

6 : Introduction to Entrepreneurship

EN 5106 - Fundamentals of Management &
Entrepreneurship

Level III - Semester 5

Overview

- Entrepreneurship is a dynamic and multifaceted field that encompasses the art and science of creating, developing, and managing new ventures.
- Rooted in innovation, risk-taking, and the pursuit of opportunity, entrepreneurship is a driving force behind economic growth, job creation, and societal transformation.
- This lecture provides a glimpse into the fundamental aspects of entrepreneurship, exploring its definitions, dimensions, key characteristics, risks they face and the diverse roles entrepreneurs play in shaping the business landscape.

Intended Learning Outcomes

At the end of this lesson, you will be able to;

- Define the terms entrepreneur, enterprise and entrepreneurship.
- Discuss the most commonly cited characteristics found in successful entrepreneurs.
- To examine the concepts of the social entrepreneur, the mindset of social entrepreneurs and ecopreneurs.
- To define the term ethics and the implications of it for entrepreneurs.
- Identify and describe the different types of risks entrepreneurs face.
- Discuss the different pathways of career an entrepreneur can pursue.
- Describe the different approaches and techniques successful entrepreneurs worldwide have used.

List of sub topics

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6.1 Definitions of Key Concepts

- **6.1.1 Entrepreneur**

- A person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk.
- A person who produces new goods and services, new processes and businesses as a result of processing resources required to start and develop a new business.
- The entrepreneurial journey is marked by continuous learning, adaptability, and a commitment to realizing a vision in the face of challenges.

6.1 Definitions of Key Concepts Cont...

- **6.1.2 Enterprise**

- It is a complex organization or business entity that engages in commercial, industrial, or professional activities with the goal of generating revenue and achieving specific objectives.
- The activity of providing goods and services involving financial and commercial and industrial aspect.
- A unit of economic organization or activity; especially business organization.
- Enterprises come in various forms, ranging from small and medium-sized enterprises (SMEs) to large multinational corporations.

6.1 Definitions of Key Concepts Cont...

- **6.1.3 Entrepreneurship**

- The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit.
- It is a mentality that motivates people to change the future, a way of logical thinking and acting, a collection of attitudes and behaviours and skills of persons.
- It is the ability to identify a suitable business idea and convert it into a practicable business enterprise.

6.2 Dimensions of Entrepreneurship

- Entrepreneurship is a multidimensional concept that encompasses various facets, reflecting the diverse nature of entrepreneurial activities.
- The different facets that are taken into consideration when identifying the different dimensions of entrepreneurship are:
 - Individual Characteristics
 - Behavioural Aspects
 - Organizational Characteristics
 - Business Models and Strategies
 - Economic and Market Dynamics
 - Social and Environmental Considerations
 - Networks and Relationships
 - Technology and Innovation
- The two common dimensions of Entrepreneurship are:
 - Business Entrepreneurship
 - Social Entrepreneurship

6.2 Dimensions of Entrepreneurship Cont...

6.2.1 Business Entrepreneur

- Business entrepreneurs are individuals who take the initiative to create, organize, and operate a business venture with the goal of making a profit.
- These individuals are often characterized by their innovative thinking, risk-taking mindset, and ability to recognize and capitalize on market opportunities.
- Business entrepreneurs play a crucial role in the economy by driving economic growth, creating jobs, and contributing to innovation.

6.2 Dimensions of Entrepreneurship Cont...

6.2.2 Social Entrepreneur

- Social entrepreneurs are individuals who leverage entrepreneurial principles and innovative approaches to address and solve social and environmental issues.
- Unlike traditional business entrepreneurs who primarily focus on profit generation, social entrepreneurs are driven by a mission to create positive change and make a meaningful impact on society.
- Their initiatives often involve developing sustainable solutions to pressing challenges, ranging from poverty and inequality to environmental sustainability and healthcare.
- Social entrepreneurs aim to create both social and economic value through their ventures.

6.3 Characteristics of Successful Entrepreneurs

- Successful entrepreneurs often share a set of common characteristics that contribute to their ability to navigate challenges, seize opportunities, and build thriving businesses.
 - Determination and Perseverance - Crucial during the various stages of building and growing a business, where challenges and setbacks are inevitable in order to adapt to change.
 - Drive to Achieve - A powerful and motivating force that propels entrepreneurs toward their goals and aspirations.
 - Opportunity Orientation – Helps in quickly identifying potential openings in the market, and to proactively leverage these opportunities for business success.
 - Persistent Problem Solving - Reflects an entrepreneur's ability to tackle challenges with resilience, determination, and a commitment to finding effective solutions.

6.3 Characteristics of Successful Entrepreneurs Cont...

- Seeking Feedback - It provides valuable insights, perspectives, and information that can contribute to the improvement and success of their ventures.
- Internal Locus of Control - It is an individual's belief in their ability to influence and control their own outcomes and experiences where entrepreneurs with a strong internal locus of control tend to believe that their actions, decisions, and efforts directly impact the success or failure of their ventures.
- Tolerance for Ambiguity - Reflects an individual's comfort level and ability to navigate situations characterized by uncertainty, complexity, and ambiguity.
- Calculated Risk Taking - Entrepreneurs make decisions that involve uncertainty and potential downside, but they do so after careful consideration and analysis.

6.3 Characteristics of Successful Entrepreneurs Cont...

- Tolerance for Failure - Reflects their ability to navigate setbacks, learn from experiences, and persevere in the face of challenges.
- High Energy Level - Contributes to their ability to drive initiatives, overcome challenges, and sustain the momentum needed for success.
- Creativity and Innovativeness - Entrepreneurs who cultivate a creative mindset and embrace innovation are better equipped to navigate the dynamic and competitive landscape of business.
- Vision and Passion - These qualities shape the direction of their ventures, inspire their teams, and fuel the determination needed to overcome challenges.
- Team Building - Entrepreneurs who prioritize effective team building create a positive and productive work environment, fostering a culture that enhances creativity, innovation, and overall performance.

6.4 Entrepreneur and Small Business Owner – The Difference

- While the terms “Small Business Owner” and “Entrepreneur” are sometimes used interchangeably, they represent distinct roles with different characteristics and approaches to business.
- Small business owners might have initially seized an opportunity with the enthusiasm of an entrepreneur, but over time, they may settle into a more self-satisfied state.
- This can occur when either the business owner or the opportunity, or both, no longer possesses the characteristics that define an entrepreneurial endeavor. In such cases, the business may remain modest in size, and the owner may opt for a stable and less ambitious approach to business management.
- Many small business owners appreciate consistent sales, steady profits, and moderate growth, choosing to maintain a size that allows for personal management and control. In these instances, individuals are better described as small business owners rather than entrepreneurs.

6.4 Entrepreneur and Small Business Owner – The Difference Cont...

- The difference between a small a business owner and an entrepreneur lies in the fact that small-business owners prioritize seizing existing equilibrium opportunities and maximizing the balance between supply and demand within established markets.
- In contrast, entrepreneurs strive to leverage innovative venture opportunities, with the goal of creating new markets both domestically and internationally.
- Some of the factors where Entrepreneurs and Small Business Owners differ from are:
 - Mindset and Approach
 - Risk Tolerance
 - Innovation and Creativity
 - Growth Orientation
 - Business Model
 - Goal and Vision
 - Funding and Investment

6.4 Entrepreneur and Small Business Owner – The Difference Cont...

| Small Business Owner | Entrepreneur |
|---|---|
| Carries out business activities in a traditional and conventional method. | Carries out business activities based on new products and considering the realities and changes in the environment. |
| Does not like to face or take risks. | Accepts risks which can be bearable after a careful calculation of risks. |
| Does not like to face competition. | Seeks for competition. |
| Does not take maximum advantage from existing resources. | Takes maximum use of the existing resources, as per required. |
| Tries to solve problems in a conventional way. | Solves problems creatively. |
| Sets short term objectives. | Sets long term and visionary objectives. |
| Be Satisfied by keeping the business in the same way. | Extends the business day by day, is not satisfied of the present position. |

6.5 Entrepreneurial Mindset

- The entrepreneurial mindset is a distinctive way of thinking and approaching challenges that is characterized by a combination of creativity, innovation, resilience, and a willingness to take risks.
- Entrepreneurs possess a unique set of qualities that enable them to identify opportunities, navigate uncertainties, and turn their visions into reality.
- Embracing this mindset can not only lead to individual success but also contribute to the broader innovation and progress of society as a whole.

6.5 Entrepreneurial Mindset Cont...

- Some of the qualities that specifically delve in the entrepreneurial mindset are:
 - Risk Taking and Resilience - The ability to embrace risk and bounce back from failures is a hallmark of the entrepreneurial mindset. Elon Musk, founder of SpaceX and Tesla, is a prime example. Musk took significant financial risks in the early days of his ventures, facing multiple failures with SpaceX rockets and Tesla electric cars. However, his resilience and determination allowed him to learn from setbacks, iterate on his ideas, and ultimately achieve groundbreaking success in both industries.
 - Adaptability and Flexibility - Entrepreneurs understand the importance of adaptability in the ever-changing business landscape. Airbnb co-founders Brian Chesky, Nathan Blecharczyk, and Joe Gebbia initially started their company as a platform to rent out air mattresses in their apartment during a conference. When the concept evolved into home-sharing, they adapted to the market demands.

6.5 Entrepreneurial Mindset Cont...

- Passion and Commitment - Successful entrepreneurs are driven by a deep passion for their endeavors, and this passion fuels their commitment to overcoming challenges. Oprah Winfrey, media mogul and philanthropist, started her career facing numerous obstacles as an African-American woman in the media industry. However, her unwavering passion for storytelling and commitment to creating meaningful content propelled her to become one of the most influential figures in the media world.
- Innovative Problem Solving - Entrepreneurs excel at identifying problems and developing innovative solutions. Jeff Bezos, founder of Amazon, recognized the inefficiencies in traditional brick-and-mortar retail and envisioned an online marketplace that would revolutionize the way people shop.

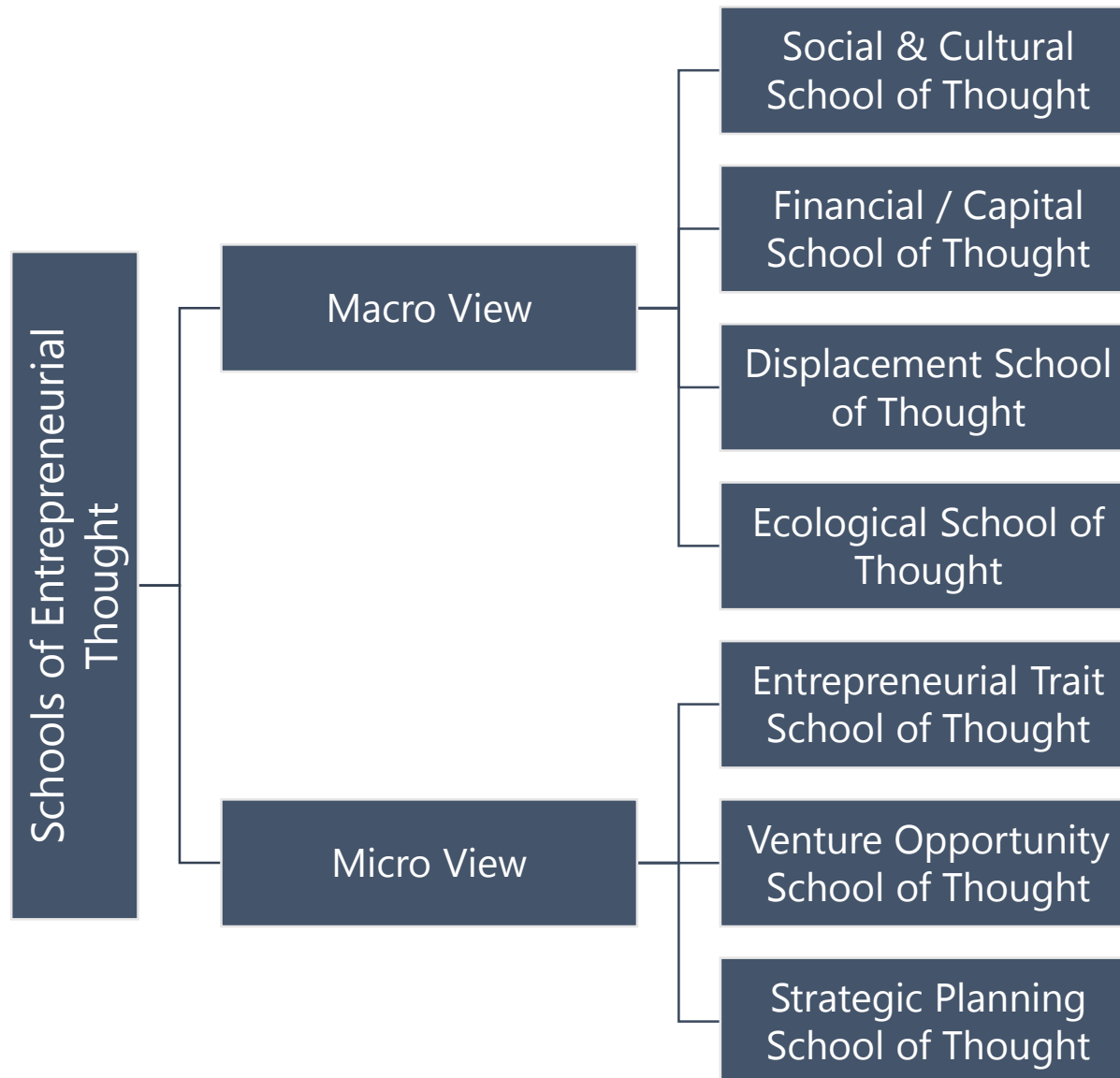
6.5 Entrepreneurial Mindset Cont...

- Networking and Relationship Building - Building a strong network is crucial for entrepreneurs to gain support, mentorship, and partnerships. Richard Branson, founder of the Virgin Group, is known for his ability to connect with people and build lasting relationships. His extensive network played a significant role in the success and diversification of the Virgin brand into various industries, from music and airlines to telecommunications and space travel.
- Vision and Creativity - Entrepreneurs possess a visionary outlook that allows them to see beyond the present and imagine a future that others might overlook. Steve Jobs, co-founder of Apple Inc., exemplified this visionary thinking. Jobs envisioned a world where personal computers were accessible to everyone, and his creative mindset revolutionized the technology industry, leading to the creation of iconic products like the iPhone and iPad.

6.6 Schools of Entrepreneurial Thought

- Entrepreneurial thought encompasses various perspectives and approaches, and several schools of thought have emerged over time to capture the diverse ways in which individuals conceptualize and engage in entrepreneurship.
- These schools of thought provide different lenses through which one can understand and study the entrepreneurial process.
- Hence, Entrepreneurship is characterized by its interdisciplinary nature.
- These different schools of thought have been in the literature for a long time and are useful when someone tries to understand a certain entrepreneur.
- There are two types of Schools of Entrepreneurial Thoughts which further subdivides.

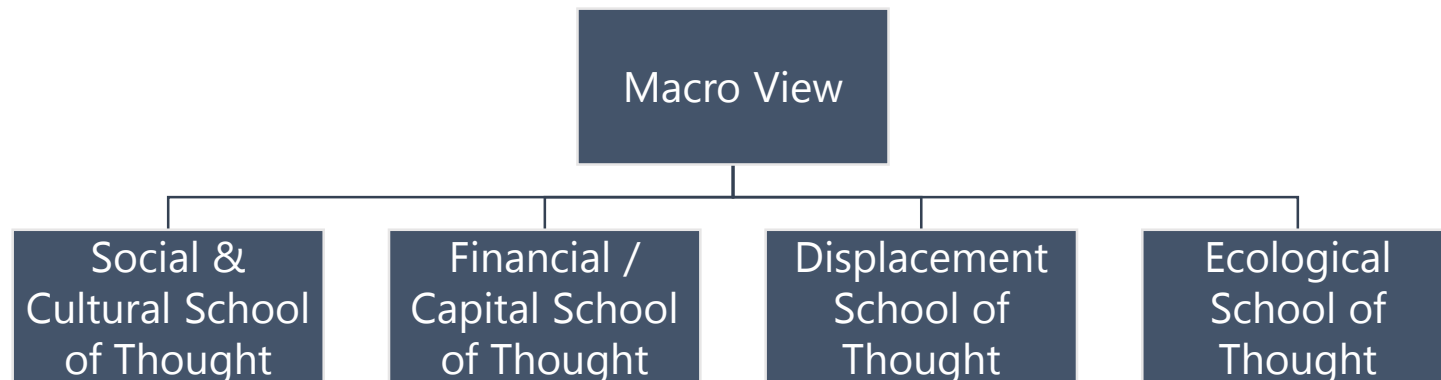
6.6 Schools of Entrepreneurial Thought Cont...



6.6 Schools of Entrepreneurial Thought Cont...

6.6.1 Macro View

- The macro view on entrepreneurship encompasses a wide range of external elements, such as education, physical infrastructure, cultural aspects, and financial considerations, all of which play a role in influencing the outcomes of modern entrepreneurial endeavors.
- Among these various factors are external processes that sometimes extend beyond the direct influence of individual entrepreneurs, indicating a significant external locus of control perspective.
- The Macro View is further subdivided into four schools of entrepreneurial thought.



6.6 Schools of Entrepreneurial Thought Cont...

6.6.1 Macro View Cont...

- Social and Cultural School of Thought
 - Addresses the elements impacting an entrepreneur's personal lifestyle, with a concentration on institutions, values, and social norms.
 - When combined, these components create a socio-political environmental framework that shapes the evolution of entrepreneurs.
- Financial / Capital School of Thought
 - The primary focus of this entrepreneurial thought revolves around the pursuit of seed and growth capital.
 - Seeking capital is crucial for the development of an entrepreneur.
 - This particular school of thought approaches the entire entrepreneurial venture with a perspective centered on financial management.

6.6 Schools of Entrepreneurial Thought Cont...

6.6.1 Macro View Cont...

- Displacement School of Thought
 - This perspective delves into the adverse aspects of group dynamics, highlighting situations where an individual experiences a sense of being out of sync or is physically separated from the group, termed as being 'displaced.'
 - In accordance with this theory, there are instances when social groups may hinder an individual's advancement or remove crucial elements needed for progress.
 - Consequently, the individual, driven by personal motivations for success, may embark on an entrepreneurial pursuit as a response to this frustration.

6.6 Schools of Entrepreneurial Thought Cont...

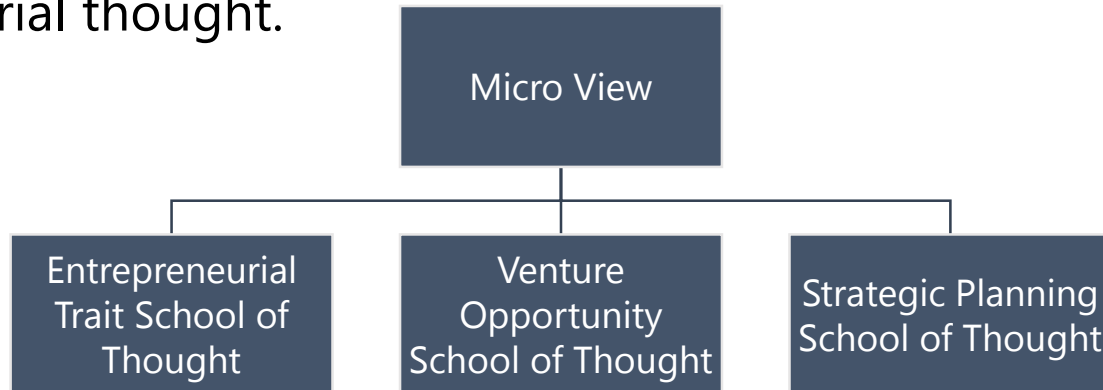
6.6.1 Macro View Cont...

- Ecological School of Thought
 - Founded on the concept that interconnectedness exists in all aspects across the globe, this perspective aligns itself with the principles of green economics and ecological economics.
 - In the domain of ecological entrepreneurship, the focus is on examining the metabolic processes of initiating new ventures.
 - This entails studying the patterns of energy and material flows entering and exiting entrepreneurial enterprises.

6.6 Schools of Entrepreneurial Thought Cont...

6.6.2 Micro View

- The micro view on entrepreneurship delves into factors that are unique to entrepreneurship and fall within the domain of the internal locus of control.
- In this view, entrepreneurs possess the capacity or control to guide and modify the results of each significant influence.
- In contrast to the macro view, which observes events from an external standpoint, the micro approach zeros in on specific details from an internal point.
- The Micro View is further subdivided into three schools of entrepreneurial thought.



6.6 Schools of Entrepreneurial Thought Cont...

6.6.2 Micro View Cont...

- Entrepreneurial Trait School of Thought
 - This school of thought is rooted in the examination of individuals who have achieved success and commonly display similar traits.
 - By emulating these characteristics, there is an enhanced likelihood of success for those who follow.
- Venture Opportunity School of Thought
 - Centers on the aspect of identifying opportunities in the process of venture development.
 - Creativity and market awareness are deemed crucial in this perspective.
 - Furthermore, according to this line of thinking, the pivotal factor for entrepreneurial success lies in crafting the right idea, at the right moment, for the right market niche.

6.6 Schools of Entrepreneurial Thought Cont...

6.6.2 Micro View Cont...

- Strategic Planning School of Thought
 - The strategic formulation perspective in entrepreneurial theory underscores the significance of the planning process in achieving successful venture development.
 - This involves recognizing, utilizing, or constructing unique markets, unique individuals, unique products, or unique resources to create effective venture formations.

6.7 Social Entrepreneurship

- Social entrepreneurship represents a dynamic and impactful strategy for tackling social and environmental challenges.
- Diverging from conventional business models centered solely on profit, social entrepreneurship aims to foster positive change by dedication to addressing societal concerns.

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6.7 Social Entrepreneurship Cont...

6.7.1 Who is a Social Entrepreneur?

- A social entrepreneur is an individual who applies entrepreneurial principles and innovative strategies to address and solve social, cultural, or environmental issues.
- Unlike traditional entrepreneurs who primarily focus on profit generation, social entrepreneurs prioritize creating positive impact and effecting meaningful change in society.
- They often establish ventures or initiatives that aim to tackle systemic problems, improve communities, and contribute to the greater good.
- Social entrepreneurs leverage their creativity, business expertise, and passion to develop sustainable solutions that go beyond financial success, seeking to create lasting social value.

6.7 Social Entrepreneurship Cont...

6.7.2 Mindset of a Social Entrepreneur

- While it is accurate that social entrepreneurs engage in similar activities and possess comparable skills and nature as business entrepreneurs, distinctions exist between the two.

| Business Entrepreneurs | Social Entrepreneurs |
|--|---|
| Positive and confident | Likely to fear failure |
| Return On Investment and profit are central | Social mission is central |
| Avoid facilitating introductions between customers and suppliers to ensure individual gains are maximized. | They prioritize the unity of the entire society and strive to connect others for the collective benefit of the community. |

6.7 Social Entrepreneurship Cont...

6.7.3 Ecopreneurs

- Ecopreneurs, a combination of "ecology" and "entrepreneur," represent a growing and impactful segment of entrepreneurs who are committed to integrating environmental sustainability into their business ventures.
- These individuals, often referred to as environmental entrepreneurs or green entrepreneurs, recognize the urgent need to address ecological challenges and seek innovative and sustainable solutions within the business domain.
- Ecopreneurs engage in a wide range of industries and sectors, from renewable energy and sustainable agriculture to eco-friendly product manufacturing and circular economy initiatives.

6.7 Social Entrepreneurship Cont...

6.7.3 Ecopreneurs Cont...

- Key characteristics of ecopreneurs include a strong sense of environmental responsibility, a commitment to transparency and eco-friendly practices, and a vision for creating businesses that align with the principles of the **Triple Bottom Line**—considering economic, social, and environmental factors in decision-making.
- Ecopreneurs play a crucial role in driving the transition towards a more sustainable global economy by demonstrating that profitable businesses can coexist with responsible and environmentally friendly practices.
- Their efforts contribute to a growing movement that seeks to redefine success in business, incorporating not only financial gains but also positive impacts on the planet and society.

6.8 Ethics and Entrepreneurship

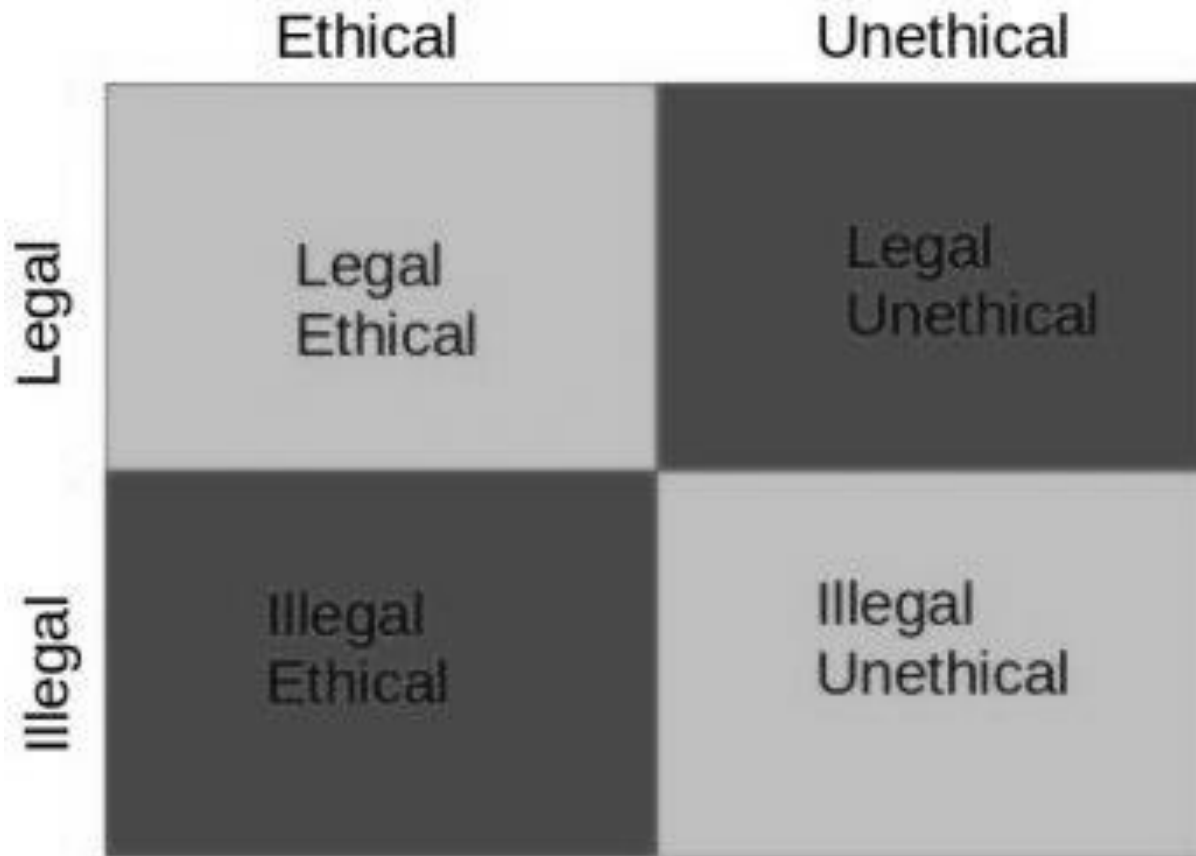
- Ethics serve as the guiding principles dictating the acceptable conduct of any activity within society. They establish a code of behavior that delineates what is deemed good or right and what is considered bad or wrong at any given point in time.
- It encompasses the decisions and actions of entrepreneurs, their interactions with stakeholders, and the impact of their ventures on society.
- Ethical behavior in entrepreneurship is not only a matter of personal integrity but also contributes to the long-term success and sustainability of businesses.
- Corporate Social Responsibility and Ethical Wealth Creation are two terms that play a major role when the ethics in entrepreneurship is considered.

6.8 Ethics and Entrepreneurship Cont...

- Numerous entrepreneurs, particularly those involved in social endeavors, embody high ethical standards.
- However, it is essential to acknowledge that not all entrepreneurs share this commitment.
- Even social entrepreneurs, who are often perceived as champions of ethical practices, must undergo scrutiny. This examination is crucial because, fundamentally, social entrepreneurs aim to achieve their missions using the most effective methods, a task that now involves integrating both social and economic objectives.
- A word that comes up together with ethicality is legality. Even though some people mix them, ethicality and legality are two different concepts.

6.8 Ethics and Entrepreneurship Cont...

- The Four Quadrant of Ethicality and Legality are:



6.8 Ethics and Entrepreneurship Cont...

- Some examples for the Four Quadrant of Ethicality and Legality are:

A lawyer protecting the confidentiality of his business client

Disclosing an employee's corruptive activity

| | Ethical | Unethical |
|---------|--------------------|----------------------|
| Legal | Legal Ethical | Legal Unethical |
| Illegal | Illegal Ethical | Illegal Unethical |

Paying employees minimum wage without any increase over time

Giving or receiving bribes

6.9 Risks Faced By Entrepreneurs

- Financial Risk
 - Financing the business
 - Managing money, legal protection, taxes
 - Finding customers
- Career Risk
 - Finding trustworthy business partners, building a reputation
 - Dealing with competition
 - Hiring employees
 - High Rates of Tax
- Family and Social Risk
 - Time Management
 - Incomplete Family Experience
- Psychic Risk
 - Psychological Impact of Stress

6.10 Pathways for the Career as an Entrepreneur

- Embarking on a career as an entrepreneur is an exciting journey that involves a combination of passion, innovation, and strategic planning.
- There are various pathways one can take to become a successful entrepreneur.
- The act of creating an enterprise that, as it unfurls, shapes and molds the Entrepreneur.
- Involves three parallel approaches:
 - The opportunity emerges from the scratch (Nascent)
 - The enterprise takes shape through entrepreneur's creativity and diligence (Survival)
 - Entrepreneur evolves to be successful (Growth)

6.10 Pathways for the Career as an Entrepreneur Cont...

| Approach | Required Entrepreneurial Capabilities |
|----------|---|
| Nascent | Risk acceptance, Opportunity acceptance, Entrepreneurial aspirations, Advanced education, Industry and/or market exposure, Industry connections, Multi-talented |
| Growth | Self confidence, Marketing skills, Advanced academic background, Previous work experience specially in entrepreneurial landscape |
| Survival | Strategic planning, Expansion goals, Advanced academic background, Relevant managerial expertise |

6.11 Examples of Successful Entrepreneurs

- Mark Zuckerberg
 - CEO and co-founder of Facebook
 - Founded: May 2004
 - Currently has a range of Products incorporated under Meta Platforms Inc. (Facebook, Whatsapp, Instagram, Threads)

"Facebook's mission is to give people the power to share and make the world more open and connected."

- Mark Zuckerberg



6.11 Examples of Successful Entrepreneurs Cont...

- Steve Jobs
 - Co-founder of Apple Computer Inc.
 - Founded: 1976

"We started out to get a computer in the hands of everyday people, and we succeeded beyond our wildest dreams."

- Steve Jobs



6.11 Examples of Successful Entrepreneurs Cont...

- Bill Gates
 - Co-founder of Microsoft Corp.
 - Founded: 1975

"Ultimately, the PC will be a window to everything people are interested in-and everything we need to know"

- Bill Gates



6.11 Examples of Successful Entrepreneurs Cont...

- Richard Branson
 - Organizations Founded: Virgin Group, Virgin Atlantic, More

"You don't learn to walk by following rules. You learn by doing, and by falling over."

- Richard Branson



6.11 Examples of Successful Entrepreneurs Cont...

- H. K. Dharmadasa – Nawaloka Mudalali
 - He was a business magnate, philanthropist and chairman of the Nawaloka Group of companies.
 - It is one of the leading private sector organizations in Sri Lanka.



6.11 Examples of Successful Entrepreneurs Cont...

- Victor Hettigoda (Siddhalepa)
 - Chairman of the Hettigoda Group of companies.
 - *"He started on foot, walking from village to village, shouldering a few bottles of his Siddhalepa balm. He was met with rejection, derision and doubt. Yet, he did not give up, and his persistence has today, made him one of the most successful businessmen in the country. What started out with a few bottles of balm has become a national phenomenon with a range of over 100 products, international expansion and diversification into Ayurvedic hospitals, Ayurvedic spas and holiday resorts. Deshabandu Dr Victor Hettigoda, Founder and Chairman of the Hettigoda Group of Companies and fondly known as the 'Siddhalepa Vedamahatmaya', shares his incredible journey."*



Summary

Definitions and Concepts

- Entrepreneur, Enterprise, Entrepreneurship, Business Entrepreneur, Social Entrepreneur, Ecopreneur, Small Business Owners

Entrepreneurial Landscape

- Characteristics of successful entrepreneurs
- Entrepreneurial Ethics
- Entrepreneurial Risks

Successful Entrepreneurs

- Examples