

Entrepreneurial New Ventures

Prepared by Dr. Sarah Chahine

ENT 634

Introduction to Entrepreneurship

Lecture 1



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Chapter

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Introduction to Entrepreneurship



There is a tremendous interest in entrepreneurship around the world. Although this statement may seem bold, there is evidence supporting it, some of which is provided by the Global Entrepreneurship Monitor (GEM).

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Of particular interest to GEM is total early stage entrepreneurial activity (TEA), which consists of businesses that are just being started and businesses that have been in existence for less than three and a half years.

TABLE 1.1 Rates of Early-Stage Entrepreneurial Activity (Ages 18 to 64)

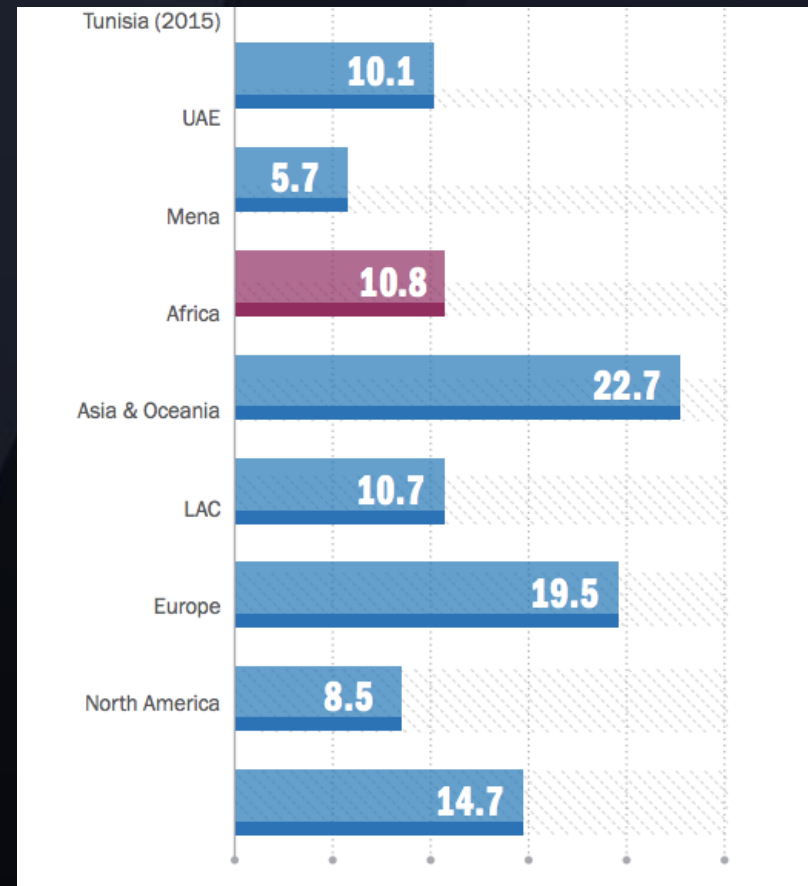
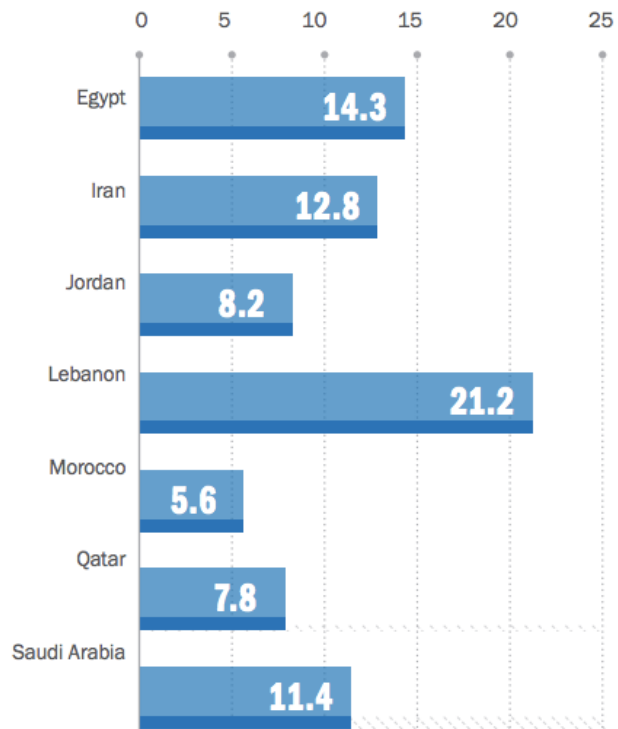
Country	Percent of Population Starting a New Business
Argentina	17.7%
Brazil	21.0%
Chile	25.9%
China	12.8%
Finland	6.6%
Germany	4.7%
Philippines	17.2%
Spain	5.7%
United Kingdom	6.9%
United States	11.9%



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Figure 2.2: TEA (% of adult population)



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Who is an Entrepreneur?

- The word entrepreneur derives from the French words entre, meaning “between,” and prendre, meaning “to take.”
 - The word was originally used to describe people who “take on the risk”.
- Inventors and entrepreneurs differ from each other. An inventor creates something new. An entrepreneur assembles and then integrates all the resources needed—the money, the people, the business model, the strategy, and the risk-bearing ability—to transform the invention into a viable business.



What is Entrepreneurship?

- The art of turning an idea into a business.
- We focus on entrepreneurship in the context of an entrepreneur or team of entrepreneurs launching a new business.
- An entrepreneur's behavior finds him or her trying to identify opportunities and putting useful ideas into practice.
 - This require creativity, drive, and a willingness to take risks.



What is Entrepreneurship?

- Existing firms too can act entrepreneurially.
 - All firms fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial. The position of a firm on this continuum is referred to as its entrepreneurial intensity.
 - Entrepreneurial firms are typically proactive innovators and are not averse to taking calculated risks. In contrast, conservative firms take more of a “wait and see” posture, are less innovative, and are risk averse.



Why do people become entrepreneurs?

- 1. Be their own boss:** many entrepreneurs want to be their own boss because either they have had a long-time ambition to own their own firm or because they have become frustrated working in traditional jobs. By starting a business part time individuals can find out if they really like the business before deciding to leave their job.



Why do people become entrepreneurs?

- 2. Pursue their own ideas:** Corporate entrepreneurs may feel frustrated when firms resist innovation. When this happens, some employees choose to leave the firm employing them in order to start their own business as the means to develop their own ideas. On the other hand, some people, through a hobby, leisure activity, or just everyday life, recognize the need for a product or service that is not available in the marketplace. If the idea is viable enough to support a business, they commit tremendous time and energy to converting the idea into a part-time or full-time firm.



Why do people become entrepreneurs?

3. Pursue financial rewards: Making a profit and increasing the value of a company is a solidifying goal that people can rally around. But money is rarely the primary motivation behind the launch of an entrepreneurial firm. Some entrepreneurs even report that the financial rewards associated with entrepreneurship can be bittersweet if they are accompanied by losing control of their firm.



Characteristics of Successful Entrepreneurs

1. Passion for the business: it's the passion for an idea that gets a business going and keeps it going when times are tough. Making a difference in people's lives is the primary motivator behind many social enterprises.

Reason Passion Is Important	Explanation
1. The ability to learn and iterate	Founders don't have all the answers. It takes passion and drive to solicit feedback, make necessary changes, and move forward. Needed changes won't always be obvious. Passion makes the search for the right answers invigorating and fun.
2. A willingness to work hard for an extended period of time	Commonly, entrepreneurs work longer hours than people with traditional jobs. You can only do that on a sustained basis if you're passionate about what you're doing.
3. Ability to overcome setbacks and "no's"	It's rare that an entrepreneur doesn't experience setbacks and hear many "no's" from potential customers, investors, and others while building an entrepreneurial business or a social enterprise. The energy to continue comes from passion for an idea.



Characteristics of Successful Entrepreneurs

4. The ability to listen to feedback on the limitations of your organization and yourself	You'll meet plenty of people along the way—some with good intentions and some without—who will tell you how to improve your organization and how to improve yourself. You have to be willing to listen to the people with good intentions and make changes if it helps. But you also have to be able to brush aside feedback from people with bad intentions without letting them get you down.
5. Perseverance and persistence when the going gets tough	Perseverance and persistence come from passion. As an entrepreneur, you'll have down days. Building an entrepreneurial organization is fraught with challenges. Passion is what provides an entrepreneur the motivation to get through tough times.



Characteristics of Successful Entrepreneurs

2. Product/Customer Focus:

“The computer is the most remarkable tool we’ve ever built . . . but the most important thing is to get them in the hands of as many people as possible.” Steve Jobs

- This sentiment underscores an understanding of the two most important elements in any business—products and customers.
- While it’s important to think about management, marketing, finance, and the like, none of those functions makes any difference if a firm does not have good products with the capability to satisfy customers.



Characteristics of Successful Entrepreneurs

3. Tenacity despite failure:

- Because entrepreneurs are typically trying something new, the possibility of failure exists.
- Developing a new business idea may require a certain degree of experimentation before success is attained. Setbacks and failures inevitably occur during this process.
 - Tenacity is an entrepreneur's ability to persevere through setbacks and failures.
 - It's also important that entrepreneurs have sufficient tenacity to overcome personal obstacles along with professional ones.



Characteristics of Successful Entrepreneurs

4. Execution Intelligence:

- The ability to fashion a solid idea into a viable business is a key characteristic of successful entrepreneurs. Commonly, this ability is thought of as execution intelligence.
- The ability to effectively execute a business idea means developing a business model, putting together a new venture team, raising money, establishing partnerships, managing finances, leading and motivating employees, and so on.



Common Myths About Entrepreneurs

Myth 1: Entrepreneurs Are Born, Not Made

- Entrepreneurs are not genetically different from other people.
- Everyone has the potential to become an entrepreneur, yet whether someone does or doesn't is a function of environment, life experiences, and personal choices.
- There are personality traits and characteristics that are commonly associated with entrepreneurs and are developed over time.



Common Myths About Entrepreneurs

Myth 2: Entrepreneurs Are Gamblers

- A second myth about entrepreneurs is that they are gamblers and take big risks. The truth is, entrepreneurs are usually moderate risk takers.
- This idea has originated from the fact that entrepreneurs typically have jobs that are less structured, and so they face a more uncertain set of possibilities than managers or employees.



Common Myths About Entrepreneurs

Myth 3: Entrepreneurs Are Motivated Primarily by Money

- Money is rarely the primary reason entrepreneurs start new firms and persevere.
- Usually, an entrepreneur's mission is not only to make money, but to change the world in the process.



Types of Start-Up Firms

Salary-Substitute Firms

Firms that basically provide their owner or owners a similar level of income to what they would be able to earn in a conventional job

Lifestyle Firms

Firms that provide their owner or owners the opportunity to pursue a particular lifestyle, and make a living at it

Entrepreneurial Firms

Firms that bring new products and services to the market by creating and seizing opportunities regardless of the resources they currently control



Changing Demographics of Entrepreneurs

Over the past 10 years, the demographic makeup of entrepreneurial firms has changed in the United States and around the world. Of the 27.9 million businesses in the United States, women, minorities, and seniors own an increasingly larger number of them.



Changing Demographics of Entrepreneurs

- **Women Entrepreneurs:**

While men are still more likely to start businesses than women, the number of women-owned businesses is increasing.

Between 2007 and 2016, the number of women-owned firms increased by 45 percent. As a result, over the past nine years, the number of women-owned businesses has grown at a rate five times faster than the national average.



Changing Demographics of Entrepreneurs

- **Senior Entrepreneurs:**

The number of seniors starting businesses is substantial and growing. The percentage of individuals age 62 and older starting a business increased from 4.2 percent in 1988 to 5.4 percent in 2015.

The increase in senior entrepreneurs is attributed to a number of factors, including corporate downsizing, an increasing desire among older workers for more personal fulfillment in their lives, and growing worries among seniors that they need to earn additional income to pay for future health care services and other expenses.



The Effects of Entrepreneurship

Economic Impact of Entrepreneurial Firms:

- **Innovation:** is the process of creating something new, which is central to the entrepreneurial process.
 - small innovative firms are 16 times more productive.
- **Job creation:** small businesses create a substantial number of net new jobs in the United States.



The Effects of Entrepreneurship

Entrepreneurial Firms' Impact on Society:

Think of all the new products and services that make our lives easier, enhance our productivity at work, improve our health, and entertain us. For example, consider smartphones, social networks, Internet shopping, overnight package delivery, and digital photography. All these products are new to this generation, yet it's hard to imagine our world without them.



The Entrepreneurial Process

The entrepreneurial process we discuss in this book consists of four steps:

Step 1: Decision to become an entrepreneur

Step 2: Developing successful business ideas

Step 3: Moving from an idea to an entrepreneurial firm

Step 4: Managing and growing an entrepreneurial firm





Thank You

