

ENTREPRENEURSHIP

INTRODUCTION

Entrepreneurship

- This is a process of creating wealth
- This is a dynamic process of vision, change, and creation.
- It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions.

AN ENTREPRENEUR

- Is a person who creates a new venture
- The entrepreneur is one who undertakes to organize, manage, and assume the risks of a business.

Category of the term entrepreneur

- It is in three broad connotations
 - i. Entrepreneurs as owner- managers
 - ♥ The term is used to refer to someone who sets up and /or independently runs his own business.
 - ii. Entrepreneurs as a particular category of owner- managers
 - ♥ Some people hold the view that most business owners are not entrepreneurial.
 - ♥ They are simply cloning an existing well proven form of enterprise and many people simply prefer to do their own job.
 - ♥ Two dimensions-the owner managers' motives and their behaviours have been used to make this distinction.
 - ♥ Entrepreneurs are seen as those owner managers whose motive for being in business is profits and growth as opposed to mere survival or independence.
 - iii. Entrepreneurs as people who display particular behaviors in any Endeavour or organization.
 - ♥ In this sense, entrepreneurs are people who display the special (entrepreneurial) types of behaviours- initiating, value, creating, transforming, opportunism, strategic practices, innovation and pro activeness in any organization or field of endeavour.

Characteristics of successful entrepreneurs

- i. Commitment, Determination and Perseverance
- ii. Drive to Achieve

- iii. Opportunity orientation:
- iv. Initiative and Responsibility
- v. Persistent Problem solving
- vi. Seeking feedback
- vii. Internal Locus of Control
- viii. Tolerance for Ambiguity
- ix. Calculated Risk Taking
- x. Integrity and Reliability
- xi. Tolerance for Failure
- xii. High energy level
- xiii. Creativity and innovativeness
- xiv. Vision
- xv. Self confidence and optimism
- xvi. Independence
- xvii. Team building

Wealth

- This is something that we value
- This is a thing that has benefits that are higher than cost
- Something that has economical and social value

How to create wealth

- i. Cognitive abilities or skills
- ii. Creativity and innovation
- iii. Ability to sense opportunity
- iv. Ability to seize and sense
- v. Configuring out the resources available

Essential ingredients of entrepreneurship

- i. Willingness to take calculated risks in terms of time, equity, or career
- ii. Ability to formulate an effective venture team
- iii. Creative skill to Marshall needed resources
- iv. Fundamental skill of building a solid business plan
- v. Vision to recognize opportunity where others see chaos, contradiction and confusion.

Intrapreneurship

- This has definite similarities to entrepreneurship except that Intrapreneurship takes place within an organization.
- Intrapreneurship is the process by which **other new ventures** are born within the **confines of an existing corporation**.

- It involves **expansion** by exploring new opportunities through new combinations of existing resources.

MYTHS OF ENTREPRENEURSHIP

- Entrepreneurs are Doers not Thinkers
- Entrepreneurs are born not made
- Entrepreneurs are always inventors
- Entrepreneurs are Academic and Social misfits
- Entrepreneurs must fit the "Profile"
- All entrepreneurs need is money
- All entrepreneurs need is luck
- Ignorance is bliss for entrepreneurs
- Entrepreneurs are extreme risk takers (gambles)
- Entrepreneurs seek success but experience high failure rates

Why people are more enterprise than others

- Economic perspective
- Psychological perspective
 - ♥ This is locus of control
- Sociological perspective
 - ♥ This is cultural believes therefore behavior of an individual
- Resource based view
 - ♥ This is environment to get opportunities and resources
 - ♥ Discovering personal ability, resources and capability of an individual to be competent with the change of business environment
 - ♥ Resources can be tangible and intangible
 - ♥ Resources must be:
 - ✓ Valuable
 - ✓ Imitable (not easy to imitate)
 - ✓ Not easy to replace
 - ✓ Rare
- Innovation theory

NB:

- Motivation is driven by expectancy or outcome and value
- This is motivation = expectancy * value
- Therefore if motivation is higher and outcome of the value will be higher

BENEFITS OF ENTREPRENEURSHIP

- Opportunity to create own destiny
- Opportunity to make a difference

- iii. Opportunity to reach full potential.
- iv. Opportunity to contribute to society and be recognized for effort.
- v. Opportunity to reap in positive profit.
- vi. Opportunity to do what you enjoy and have fun at it.

DISADVANTAGES OF ENTREPRENEURSHIP

- i. Uncertainty of Income
- ii. Risk of Losing the Entire Invested Capital
- iii. Long Hours and Hard Work
- iv. Low Quality of life until the Business gets established
- v. High Levels of Stress
- vi. Complete Responsibility
- vii. Discouragement

ROLE OF ENTREPRENEURSHIP IN TANZANIA

- i. Create Jobs.
- ii. Promote Healthy Competition
- iii. Generate Wealth and Spread Prosperity
- iv. Growth.
- v. Ensure Innovation and Creativity
- vi. Maintain Free Enterprise
- vii. Encourage Grass Root Development
- viii. Social Progress
- ix. Promote Economic Growth.
- x. Formation of New Industries
- xi. Standard of Living
- xii. Technology Development

MODULE 2

THEORIES OF ENTREPRENEURSHIP

- Theories of entrepreneurship and entrepreneurial motivation includes;
 - 1. Economic theory
 - 2. Sociological theory
 - 3. Psychological theory
 - 4. Entrepreneurship Innovation theory.
- Theory of Achievement Motivation by McClelland (Acquired Needs theory).
- Therefore individuals are driven by expectations /outcomes and economic incentives, this is expectation * value = profit

1. Economic Theory

- Entrepreneurship and economic growth take place when the economic conditions are favorable
- Economic incentives are the main motivators for entrepreneurial activities
- Economic incentives include
 - ♥ Taxation policy
 - ♥ Industrial policy,
 - ♥ Sources of finance
 - ♥ Raw material
 - ♥ Infrastructure availability
 - ♥ Investment and marketing opportunities
 - ♥ Access to information about market conditions
 - ♥ Technology

2. Sociological Theory

- Entrepreneurship is likely to get a boost in a particular social culture
- Society's values, religious beliefs, customs, taboos influence the behavior of individuals in a society.
- The entrepreneur is a role performer according to the role expectations by the society

3. Psychological theory

- Entrepreneurship gets a boost when society has sufficient supply of individuals with necessary psychological characteristics.
- This focuses on the personality traits, attitudes and cognitive processes that lead individuals to become entrepreneurs
- This theory suggests that various psychological factors can influence a person's decision to become an entrepreneur and their level of success as an entrepreneur
- The key concepts in the psychological theory of entrepreneurship include:
 - i. Need for achievement
 - ii. Locus of control
 - iii. Sociological aspect in the society
 - iv. Culture
 - v. Risk-taking propensity
- These characteristics are formed during the individual's upbringing which stress on standards of excellence, self reliance and low father dominance

4. Innovation theory

- Theory by Joseph Schumpeter who believes that entrepreneur helps the process of development in an economy.
- He says that an entrepreneur is the one who is innovative, creative and has a foresight.
- According to him, innovation occurs when the entrepreneur
 - i. Introduces a new product
 - ii. Introduces a new production method
 - iii. Opens up a new market
 - iv. Finds out a new source of raw material supply
 - v. Introduces new organization in any industry
- The theory emphasizes on innovation, ignoring the risk taking and organizing abilities of an entrepreneur.
- Schumpeter's entrepreneur is a large scale businessman, who is rarely found in developing countries, where entrepreneurs are small scale businessmen who need to imitate rather than innovate.

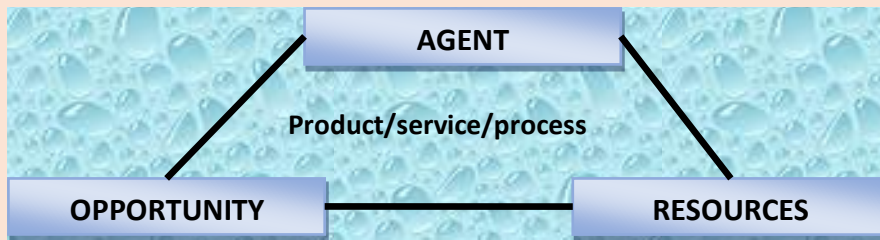
5. Theory of High Achievement/Theory of Achievement Motivation

- McClelland identified 2 characteristics of entrepreneurship
 - i. Doing things in a new and better way
 - ii. Decision making under uncertainty.
- He stressed that people with high achievement orientation (need to succeed) are more likely to become entrepreneurs.
- Such people are not influenced by money or external incentives, they consider profit to be a measure of success and competency.
- Motivation theory by McClelland (Acquired Needs theory)
- According to McClelland, a person has three types of needs at any given time, which are:
 - i. Need for achievement (get success with one's own efforts)
 - ii. Need for power (to dominate, influence others)
 - iii. Need for affiliation (maintain friendly relations with others).
- The need for achievement is the highest for entrepreneurs

A NEW VENTURE DEVELOPMENT

AN OPPORTUNITY

- This is a favorable set of circumstances that creates a need for a new product, service or business
- Consider this:



AN OPPORTUNITY

- It comes from
 - i. A need
 - ii. Demand
 - iii. Feedback/performance
 - iv. Problems

A new venture opportunity

- This is a situation that is favorable for any entrepreneur to introduce new services/products or process to meet people's needs
- This is a choice to meet the needs of the society
- It rises from **market imperfection**
- Consider:



OPPORTUNITY RECOGNITION

- This is the most important capability of any enterprising person
- This is influenced by entrepreneurial alertness and awareness
- The abilities of opportunity recognition includes (components)
 - i. **Ability to sense(sensitivity)**
 - ♥ This is being able to perceive the market needs and demand on what is preferred by the customer
 - ♥ To be able to detect anything different in the society
 - ♥ Shortly is to understand the customer's needs

ii. Ability to seize

- ♥ Gathering information deeply about a thing
- ♥ This is to introduce the goods or services
- ♥ To exploit opportunity, there is a need to conduct feasibility analysis
- ♥ This involves evaluating if that opportunity will be worthy to invest your time and resources

iii. Ability to configure and reconfigure tangible and intangible resources to create value

- ♥ To collect and arrange available resources that can be used to your advantage
- ♥ This is utilizing resources at disposal so as to create value

iv. Creating value

- ♥ Value is placed in products or services that may result from opportunities

NOW:

- ♥ You may have 1000 ideas but you need only one idea
- ♥ You will achieve so by looking up on
 - i. Capability
 - ii. People i.e the team
 - iii. Offering (product or service)
 - iv. Customers (Target customer)
 - v. Value proposition (the benefits of taking that product)
 - vi. Distinctive competence (the uniqueness)

An entrepreneurship should be

- i. Necessity driven
- ii. Opportunity driven
- iii. Innovative driven

Evaluation of opportunity

- They are evaluated through the following criteria
 - i. Demand of customers
 - ii. Potential to grow
 - iii. Financial return
 - iv. Hunch/innes intuition

Factors affecting or influencing ability to recognize opportunity

- i. Entrepreneurial alertness or awareness
 - ♥ It depends on how you are aware of the environment
 - ♥ New spaces in the environment

- ♥ All opportunities comes from environment (self believe, self efficacy, self confidence e.t.c)
- ii. Information asymmetry and prior knowledge
- iii. Discovery versus purposeful search
- iv. Social network
 - ♥ These are people you are connected with
 - ♥ Social structure in your society can help you
 - ♥ The need to achievement society
- v. Personality traits, risk taking, optimism, self efficiency and creativity
 - ♥ Psychologists explains it on how to recognize opportunities
 - ♥ This regards the locus of control, high need of achievement
- vi. Nature of opportunity

Opportunity can be defined through these techniques

- i. **Active search**
 - ♥ Opportunities exist in the environment
- ii. **Passive search and fortuitous search**
 - ♥ Opportunity creation through imagination
 - ♥ Individuals and organisation do not initiate active search because the opportunity cannot clearly be described
 - ♥ One focuses on conscious state of mind and inherent alertness

An accidental discovery

- ♥ This is one meets an opportunity when you are not searching for it

TYPES OF OPPORTUNITY

Consider:

		VALUE SOUGHT	
		UNDEFINED	DEFINED
VALUE CAPABILITY	UNIDENTIFIED	1. Dreams (Creative view)	2. Problem Discovery (Discovery view)
	IDENTIFIED	3. Technology transfer (Discovery View)	4. Business formation (Allocation view)

1. Dreams

- ♥ Customers do not know what they want

2. Problem discovery

- ♥ One variable is known and well defined
- ♥ Customer knows the problem but how to solve the problem is unidentified capability

3. Technology transfer

- ♥ A problem exists and there is possibility of applying technology to address it
- ♥ Capability is identified

4. Business formation

- ♥ Resources are well known and the problem is well defined

An opportunity areas in life circle is determined by

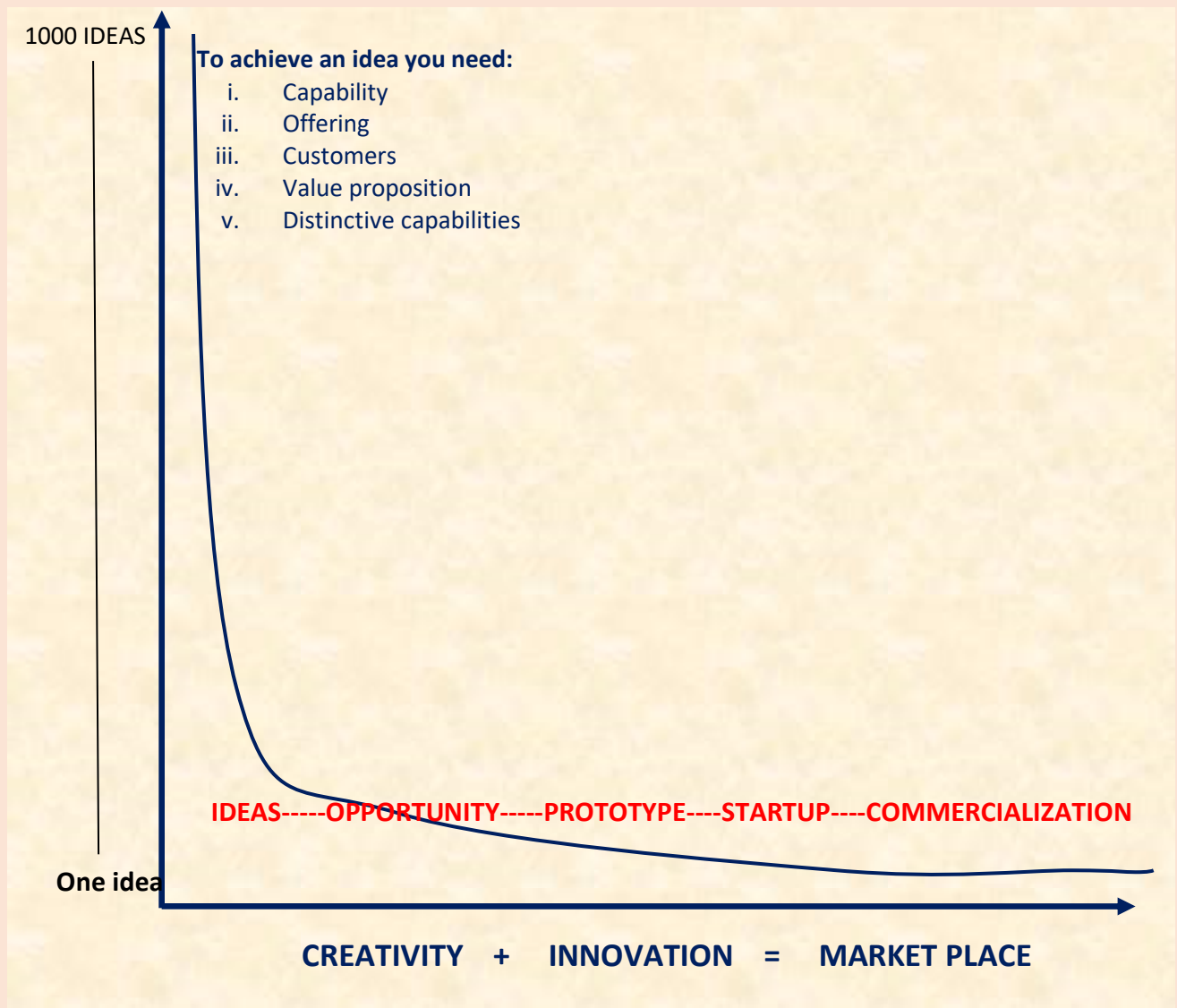
- i. New shocks
- ii. Competition
- iii. Resources

Factors influencing opportunity circle

i. The IPR

- ♥ This is the Intellectual Property Rights
- ♥ Example patents, copyright mechanisms that limits imitation by stores entrepreneurs such as trade secrecy, patent, protection or monopoly contracts

SCREENING THE IDEAS, THE CASUAL MODEL APPROACH



OPPORTUNITY

- ♥ Identify the opportunity
- ♥ Evaluate the opportunity
- ♥ Exploit the opportunity

PROTOTYPE

- ♥ This includes FA (Feasible Analysis)

Feasible analysis

- This gives information if the project will be achievable
- It helps to understand the idea that will it give an outcome from the investment to be done
- It helps ones to do a better decision
- It is done before marketing

How to conduct feasible analysis

- i. Product and service feasibility
 - Explore the product demand
 - Test the product
 - Explore that can the customer pay for the product or service
 - Is the product desired by the customers
- ii. Market industry analysis
 - Identify buyer of the product
 - Understand the capabilities and internal assessment through SWOT analysis
 - a) Strength
 - b) Weakness
 - c) Opportunity
 - d) Threats
 - Analyze the industry this is the suppliers
 - ♥ This is done using the Michael porter 5 competitive forces
 - ♥ Consider the nature of the industry by whether the industry is new or growing industry or emerging industry or a mature industry
- iii. Financial feasibility analysis
- iv. Organizational feasibility analysis

TECHNIQUES TO GENERATE IDEAS

- i. Scamper (Substitute, Combine, Adapt, Modify, Put to other uses, Eliminate, Reverse/Rearrange)
- ii. Brainstorming
- iii. Mind mapping
- iv. Story telling
- v. 5 W's (Who, What, Where, When, Why)

APPROACHES TO GENERATE IDEAS

- i. **Convergent (categories)**
 - ♥ It keeps you focused
 - ♥ Relevant for ideas generation
 - ♥ Flexibility is offered
- ii. **Divergent (varieties)**
 - ♥ Many ideas
 - ♥ Explore new possibilities

- ♥ Tools for assessment

Creativity process

i. Preparation

- ♥ Gathering of information by user research and empathize with the user to define the problem and user's needs
- ♥ There is use of various ideation methods to help understanding, attack and build a design problem and create an idea from various angles

ii. Incubation

- ♥ Formation of ideas, visions, goals, boundary conditions etc
- ♥ This is done on an environment where there is no any pressure or stress
- ♥ It's a period where one can free their mind from any distractions

iii. Illumination

- ♥ This is when the work done in the first two stages come together
- ♥ This is where one can begin developing a plan of action and more concrete idea of the end result

iv. Verification

- ♥ This stage involves testing and evaluation of the solution after developing a solution
- ♥ Test the solution and evaluate or verify that the solution actually works

v. Iteration

- ♥ This is the practice of building, refining and improving a project or initiative

4 P's of creativity approaches

- Creative process (generation of ideas)
- Creative product (physical, service like artistic gymnastics)
- Creative person and traits
- Creative situation or environment

Perspectives of creativity

i. Trait perspective

- ♥ Create and discover associated with creative person cognitive ability

ii. Managerial perspective

- ♥ Acquiring creativity with original goals and get business done

iii. Entrepreneurial perspective

- ♥ Establish something through problem solving

Components of creativity

- Expertise knowledge
 - ♥ Encompasses that a person knows and can do it
 - ♥ It requires domain relevant skills
- Creative thinking skills
 - ♥ How flexible and imaginatively a person approach problems and solution capacity to put existing ideas together in new combinations
- Motivation
 - ♥ Determine what people will actually do “intrinsic and extrinsic motivation”

Ingredients of creativity

- Recognize pattern
- Making connections
- Taking risks
- Channeling assumptions
- Taking advantage of change and size
- Seeing new ways

Approaches of creativity

- Pragmatic approach
- Psychodynamic approach
- Social personality approach

INNOVATION

The creative destruction theory

- The Schumpeter characterized creative destruction as innovation in the manufacturing process that increase productivity
- It describes it as
 - A process of industrial mutation that incessantly revolutionize the economy structure from within, incessantly destroy the old one, incessantly create a new one

The external and internal forces

- A dynamic competitions requires (factors influencing dynamic competition)
 - Innovation
 - Competition

- iii. Entrepreneurs
- iv. Capital

Innovation as per Schumpeter 1934

- Innovation is the ability to identify new opportunities in the market is a central entrepreneurial activity which creates disequilibrium in the economy

Innovation as per Drucker 1985

- Innovation is a change that creates new dimensions of performance

NOTE:

Invention is not innovation

Innovation = invention + commercialization of ideas, product and process

TYPES OF INNOVATION

- i. Product innovation
 - ♥ This refers to creation of new or improved goods and services or processes
 - ♥ It involves developing new features, functionalities, designs or materials that improve the performance, quality and value of the product or service
- ii. Process innovation
 - ♥ Involves enhancing or reconfiguring the processes used to manufacture products or deliver services
 - ♥ This leads to greater efficiency, productivity, quality and cost savings
- iii. Marketing innovation
 - ♥ This involves developing new marketing methods, approaches or channels that improves the effectiveness of advertising, sales and promotions
- iv. Organizational innovation
 - ♥ This is geared towards improving organizational performance such as organizational structure, practices, culture or management system

Characteristics of innovation

- i. Improve technical specifications, components and materials
- ii. Significant change in technology, production equipments and software
- iii. Increases degree of consumer satisfaction
- iv. Creating new markets

Reasons for companies to innovate

- i. Copying with change in customer needs
- ii. Competition
- iii. Productivity
- iv. New opportunities
- v. Profitability

INNOVATION PROCESS

The process of innovation are explained by different models

1. By Schumpeter trilogy

- i. Invention
 - ♥ This stage involves the creation of new product, process or technology
 - ♥ This may involve scientific research or technological advancements that creates a new product or service
- ii. Innovation (business domain)
 - ♥ This is the stage where the invention is transformed into a commercial success
 - ♥ It involves the development of a new product or service based on the invention that can be sold to customers
- iii. Diffusion (society domain)
 - ♥ This stage involves the widespread adoption of the new product or service by customers
 - ♥ This may involve changes in behavior or market acceptance of the new product or services

2. The liner model

- i. Phase 0 (idea generation)
- ii. Phase 1 (concept feasibility)
- iii. Phase 2 (business design)
- iv. Phase 3 (market testing)
- v. Phase 4 (commercialization)

3. The lean startup model (agile mode)

- i. Idea, plan business model
- ii. Hypothesis
- iii. Minimum viable product
- iv. Learn

4. The design thinking tool (human centered approach to problem solving)

- i. Emphasize

- ♥ In this stage, designers seek to understand the needs, wants and emotions of their target audience or users
- ♥ They may conduct research, interviews and surveys and observe user behavior to gain insights into their perspectives
- ii. Define
 - ♥ Based on the sights gathered, designers define the problem they are trying to solve
 - ♥ They may reframe the initial problem, set constraints, and establish requirements for the solution
- iii. Ideate
 - ♥ Designers generate a wide range of ideas for possible solutions
 - ♥ They may use brainstorming, mind maps, and other creative techniques to explore different possibilities
- iv. Prototype
 - ♥ Based on the ideas generated, designers create a prototype of their solutions
 - ♥ These prototypes may be low-fidelity, such as sketches or high –fidelity like 3D models or interactive digital models
- v. Test
 - ♥ In this stage designers test their prototypes with users
 - ♥ They gather feedback on how well the prototype meet their needs and use this feedback to refine and iterate on their designs

Strategies of innovation

- i. Architectural innovation
 - ♥ A significantly improvement on a product or service that aims to sustain on the position in an existing market
- ii. Disruptive innovation
 - ♥ Create new markets or deeply alters the existing market by introducing a new product or service that is significantly different from existing offerings
 - ♥ Technology or new business model that disrupt the existing market
 - ♥ Example, spotify, uber, tesla, Netflix etc
- iii. Incremental innovation
 - ♥ Gradual, continuous improvements on existing products and services
 - ♥ Example, in apple phones, hybrid cars etc

iv. Radical innovation

- ♥ Technological breakthrough that transforms industries, often creates a new market
- ♥ Example, personal computers, internet and washing machines

Innovation model analysis

- i. Technology push
- ii. Market pull
- iii. Coupling model
- iv. Integrative model
- v. Network model
- vi. Open innovation
- vii. Business canvas model