

# Entrepreneurship

## Introduction to Entrepreneurship

# Entrepreneurs—Challenging the Unknown

- **Entrepreneurs**

- Recognize opportunities where others see chaos or confusion
- Are aggressive catalysts for change within the marketplace
- Challenge the unknown and continuously create the future



# Entrepreneurs versus Small Business Owners: A Distinction

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- Small Businesses Owners
  - Manage their businesses by expecting stable sales, profits, and growth
- Entrepreneurs
  - Focus their efforts on innovation, profitability and sustainable growth

# Entrepreneurship: A Mindset

- Entrepreneurship is more than the mere creation of business:
  - Seeking opportunities
  - Taking risks beyond security
  - Having the tenacity to push an idea through to reality
- Entrepreneurship is an integrated concept that permeates an individual's business in an innovative manner.

# The Evolution of Entrepreneurship

- Entrepreneur is derived from the French *entreprendre*, meaning “to undertake.”
  - The **entrepreneur** is one who undertakes to organize, manage, and assume the risks of a business.
  - Although no single definition of entrepreneur exists and no one profile can represent today’s entrepreneur, research is providing an increasingly sharper focus on the subject.

# A Summary Description of Entrepreneurship

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- Entrepreneurship (Robert C. Ronstadt)
  - The dynamic process of creating incremental wealth.
  - This wealth is created by individuals who assume major risks in terms of equity, time, and/or career commitment of providing value for a product or service.
  - The product or service itself may or may not be new or unique but the entrepreneur must somehow infuse value by securing and allocating the necessary skills and resources.

# An Integrated Definition

- Entrepreneurship

- A dynamic process of vision, change, and creation.
  - Requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions.
- Essential ingredients include:
  - The willingness to take calculated risks—in terms of time, equity, or career.
  - The ability to formulate an effective venture team; the creative skill to marshal needed resources.
  - The fundamental skills of building a solid business plan.
  - The vision to recognize opportunity where others see chaos, contradiction, and confusion.

# Process Approaches to Entrepreneurship

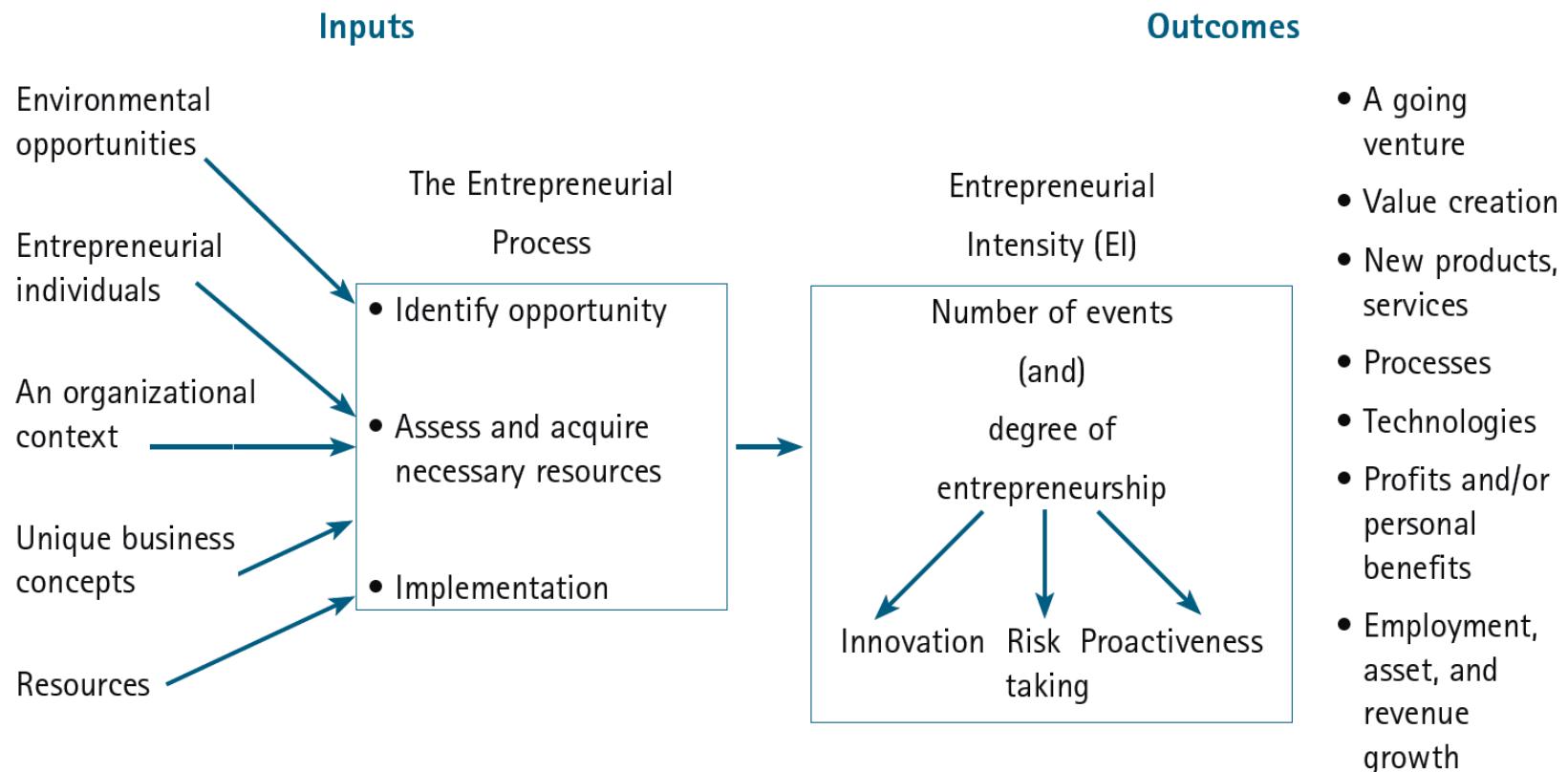
- Integrative Approach

- Built around the concepts of inputs to the entrepreneurial process and outcomes from the entrepreneurial process.
- Focuses on the entrepreneurial process itself and identifies five key elements that contribute to the process.
- Provides a comprehensive picture regarding the nature of entrepreneurship that can be applied at different levels.

Figure

1.2

## An Integrative Model of Entrepreneurial Inputs and Outcomes



**Source:** Michael H. Morris, P. Lewis, and Donald L. Sexton, "Reconceptualizing Entrepreneurship: An Input-Output Perspective," *SAM Advanced Management Journal* 59, no.1 (Winter 1994): 21–31.

# Process Approaches... (cont'd)

- Entrepreneurial Assessment Approach
  - Stresses making assessments qualitatively, quantitatively, strategically, and ethically in regard to the entrepreneur, the venture, and the environment
- Multidimensional Approach
  - Views entrepreneurship as a complex, multidimensional framework that emphasizes the individual, the environment, the organization, and the venture process.

# Our Entrepreneurial Economy— The Environment for Entrepreneurship

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- Entrepreneurship is the symbol of business tenacity and achievement.
- Entrepreneurs are the pioneers of today's business successes.
- Two perspectives on entrepreneurship:
  - Statistical: numbers that emphasize the importance of entrepreneurs to the economy.
  - Academic: trends in entrepreneurial research and education.

# The Age of Gazelles

- A “Gazelle”
  - A business establishment with at least 20% sales growth in each year for five years, starting with a base of at least \$100,000 in annual sales.
- Gazelles as leaders in innovation:
  - Produce twice as many product innovations per employee as do larger firms.
  - Have been responsible for 55% of the innovations in 362 different industries and 95% of all radical innovations.
  - Obtain more patents per sales dollar than do larger firms.

**Gazelles are the goal of all entrepreneurs.**

**Gazelles receive venture capital.**

**Gazelles were never mice.**

**Gazelles are high-tech.**

**Gazelles are global.**

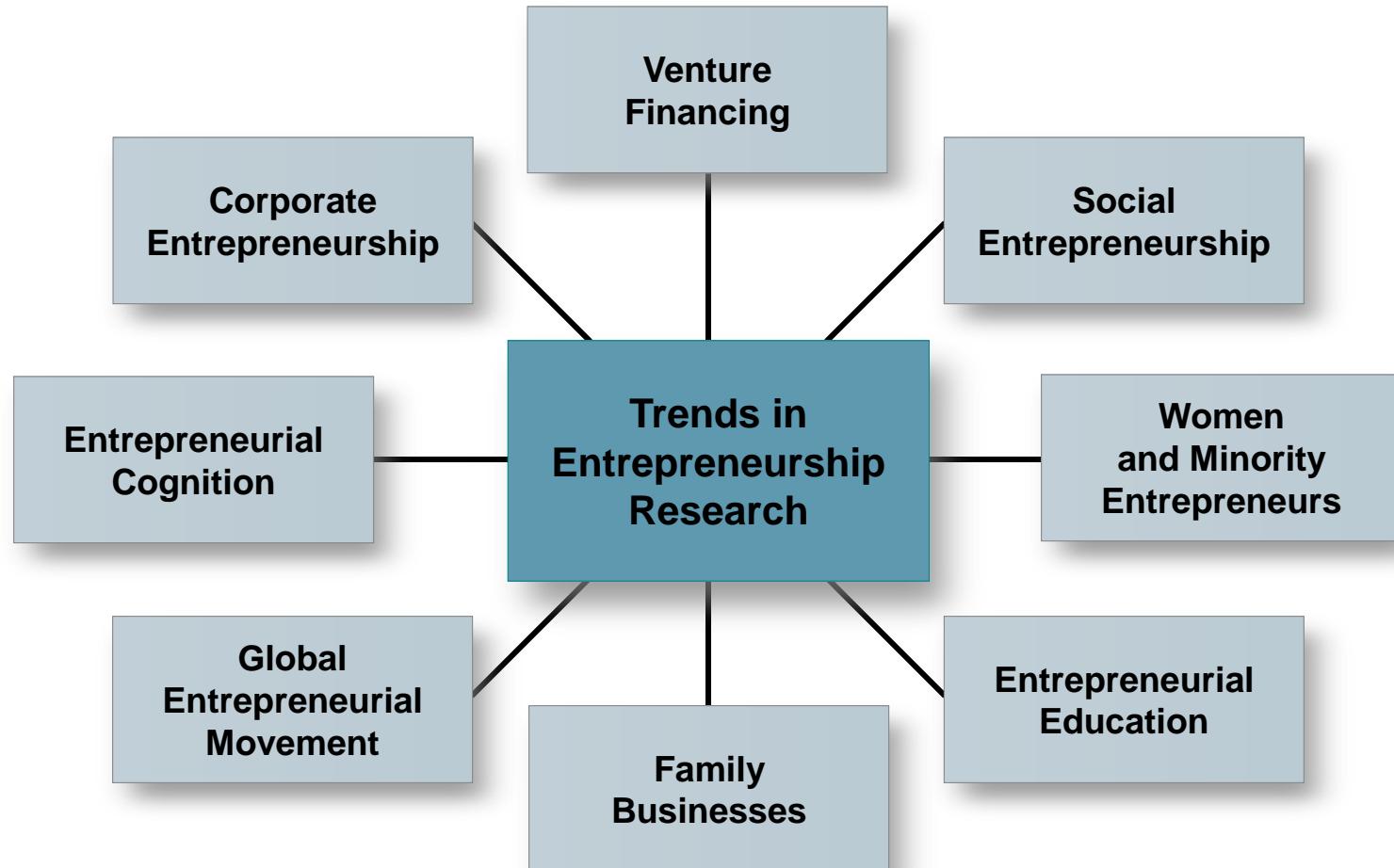
# Survival of Gazelles

- How many gazelles survive?
  - The simple answer is “none.” Sooner or later, all companies wither and die.
- The Common Myth of Failure:
  - 85% of all firms fail in the first year—in actuality, about half of all start-ups last between 5 and 7 years.

## Entrepreneurial Firms' Impact Cont'd)

- Entrepreneurial firms make two indispensable contributions to an economy:
  1. They are an integral part of the renewal process that pervades and defines market economies.
  2. They are the essential mechanism by which millions enter the economic and social mainstream of society.

# 21st Century Trends in Entrepreneurship Research



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- Major Research Themes:

- *Venture Financing*: venture capital and angel capital financing and other financing techniques strengthened in the 1990s.
- *Corporate Entrepreneurship* and the need for entrepreneurial cultures has drawn increased attention.
- *Social Entrepreneurship* has unprecedented strength within the new generation of entrepreneurs.
- *Entrepreneurial Cognition* is providing new insights into the psychological aspects of the entrepreneurial process.
- *Women and Minority Entrepreneurs* appear to face obstacles and difficulties different from those that other entrepreneurs face.
- The *Global Entrepreneurial Movement* is increasing.

## 21st Century Trends... (cont'd)

- Major Research Themes (cont'd):
  - *Family Businesses* have become a stronger focus of research.
  - *Entrepreneurial Education* has become one of the hottest topics in business and engineering schools throughout the world.

# Key Concepts

- Entrepreneurship
  - A process of innovation and new-venture creation through four major dimensions—individual, organizational, environmental, process—that is aided by collaborative networks in government, education, and institutions.
- Entrepreneur
  - A catalyst for economic change who uses purposeful searching, careful planning, and sound judgment when carrying out the entrepreneurial process.

# Key Concepts

- Entrepreneurial Management

- The discipline of entrepreneurial management:
  - Entrepreneurship is based upon the same principles.
  - It matters not who or what that the entrepreneur is—an existing large institution or an individual, for-profit business or a public-service organization, a governmental or non-governmental institution.
  - The rules are much the same: things that work and those that don't are much the same, and so are innovations and where to look for them.