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MIDOCEAN
UNIVERSITY

Entrepreneurship and Strategy

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ENT624

Entrepreneurial Strategy

Lecture 2



Learning Objectives

1. Understand the key role of strategy in the discovery and exploitation of opportunities as entrepreneurial firms form and grow.
2. Learn about contemporary trends and patterns in entrepreneurship, including its role in the global economy and the increase in social entrepreneurship.
3. Understand the significance of entrepreneurial firms to innovation in the Economy.

Entrepreneurship can be defined as **the identification and utilization of previously unexploited opportunities.**

- The **identification of opportunities** that lead to the creation of new business ventures **is the heart of entrepreneurship** today.

What is the relationship between entrepreneurship and strategy?

Both entrepreneurship and strategic management focus on the ways in which businesses create change by exploiting opportunities they discover within the uncertain environments in which they operate.

Entrepreneurs are able to create wealth by identifying opportunities and then developing competitive advantages to exploit them.

- Strategic entrepreneurship is the integration of entrepreneurship and strategic management knowledge.

= entrepreneurship + strategic management

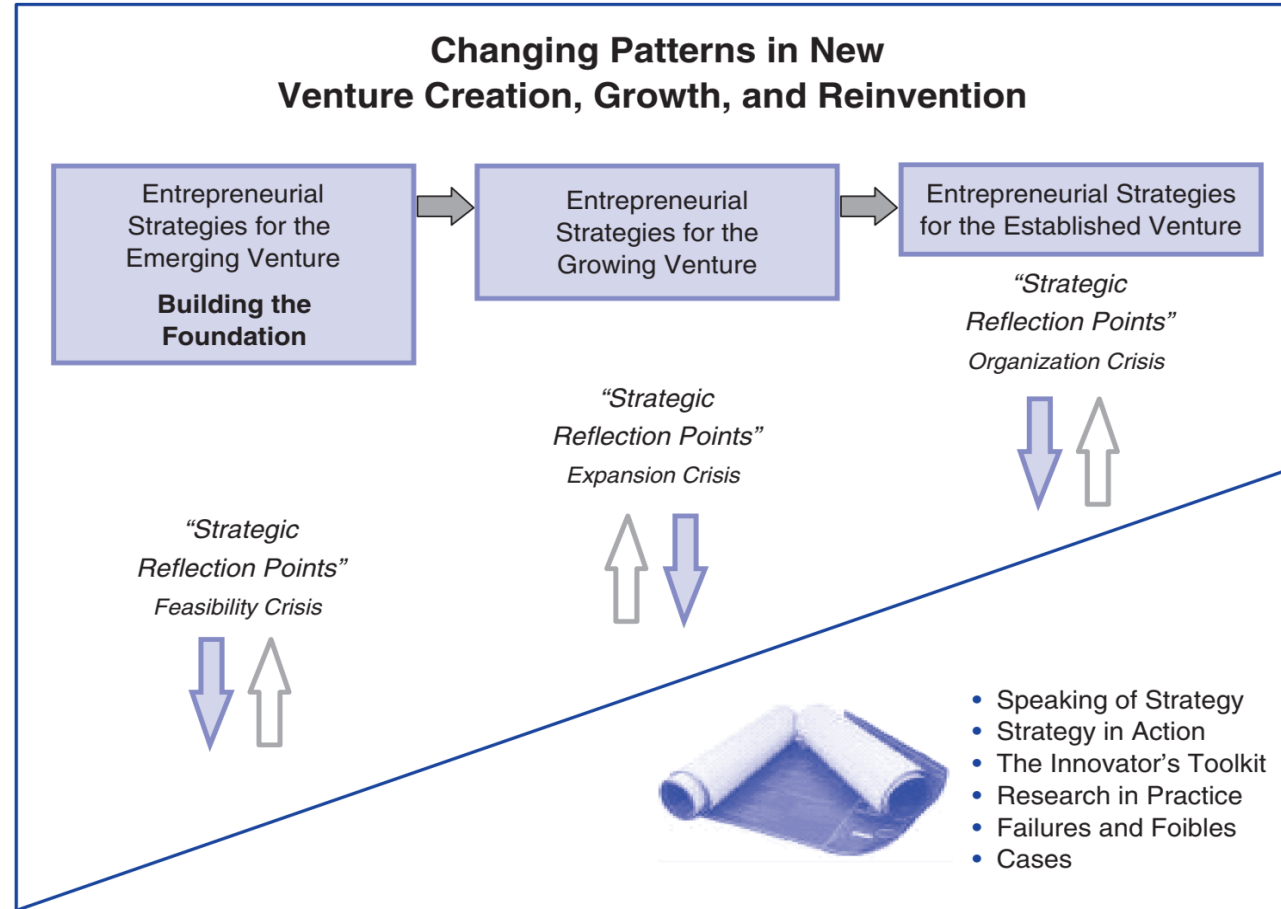
- Successful entrepreneurs are able to notice the opportunities that many other people seem to miss, and, more important, they are then able to find the means to turn these possibilities into action: to bring to the market something novel and useful.

- Increasingly, **entrepreneurs are relying on the expertise and input of key stakeholders** as they launch and develop their businesses.
- **Stakeholders are:**
 - 1) **Outside** the firm in the role of advisers.
 - 2) **Inside** the firm in the roles of investors and employees.
- The **entrepreneur's ability to create a powerful team** capable of breakthrough thinking **shapes the new venture's potential success** and growth.

Entrepreneurial Stages: Changing Patterns, Strategies, and Entrepreneurial Roles

	Stage I: Entrepreneurial Strategies for the Emerging Venture	Stage II: Entrepreneurial Strategies for the Growing Venture	Stage III: Entrepreneurial Strategies for the Established Venture
Changing patterns of strategic needs of Entrepreneurial firms	-Strategic framework for new venture formation -Creativity and opportunity identification (the discovery process) -Evaluating and exploiting opportunities (the assessment process) -Market entry	- Financial resource capabilities - The evolving management team: capabilities for nurturing growth by building networks and strategic alliances	-Creativity and innovation strategies for breakthrough thinking: reinvention and change to sustain growth -Tapping new markets and opportunities: franchising, mergers & acquisitions
Strategic plan	The strategic plan: vision and values, the internal and external environment, and Organizational strategies for the entrepreneurial team	The strategic plan for the growing venture	Building an entrepreneurial model: Learning from failure and serial entrepreneurship
Strategic roles	Creativity, opportunity identification, and evaluation	Opportunity implementation and firm growth	Continual innovation and reinvention

ENTREPRENEURSHIP STRATEGY



Stage I: Entrepreneurial Strategies for the Emerging Venture

Strategic needs of entrepreneurial firms :

- Strategic framework for new venture formation
- Creativity and **opportunity identification** (the **discovery process**)
- Evaluating and **exploiting opportunities** (the **assessment process**)
- **Market entry**

The strategic plan:

- Vision and values, the internal and external environment, and
- Organizational strategies for the entrepreneurial team.

Strategic roles:

- Creativity, **opportunity identification**, and evaluation.

Stage II: Entrepreneurial Strategies for the Growing Venture

Strategic needs of entrepreneurial firms :

- **Financial resource** capabilities.
- The evolving **management team**.
- capabilities for nurturing growth by **building networks and strategic alliances**.

The strategic plan:

- A plan for the growing venture.

Strategic roles:

- **Opportunity implementation** and firm growth.

Stage III: Entrepreneurial Strategies for the Established Venture

Strategic needs of entrepreneurial firms :

- Creativity and innovation strategies for breakthrough thinking: reinvention and change to **sustain growth**
- **Tapping new markets and opportunities:** franchising, mergers & acquisitions.

The strategic plan:

- **Building an entrepreneurial model**
- Learning from failure and serial entrepreneurship

Strategic roles: **Continual innovation and reinvention**

Test your knowledge

1. = entrepreneurship + strategic management.
A) Entrepreneurship B) Strategic Management C) Strategic entrepreneurship
2. Entrepreneurial Strategies for the Emerging Venture require planning for Market Entry. ()
3. Inside stakeholders have the role of advisers, while Outside ones have the role of investors and employees. ()
4. the identification and utilization of previously unexploited opportunities.
A) Entrepreneurship B) Strategic Management C) Strategic entrepreneurship
5. Entrepreneurial Strategies for the Growing Venture focus on Financial resource and improving management team. ()

- **Emerging businesses** are significant players in the world's economy today.
- In the United States:
 - they produce about half of the economy's output,
 - employ half of the private-sector workforce,
 - fill niche markets, innovate, increase competition, and
 - give people in all circumstances a chance to succeed.
- Across industries, new ventures are confronted by a variety of business conditions, and they tackle them with unique solutions using diverse resources.

- Entrepreneurial firms can be found in all sizes and in all stages of the life cycle.
- Over the last decade, small firms have provided 60 to 80 percent of the net new jobs in the U.S. economy, and most of these net new jobs come from start-ups within the first two years of operation.
- Most of the new employment in the economy continues to be an outgrowth of innovation, the engine that spurs job growth.

Creative destruction

- Phenomenon in which new firms innovate to enter the market and compete with already established businesses, and
- As a result, some of these older counterparts close due to lower productivity (**competitive disadvantage**).

- Economists agree that entrepreneurship is responsible for much of the competition and innovation in the business world.
- The innovations introduced by entrepreneurs make challenges and make obsolete the technologies, products, and services of existing industries.

- Innovation is the primary driver of entrepreneurial behavior.

Social innovation, a mission of some entrepreneurs who are seeking not only to create new value in the form of products, but also to create change in the very communities in which they reside.

Entrepreneurship That Matters: Social Value Creation

- This idea of social value creation is rooted within the social entrepreneurship literature and has more recently received attention among academic and clinical entrepreneurship researchers.
- Underlying **social entrepreneurship** are the multiple benefits and rewards that are exhibited by a heightened sense of accountability to the populations served, as well as the **outcomes** that are created.

Social entrepreneurs seek to provide social improvements and enhancements to their communities, including attractive (both social and financial) return to their key stakeholders.

Social entrepreneurs assess their impact and influence in terms of the social outcomes, not simply in terms of size, growth, or processes.

However, much of the **social entrepreneurship** field is concerned with the creation of **nonprofit ventures**.

Social Entrepreneurship (*cont.*)

- Although the creation of new and innovative nonprofits is critical, there is also a substantial need for educating future entrepreneurs about how **for-profit venture creation can integrate both social and financial outcomes.**
- A critical starting point is to understand the diverse “for whom and for what” motives and beliefs of our future aspiring entrepreneurs, so that both **women and men act as the change agents** for themselves and their communities, thereby allowing them to **invent new profitable and sustainable approaches that create solutions to change society for the better.**

Social Entrepreneurs—Doing Business With a Conscience

- There are many breeds of entrepreneurs:
 - Some are out to revolutionize the software industry,
 - Some to start a family restaurant, while
 - another might set out to provide employment in poverty-stricken areas or
 - to bring medicine to the sick.

Social Entrepreneurship (*cont.*)

- It's still a business, but with different objectives.
- It is not to say that other entrepreneurs don't have a social conscience, but some make a career out of it.

Social Entrepreneurship (*cont.*)

- For them, the motivation is the drive to create social change.
- They see problems around them that they feel need to be addressed, yet aren't.
- They see kids with insufficient education, parents without jobs or the opportunity of employment, or sick countrymen without access to the proper health care.

Social entrepreneurship:

- To empower people to better lives by providing them with the means to get that life, whether it be education, employment or even simple entertainment.
- They go into these new ventures with a mission not based on profits, but on social change.

Social entrepreneurship (cont.)

- But at the same time, these organizations can be successful, self-sustaining businesses.
- Marketplace has a social goal and be involved in an economic venture.

The Role of Innovation in Entrepreneurship Strategy

- There is the emphasis on the role of innovation in the entrepreneurship start-up and growth process.
- **Entrepreneurial firms** are required to the development of new ideas, technologies, and actions across industries today.

- While **small entrepreneurial companies are not as common in capital-intensive industries** such as auto manufacturing, aerospace, and oil research, **they play major roles in the development of newer technology industries, including biotechnology, medical electronics, medical equipment, and telecommunications.**
- **Large companies are often dependent on small firms' discoveries and inventions.**

- **Small firms are having a powerful influence on technology.** They represented 40 percent of the highly innovative firms.
- **Large firms** in biotechnology, medical electronics, semiconductor, and telecommunications industries **have a higher than anticipated number of citations of small firm patents.**

In conclusion, small firms are integral to the innovation process, even when they are not responsible for the final or breakthrough technology.

- **No successful entrepreneur would say it is easy or that no risk is involved.**
- If it were easy, if there was no risk, and if it did not take years of dedication and persistence, everyone might be an entrepreneur.
- Unfortunately, **the market does not have compassion or feelings.**

Failures and Foibles

The Next Time I Start a New Venture . . .

Although many entrepreneurs make their share of mistakes, the **Seasoned entrepreneur** is able to turn those mistakes into ideas and plans of what **NOT** to do the second, third time around.

Consider the following statements from entrepreneurs who comment on the next time they start a new venture:

- ☐ I will make sure I have **sufficient start-up and back-up capital.**
- ☐ Nothing is as sure to kill a new venture as running out of money early in the game.
- ☐ If your plan says you need a certain amount of capital, get it—and a **little more, for back-up.**

- ☐ I will be certain **there is a market for my “great idea” before I run with it.**
- ☐ I’ll never be caught with a “solution in search of a problem” again!

- ☐ I will **spend more time and care managing the business.**
I don't like to deal with details, but somebody has to or the business will suffer.
- ☐ Next time I'll hire a manager to do right what I was doing ineffectively.

- ☐ I'll know something about the business I plan to start. Nothing is as sure a sign of impending trouble than an entrepreneur who asks, "how hard can it be?" when he or she has never before done whatever "it" is.
- ☐ I'll **stick to a business I know**, or I'll make darn sure I **learn about it before I start.**

- ☐ I'll have "It's the cash flow, Stupid!" tattooed on my forehead.
- ☐ **Cash-flow problems are easy to understand.** If your suppliers give you 30 days to pay, and you give your customers 60 days to pay, the cash will flow out before it can flow in. Duh.
- ☐ I will **have a lawyer draw up my partnership agreements.** I will not let my partners become "former friends."

- ☐ I will **know my competition as well as or better than my competition knows me**, and I will look for competitors where I least expect to find them.
- ☐ I will **stay on top of new developments**. I will **never stop learning about my business and my customers**.

Recap

- Entrepreneurship
- Relationship between entrepreneurship and strategy
- Strategic Entrepreneurship
- Entrepreneurial Stages (stage 1, stage 2, stage 3)
- Creative Destruction
- Social Entrepreneurship
- The Role of Innovation in Entrepreneurship Strategy
- Seasoned entrepreneur



Summary of Lecture Objectives

1. Understand the key role of strategy in the discovery and exploitation of opportunities as entrepreneurial firms form and grow.

- This chapter strongly emphasizes the key strategic roles of creativity, opportunity identification, opportunity evaluation, and innovation in the emergence and growth of entrepreneurial firms.
- This strategic approach examines three distinct stages of the entrepreneurship process, and provides you with strategies you can use to launch, grow, and revitalize the firm.



Summary of Lecture Objectives

2. Learn about contemporary trends and patterns in entrepreneurship, including its role in the global economy and the increase in social entrepreneurship.

- ☐ Entrepreneurships are formed by 1 out of every 11 adults around the world today. In the United States, entrepreneurships produce about half the economic output, employ half of the private sector workforce, and give people in all circumstances a chance to succeed.
- ☐ The number and percentage of people of color and women who start companies are increasing significantly.
- ☐ Entrepreneurships are continuing to benefit from the economic recovery. Credit is more abundant, and while equity investment is still difficult to attract for early-stage financing, angel investments are available.
- ☐ Social entrepreneurs are driven to empower people by providing the means to better their lives; the mission of these self-sustaining firms is social change.



Summary of Lecture Objectives

3. Understand the significance of entrepreneurial firms to innovation in the economy.

- ☐ Entrepreneurial firms account for a significant percentage of patents and innovations.
- ☐ Large firms rely on smaller firms, especially in newer technologies such as biotechnology, medical electronics, and telecommunications.
- ☐ As you will see throughout this book, innovation can be a highly successful competitive strategy for the survival and growth of firms.



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Thank You

