

Entrepreneurial Leadership & Organizational Behaviour

ENT 612

Master of Entrepreneurship Program

Lecture 3





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Entrepreneurial Leadership & Organizational Behaviour

Lecture 3

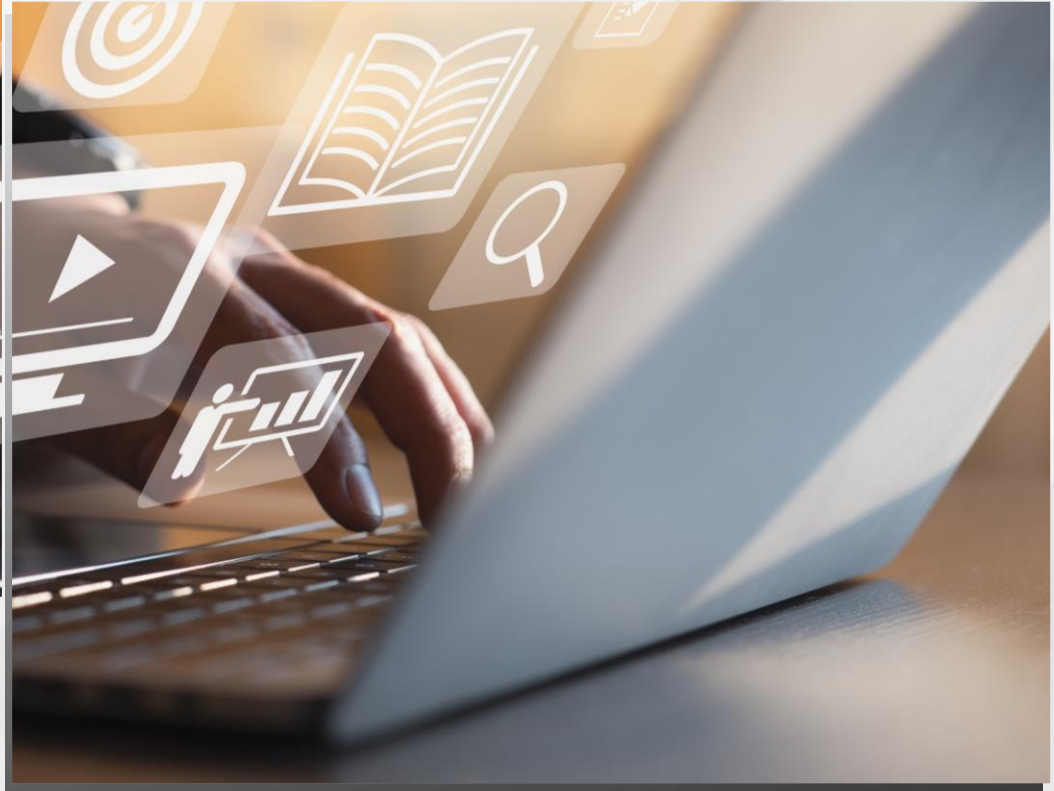
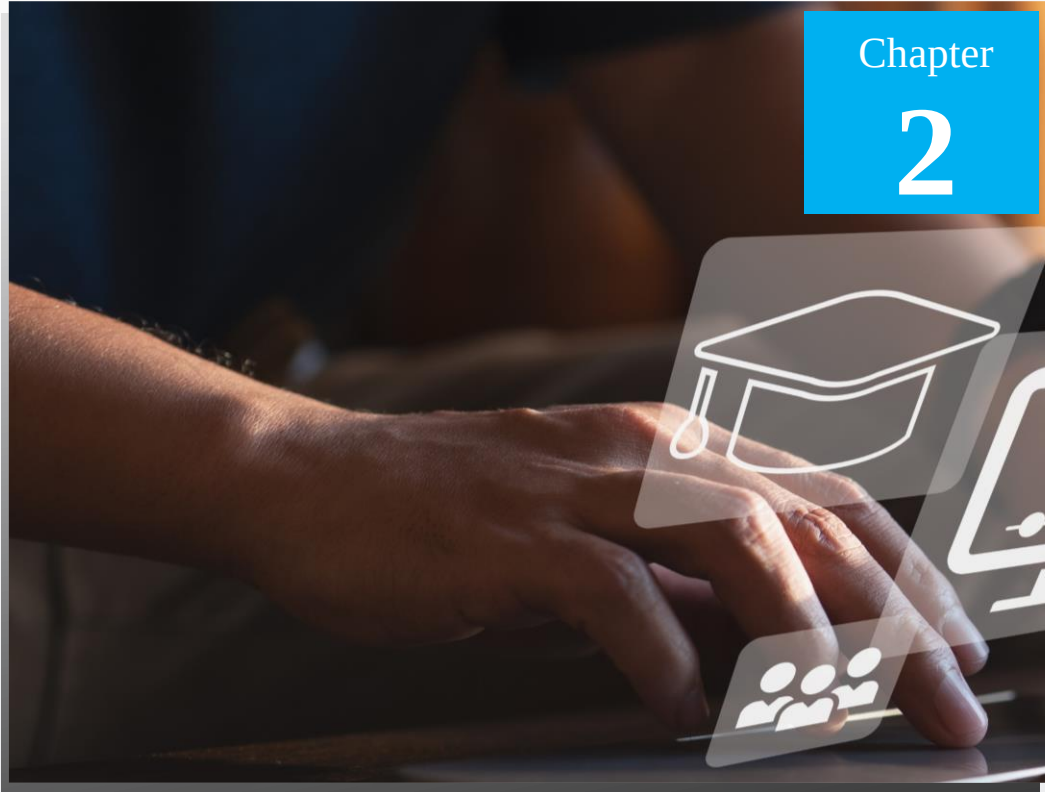
ENT 612

Master of Entrepreneurship Program

Chapter

2

Entrepreneurial leadership



The previous lecture has covered the following topics

- Finding a Commercially Viable Problem
- An excellent example
- Demand: How Much Is Enough?
- Total addressable market
- The Perils of Head-to-Head Competition
- Small Niches Can Be Profitable

The previous lecture has covered the following topics

“Find a need and fill it.”

Successful companies solve problems

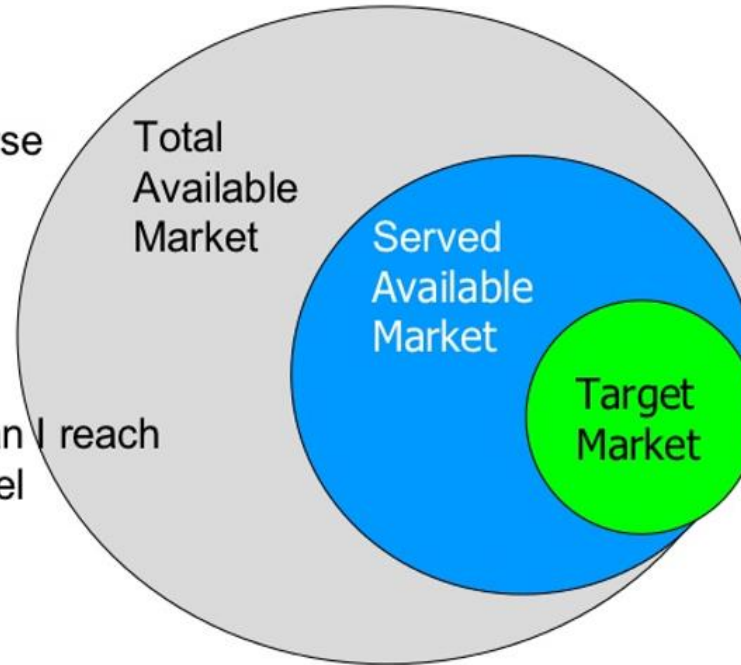
Identify the problem that is causing the pain.

“In niches there are riches”

Total Available Market, Served Available Market, Target Market

TAM = how big is the universe

SAM = how many can I reach
with my sales channel



Target Market (for a startup) =
who will be the most likely buyers

This lecture covers the following topics

- Understanding Primary Demand
- Is it possible to create primary demand?
- The Value of Being Prepared
- Understanding Human Behaviour
- Local Needs and Wants
- General Needs
- Customer Service
- Timing and Strategy

This lecture covers the following topics

- The Best-Case Scenario: When Strategy Meets Technology
- Changes = Opportunity
- Demographic Changes
- Changes in Perception
- Changes Resulting from National and Worldwide Instability
- Solving Problems That Don't Exist
- Disruption
- Never Buy a Business You Don't Understand

This lecture covers the following topics

- How Much Do I Need to Know?
- Making Something Out of Nothing Is “Special”
- Closing Thoughts: Ideas versus Opportunities
- Funding
- What is crowdfunding and how it works?
- Types of crowdfunding
- What are the disadvantages of crowdfunding?

Understanding Primary Demand

“Is it possible to create primary demand?”

Once we have identified a class of products or services, then our search for a commercially viable problem becomes much clearer. A good example is the travel industry. According to the US Department of Transportation, Americans flew over 575 million miles in 2011 and drove over 3.65 billion miles in passenger cars.

The Value of Being Prepared

In the previous example, entrepreneurs thinking about launching a start-up airline should know how airline travel started and how it has evolved—what's worked and what hasn't. Whenever I start a new project, I study the relevant industry to see who and what is successful and how they're doing what I'm trying to do. We should learn from the successes and failures of others.

Doing your homework means being on top of what's happening today in an industry.

Some of the best entrepreneurial ideas come from studying human behaviour. It's my favourite place to look for a commercially viable problem.

Understanding Human Behaviour

In the broader travel industry, entrepreneurs have developed new and different, unique ways of solving our problems. For example, the Citi Bike system, operated by NYC Bike Share, features thousands of bikes at hundreds of stations around New York. Citi Bikes are available 24/7, 365 days a year. Station locations are based on population and transit needs and were selected through a participatory public input process. In New York City, storage space is limited; not having to own a bike but being able to use one at your convenience (and paying a fee to do so) solves real problems for countless consumers.

The Value of Being Prepared

“Mother-in-Law” Research

Watch closely what all the people are doing, and also do what call ‘mother-in-law’ research. When you are at parties or gatherings, always interview people, asking what they drink, eat, read, watch on TV, and what they think the hot topic of the day is.

Observe people in stores and interview them about their purchases and choices.
Always watched closely when companies changed their logos and product designs.
Monitoring new technology and developments

Understanding Human Behaviour

A favourite story about human behaviour leading to a product is the Walkman. Akio Morita, co-founder and former chairman of Sony, is said to be the inspiration behind the development of the Walkman. He identified with the global hip-hop culture and loved art and music, especially opera, and he wanted to be able to listen to his favourite music on the very long flights he often took. For this to be feasible, the device would have to provide the listener with as good of an experience as a car stereo and yet be portable, allowing the user to listen to music while doing something else.

He was confident that the Walkman would be successful after observing his children and their friends, who seemed to want to play their music all day and into the night. He was also encouraged by the increasing number of people who actually took bulky stereos with them to the beach and park.

Understanding Human Behaviour

He gave his engineering team less than four months to produce the model, saying, “This is the product that will satisfy those young people who want to listen to music all day. They’ll take it everywhere with them, and they won’t care about record functions. If we put a playback-only headphone stereo like this on the market, it’ll be a hit.”

Since their launch in 1979, an estimated 400 million Walkmans have been sold. In 2010, they were discontinued. Without Sony’s Walkman, it would be difficult to envision the iPod or enjoy digital music on our smartphones today.

Local Needs and Wants

Oftentimes entrepreneurs will have more luck by examining what's missing in local or regional markets. In many cases, certain products available in larger cities may not have trickled down to smaller markets.

General Needs

The cell phone is an excellent example of finding an opportunity through a general need. People have always wanted to be able to communicate away from home in a convenient manner, and the cell phone filled this need.

Customer Service

Another great place to look for opportunities is within the realm of customer service in a pre-existing organization. It's the easiest need to fill because it's something that almost anyone can do. It doesn't require a great deal of education, money, or training. All that is needed is the desire and will to serve others.

Timing and Strategy

Timing is a crucial factor in making a strategy successful. Strategy is a goal accompanied by a plan to achieve it. Timing, as I define it, is "doing the right thing at the right time."

The Best-Case Scenario: When Strategy Meets Technology

There's no magic formula as to when the timing is right. The trick is in knowing and studying history, human behaviour, and your environment.

Conversely, entrepreneurial leaders always have to be on the lookout for a “negative” convergence of timing and a need being met.

In the late eighties, an owner of a video store said he was concerned about movies being available through cable. “Ange,” he said, “it’s just a matter of time before our stores will be out of business. I’m going to make as much money as I can and invest it somewhere else before this happens.”

He nailed this: Netflix’s business model took a while to catch on, but once it did, it decimated “physical” video stores like Blockbuster, which closed all its stores on January 11, 2014.

The Best-Case Scenario: When Strategy Meets Technology

A few months ago, Apple made it so that prediction thirty years ago finally came true: people are talking into their watches. As they say, the world is a-changing, which leads us to our next area to search: change.



Changes = Opportunity

Change is perhaps the most “constant” place to seek a commercially viable opportunity. certain changes tend to yield more entrepreneurial opportunities than most. They include demographic changes, societal “changes in perception,” and “disruptive” changes, including new technologies and worldwide areas of instability.

Demographic Changes

Demographic shifts in our population can create significant problems for society and tremendous opportunities for entrepreneurs. The aging US population, for example, is creating many opportunities for entrepreneurs in the health-care market. The federal government provided \$40 billion in incentives for health-care providers to convert to meaningful electronic records. Companies assisting in this transition have found a great deal of new business.

Changes in Perception

Closely related to demographic shifts are changes in perception. One only has to watch the morning TV news shows to see how a change in perception has impacted a whole industry. Until recently, women weren't seen as credible hosts of morning shows or network nightly news programs.

There also weren't a heck of lot of women entrepreneurs, and now we have a host of them, including the incredible Oprah.

Changes Resulting from National and Worldwide Instability

On a macro level, unexpected change that's causing a serious problem for the general public can be an excellent way to capitalize on an entrepreneurial opportunity. Ideally, this should be a change that's receiving a great deal of publicity.

Solving Problems That Don't Exist

In searching for a commercially viable opportunity, beware of trying to “solve” a “problem” that doesn’t necessarily need solving. In 1985, Coca-Cola announced that they were changing their original formula and introducing “New Coke” instead. Almost immediately, consumers expressed their outrage. After only seventy-nine days Coca-Cola brought back the old formula, which the company rebranded as “Coca-Cola Classic.” In just two days after the announcement of Coca-Cola Classic, the company received 31,600 hotline calls reassuring them that they’d made the right decision. This should have been all the proof Coke needed to understand that there never was a problem.



Disruption

The concept of “disruptive” technology certainly isn’t new in the field of entrepreneurship. In his 1942 book *Capitalism, Socialism, and Democracy*, the great economist Joseph A. Schumpeter wrote:

Innovation by the entrepreneur leads to gales of creative destruction as innovations cause old inventories, ideas, technologies, skills, and equipment to become obsolete. Even if you’re the market leader, “attacking yourself before your competitors do” is an excellent defensive strategy.

Introducing new products, or better versions of existing products and services, even if you’re the market leader, will beat your competition to the punch.

“Never Buy a Business You Don’t Understand”

“ never buy a business that you don’t understand, because you’ll go broke before you learn it.”

How Much Do I Need to Know?

you might wonder if you have to be business-savvy or a marketing expert in order to find a commercially viable problem to solve. The answer is a resounding no.

To prove this point, let's take a look at how wheels ended up on luggage. Although wheels have been around for thousands of years, they didn't appear on luggage in their current form until 1987, when a Northwest Airlines pilot named Bob Plath was tired of lugging his heavy overnight bag and flight bag through airports around the world. Being a creative kind of guy, Plath spent weekends working on a wheeled "pilot" bag in his garage.

The result of his efforts was to attach two wheels and a long handle to a suitcase that rolled upright

How Much Do I Need to Know?

Mr Plath initially sold his creations to his fellow crewmembers. But when everyday travellers saw flight attendants striding easily through airports with their “Rollaboards” in tow, a new way to carry luggage was created.

Mr. Plath’s understanding of the user was a very good reason why he was successful. His company, Travelpro, enjoyed first-year sales around \$1.5 million. Within a few years, Mr. Plath left the flying to others and held fifteen patents on a diverse line of rolling luggage. By 2003 Travelpro’s annual sales reached \$45 million.

Making Something Out of Nothing Is “Special”

Mr. Plath and L. L. Bean were successful by making existing products better with new technology and materials. Creating products and services with large budgets and organizations is fine and beneficial, but creating something with scarce resources and no special technology is considerably more difficult—and special, in an entrepreneurial sense. This is what David (“Dave”) Maione, CEO of Night Shift, a commercial cleaning company, managed to do with the help of his brother and partner, Anthony (“Tony”).



Making Something Out of Nothing Is “Special”

When Dave was fifteen and his brother nineteen, they took their mother’s mop, bucket, and cleaning materials and headed out to a local bank whose manager they’d convinced to give them his cleaning contract. This was the beginning of their cleaning business in Endicott, New York, which has since blossomed into the largest and most dominant cleaning company in our area. Their customers include Security Mutual Life Insurance Company, Columbian Financial Group, and Willow Run Foods.



Making Something Out of Nothing Is “Special”

What Dave and Tony did is that they took a problem that most people truly dislike (dirt and cleaning) and turned it into two businesses with annual multimillion-dollar revenues. They did this with no money, no formal education, and no powerful friends. Now that’s making something special out of nothing!



Closing Thoughts: Ideas versus Opportunities

Are all ideas opportunities? Considering that the average person has 70,000 thoughts per day, most are definitely not.

It goes without saying that not all ideas are opportunities.

How can I tell the difference between an idea and an opportunity? First, let me give you an example. I have an idea for an electric car that would be able to travel five hundred miles per battery charge. Is this a good idea? You bet! Is it a good opportunity? Not for me, since I have no expertise in this area. I also have no access to an organization capable of turning this idea into an opportunity.

Closing Thoughts: Ideas versus Opportunities

On the other hand, it's an excellent opportunity for Tesla Motors and its founder, Elon Musk. Tesla already has a car with a 300-mile range per battery charge, terrific patented battery technology, and a talented product development department. Its main challenge might be its competitor, the Israel-based car company Phinergy, which hoped to have a car that will have a range of 1,000 miles by 2017.

Funding

As you move forward with pursuing your opportunity, you'll want to think about funding. If you're like the great majority of entrepreneurs, you'll probably be reaching toward your own pocket. According to a recent study funded by the Ewing Marion Kauffman Foundation, nearly 70 per cent of entrepreneurs rely on their personal savings. About a quarter of entrepreneurs rely on venture capital and "angel" or private investors, while only 15 per cent rely on friends and family. An even smaller percentage—about 7 per cent—received funding through corporate investments.

Funding

Crowdfunding is also becoming a popular alternative. According to Fundable, a small-business crowdfunding platform, crowdfunding raised \$5.1 billion in capital in 2012.

Yet these aren't the only available funding methods, and as an entrepreneurial leader, you'll often have to think outside the box.

You'll definitely want to determine if your country has a program in place to help local entrepreneurs.

What is crowdfunding and how it works?

Crowdfunding is a way of raising money to finance projects and businesses. It enables fundraisers to collect money from a large number of people via online platforms.

Crowdfunding is most often used by startup companies or growing businesses as a way of accessing alternative funds.

Interest and repayment free investment.

Types of crowdfunding

- **Donation:** Donation-based crowdfunding is when people give a campaign, company or person money for nothing in return.
- **Debt:** Debt-based donations are peer-to-peer (P2P) lending, which is a form of crowdfunding.
- **Rewards:** This is when donors receive something in return for their donations.

What are the disadvantages of crowdfunding?

failed projects risk damage to the reputation of your business and people who have pledged money to you. if you haven't protected your business idea with a patent or copyright, someone may see it on a crowdfunding site and steal your concept

This lecture covered the following topics

- Understanding Primary Demand
- Is it possible to create primary demand?
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- Understanding Human Behaviour
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- General Needs
- Customer Service



Chapter

02

Conclusion

This lecture covered the following topics

- Timing and Strategy
- The Best-Case Scenario: When Strategy Meets Technology
- Changes = Opportunity
- Demographic Changes
- Changes in Perception
- Changes Resulting from National and Worldwide Instability
- Solving Problems That Don't Exist



Chapter
02

Conclusion

This lecture covered the following topics

Disruption

Never Buy a Business You Don't Understand

How Much Do I Need to Know?

Making Something Out of Nothing Is “Special”

Closing Thoughts: Ideas versus Opportunities

Funding

What is crowdfunding and how it works?

Types of crowdfunding

What are the disadvantages of crowdfunding?



Chapter 02

Conclusion

- Entrepreneurial Leadership: A practical Guide to Generating New Business by Angelo Mastrangelo 1st Edition.

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Chapter 02

Text book & References



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Thank You

