

**Technical University of Mombasa**  
**LECTURE SESSION ONE**  
**FOUNDATIONS OF ENTREPRENEURSHIP**

**Lecture Outline**

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- 1.3 Concepts of Entrepreneurship.
- 1.4 Characteristics of an Entrepreneur.
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**1.1 Introduction**

Welcome to this first lecture in Entrepreneurship Skills. Our first session will cover the Foundations of Entrepreneurship. In this lecture, we shall discuss the concept of Entrepreneurship, Evolution of Entrepreneurship and the traits of an entrepreneur. Finally, we shall discuss the Myths of Entrepreneurship.

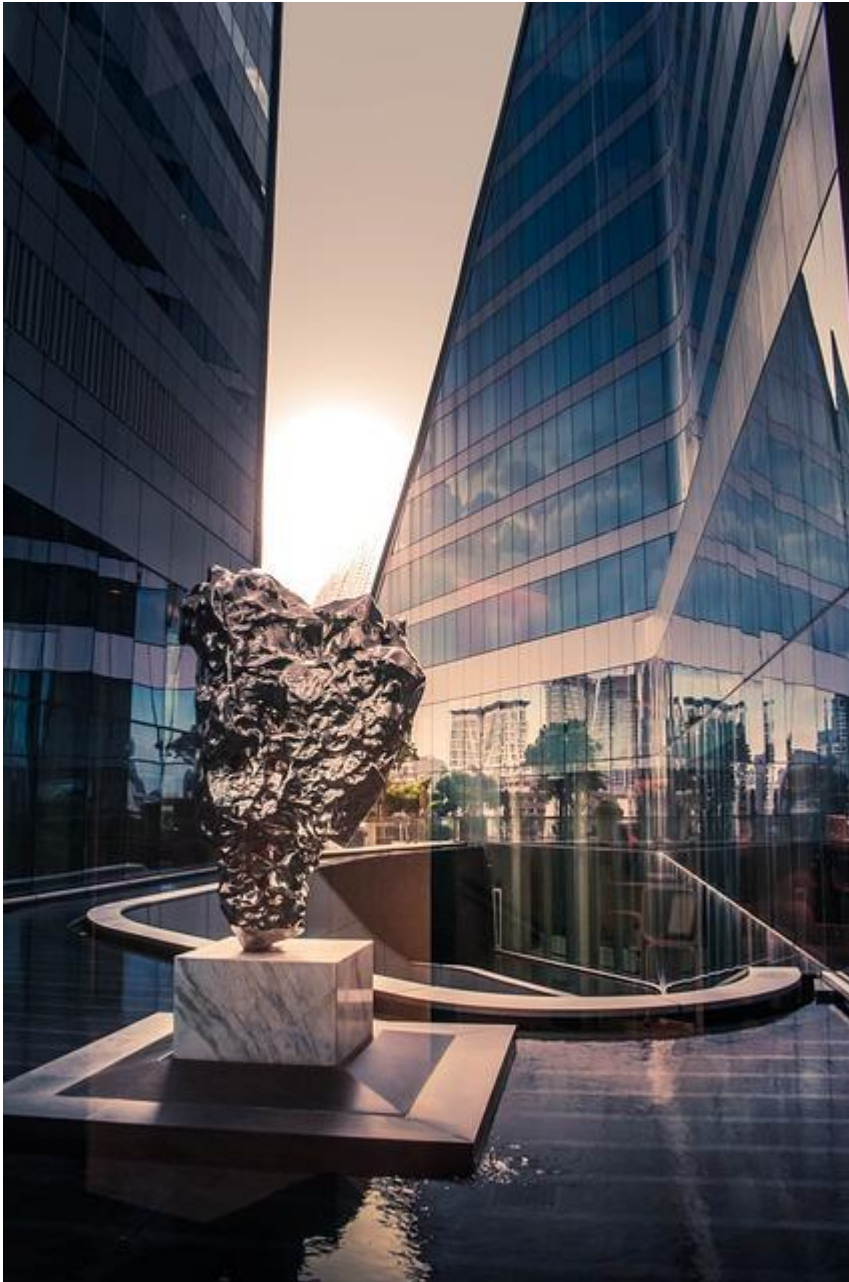


**1.2 Learning Outcomes**

By the end of the session, the learners will be able to;

- i. Explain the concept of entrepreneurship.
- ii. Narrate the historical development of entrepreneurship.
- iii. Examine the personal characteristics of entrepreneurs.

### 1.3 Concepts of Entrepreneurship



#### **Entrepreneurship: Think Big**

##### **1.3.1 An Entrepreneur**

An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize them.

An entrepreneur is a person who constantly scans the environment with the aim of identifying a viable business opportunity, then Marshall all the necessary resources,

initiate a successful business activity and get rewards.



### Activity

1. Outline the key aspects/Words that comes out from this second definition.
2. Describe the details of the words you underlined.

Probably you outlined the following words; constantly scans, environment, viable business opportunity, resources, initiating a business, and rewards.

Now let us describe these words in detail.

**To scan means** looking at all parts of (something) carefully in order to detect some features.

### Environment-



**Scanning the Environment: Look at the Environment critically**

this refers to the business environment/ the location where you can set a business activity, such as, the classroom environment, the college campus, the estate where you live, the county, the country and the world at large. Modern technology has made it possible to do business even internationally. As a youth, you can do business within your county if you have a registered business. The government policy has allowed businesses owned by the youth, women and the disabled to get 30% of the tenders in public institutions.

**Viability** measures your business' ability to start, grow and survive. It factors in target markets, competition, sourcing and overall financial potential. The creation of a business plan will help you determine if your business is viable.

**Resources** refer to the employees (human resources), finance and other facilities required by the entrepreneur to enable him start and manage a business enterprise.

**Rewards** this includes profits and satisfaction derived by the entrepreneur as he does his/her business.



**Trophy Award: When you make it you receive an Award.**

Entrepreneurs are often contrasted with managers and administrators who are said to be very methodical and less prone to risk –taking. Such person-centric models of entrepreneurship have shown to be of questionable validity, not least as many real-life entrepreneurs operate in teams rather than as single individuals.

### **1.3.2 Entrepreneurship**

Let us start our discussion by asking ourselves this question.



**Question 1: Discuss the Origin of Entrepreneurship?**

Well done. I believe you have said that Entrepreneurship comes from the Word, “Entrepreneur”. Which originally came from French word “Entreprendre” meaning to undertake. Which means then that entrepreneurship is the making of one an entrepreneur? Now let us look at the Concept of entrepreneurship, Evolution of entrepreneurship and the Myths of Entrepreneurship.

Entrepreneurship refers to a process of actions an entrepreneur undertakes to establish his business. It is a creation and innovative response to the environment and an ability to recognize, initiate and exploit an economic opportunity.





Entrepreneur Business: Depicting a Business and the process or actions undertaken.



Entrepreneurship is the ability to foresee or ascertain the various opportunities related with investment and then to evaluate these various opportunities and forming enterprise, the purpose of which is to give the maximum contribution in the nation's growth. When we combine these activities performed by entrepreneurs the result is known as entrepreneurship.

Entrepreneurs is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities.

Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organization that is being started. Thus, entrepreneurship ranges in scale from micro enterprise (even involving the entrepreneur only on part-time) to large enterprises that are undertakings creating many job opportunities.

**Take Note**

The entrepreneurial process involves the following;

- i. Identifying a viable business opportunity.
- ii. Evaluating the business opportunity.
- iii. Develop a business plan.
- iv. Initiate a business activity.
- v. Get rewards.

Now let us look at the traits that make successful entrepreneurs.

## 1.4 Characteristics of an Entrepreneur.

Entrepreneurs connote the following aspects that describe their profile:

- i. **Desire for responsibility:** Entrepreneurs feel a deep sense of personal responsibility for the outcome of the business they start. They prefer to be in control of their resources, and they use those resources to achieve self-determined goals.
- ii. **Preference of moderate risk:**



Clouds cliff leap High: Depicting Moderate Risk

- iii. Entrepreneurs take moderate risk to ensure that their businesses succeed.
- iv. **Confidence in their ability to succeed:** Entrepreneurs typically have an abundance of confidence in their ability to succeed and are confident that they choose the correct career path.
- v. **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.
- vi. **High level of energy:** Entrepreneurs are more energetic than the average person. That energy may be a critical factor given that incredible effort required

to launch a startup firm. They work for long hours to ensure their business succeeds.

- vii. **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 what they might do tomorrow.
- viii. **Skill at organizing:** Entrepreneurs should know how to organize resources in their firms. These resources include financial, human physical etc.
- ix. **Value of achievement over money:** Entrepreneurs experience joy of creating, getting things done, or exercising one's energy and ingenuity and not only money.
- x. **High degree of commitment:**



**Ring Wedding Love: Shows total commitment to the Parties involved.**

Entrepreneurship is hard work, and launching a firm successfully needs total commitment from entrepreneurs.

**Xi Tolerance of ambiguity:** Entrepreneurs tend to have a high tolerance of ambiguous ever-changing situations, the environment in which they most operate. This ability to handle uncertainty is critical because these business builders constantly make decisions using new, sometimes conflicting information obtained from a variety of unfamiliar sources.

xi. **Flexibility:**



**Agility Ballet dancing: Have to be Flexible**

Entrepreneurs should respond to changing demands of their customers and their businesses.

- xii. **Tenacity:** Obstacles, obstructions and defeat typically do not dissuade entrepreneurs from doggedly pursuing their visions. They simply keep trying.

### **1.5 Evolution of Entrepreneurship**

Entrepreneurship is derived from the French entrepreneur, meaning “to undertake” An entrepreneur is one who undertakes to organize, manage, and assume risks of a business.

Today s/he is seen as innovator/developer that recognizes and seizes opportunities, converts those opportunities into workable/marketable ideas, adds value through time, effort, money, or skills, assumes risks of competitive market place to implement these ideas and realizes the rewards from these efforts.

Entrepreneur is an aggressive catalyst for change in the world of business, independent thinker who dares to be different amid background of common events. 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.

Entrepreneurship was recognized in 18<sup>th</sup> Century in France by Richard Cantillon, “Risk Bearing” activity in the economy.

Jean Baptiste Say (1803) and Joseph Schumpeter (1934) –Entrepreneurship and Economic development is the focus of an entrepreneur. Thus, Entrepreneurship is seen as:

- i. Doing things that are not generally done in an ordinary course of business routine.
- ii. Bridge between the society, non-economic aspects of the society and the profit-oriented institutions established to take advantage of its economic endowments and to satisfy the best they can, it is economic desires.

Entrepreneurship according to Robert C. Ronstadt refers to the following:

- i. The dynamic process of creating incremental wealth.
- ii. 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.
- iii. 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 recourses.

The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something really new to the world, whose market never exists. Before Internet, nobody knew the market for Internet related businesses such as Amazon, Google, YouTube, Yahoo etc. Only after the Internet emerged did people begin to see opportunities and market in that technology.

Entrepreneurship can be seen as process as well as a discipline. As a process, it involves identification of new opportunities and taking risks in order to make profit. It further involves an act of creating a viable investment. As a discipline, one studies it and involves learning the theory, skills and attitudes required in the venture creation and management process.



### Take Note

The term **Entrepreneurship** means the process of making one an entrepreneur. The **Concept of Entrepreneurship** refers to the concept of developing and managing a business venture in order to gain profit by taking several risks in the corporate. **Evolution of Entrepreneurship** refers to how entrepreneurship originated/came about.

Having looked at the Concept of Entrepreneurship and Evolution of Entrepreneurship, we shall now turn our attention to discuss an entrepreneur and the Myths of Entrepreneurship.

## 1.6 Myths of Entrepreneurship

### 1. The Risk-Taking Myth: “Most successful entrepreneurs take wild, Uncalculated risks in starting their companies.”

Risk is an intrinsic part of any business venture. Starting a company of any type places tremendous strain on the founders' personal lives. The cost of the uncertainty that comes

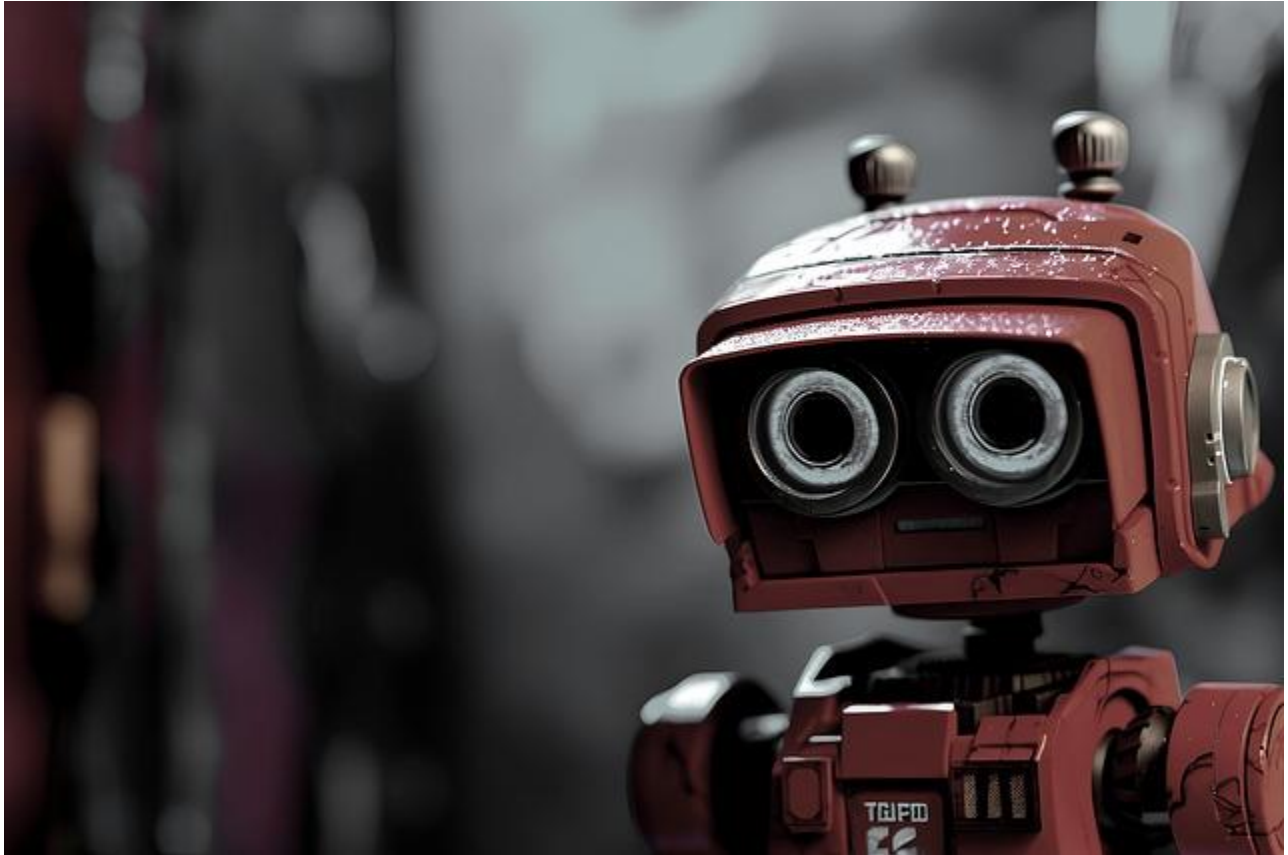
with a new venture can be staggering in terms of stress on family relationships, self-image,

and personal bank accounts.

But according to Bhidé and others, the highest measurable levels of risk to the founder of the Early Growth Company (EGC) – financially and professionally – come much later in the development of the business and not at the start, as is commonly thought. At this earliest stage of development, the founders of entrepreneurial growth companies do not take on the majority of the risks that are associated with the company. They find others to take on these risks



**2. The High-Tech Invention Myth: “Most successful entrepreneurs start their companies with a break-through invention – usually technological in nature.”**



**Ai generated robot:Example of High Tech**

Going by mainstream media coverage, it would be easy to imagine that most successful EGCs are built around some sort of invention or breakthrough – probably technological in nature. But that is not the case. “Revolutionary ventures” are relatively rare among successful growth companies, according to Bhidé. He cites Federal Express, which was started in the 1970s on the then-unheard-of idea of creating a worldwide system of transportation dedicated to providing overnight delivery of packages, as the exception that proves the rule

**3. The Expert Myth: “Most successful entrepreneurs have strong track records and years of experience in their industries.”**

Jann Wenner started *Rolling Stone* magazine when he was just 21 years old and just out of college. Steve Wozniak, who helped found Apple Computers, was an “undistinguished” engineer at Hewlett-Packard when he built the first Apple computer. John Katzman was a part-time tutor at Hunter College in New York City when he founded the Princeton Review, a test-preparation and tutoring company

**4. The Strategic Vision Myth: “Most successful entrepreneurs have a Well-considered business plan and have researched and developed their ideas before taking action.”**

While it might be easy to assume that most successful entrepreneurs start out with a Well-considered plan of action, strategic planning and research are in fact hallmarks of the later stages of development, rather than a necessary initial ingredient. For many start-ups, extensive research and planning are often both unnecessary and

financially impossible. At the early stages, Bhidé finds that successful entrepreneurs do not necessarily have grand plans or a horizon-to-horizon vision of where they want to take their businesses

**5. The Venture Capital Myth: “Most successful entrepreneurs start their companies with millions in venture capital to develop their idea, buy supplies, and hire employees.”**

Of all the myths and misunderstandings surrounding entrepreneurship, the role of venture capital is perhaps the most exaggerated. The venture capital phenomenon has received so much attention that it often appears to those looking in from the outside that

most decent business ideas would receive venture backing. The media lavishes coverage on venture-backed startups, and has highlighted the massive growth in business “incubators” around the country.

In truth, venture capital is dominant in some industry sectors where capital requirements force companies to skip the early growth stages. For example, venture capital backing is a common feature among biotechnology ventures, some high-tech startups, and the Internet industry. For example, at the height of the boom, Internet startups received roughly \$17 billion out of \$21 billion (80 percent) in venture capital during the first quarter of 1999. But even after the “dot-com crash” (the third quarter of 2000) Internet companies still accounted for 45 percent of all venture capital investments.



### Activity

List any FIVE Characteristics of a successful entrepreneur.

Well done. You have been able to list FIVE characteristics of a successful entrepreneur. This leads us to our last subsection in this lecture on Foundations of Entrepreneurship.



### 1.9 Summary

The session embarked on highlighting the Concept of an entrepreneur, Evolution of entrepreneurship and the myths of entrepreneurship. Emphasising the ability to foresee or ascertain the various opportunities related with investment and evaluate these various opportunities and form enterprises. It also looks at how Entrepreneurship evolves from the French word meaning “to undertake”. It also endeavours to uphold or demystify some myths of entrepreneurship.



### 1.8 Review Activity

- i) Explain the “Concept of Entrepreneurship”
- ii) Briefly describe the process of Entrepreneurship Evolution
- iii) Highlight at LEAST TEN aspects that connote the

profile of an entrepreneur



### **1.9 References and Further Reading**

1. Hirsch, R.D., Peters, M.P. & Shepherd, D.A. (2014). Entrepreneurship, 8<sup>th</sup> Edition. Boston, U.S.A: McGraw Hill Education (ISBN: 987-0073530321).
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