Innovation and Entrepreneurship:Lecture 33

Course Instructor:
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Syllabus

Course Content:

Unit I: Introduction to Entrepreneurship: Entrepreneurs; entrepreneurial personality and intentions - characteristics, traits and behavioral; entrepreneurial challenges.

Unit II: Entrepreneurial Opportunities: Opportunities. Discovery/ creation, Pattern identification and recognition for venture creation: prototype and exemplar model, reverse engineering.

Unit III: Entrepreneurial Process and Decision Making: Entrepreneurial ecosystem, Ideation, development and exploitation of opportunities; Negotiation, decision making process and approaches, Effectuation and Causation.

Unit IV: Crafting business models and Lean Start-ups: Introduction to business models; Creating value propositions-conventional industry logic, value innovation logic; customer focused innovation; building and analyzing business models; Business model canvas, Introduction to lean startups, Business Pitching.

Unit V: Organizing Business and Entrepreneurial Finance: Forms of business organizations; organizational structures; Evolution of Organisation, sources and selection of venture finance options and its managerial implications. Policy Initiatives and focus; role of institutions in promoting entrepreneurship.

BIRLA INSTITUTE OF APPLIED SCIENCES
BIAS

OUTLINE OF LECTURE 33

- **INTRODUCTION**
- History of Corporation
  - **PRE-INDUSTRIAL SOCIETIES**
  - **AGRARIAN SOCIETIES**
  - **Roman Corporations**
  - **Trading Corporations**
  - **Incorporation by Registration**
- Life Stages of Modern Corporations

Organization Evolution

- **Organizations** must **evolve** in order to survive.
- Those that **evolve** the most successfully will have a competitive advantage.
- Strategy is about ensuring that **organization evolution** happens.
- A strategically competent **organization** is one that continually evolves an advantage over other **organizations**.

What are the five stages of evolution?

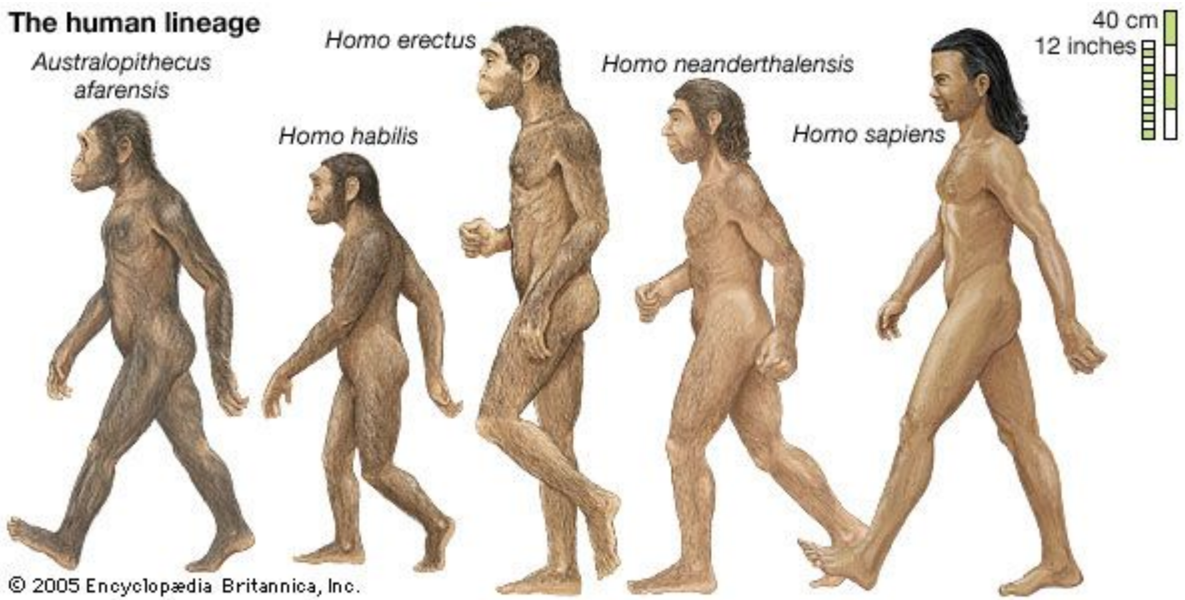
Evolution is the outcome of the interaction between the following five processes:

- Mutation.
- Genetic Recombination.
- Chromosomal Abnormalities.
- Reproductive isolation.
- Natural Selection.

What are the 3 stages of evolution?

- It states that society as a whole, and each particular science, develops through **three** mentally conceived **stages**:
  - (1) the theological **stage**,
  - (2) the metaphysical **stage**, and
  - (**3**) the positive **stage**.

EVOLUTION OF HUMAN



EVOLUTION OF MYTHOLOGY AND DARWIN

History of Corporation

- **PRE-INDUSTRIAL SOCIETIES**
- **AGRARIAN SOCIETIES**
- **Roman Corporations**
- **Trading Corporations**
- **Incorporation by Registration**

Pre-Industrial Societies

- Biased against management
  - Ruling class perceived work, commerce, and trade as undignified
  - Work was done by slaves
    Individuals were bound to their stations for life
- Rules were not questions
- Profit making was not favorably viewed by the ruling class
- Money should be made by conquering

Management Theory of Pre-Industrial Societies

- Sporadic, Widely scattered
- Span of Control discussed by Egyptians
- Socrates discussed leadership
- Plato described work specialization

Agrarian Societies

- Farm/home was the focus of the work
- Followed in the footsteps of parent
- Craftwork was prevalent
- Land meant wealth

Roman Corporations

- The word corporation derives from the Latin word *corpus* for body, representing a body of people authorized to act as an individual.
- Cities were the first entities the Romans treated as corporations.
- Over time, the concept was extended to certain community organizations called *collegia*.
- These included artisan associations, religious societies and social clubs formed to provide funerals for members.

Trading Corporations

- During the Middle Ages, cities, guilds, monasteries and universities were all chartered as corporations, typically by sovereigns, local nobility or religious authorities.
- This changed around 1600, when new business forms emerged to challenge the might of Spain and Portugal. The upstarts were chartered corporations.
- Two early joint stock companies were Holland’s and England’s respective **East India Companies**, which were chartered to challenge Portugal’s dominance of the spice islands.
- The Queen and nobility had significant investments in the English East India Company, and they looked out for the company’s interests in the halls of government.

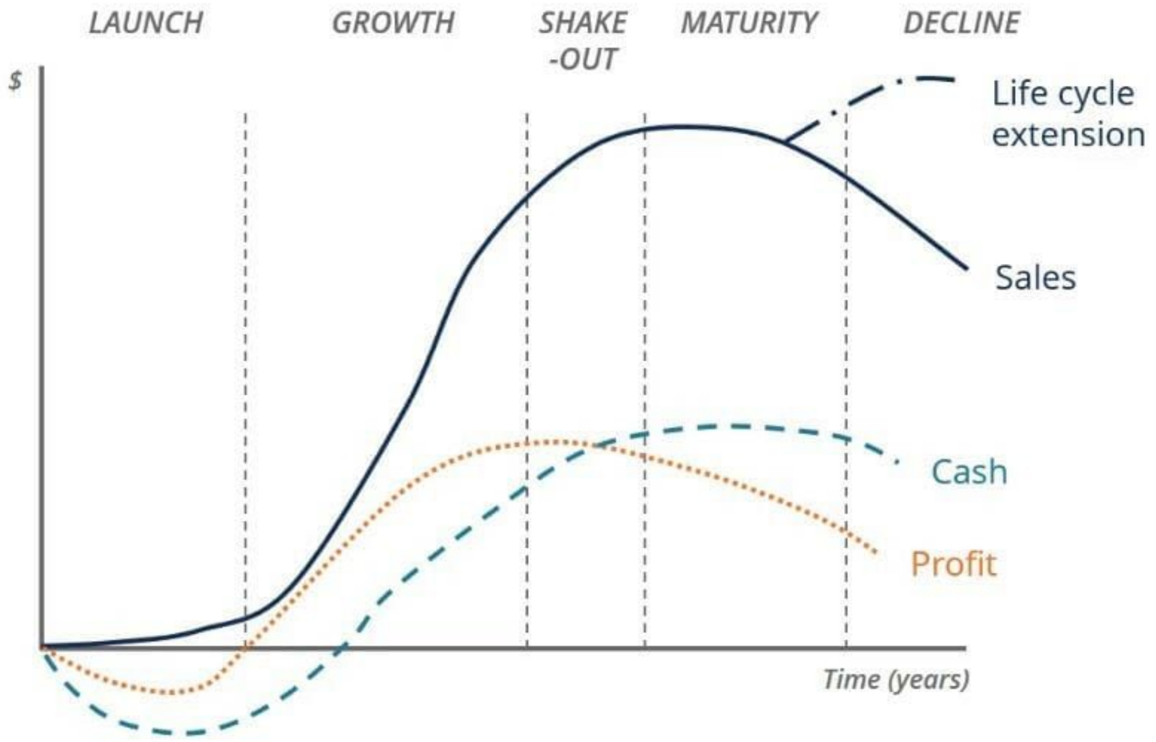
Incorporation by Registration

- In various countries, legislation was passed allowing entrepreneurs to incorporate any firm they liked by simply filing paperwork.
- No longer would corporations be privileged associations granted monopolies by the state to pursue some public purpose.
- They had become a standard business form—along with sole proprietorships and partnerships—that was available to all.

Life Stages of Modern Corporations

- The business life cycle is the progression of a business in phases over time and is most commonly divided into five stages:
  - **Launch**,
  - Growth,
  - Shake-out,
  - **Maturity**, and
  - **Decline**.

Business Life Cycle



Phase One: Launch

- Each company begins its operations as a business and usually by launching new products or services.
- During the launch phase, sales are low, but slowly (and hopefully steadily) increasing.
- Businesses focus on marketing to their target consumer segments by advertising their comparative advantages and value propositions.
- However, as revenue is low and initial startup costs are high, businesses are prone to incur losses in this phase.

Phase Two: Growth

- In the growth phase, companies experience rapid sales growth.
- As sales increase rapidly, businesses start seeing profit once they pass the break-even point.
- However, as the profit cycle still lags behind the sales cycle, the profit level is not as high as sales.
- Finally, the cash flow during the growth phase becomes positive, representing an excess cash inflow.

Phase Three: Shake-out

- During the shake-out phase, sales continue to increase, but at a slower rate, usually due to either approaching market saturation or the entry of new competitors in the market.
- Sales peak during the shake-out phase.
- Although sales continue to increase, profit starts to decrease in the shake-out phase.
- This growth in sales and decline in profit represents a significant increase in costs. Lastly, cash flow increases and exceeds profit.

Phase Four: Maturity

- When the business matures, sales begin to slowly decrease. Profit margins get thinner, while cash flow stays relatively stagnant.
- As firms approach maturity, major capital spending is largely behind the business, and therefore cash generation is higher than the profit on the income statement.

Phase Five: Decline

- In the final stage of the business life cycle, sales, profit, and cash flow all decline.

- During this phase, companies accept their failure to extend their business life cycle by adapting to the changing business environment. Firms lose their competitive advantage and finally exit the market.