wealth creation and economic development which advances not only the individual but wider society. Pursue a business opportunity within prevailing institutions.

Unproductive entrepreneurship is some form of bureaucracy that typically benefits an individual but not necessarily society. Create contracts to overcome institutional shortcomings e.g. lobbying; help others avoid taxes.

Destructive entrepreneurship also benefits the individual more than society.

Baumol, W.J. (1990) Entrepreneurship: Productive, Unproductive and Destructive. *Journal of Political Economy*, 98(5), 893-921.



The Myths of Entrepreneurship

Myth 1: Entrepreneurs are doers, not thinkers



Myth 2: Entrepreneurs are born, not made



Myth 3: Entrepreneurs are always inventors



Myth 4: Entrepreneurs are academic and social misfits



Myth 5: Entrepreneurs must fit the profile

Myth 6: All entrepreneurs need is money



Myth 7: All entrepreneurs need is luck



Myth 8: Entrepreneurship is unstructured and chaotic



Myth 9: Most entrepreneurial initiatives fail



Myth 10: Entrepreneurs are extreme risk takers



Why is Entrepreneurship so Important?

Important contributions to industrial markets:

1. Entrepreneurs play an important role in the change of technology;
2. Entrepreneurs create an additional sense of competition whilst also, providing a mechanism for regeneration;
3. Entrepreneurs contribute to international competition via niche markets and;
4. Entrepreneurs influence in creating jobs.



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What explains this recent growth in entrepreneurship??

- Structural shift from manufacturing (large firm dominated) to services (small firm dominated)
- Growth in personal, flexible, tailor-made services
- Restructuring by large firms – focus on core activities, sub-contract non-core activities
- Technological change
 - Scientific discoveries exploited by small firms
 - Production and IT technologies have reduced the role of economies of scale
- Low cost and access to communications technology ('the great equaliser'): access to information, distribution ('the long tail')



What explains this recent growth in entrepreneurship??

- Importance of human capital rather than financial capital as the basis for competitiveness
- Consumer choice – reaction against mass produced products and services: individualism, demand for authenticity, natural products (e.g. real ale beer) – growth in market niches
- Deregulation of markets: e.g. in airlines, telecoms, media
- Personal choice – ‘rebellion’, reaction against working in large impersonal organisations, want to control own destiny
- Availability of finance – venture capital
- Availability of support, advice and education



Reading

Bygrave, W.D. (1989) The entrepreneurship paradigm (1): a philosophical look at its research methodologies, *Entrepreneurship Theory and Practice*, 14(1), 1-26.



Core Reading Text

Recommended reading list and journals are compulsory

Arshed, N. and Danson, M. (2016). *Enterprise: Concepts and Issues*. Goodfellows, UK.

Burns, P. (2011) *Entrepreneurship and Small Business* (3rd ed). UK, Palgrave Macmillan.



International Organizations



Center of
Entrepreneurship

المؤسسات
الداعمة



Government



Ministry of Trade & Industry
وزارة التجارة والصناعة



Academy of Scientific Research
And Technology
أكاديمية البحث العلمي والتكنولوجيا



Technology Innovation and
Entrepreneurship Center (TIEC)



وزارة التخطيط والمتابعة
والإصلاح الإداري

GAFI



General Authority For Investment & Free Zones



Center of
Entrepreneurship

المؤسسات
الداعمة



What is the Startup Businesses

- A startup is a newly emerged business venture that aims to develop a viable business model to meet a marketplace need or problem.



Business Incubators

- Nurture young firms and help them to survive and grow during the startup period.



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El Menus

- For food lovers out there, Elmenus made everybody's life easier. Elmenus is a food discovery platform with over 3000 Restaurant menus and 300.000 dishes to help you decide what to eat. It delivers your choice at your doorstep. Elmenus was founded in 2011 by Amir Allam.



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Wuzzuf

- ❑ One of Arab's top recruitment site performs as a hub for many job seekers to find an employment opportunity. Wuzzuf continues to develop innovative online recruitment solutions for top enterprises and organizations.
- ❑ Since May 2012, more than 100,000 job seekers have been hired directly through the site.



Female Entrepreneurs

- ❑ Today, many women and young girls break free of the status quo and prove themselves as successful entrepreneurs.
- ❑ The number of women that are starting up their own businesses is increasing day after another.
- ❑ With their great determination they have given us a reason to keep moving forward, especially those who built their empire from scratch and managed to rise with it to international fame.



Female Entrepreneurs That Will Inspire You To Follow Your Dreams

Azza Fahmy – Founder of Azza Fahmy

- ❑ Arab's pioneer in culture jewelry, is the true definition of “every necklace has a story”. Every piece of jewelry she crafts has a rich heritage behind it.
- ❑ The brand is well established internationally and had a massive amount of popularity, especially among celebrities and public figures such as Raya Abi Rached, Nicole Scherzinger and Rihanna.
- ❑ The hard work and amount of effort exerted to build her empire is the most astonishing, “So I tied my hair back, put on my overalls and spent my days in a workshop full of men learning the tricks of the jewelry making trade,” she said.



Conclusion

Entrepreneurs:

- Are an important part of the free enterprise system
- Are a diverse and talented group of people
- Are able to enhance the profitability of their businesses through acquiring additional knowledge and experience

