

Entrepreneurship

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Lecture 1

The Foundations of Entrepreneurship

Learning Objectives

1

Define entrepreneurship and its role in business around the world.

2

Describe the entrepreneurial profile.

3

Describe the benefits of entrepreneurship.

4

Describe the drawbacks of entrepreneurship.

5

Explain the forces that are driving the growth of entrepreneurship.

Learning Objectives

6

Explain the cultural diversity of entrepreneurship.

7

Describe the important role that small businesses play in nations' economy.

8

Put failure into the proper perspective.

9

Explain how an entrepreneur can avoid becoming another failure statistic.



ENTREPRENEURSHIP

Introduction

Entrepreneurship has become increasingly important for businesses of all sizes around the world.

It opens new opportunities and possibilities for the businesses to create values for themselves and for the society at large.

Despite its popularity, studies suggest that the scope of entrepreneurship remains unknown, and therefore the prospects of entrepreneurial activities remains not fully realised.

This chapter highlights some aspects concerning the concept of entrepreneur, entrepreneurship, entrepreneurial process and finally the entrepreneurship opportunities and challenges.

Introduction



- Entrepreneurs have always been present, however their behavioural patterns were different in different periods of time.
- The word entrepreneur was derived from the French word “entreprendre”, which means “to undertake” (Kuratko, 2016).
- The usage of the term entrepreneur can be traced from 1755, wherein an entrepreneur was described to “buy the country produce from those who bring it or to order it to be brought on their account. They pay a certain price to resell wholesale or retail at an uncertain price” (Cantillon, 1931, p.51; Hamilton & Harper, 1994).
- Entrepreneur from the very beginning, was principally an independent speculator of the commodity (Hamilton & Harper, 1994).

Thana Ahmed

What is entrepreneurship?



Entrepreneurship

The process of designing, launching and running **a new business**, which typically begins as a small business, such as a startup company, offering a product, process or service for sale or hire.



Definition of Entrepreneurship

“Entrepreneurship is the creation of organisations. In behavioural approaches to the study of entrepreneurship, an entrepreneur is seen as a set of activities involved in organisation creation, while in trait approaches an entrepreneur is a set of personality traits and characteristics”
Gartner (1988, p.11)





What Is an Entrepreneur?

- **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.

A vibrant collage of hand-drawn business icons and sketches. The background is filled with various symbols representing commerce, technology, and strategy, such as pie charts, bar graphs, lightbulbs, gears, and dollar signs. In the center, there is a stylized blue outline of a person wearing a suit and tie. Below this figure, the word "ENTREPRENEUR" is written in large, bold, dark blue capital letters. The entire graphic has a white curved border on the right side.

To date, several definitions have been penned to describe an entrepreneur. And some of them are mentioned herewith:

- “Entrepreneur is someone who **manages all the necessary resources** to produce and market a product which responds to the market scarcity “(Leibenstein, 1968; Bull & Willard, 1993).
- “Entrepreneurs are individuals **who recognize opportunities** where others see chaos contradiction, and confusion. They are aggressive catalysts for change within the marketplace” Kuratko (2016, p.3)
- “Entrepreneur is the person who carries out new combinations, causing discontinuity. The role is completed when the function is completed. The person may be an employee with an existing organization or may start a new venture. An investor per se only risks capital for a return.” Bull & Willard (1993, p. 186)

Case study: Rent the Runway

- Jenn Hyman came up with the idea for a designer clothing rental business, Rent the Runway after she witnessed one of her sister's "closet full of clothes, but nothing to wear" moments
- When she returned to school, she shared her idea with a suitemate, Jenny Fleiss, and the two collegiate entrepreneurs launched the company that rents high-end, designer clothing, accessories, and jewelry to customers at a fraction of the regular retail price.
- To test their business model, they used their savings to purchase 100 dresses and set up a pop-up shop on campus that proved to be a hit. The shop's success convinced the entrepreneurial pair that their business idea was valid and led them to conduct focus groups with more than 1,000 women, which gave them valuable insight into refining their business model and pricing strategy.



Case study: Rent the Runway

- Since starting Rent the Runway in 2009, Hyman and Fleiss have raised nearly \$55 million of venture capital firms and assembled an inventory of tens of thousands of dresses from more than 170 designers, such as Nicole Miller, Vera Wang, Versace, and Dolce and Gabbana.
- Customers go online, select the dress they want, enter their size (a backup size comes free), and specify the rental date; returns are as easy as dropping the dress into a prepaid return envelope. Rent the Runway, which became cash-flow positive in less than one year, has more than 3 million members, and financial experts estimate its value at \$240 million.



“We deliver Cinderella moments,” says Hyman.

Characteristics of an Entrepreneur



Entrepreneurs are vision-oriented people

Entrepreneurs have a high need in achievement

Entrepreneurs do not rely on fate or luck, however they try to control their own lives

Entrepreneurs undertake moderate risks, which is why they look for high earning on their investments

Entrepreneurs have the abilities to deal with several ambiguous situations in their ventures. They face these ambiguous situations and circumstances regularly because they do certain jobs and tasks which are entirely new by nature.

Entrepreneurs have the tendency to be productive and efficient with in a given period of time. However, at times, they might be seen as inflexible individuals in team-work.

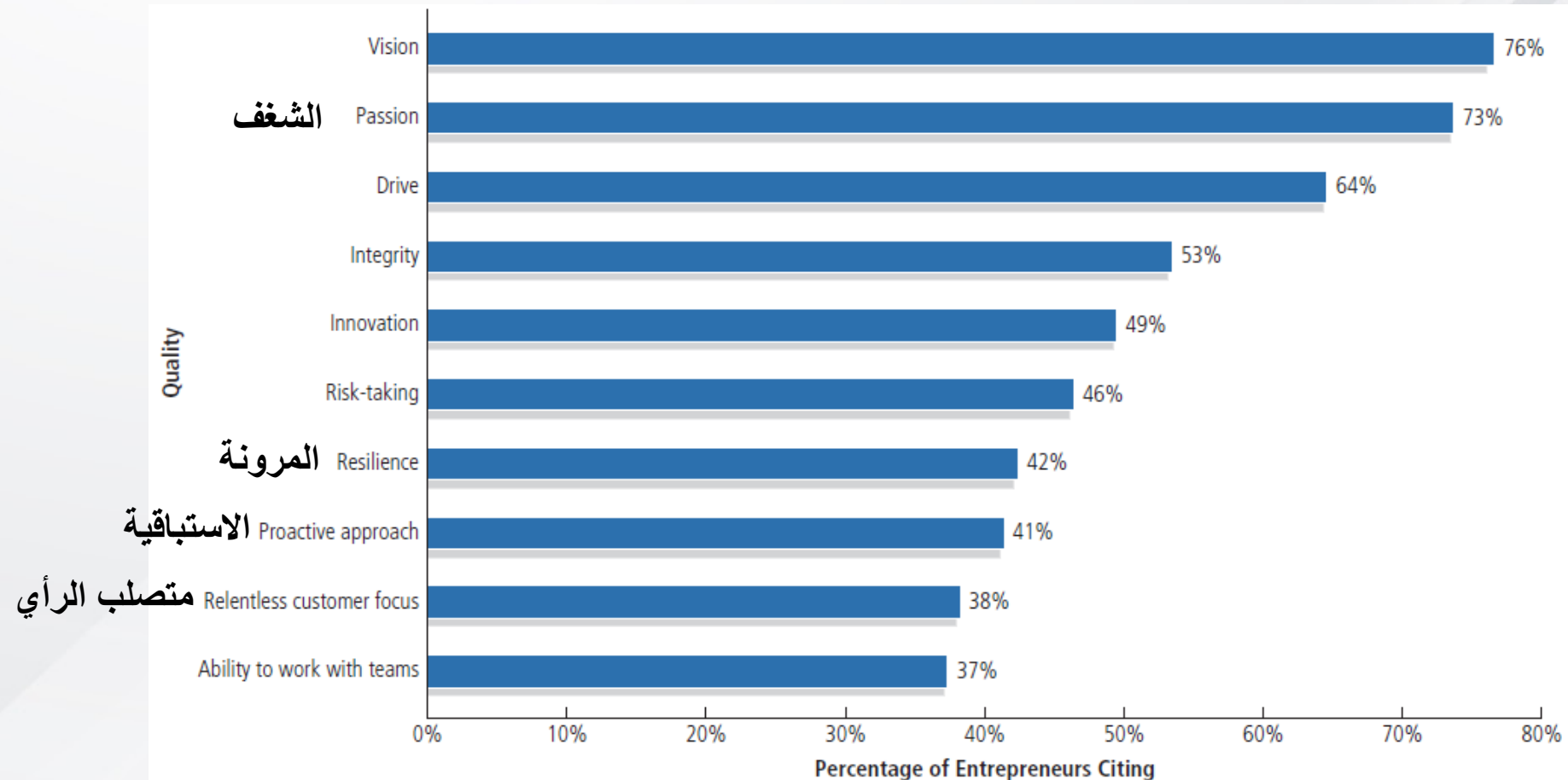
Characteristics of Entrepreneurs

- Desire for responsibility
- Preference for moderate levels of risk: *risk eliminators*
- Self-reliance
- Confidence in their ability to succeed
- Determination
- Desire for immediate feedback
- High level of energy
- Future orientation
 - Opportunity entrepreneurs
 - Necessity entrepreneurs
 - Serial entrepreneurs
- Skilled at organizing
- Value achievement over money

Characteristics of Entrepreneurs

- Entrepreneurs tend to exhibit:
 - A high degree of commitment
 - Tolerance for ambiguity (غموض)
 - Creativity
 - Flexibility
 - Resourcefulness
- **Bootstrapping** is a strategy that involves conserving money and cutting costs during start-up so that entrepreneurs can pour every available dollar into their businesses
- A willingness to work hard
- Tenacity (الاصرار والعناد)

Most Important Qualities of an Entrepreneur





AL BAIK CASE STUDY

- In September 1974, the late Shakkour AbuGhazalah renovated an old warehouse he was renting and opened the first pressure fried chicken restaurant in the Kingdom of Saudi Arabia. It was located on Old Airport Road, in Jeddah. The concept was new to the area, and business was slow at the beginning. He was serving not more than 100 customers per day during the first 90 days after opening. Within one-year, long lines were starting to form outside his restaurant and there was no looking back. In 1984, and after three years of extensive research, the 18 secret herbs and spices recipe was successfully developed. In 1986, Albaik was registered as a trademark in Saudi Arabia.

Characteristics of Entrepreneurs

- ✓ ***Opportunity entrepreneurs***: start businesses because they spot an opportunity in the marketplace.
- ✓ ***Necessity entrepreneurs***: start businesses because they cannot find work any other way.
- ✓ ***Serial entrepreneurs***: repeatedly start businesses and grow them to a sustainable size before striking out again.

Types of Entrepreneurship

There are generally four entrepreneurial types:



Source: Adapted from Carsrud & Brannback, 2007)



Types of Entrepreneurship

Achievement entrepreneur

- Primarily associated with the desire to achieve.
- These types of individuals are usually having an enormous amount of energy and capabilities to take charge.
- They take initiatives and do not wait for things to happen.
- They often possess the leadership qualities and have a great sense of commitment and responsibility in their ventures.
- These types of individuals are good in several in several business related aspects and they try to accomplish their objectives, whilst heading their missions. (Carsrud & Brannback, 2007).

Types of Entrepreneurship



Salesman entrepreneur:

- These individuals possess skills to interact with people and have very good soft side of the management aspects.
- These people are typified for having the feelings of the consumers' needs and wants.
- They usually use the soft sales approach whilst pursuing the growth of their ventures.
- They have enormous talent for connecting with people and spend most of their time in marketing their products/services and permit other people to manage their businesses.
- These individuals therefore devote their time to understand who and how are the consumers in the market.
- They develop a proper vision for marketing and sales practices to reach wider consumer groups. (Carsrud & Brannback, 2007).

Types of Entrepreneurship

Technology entrepreneur:

- Individuals belong to this category, are generally idea developers.
- These individuals often possess great ideas
- They have the capabilities to develop innovative processes and invent novel products or services for niche markets.
- As these individuals possess qualities to create several ideas they have a good analytical intelligence and take calculated risks in their ventures
- Although these individuals possess good analytical intelligence to make way through several situations, however, at times their missions can become a bit idealistic. (Carsrud & Brannback, 2007).



Types of Entrepreneurship



Manager:

- These types of individuals possess the qualities of taking charge of the missions.
- Individuals belonging to this type of entrepreneurship are very competitive by nature but not as co-operative as one would expect in a team work.
- They are usually found to take positions of high authority, such as external investors or sometimes act as board of directors.
- They prefer to work in larger organisations than small entrepreneurial businesses.
- They seek comfort in making effective marketing strategies, but not necessary selling products or services.
- Their ways to sell are different, they employ logic and carefully thought persuasions, as mechanisms to sell their ideas.
- They have rich experiences, strong management skills and possess strength in managing existing businesses (Carsrud & Brannback, 2007).

Entrepreneurship and economic development

In the modern day markets, the term entrepreneur has been closely linked with economic development.

An economic development can emerge due to several reasons, which includes:

- a. the launch of new source of procurement for raw materials or materials
- b. the introduction of a new production mechanism
- c. the introduction of a new quality of product, or a novel product
- d. the opening of new market
- e. the re-organisation of a business.

The management of all these aspects are carried by an enterprise, and the people whose functions are to carry out these activities are called entrepreneurs (Bull & Willard, 1993)



A man in a dark blue suit stands with his back to the camera, looking at a chalkboard. The chalkboard is covered in white chalk drawings and diagrams. At the top left, there are clouds with speech bubbles and a rainbow. In the center, a large cloud contains the word 'SUCCESS'. To the right, a lightbulb is drawn with arrows pointing outwards, and a money bag with a dollar sign is nearby. Below the lightbulb, the word 'IDEA' is written. In the middle, there are bar charts and a line graph. At the bottom, there are more bar charts and a diagram with boxes labeled 'SUCCESS', 'RESULT', 'PROCESS', 'TEAM', 'GROUP', 'IDEA', and 'WORKSTATION'. The man's hands are clasped behind his back.

The World of the Entrepreneur

- Every month U.S. entrepreneurs launch 514,000 new businesses (One reason the U.S. economy has been so successful over time).
- GEM study: 12.7% (one in eight people) of adult population in the United States is actively involved in trying to start a new business.

Global Entrepreneurship Monitor (GEM):

- A global study conducted by a consortium of universities
- It aims to analyze the level of entrepreneurship occurring in a wide basket of countries.
- It measures entrepreneurship through both surveys and interviews to field experts , conducted by the teams of each country.



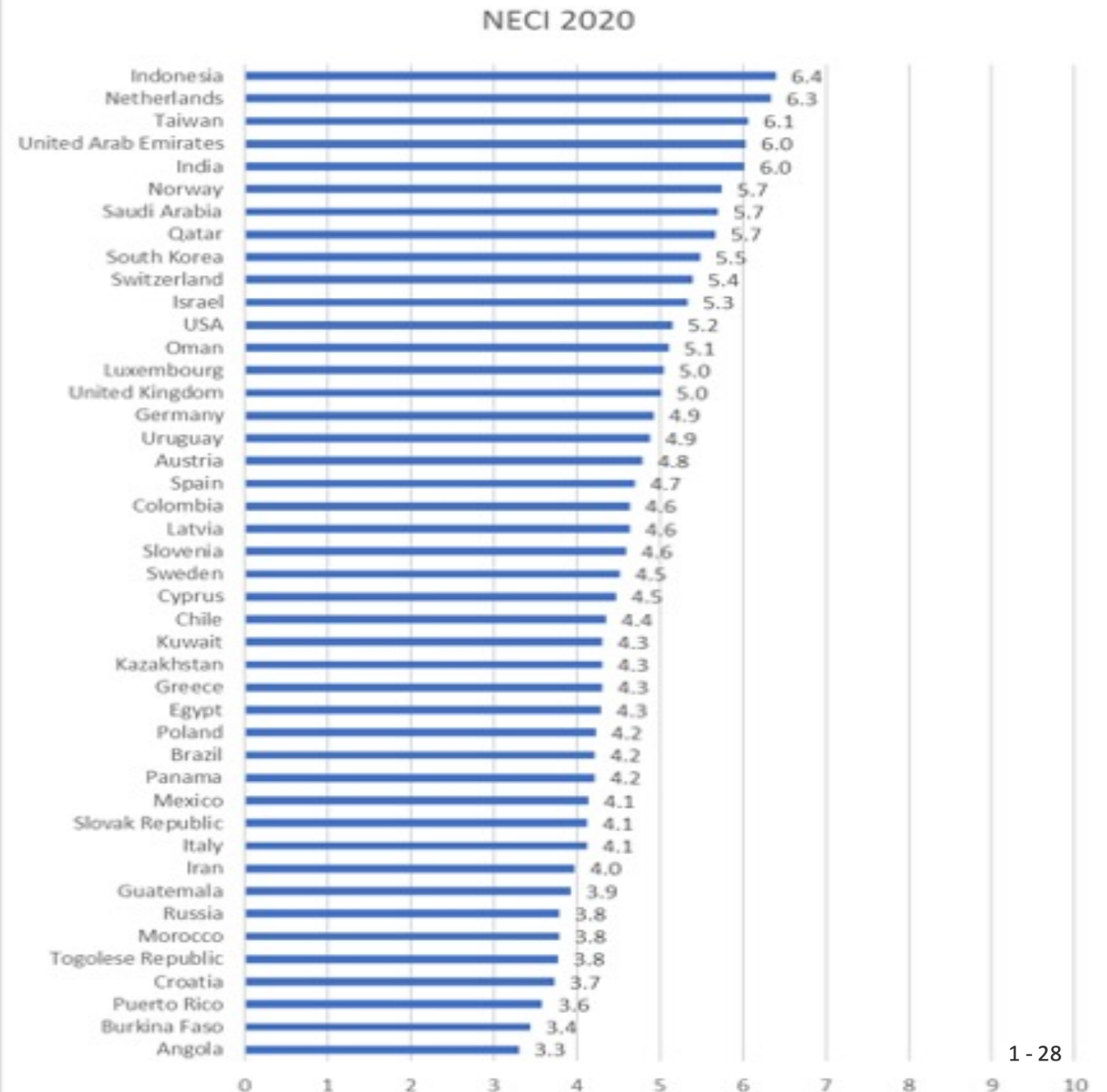
Entrepreneurial Activity across the Globe

- The Total Entrepreneurial Activity Index (TEA index) is the sum of the number of persons starting a business (starting entrepreneurs) and the number of owners of businesses that were established less than 3.5 years before the reference date (young entrepreneurs), as a percentage of the labor force.
- The TEA is an index for the degree of new entrepreneurship by country and is calculated as the percentage of people who undertake such activities in comparison to the labor force (population aged 18-64 years)

Entrepreneurship in KSA



Entrepreneurship activities across the Globe



المملكة الرابعة عالمياً في ريادة الأعمال 2022

- الامارات
- هولندا
- فلندا
- السعودية**
- لتوانيا
- النرويج
- كوريا ج
- سويسرا
- قطر
- اسبانيا



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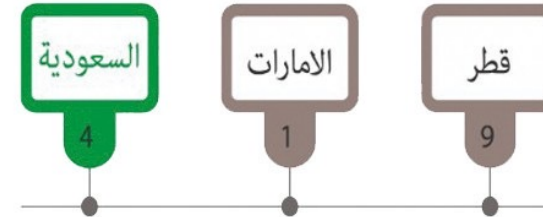
م 2020

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ثلاثة دول عربية في القائمة



Stages of Economic Development



Factor-driven Economy

- Basic factor conditions (low cost labor, natural resources, geographic location) are the dominant sources of competitive advantage
- Technology is assimilated through imports, FDI and imitation
- Companies have limited roles in the value chain, and focus on assembly, labor intensive manufacturing, and resource extraction
- The economy is highly sensitive to world economic cycles, commodity prices, and exchange rates

Investment - driven Economy

- Efficiency in producing standard products and services is the dominant source of competitive advantage
- Foreign technology is accessed through licensing, joint ventures, FDI, and imitation
- The nation is not only assimilating foreign technology, but has the capacity to improve on it
- Heavy investment is made in efficient infrastructure, modern production process, and ease of doing business

Innovation - driven Economy

- Innovative products and services at the global technology frontier are the dominant sources of competitive advantage
- Characterized by strengths in all areas together with the presence of deep clusters
- Companies compete with unique strategies that are often global in scope
- The economy has a high service share, and is resilient to external shocks

Stages of Economic Development



- **Factor-driven economy:**

Countries compete primarily on the use of unskilled labor and natural resources and companies compete on the basis of price as they buy and sell basic products or commodities.

Examples: Egypt, Algeria, Palestine, Pakistan

Stages of Economic Development

- **Efficiency-driven economy:**

Growth is based on the development of more efficient production processes and increased product quality.

Examples: Croatia, Brazil, China, Russia, Tunisia



Stages of Economic Development



- **Innovation-driven economy:**

Companies compete by producing and delivering new and different products and services by using the most sophisticated processes.

Examples: USA, United Kingdom, Japan, Republic of Korea.

Benefits of Entrepreneurship

- The opportunity to:
 - Create your own destiny.
 - Make a difference.
 - Reach your full potential.
 - Reap (يجني) impressive profits.
 - Contribute to society and to be recognized for your efforts.
 - Do what you enjoy and to have fun at it.

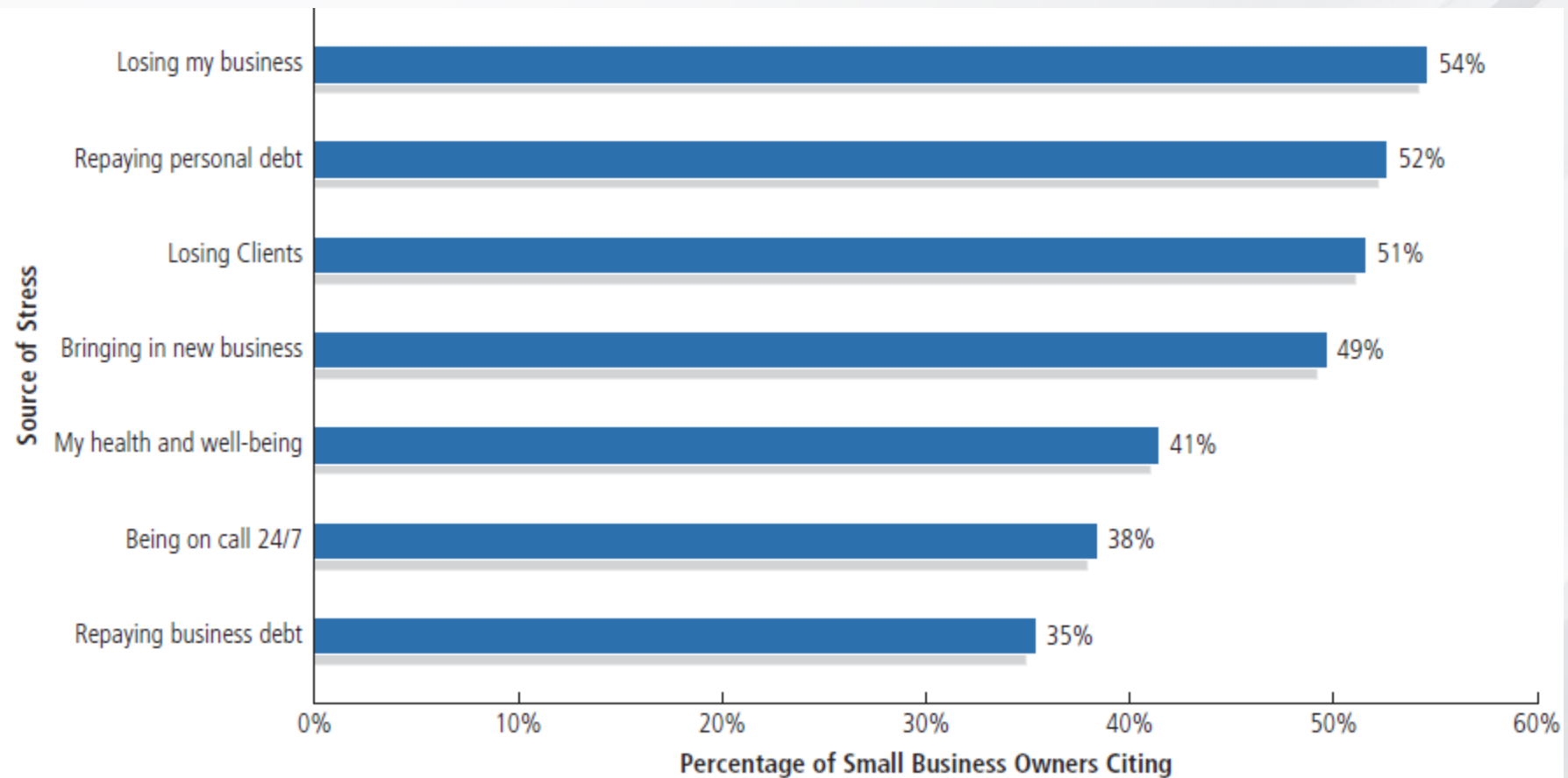


Drawbacks of Entrepreneurship

- Uncertainty of income
The entrepreneur is the last one to be paid, as employees must be paid first
- Risk of losing your entire investment
- Long hours and hard work
- Lower quality of life until the business gets established
- High levels of stress



Sources of Stress for Entrepreneurs



Demographic and environmental factors

- ✓ Many people start their business in age of 24-44.
- ✓ **Entrepreneurs as heroes**
- ✓ **Economic growth** that spanned most of the 80s created significant amount of wealth among people of this age group and many business opportunities.
- ✓ **Shift to a service economy**

In US service sector (low start-up cost) produce 80% of the jobs and 64% of **GDP (Gross Domestic Product)**: a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly). Used to determine the economic performance of a whole country or region, and to make international comparisons.

Demographic and environmental factors

3 Key US Small Business Statistics You Should Know

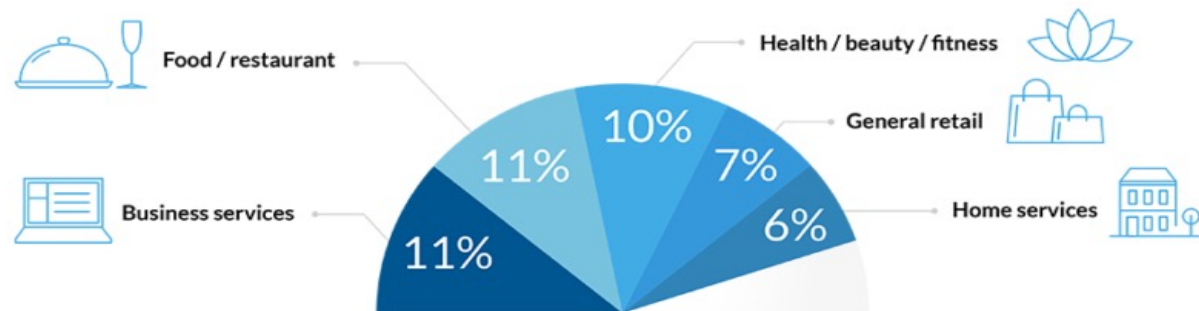
1 Small businesses are the backbone of the economy

Source: IFAC



2 The fastest-growing small business industries in 2018

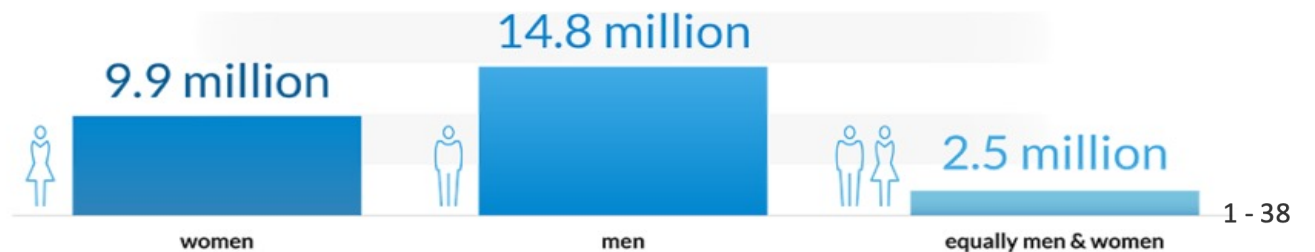
Source: Guidant Financial



3 US small businesses are still predominantly run by men

Source: Startblox

Businesses owned by



Demographic and environmental factors

- ✓ **Technology advancements:** Technology has changed the ways to do business, such as computers, voice mail, e-commerce, fax,.....
- ✓ **Independent lifestyle**
- ✓ **The Internet** (www), cloud computing, and mobile marketing.
Cloud computing: Internet-based subscription or pay-per-use software services that allow business owners to use a variety of business applications, from database management and inventory control to customer relationship management and accounting.
- ✓ **International opportunities**

The Cultural Diversity of Entrepreneurship

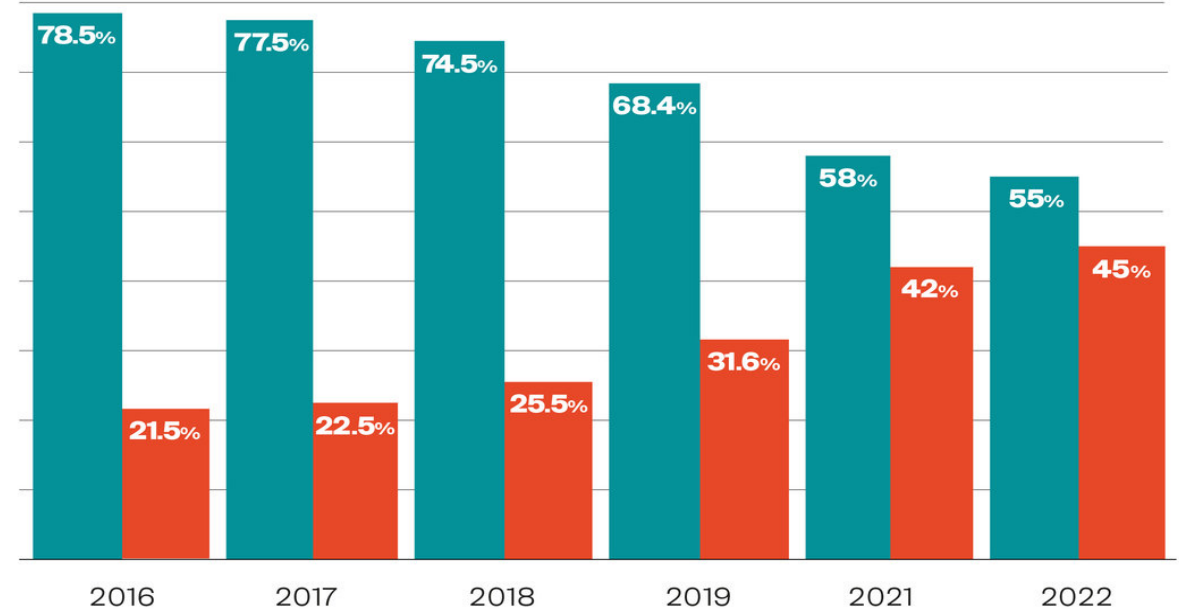


- Young entrepreneurs
- Women entrepreneurs
- Minority-owned enterprises
- Immigrant entrepreneurs
- Part-time entrepreneurs

FEMALE-LED SMES DOUBLED IN NUMBERS SINCE 2016

Male vs. Female-led SMEs (Q2 2022)

Male Female



Source: Monsha'at

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Women-Owned Businesses



- In its bid to fulfill Vision 2030, the Kingdom of Saudi Arabia has been encouraging more women to join the workforce and take up leadership roles. Hence, **it should come to no surprise that commercial registrations by woman had jumped to 112% over the past six years.**

Indeed, in 2021, it was revealed that the Kingdom's ministry of commerce had issued a total of 139,754 commercial records. In contrast, there were just 65,912 records in 2015. The total number of commercial registrations were said to have reached 817,930. In fact, the record numbers are an indication of just how much women are now part of the workforce across the Kingdom. According to statistics by Brookings, women only made up around 15% of the workforce in 2014, with that number jumping to around 33% by 2020.

<https://www.abouther.com/node/46931/people/features/112-increase-commercial-registrations-saudi-women-over-last-six-years>

The Cultural Diversity of Entrepreneurship

- Home-based businesses
- Family businesses
- Copreneurs: entrepreneurial couples who work together as co-owners of their businesses.
- Corporate castoffs
- Corporate dropouts
- Retiring baby boomers

The Cultural Diversity of Entrepreneurship

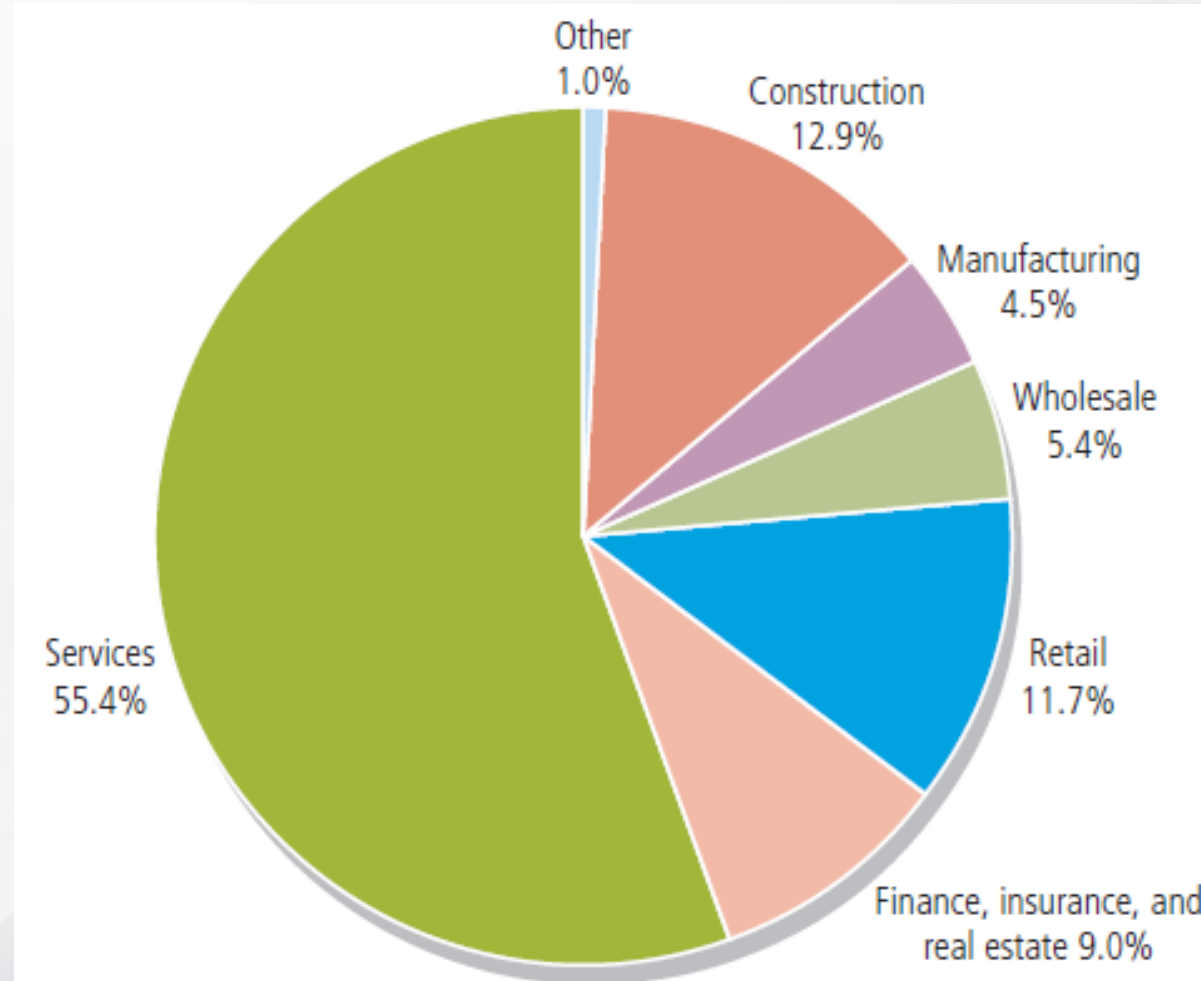
- **Corporate castoffs:**

Those individuals who are unemployed and are highly educated and skilled and had corporate executive jobs.

- **Corporate dropouts:**

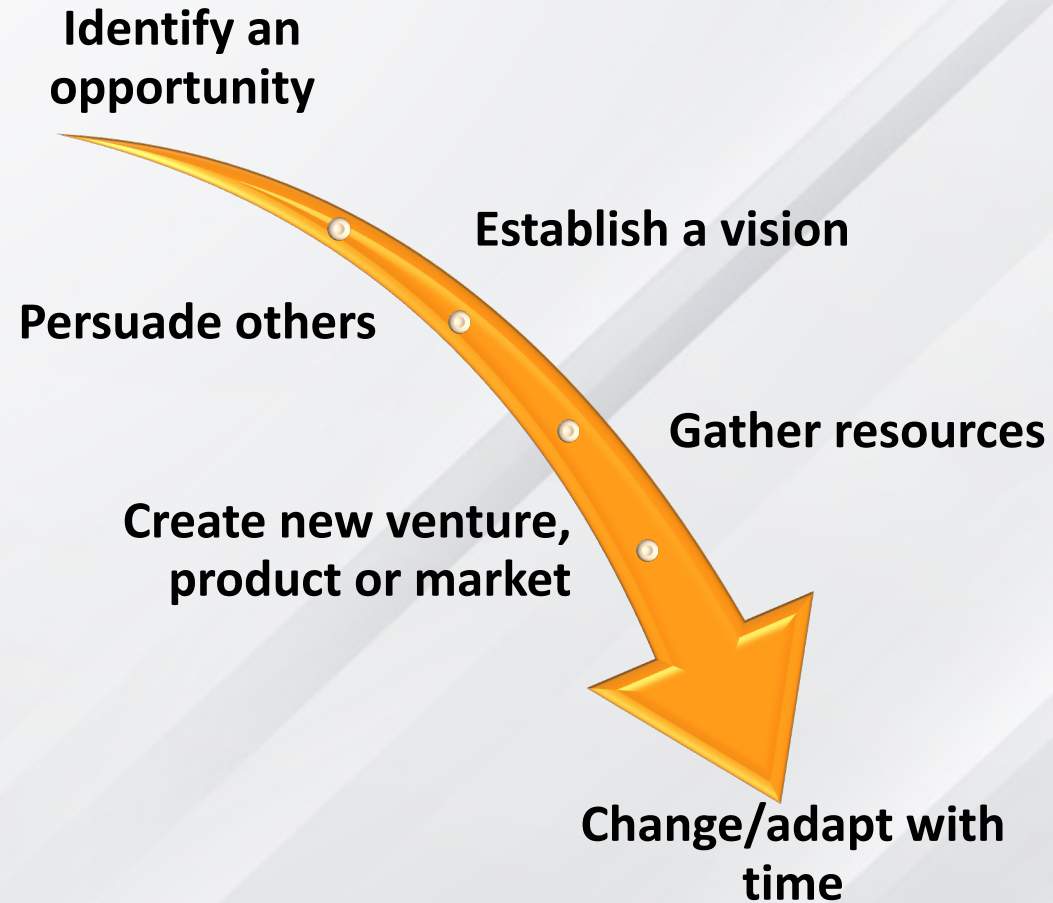
Executives who leave the corporate to pursue their own dreams and aspirations by starting their own businesses.

Small Businesses by Industry



Entrepreneurship Process

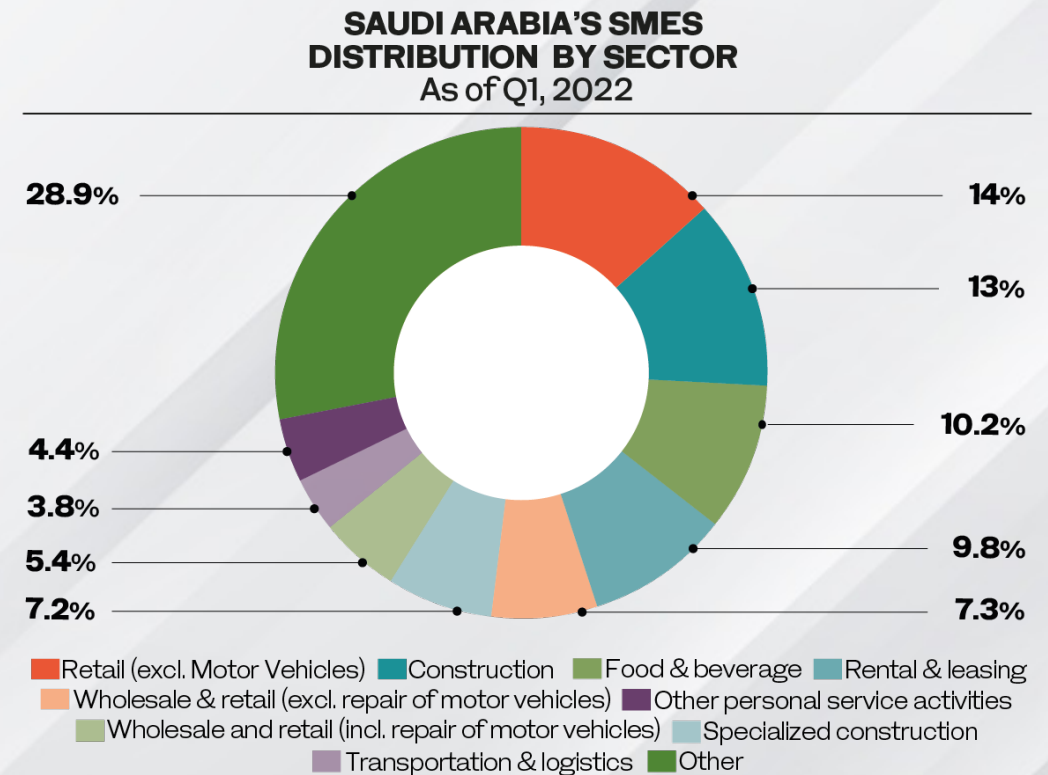
The process of entrepreneurship can be observed through the six-stage process:



Source: Lall & Sahai (2007, p.16)

The Power of Small Businesses

Small businesses
(employs less than 100
people)



Source: Monsha'at

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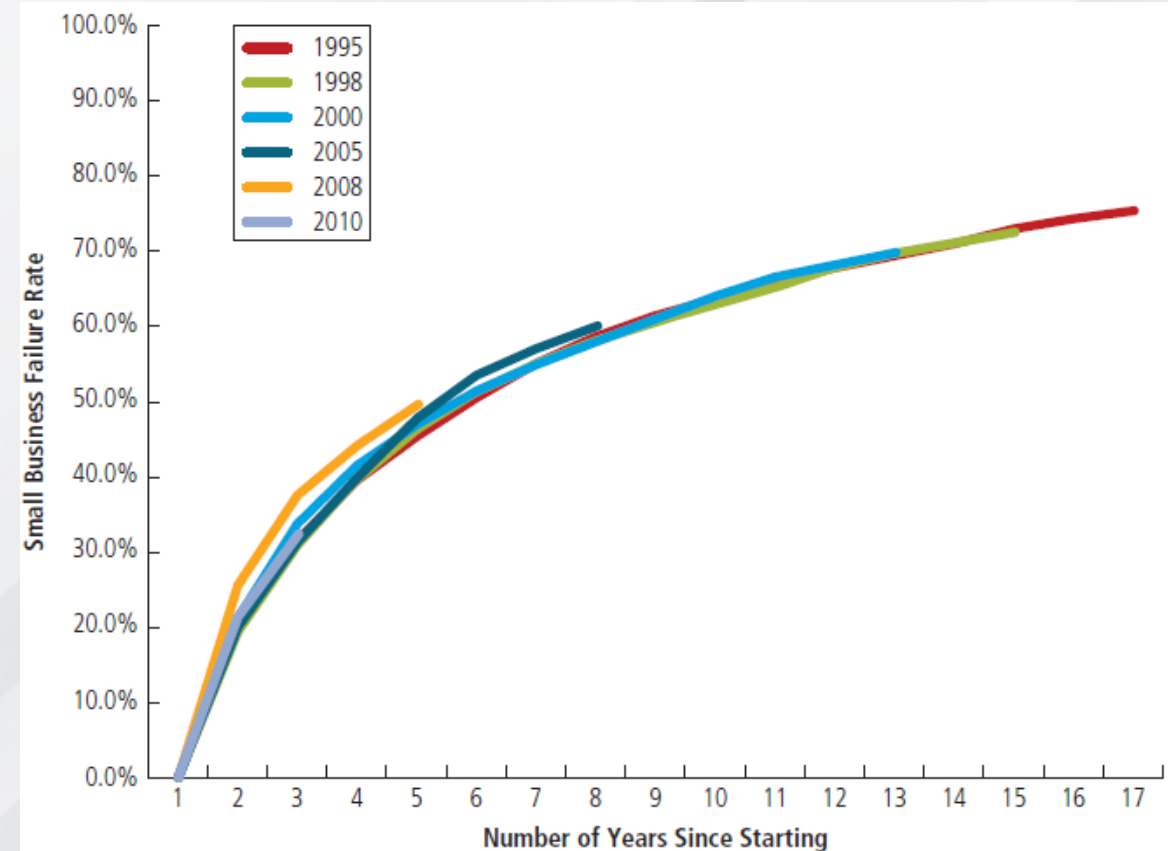


The Power of Small Businesses

- Small businesses:
 - Produce 46% of the US nation's private GDP.
 - Account for 47% of business sales.
 - Create 16 times more patents per employees than large companies.

Putting Failure into Perspective

- Entrepreneurs are *not* paralyzed by the prospect of failure.
- Failure: a natural part of the creative process.
- Successful entrepreneurs learn to fail *intelligently*.



Avoiding the Pitfalls of Small Business Failure



- Know your business in depth
- Build a viable business model – and test it
- Develop a solid business plan
- Understand financial statements
- Manage financial resources
- Learn to manage people effectively
- Set your business apart from the competition
- Maintain a positive attitude

Avoiding the Pitfalls of Small Business Failure

The Ten Deadly Mistakes of Entrepreneurship:

- | | |
|--|---|
| <ul style="list-style-type: none">• Management mistakes• Lack of experience• Poor financial control• Weak marketing efforts• Failure to develop a strategic plan | <ul style="list-style-type: none">• Uncontrolled growth• Poor location• Improper inventory control• Incorrect pricing• Inability to make the “entrepreneurial transition” |
|--|---|

CONCLUSION

- Entrepreneurs:
 - Are an important part of the free enterprise system
 - Are a diverse and talented group of people
 - Represent a cross-section of society as a whole
 - Are able to enhance the profitability of their businesses through acquiring additional knowledge and experience



**thanks for
listening!**