



DBTI Introduction to Entrepreneurship

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Objectives

- At the end of class, you should be able to:
 1. Define entrepreneurship and entrepreneur
 2. Distinguish between entrepreneurship and small Business
 3. Describe the role of entrepreneurship in society.
 4. Examine Factors driving growth of entrepreneurship
 5. Discuss the characteristics of entrepreneurs
 6. Explore myths and the dark side of entrepreneurship
 7. Explain the challenges and benefits of being an entrepreneur.

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Entrepreneur and Small Business Owner

- **An entrepreneur** is someone who identifies and acts on an idea or problem that no one else has identified or acted on. This combination of recognizing an opportunity to bring something new to the world and acting on that opportunity is what distinguishes an entrepreneur from a small business owner.
- **A small business owner** is someone who owns or starts a business that already has an existing model, such as a restaurant, whereas an entrepreneur is someone who creates something new. This new creation can be a new process or product, a business that identifies a new or unique target market, or a combination of ideas that creates a new approach or method, for example.
- *In a broader sense, what people consider an entrepreneur can vary. Some scholars strictly differentiate between entrepreneurs and small business owners. Others acknowledge that a small business owner may also be an entrepreneur—they are not mutually exclusive*



Benefits of Entrepreneurship in the Economy

1. **Entrepreneurs provide job opportunities** -Not only are entrepreneurs able to generate an income for themselves but they also employ other individuals in their business operations. Therefore, people who did not have a job before will have a chance to have a career.
2. **Entrepreneurs increase competition and Boost productivity** -Entrepreneurs challenge existing firms to become more competitive as they often enter the market with lower prices and greater product variety. This can cause existing players in the market to re-assess their operations, increase their value, lower costs, and become more efficient.
 - Increased competition in an economy is advantageous because firms and individuals will source methods to better improve their operations. The new business formation of entrepreneurs with high-growth ambitions and innovation will push established firms to increase their productivity and enhance their performance.



Benefits of Entrepreneurship in the Economy

3. Entrepreneurs create new business and new markets

- As the trends in the world continue to change, people's demands will change, giving entrepreneurs an opportunity to start new businesses.
- If a marketplace is saturated, this can result in entrepreneurs seeking new markets for their services and products, which can be considered as a positive impact on the economy. Entrepreneurs may even create entirely new industries that become the engines of future growth

4. Entrepreneurs add national income via tax revenue or direct government spending in capacity building to support entrepreneurs.

5. Entrepreneurs introduce innovative technologies - Innovative ideas and inventiveness are foundational driving factors for entrepreneurs which result in great contribution to the economy.



Factors Driving the Growth of Entrepreneurship

- **Entrepreneurs as heroes.** An intangible but compelling factor is the attitude that society has toward entrepreneurs. We have raised entrepreneurs to hero status and have held out their accomplishments as models to follow.
- **Entrepreneurial education & Training**
- **Shift to a service economy.** Because of their relatively low start-up costs, service businesses have become very popular among entrepreneurs.
- **Technology advancements.** With the help of modern business machines even one person working at home can look like a big business. At one time, the high cost of such technological wizardry made it impossible for small businesses to compete with larger companies that could afford the hardware.
- **Startup Ecosystem**-Organizations and individuals committed to supporting entrepreneurs in the startup process. Entrepreneurs find mentorship and technical support.



Factors Driving the Growth of Entrepreneurship

- **Cultural and Social Norms**
 - Shift from pro-employment to pro-entrepreneurship.
 - Distrust in corporation. Economic turbulence resulting in layoff shifted the perception that people worked in one company for a lifetime.
- **Urbanization, Population growth and Demographic shifts**
 - Growing Middle class
- **Government Policies and Programs**
 - Attempts to increase entrepreneurship by supporting SMEs and trying to reduce barriers
 - Tender quotas for women and Youth



Factors Driving the Growth of Entrepreneurship

- **Developments in the Commercial and Legal Infrastructure**
 - Trading blocks and easing of cross border restrictions
 - Development of laws and increased understanding of laws that govern business
 - Deregulation- Government ending monopolies e.g telecom
- **Market Openness**
 - Regional and global market as the norm (e.g. Africa Continental Free Trade Area)
- **Physical Infrastructure**
 - Internet penetration
 - Transport network



Factors Driving the Growth of Entrepreneurship

- **Technology**
 - Internet availability, reliability and penetration
 - Digital Entrepreneurship
 - Simplification of technology
- **Access to Finance**
 - There has been a steady improvement to access to financing and an increase in the options available for entrepreneurs.

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DBIT Marketing and Entrepreneurship Skills

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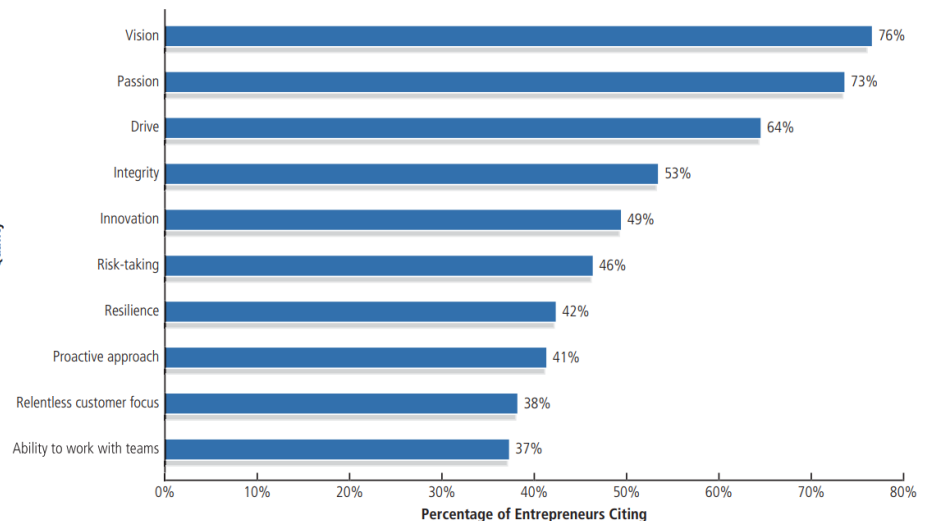
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Source: Nature or Nurture: Decoding the DNA of the Entrepreneur, Ernst & Young, 2011, p. 17,

<http://www.ey.com/GL/en/Services/Strategic-Growth-Markets/Nature-or-nurture-Decoding-the-DNA-of-the-entrepreneur---Entrepreneurs-share-core-traits>

Quality



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Characteristics entrepreneurs tend to exhibit

1. **Desire for responsibility.** Entrepreneurs feel a deep sense of personal responsibility for the outcome of ventures they start. They prefer to be in control of their resources, and they use those resources to achieve self-determined goals.
2. **Risk Taking.** Entrepreneurs are not wild risk takers but are instead calculated risk takers. Their goals may appear to be high—even impossible—in others' eyes, but entrepreneurs see the situation from a different perspective and believe that their goals are realistic and attainable.
3. **Self-reliance.** Entrepreneurs must fill multiple roles to make their companies successful, especially in the early days of a start-up. Because their resources usually are limited, they end up performing many jobs themselves, even those they know little about.
4. **Confidence in their ability to succeed.** Entrepreneurs typically have an abundance of confidence in their ability to succeed and are confident that they chose the correct career path.



Characteristics entrepreneurs tend to exhibit

5. **Determination.** Some people call this characteristic “grit,” the ability to focus intently on achieving a singular, long-term goal. Studies show that grit is a reliable predictor of achievement and success, whether the goal involves launching a successful business, or sport.
6. **Desire for immediate feedback.** Entrepreneurs enjoy the challenge of running a business, and they like to know how they are doing and are constantly looking for feedback.
7. **High level of energy.** Entrepreneurs are more energetic than the average person. That energy may be a critical factor given the incredible effort required to launch a start-up company. Long hours and hard work are the rule rather than the exception, and the pace can be grueling.



Characteristics entrepreneurs tend to exhibit

- Future orientation. Entrepreneurs have a well-defined sense of searching for opportunities. They look ahead and are less concerned with what they did yesterday than with what they might do tomorrow. Not satisfied to sit back and revel in their success, real entrepreneurs stay focused on the future.
- 9. Skill at organizing. Building a company “from scratch” is much like piecing together a giant jigsaw puzzle. Entrepreneurs know how to put the right people together to accomplish a task. Effectively combining people and jobs enables entrepreneurs to transform their visions into reality.
- 10. Value of achievement over money. One of the most common misconceptions about entrepreneurs is that they are driven wholly by the desire to make money. To the contrary, achievement seems to be entrepreneurs’ primary motivating force; money is simply a way of “keeping score” of accomplishments—a symbol of achievement. What drives entrepreneurs goes much deeper than just the desire for wealth.



Entrepreneurial competencies

- **Entrepreneurial competencies** are defined as underlying elements, such as specific knowledge, social roles, and skills which result in venture birth, survival, and/or growth.
- Research on entrepreneurial competencies has led to the identification of a set of factors that are deemed likely to influence the likelihood of starting and running a new venture. These include:
 - opportunity recognition competencies;
 - relationship competencies;
 - conceptual competencies;
 - organizing competencies;
 - strategic competencies; and
 - commitment competencies



Entrepreneurial competencies

- **Opportunity recognition competencies**- Opportunity recognition competencies are related to recognizing and developing market opportunities through various means. The ability to recognize, envision, and act on opportunity, and the willingness and capacity to generate intense effort are at the core of the entrepreneurial process
- **Relationship competencies** refer to the extent to which the entrepreneur is able to build social interactions and leverage them to raise the resources needed to start and run the new venture. Entrepreneurship scholars have found that entrepreneurs who have higher social competence have greater financial success than those who do not have it. Entrepreneurs need social competence to raise the funds that are needed to start and run their enterprises and to navigate the multitude of stakeholders successfully.
- **Strategic competencies** are related to setting, evaluating, and implementing the strategies of the new venture.



Entrepreneurial competencies

- **Conceptual competencies** relate to the ability to display such behaviors as decision-making, absorbing and understanding complex information, risk-taking, and innovativeness.
- **Organizing competencies** are related to the organization of different internal and external human, physical, financial, and technological resources, including team-building, leading employees, training, and controlling. This competency is closely related to a managerial competency.
- **Commitment competencies** drive the entrepreneur to move forward. Without strong commitment, an entrepreneur cannot pursue the venture, especially in the face of difficulties.



Common Myths About Entrepreneurs

- **Myth 1:** Entrepreneurs Are Born, Not Made
 - This myth is based on the mistaken belief that some people are genetically predisposed to be entrepreneurs.
 - The consensus of many studies is that no one is “born” to be an entrepreneur; everyone has the potential to become one.
 - Whether someone does or doesn’t become an entrepreneur is a function of their environment, life experiences, and personal choices.
 - We do have accidental versus intentional entrepreneurs



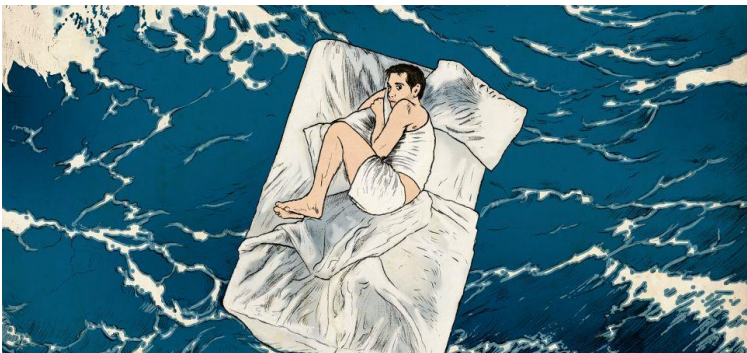
Common Myths About Entrepreneurs

- **Myth 2:** Entrepreneurs Are Gamblers
 - Most entrepreneurs are moderate risk takers.
 - The idea that entrepreneurs are gamblers originates from two sources:
 - Entrepreneurs typically have jobs that are less structured, and so they face a more uncertain set of possibilities than people in traditional jobs.
 - Many entrepreneurs have a strong need to achieve and set challenging goals, a behavior that is often equated with risk taking

Common Myths About Entrepreneurs

- **Myth 3:** Entrepreneurs Are Motivated Primarily by Money
 - While it is naïve to think that entrepreneurs don't seek financial rewards, money is rarely the reason entrepreneurs start new firms.
 - In fact, some entrepreneurs warn that the pursuit of money can be distracting.
- **Myth 4:** Entrepreneurs Should Be Young and Energetic
 - Entrepreneurial activity is fairly easily spread out over age ranges.
 - While it is important to be energetic, investors often cite the strength of the entrepreneur as their most important criteria in making investment decisions.
 - What makes an entrepreneur "strong" in the eyes of an investor is experience, maturity, a solid reputation, and a track record of success.
 - These criteria favor older rather than younger entrepreneurs (42 years)
 - MIT Research <https://phys.org/news/2018-04-year-old-entrepreneur-myth.html>

The Dark Side of Entrepreneurship



- *What they don't tell you about entrepreneurship* | Mark Leruste | TEDxCardiff
- <https://www.youtube.com/watch?v=f6nxcfbDfZo>



Group	Entrepreneurs	General Sample
ADHD	29%	5%
Depression	30%	15%
Bipolar	11%	1%
Addiction	12%	4%

<https://www.visualcapitalist.com/entrepreneurship-and-mental-health/>

The Psychological Price of Entrepreneurship

A whole lot of literature is published about success and achievements of entrepreneurs. However, a dark side of entrepreneurship also exists.

The Psychological Price of Entrepreneurship

- No one said building a company is easy. But it's time to be honest about how brutal it really is -- and the price so many founders secretly pay
- This aspect of entrepreneurial perspective has a destructive source that exists within the energetic drive of successful entrepreneurs
- Its important to understand where "positives" can turn into "negatives".
- What they don't tell you about entrepreneurship | Mark Leruste
 - <https://www.youtube.com/watch?v=f6nxcfbDfZo&t=17s>

The dark side of entrepreneurship



The entrepreneur's confrontation with risk.

Starting a venture is risky business. Entrepreneurs are willing to take risks for what they believe in. They have the ability to cope with a professional life riddled by ambiguity and a lack of clarity.

The risks an entrepreneur faces, can be grouped into four areas.

1. Financial risk-savings and loans
2. Career risk- if you fail can you go back into employment?
3. Family and social risk-long hours at the office
4. Psychic risk- mental breakdown

1. The entrepreneur's confrontation with risk.



1. Financial Risk

In most new ventures the individual puts a significant portion of his or her savings or other resources at stake. This money or these resources will, in all likelihood be lost if the venture fails. The entrepreneur also may be required to sign personally on company obligations that far exceed his or her personal net worth. The entrepreneur is thus exposed to personal bankruptcy.

2. Career Risk

A question frequently raised by would-be entrepreneurs is whether they will be able to find a job or go back to their old job if their venture should fail. This is a major concern to managers who have a secure organizational job with a high salary and a good benefit package.

1. The entrepreneur's confrontation with risk.



3. Family and Social Risk

Starting a new venture uses much of the entrepreneur's energy and time. Consequently, his or her other commitments may suffer. Entrepreneurs expose their families to risks of an incomplete family experience and the possibility of permanent emotional scars.

4. Psychological Risk

Some entrepreneurs who have suffered financial catastrophes have been unable to bounce back, at least not immediately. The psychological impact has proven to be too severe for them.

2. Stress and the entrepreneur



2. Stress and the entrepreneur

Four sources of stress have been identified

1. Loneliness
2. Immersion
3. People problems
4. A need to achieve

2. Stress and the entrepreneur



1. **Loneliness:** Although entrepreneurs are usually surrounded by others – employees, customers, accountants and lawyers – they are isolated from persons in whom they can confide.
 - Long hours at work prevent them from seeking the comfort and counsel of friends and family members. Moreover, they tend not to participate in social activities unless they provide a business benefit.
2. **Immersion in Business:** One of the ironies of entrepreneurship is that successful entrepreneurs make enough money to partake of a variety of leisure activities, but they cannot take that exotic cruise, fishing trip, or skiing vacation because their business will not allow their absence.
 - Most entrepreneurs are married to their business. They work long hours, leaving little time for civic organizations, recreation or further education.

2. Stress and the entrepreneur



3. **People Problems:** Entrepreneurs must depend on and work with partners, employees, customers, bankers and professionals. Most experience frustration, disappointment and aggravation in their experiences with these people based on the impossible standards and expectations entrepreneurs might have.
4. **Need to Achieve:** Achievement brings satisfaction. Many are never satisfied with their work no matter how well it was done.
 - They seem to recognize the dangers (for example, to their health) of their ambition, but they have a difficult time tempering their achievement need.
 - They seem to believe that if they stop or slow down, some competitor is going to come from behind and everything they have built will fall apart.

Five specific ways of dealing with stress



- I. **Networking-** Network with other entrepreneurs and share your experience with them. You will learn from their success and failures and you will also get support from those who understand your journey.
- II. **Getting away from it all.** Take a vacation of possible, if not, a day or a couple of hours away from work and gadgets can give you time to reflect, rest and recover.
- III. **Communicating with employees.** Staying connected with your employees and keeping them engaged has been shown to increase productivity.
- IV. **Finding satisfaction outside of the company.** You need to find a life purpose greater than your business idea.
- V. **Delegating.** Hire/partner with great people and train them and learn to trust them and to delegate tasks to them.

3. The entrepreneurial ego



“Every entrepreneur believes what we are doing is unique. And in many (in fact most) cases, it is not only that we are doing something unique, but that we are bringing to life a new business model, idea or vision. To have the vision to bring something new to the table, you need to have a level of self-confidence and self-esteem that can transcend what you are likely to face. In fact, the more visionary your idea is, the more ego you need to see it through”, The lonely entrepreneur.

In addition to risk, and stress, the entrepreneur also might experience the negative effects of an inflated ego. Four characteristics might hold destructive implications for entrepreneurs.

1. **An overbearing need for control.** Entrepreneurs have a need to control their venture and their destiny. This need can drive one to practice “my way or the highway” approach to business and life. Which is destructive.
2. **Sense of distrust-**In order to stay ahead of competition and aware of policy changes, entrepreneurs are always scanning their environment. The constant fear of a competitor creeping up on him/her, can result in the entrepreneur obsessing over trivial matters, lose of sight of reality, distorted reasoning and logic.

3. The entrepreneurial ego



3. **Overriding desire for success.** The need to succeed and to be significant can result in a quest to prove relevance and success. There is a danger of loss of perspective so that the entrepreneur becomes more important than the venture itself.
4. **Unrealistic optimism**-Ceaseless optimism that flows from entrepreneurs helps propel them forward especially during difficult times. However this optimism might result in a self-deceptive state in which entrepreneurs ignore facts.

4. Entrepreneurial motivation



The Negative Motivation Loop



- Motivation plays an important role in starting of a new venture. It sets apart the dreamers from the doers.
- The decision to behave entrepreneurially results from a combination of factors including personal characteristics, personal environment, business environment, personal goal and existence of a viable business idea.
- Lack of meeting expectations can impact the entrepreneur's motivation and his or her likelihood to stay in the venture.
- At some point, the driving factor is commitment and not just motivation.



The benefits of entrepreneurship to the Individual.

- **Opportunity to Create Your Own Destiny**-Owning a business provides entrepreneurs the independence and the opportunity to achieve what is important to them. Entrepreneurs want to “call the shots” in their lives, and they use their businesses to make that desire a reality.
- **Opportunity to Make a Difference** Increasingly, entrepreneurs are starting businesses because they see an opportunity to make a difference in a cause that is important to them. Known as social entrepreneurs, these business builders seek innovative solutions to some of society’s most vexing problems. They use their skills not only to create profitable business ventures but also to achieve social and environmental goals for society as a whole.
- **Opportunity to Reach Your Full Potential** Too many people find their work boring, unchallenging, and unexciting. But not entrepreneurs! To them, there is little difference between work and play; the two are synonymous. Entrepreneurs’ businesses become their instruments for self-expression and self-actualization.



The benefits of entrepreneurship to the Individual.

Opportunity to Reap Impressive Profits Although money is not the primary force driving most entrepreneurs, the profits their businesses can earn are an important motivating factor in their decisions to launch companies.

Opportunity to Contribute to Society and Be Recognized for Your Efforts Playing a vital role in their local business systems and knowing that their work has a significant impact on the nation’s economy is yet another reward for small business managers. Often, small business owners are among the most respected and most trusted members of their communities.

Opportunity to Do What You Enjoy and Have Fun at It A common sentiment among small business owners is that their work really isn’t work. Most successful entrepreneurs choose to enter their particular business fields because they have an interest in them and enjoy those lines of work.