

ENTREPRENEURSHIP



COURSE SYLLABUS

- Course name: **Entrepreneurship – IM1021**
- Instructor: Phạm Tiến Minh Email: ptminh@hcmut.edu.vn
- References:
 - [1] Barringer, Ireland (2019), *Entrepreneurship: Successfully launching new ventures*, 6th Ed., Pearson Education.
 - [2] Scarborough, N. M. and Cornwall, J. R. (2016). *Essentials of Entrepreneurship and Small Business Management*. 8th Ed. Pearson.
 - [3] Aulet, B. (2013). *Disciplined Entrepreneurship: 24 Steps to a Successful Startup*. John Wiley & Sons.
 - [4] Pijl, P., Lokitz, J., and Solomon, L. K. (2016). *Design a Better Business*. John Wiley & Sons.

Entrepreneurship: Successfully Launching New Ventures

Sixth Edition



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Chapter 1

Introduction to *Entrepreneurship*

Learning Objectives (1 of 2)

- 1.1** Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.
- 1.2** Discuss three main reasons people decide to become entrepreneurs.
- 1.3** Identify four main characteristics of successful entrepreneurs.
- 1.4** Explain five common myths regarding entrepreneurship.
- 1.5** Describe three types of start-up firms.

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Learning Objectives (2 of 2)

- 1.6 Discuss the changing demographics of entrepreneurs in the United States.
- 1.7 Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.
- 1.8 Explain the entrepreneurial process.
- 1.9 Learn how understanding entrepreneurship and the entrepreneurial process can facilitate career success.



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Introduction to Entrepreneurship

There is tremendous interest in entrepreneurship in the U.S. and around the world.

- According to the 2015/2016 GEM study, 11.9% of Americans are actively engaged in starting a business or are the owner/manager of a business that is less than three years old.



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Indications of Increased Interest in Entrepreneurship

- Books
 - Amazon.com lists over 58,510 books dealing with entrepreneurship and 80,686 focused on small business.



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What Is Entrepreneurship?

- Academic Definition (Stevenson and Jarillo)
 - Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control.
- Alternative View
 - Entrepreneurship is the art of turning an idea into a business.
- Explanation of What Entrepreneurs Do
 - Entrepreneurs assemble and then integrate all the resources needed – the money, the people, the business model, the strategy – to transform an invention or an idea into a viable business.



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Corporate Entrepreneurship (1 of 2)

- Corporate Entrepreneurship
 - Is the conceptualization of entrepreneurship at the firm level.
 - All firms fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial.
 - The position of a firm on this continuum is referred to as its entrepreneurial intensity.



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Corporate Entrepreneurship (2 of 2)

Entrepreneurial Firms

- Proactive
- Innovative
- Risk taking

Conservative Firms

- Take a more “wait and see” posture
- Less innovative
- Risk averse



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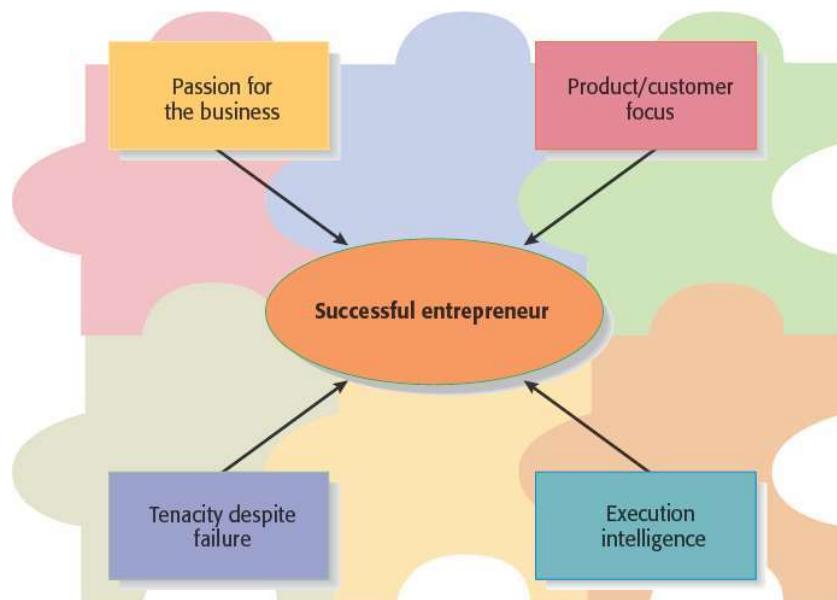
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Why Become an Entrepreneur?

- The three primary reasons that people become entrepreneurs and start their own firms.
 - Desire to be their own boss
 - Desire to pursue their own ideas
 - Financial rewards

Characteristics of Successful Entrepreneurs (1 of 3)

Figure 1.1 Four Primary Characteristics of Successful Entrepreneurs



Characteristics of Successful Entrepreneurs (2 of 3)

- Passion for the Business
 - The number one characteristic shared by successful entrepreneurs is a passion for the business.
 - This passion typically stems from the entrepreneur's belief that the business will positively influence people's lives.
- Product/Customer Focus
 - A second defining characteristic of successful entrepreneurs is a product/customer focus.
 - An entrepreneur's keen focus on products and customers typically stems from the fact that most entrepreneurs are, at heart, craftspeople.



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Characteristics of Successful Entrepreneurs (3 of 3)

- Tenacity Despite Failure
 - Because entrepreneurs are typically trying something new, the failure rate is naturally high.
 - A defining characteristic for successful entrepreneurs is their ability to persevere through setbacks and failures.
- Execution Intelligence
 - The ability to fashion a solid business idea into a viable business is a key characteristic of successful entrepreneurs.



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Common Myths About Entrepreneurs (1 of 7)

- **Myth 1:** Entrepreneurs Are Born, Not Made
 - This myth is based on the mistaken belief that some people are genetically predisposed to be entrepreneurs.
 - The consensus of many studies is that no one is “born” to be an entrepreneur; everyone has the potential to become one.
 - Whether someone does or doesn’t become an entrepreneur is a function of their environment, life experiences, and personal choices.

Common Myths About Entrepreneurs (2 of 7)

Although no one is “born” to be an entrepreneur, there are common traits and characteristics of successful entrepreneurs

- A moderate risk taker
- Persuasive
- Promoter
- Resource assembler/leverager
- Creative
- Self-starter
- Tenacious
- Tolerant of ambiguity
- Visionary
- Optimistic disposition
- A networker
- Achievement motivated
- Alert to opportunities
- Self-confident
- Decisive
- Energetic
- A strong work ethic
- Lengthy attention span

Common Myths About Entrepreneurs (3 of 7)

- **Myth 2:** Entrepreneurs Are Gamblers
 - Most entrepreneurs are moderate risk takers.
 - The idea that entrepreneurs are gamblers originates from two sources:
 - Entrepreneurs typically have jobs that are less structured, and so they face a more uncertain set of possibilities than people in traditional jobs.
 - Many entrepreneurs have a strong need to achieve and set challenging goals, a behavior that is often equated with risk taking.

Common Myths About Entrepreneurs (4 of 7)

- **Myth 3:** Entrepreneurs Are Motivated Primarily by Money
 - While it is naïve to think that entrepreneurs don't seek financial rewards, money is rarely the reason entrepreneurs start new firms.
 - In fact, some entrepreneurs warn that the pursuit of money can be distracting.

Common Myths About Entrepreneurs (5 of 7)

- **Myth 4:** Entrepreneurs Should Be Young and Energetic
 - Entrepreneurial activity is fairly evenly spread out over age ranges.
 - While it is important to be energetic, investors often cite the strength of the entrepreneur as their most important criterion in making investment decisions.
 - What makes an entrepreneur “strong” in the eyes of an investor is experience, maturity, a solid reputation, and a track record of success.
 - These criteria favor older rather than younger entrepreneurs.

Common Myths About Entrepreneurs (6 of 7)

Table 1.4 Age Distribution of Business Owners

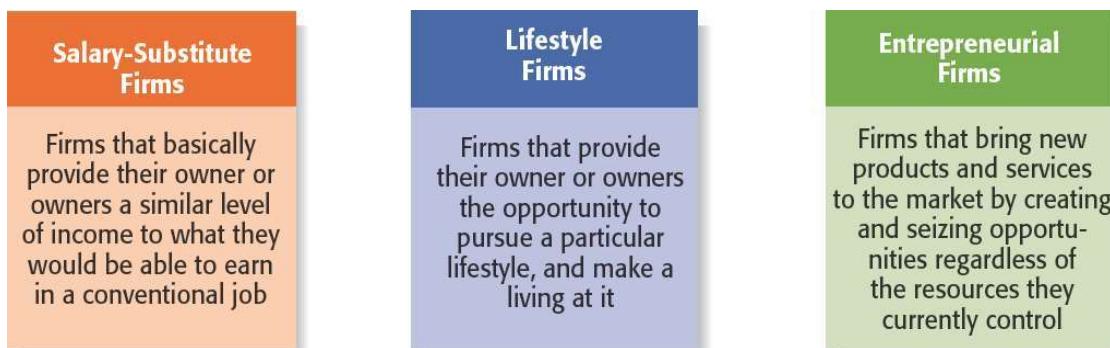
Age	Percentage of Business Owners
20-34	24.7
35-44	22.9
45-54	26.6
55-64	25.8

Source: R. W. Fairlie, A. Morello, E.J. Reedy, and J. Russell, 2015 *The Kauffman Index of Startup Activity: National Trends*.

Common Myths About Entrepreneurs (7 of 7)

- **Myth 5:** Entrepreneurs Love the Spotlight
 - While some entrepreneurs are flamboyant, the vast majority of them do not attract public attention.
 - As evidence of this, consider the following question: “How many entrepreneurs could you name?”
 - Most of us could come up with Jeff Bezos of Amazon.com, Mark Zuckerberg of Facebook, Larry Page and Sergey Brin of Google or maybe Elon Musk of Tesla and SpaceX.
 - But few could name the founders of Netflix, YouTube, or DIRECTV, even though we frequently use those firms’ services.

Figure 1.2 Types of Start-Up Firms



Changing Demographics of Entrepreneurs (1 of 5)

- Women Entrepreneurs
 - While men are more likely to start businesses than women, the number of women-owned businesses is increasing.
 - According to a study commissioned by American Express OPEN, as of 2016, there were 11.3 million women-owned businesses in the United States.
 - Over the past nine years, the number of women-owned businesses has grown at a rate five times faster than the national average.

Changing Demographics of Entrepreneurs (2 of 5)

- Minority Entrepreneurs
 - There has been a substantial increase in minority entrepreneurs in the United States.
 - According to recent estimates, there are eight million minority-owned firms in the United States—a 38 percent increase since 2007.
 - An important factor facilitating the growth of minority entrepreneurs is the number of organizations that promote and provide assistance.
 - Examples include the Latin Business Association, the Black Business Association, and The National Center for American Indian Enterprise Development.

Changing Demographics of Entrepreneurs (3 of 5)

- Senior Entrepreneurs
 - The numbers of seniors starting businesses is substantial and growing.
 - The percentage of individuals age 62 and older starting a business increased from 4.2 percent in 1988 to 5.4 percent in 2015.
 - Many people in the 60 and older age range have substantial business experience, financial resources, and excellent vigor and health.
 - This makes them excellent candidates to start businesses in many industries.

Changing Demographics of Entrepreneurs (4 of 5)

- Millennial Entrepreneurs
 - A desire to pursue an entrepreneurial career is high among millennials.
 - Despite this desire, in 2013 only 3.6 percent of all businesses in the United States were owned by someone under the age of 30.
 - A 2016 study by EY and EIG found that the biggest obstacles preventing millennials from starting businesses are lack of finances, lack of desire, fear of failure, and lack of knowledge of the business start-up process.

Changing Demographics of Entrepreneurs (5 of 5)

- Millennial Entrepreneurs (continued)
 - There are many factors at work to encourage millennials to consider entrepreneurship as a career.
 - More than 2,300 colleges and universities in the United States offer at least one course in entrepreneurship.
 - A number of organizations have been established to encourage college students to consider becoming entrepreneurs.
 - These include 3-Day Startup, Dorm Room Fund, CEO (Collegiate Entrepreneurs' Organization), Startup Weekend, and VentureWell.

Economic Impact of Entrepreneurial Firms

- Innovation
 - Is the process of creating something new, which is central to the entrepreneurial process.
 - Small innovative firms are 16 times more productive than larger innovative firms in terms of patents per employee.
- Job Creation
 - Small businesses create a substantial number of net new jobs in the United States.
 - Firms with 500 or fewer employees created two million of the roughly three million private sector jobs in 2014.

Entrepreneurial Firms' Impact on Society and Larger Firms

- Impact on Society
 - The innovations of entrepreneurial firms have a dramatic impact on society.
 - Think of all the new products and services that make our lives easier, enhance our productivity at work, improve our health, and entertain us.
- Impact on Larger Firms
 - Many entrepreneurial firms have built their entire business models around producing products and services that help larger firms become more efficient and effective.



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The Entrepreneurial Process

The Entrepreneurial Process Consists of Four Steps

- Step 1:** Deciding to become an entrepreneur.
- Step 2:** Developing successful business ideas.
- Step 3:** Moving from an idea to an entrepreneurial firm.
- Step 4:** Managing and growing the entrepreneurial firm.

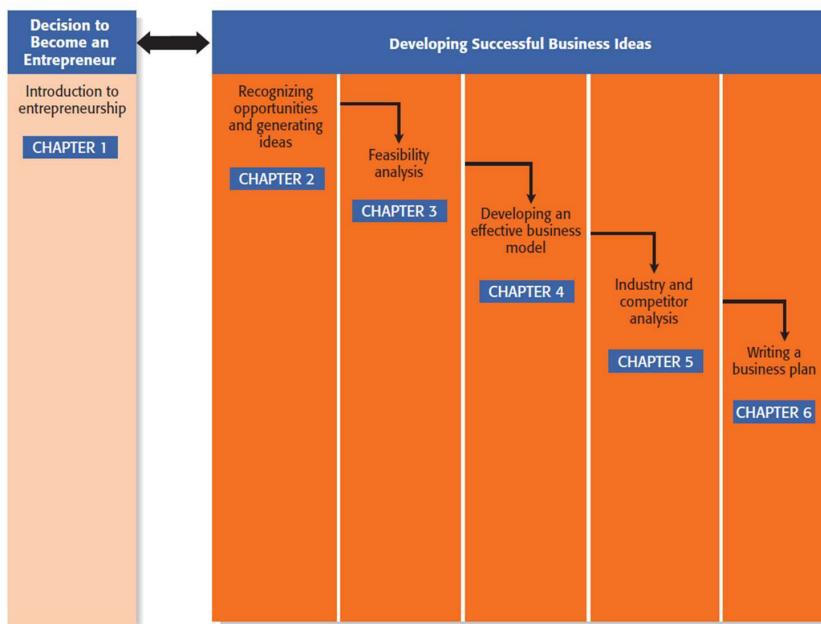


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Steps in the Entrepreneurial Process (1 of 2)

Step 1

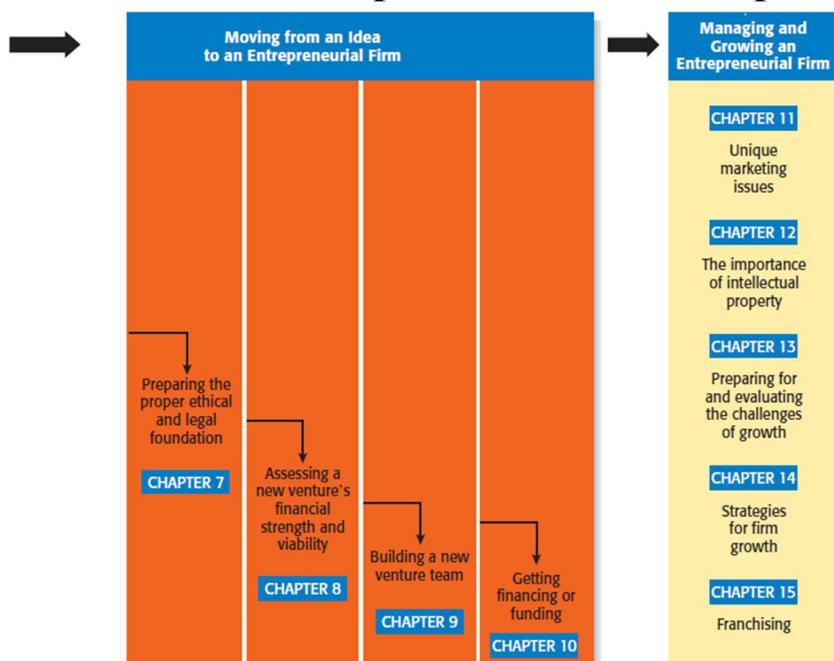


Step 2

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Steps in the Entrepreneurial Process (2 of 2)

Step 3



Step 4

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Chapter 2

Recognizing Opportunities and Generating Ideas

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Learning Objectives

- 2.1** Explain the difference between opportunities and ideas.
- 2.2** Describe the three general approaches entrepreneurs use to identify opportunities.
- 2.3** Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.
- 2.4** Identify and describe techniques entrepreneurs use to generate ideas.

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What is an Opportunity? (1 of 2)

Opportunity Defined

- An opportunity is a favorable set of circumstances that creates a need for a new product, service, or business.

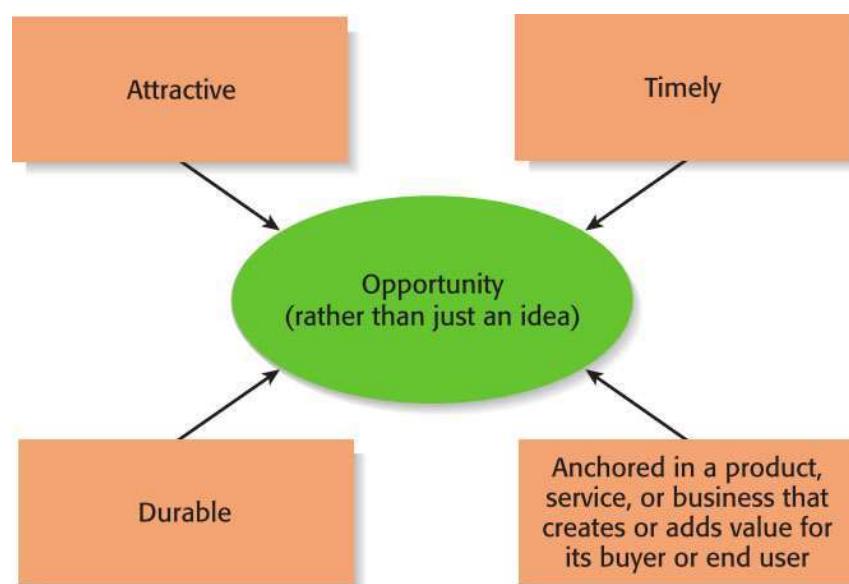


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What is an Opportunity? (2 of 2)

Figure 2.1 Four Essential Qualities of an Opportunity



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Figure 2.2 Three Ways to Identify an Opportunity

Observing Trends

Solving a Problem

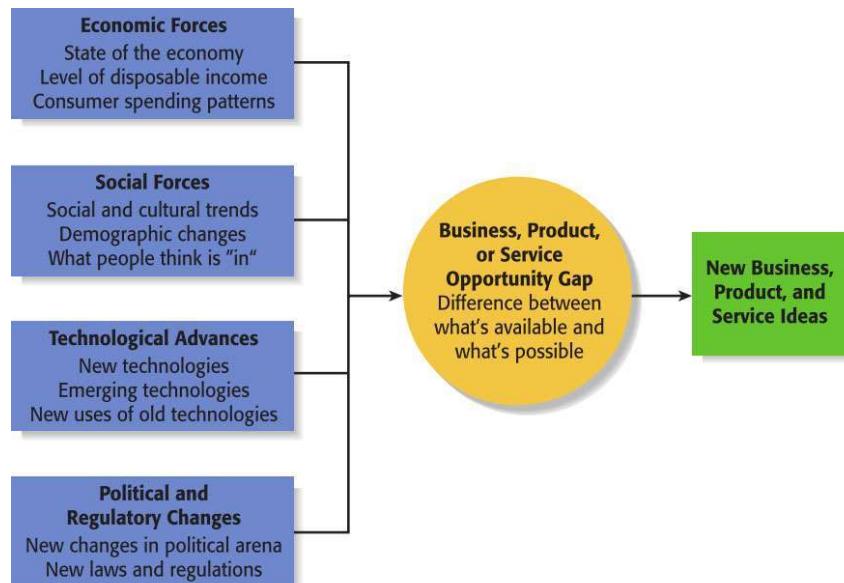
Finding Gaps in the Marketplace

First Approach: Observing Trends (1 of 2)

- Observing Trends
 - Trends create opportunities for entrepreneurs to pursue.
 - The most important trends are:
 - Economic forces
 - Social forces
 - Technological advances
 - Political and regulatory changes
 - It's important to be aware of changes in these areas.

First Approach: Observing Trends (2 of 2)

Figure 2.3 Environmental Trends Suggesting Business, Product, or Service Opportunity Gaps



Trend 1: Economic Forces

Economic trends help determine areas that are ripe for new start-ups and areas that start-ups should avoid.

Example of Economic Trend Creating a Favorable Opportunity

- A weak economy favors start-ups that help consumers save money.
- An example is GasBuddy.com, a company started to help consumers save money on gas.

Trend 2: Social Forces

Social trends alter how people and businesses behave and set their priorities. These trends provide opportunities for new businesses to accommodate the changes.

Examples of Social Trends

- Aging of the population.
- The increasing diversity of the population.
- Millennials entering the workforce.
- Growth in the use of mobile devices.
- An increasing focus on health and wellness.

Trend 3: Technological Advances (1 of 2)

Advances in technology frequently create business opportunities.

Examples of Entire Industries that Have Been Created as the Result of Technological Advances

- Computer industry
- Internet
- Biotechnology
- Digital photography

Trend 3: Technological Advances (2 of 2)

Once a technology is created, products often emerge to advance it.

Example: Rokit Boost

An example is Rokit Boost, a high-end mobile accessories company that makes smartphone cases, headphones, portable USB device chargers, and Bluetooth speakers. Rokit Boost wouldn't exist if it weren't for the advent of the smartphone.

Trend 4: Political Action and Regulatory Changes (1 of 2)

Political and regulatory changes also provide the basis for opportunities.

General Example

This happened with the passage of the Affordable Care Act in 2010. The provisions of the act yielded opportunities for entrepreneurs to launch electronic records start-ups, apps to help patients monitor their medication, and similar companies.

Trend 4: Political Action and Regulatory Changes (2 of 2)

Political change also engenders new business and product opportunities. For example, global political instability and the threat of terrorism have resulted in many firms becoming more security-conscious.

Specific Example

Evolv Technology is a start-up that has assembled a multidisciplinary team of experts to identify, invent, and apply new technologies to meet current terrorism-related threats.



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Second Approach: Solving a Problem (1 of 2)

- Solving a Problem
 - Sometimes identifying opportunities simply involves noticing a problem and finding a way to solve it.
 - These problems can be pinpointed through observing trends and through more simple means, such as intuition, serendipity, or chance.
 - Many companies have been started by people who have experienced a problem in their own lives, and then realized that the solution to the problem represented a business opportunity.



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Second Approach: Solving a Problem (2 of 2)

Specific Example

Sometimes people aren't able to access energy to recharge their smartphones for a period of time. A number of companies have solved this problem in innovative ways. An example is the \$70 Eton BoostTurbin 2000, which is a device that weighs less than four ounces. It combines a battery with a hand crank that provides enough power to fully charge a typical smartphone.

Third Approach: Finding Gaps in the Marketplace (1 of 2)

- Gaps in the Marketplace
 - A third approach to identifying opportunities is to find a gap in the marketplace.
 - A gap in the marketplace is often created when a product or service is needed by a specific group of people but doesn't represent a large enough market to be of interest to mainstream retailers or manufacturers.

Third Approach: Finding Gaps in the Marketplace (2 of 2)

Product gaps in the marketplace represent potentially viable business opportunities.

Specific Example

Tish Cirovolo realized there were no guitars on the market made specifically for females. To fill this gap, she started Daisy Rock Guitars, a company that makes guitars just for women and girls. Daisy Rock guitars are stylish, come in feminine colors, and incorporate design features that accommodate a woman's smaller hand and build.



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Personal Characteristics of the Entrepreneur

Characteristics that tend to make some people better at recognizing opportunities than others

- Prior Industry Experience
- Cognitive Factors
- Social Networks
- Creativity



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Prior Industry Experience (1 of 2)

- Prior Industry Experience
 - Studies have shown that prior experience in an industry helps an entrepreneur recognize business opportunities.
 - By working in an industry, an individual may spot a market niche that is underserved.
 - It is also possible that by working in an industry, an individual builds a network of social contacts who provide insights that lead to recognizing new opportunities.



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Prior Industry Experience (2 of 2)

- Prior Industry Experience
 - It is also important to note that anecdotal evidence suggests that people outside an industry can sometimes enter it with a new set of eyes, and as a result innovate in ways that people with prior experience might find difficult.
 - For example, Elon Musk, the founder of Tesla, had no prior experience in the auto industry.
 - Debbie Fields, the founder of Mrs. Fields Cookies, had no prior experience in the food industry.



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Cognitive Factors

- Cognitive Factors
 - Studies have shown that opportunity recognition may be an innate skill or cognitive process.
 - Some people believe that entrepreneurs have a “sixth sense” that allows them to see opportunities that others miss.
 - This “sixth sense” is called entrepreneurial alertness, which is formally defined as the ability to notice things without engaging in deliberate search.

Social Networks (1 of 3)

- Social Networks
 - The extent and depth of an individual’s social network affects opportunity recognition.
 - People who build a substantial network of social and professional contacts will be exposed to more opportunities and ideas than people with sparse networks.
 - Research results suggest that between 40% and 50% of people who start a business got their idea via a social contact.
- Strong-Tie Vs. Weak-Tie Relationships
 - All of us have relationships with other people that are called “ties.” (See next slide.)

Social Networks (2 of 3)

- Nature of Strong-Tie Vs. Weak-Tie Relationships
 - Strong-tie relationships are characterized by frequent interaction and form between coworkers, friends, and spouses.
 - Weak-tie relationships are characterized by infrequent interaction and form between casual acquaintances.
- Result
 - It is more likely that an entrepreneur will get new business ideas through weak-tie rather than strong-tie relationships. (See next slide.)



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Social Networks (3 of 3)

Why weak-tie relationships lead to more new business ideas than strong-tie relationships

Strong-Tie Relationships	Weak-Tie Relationships
These relationships, which typically form between like-minded individuals, tend to reinforce insights and ideas that people already have.	These relationships, which form between casual acquaintances, are not as apt to be between like-minded individuals, so one person may say something to another that sparks a completely new idea.



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Creativity (1 of 2)

- Creativity
 - Creativity is the process of generating a novel or useful idea.
 - Opportunity recognition may be, at least in part, a creative process.
 - For an individual, the creative process can be broken down into five stages, as shown on the next slide.

Creativity (2 of 2)

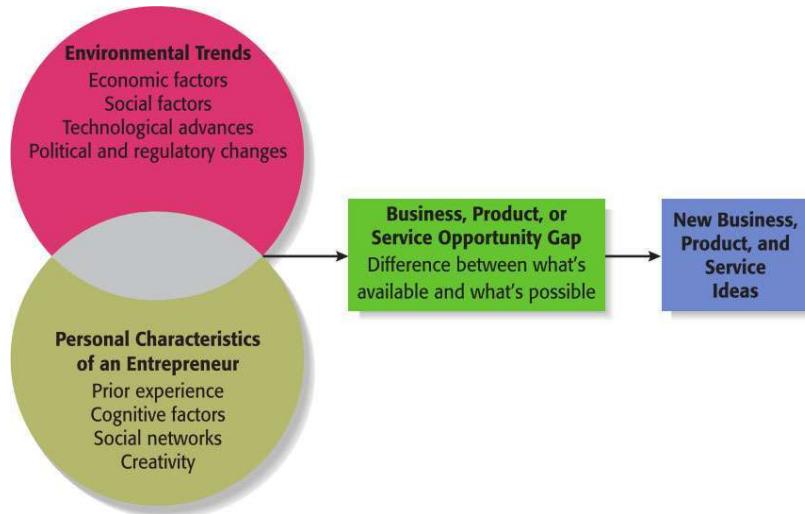
Figure 2.4 Five Steps to Generating Creative Ideas



Full View of the Opportunity Recognition Process

- Depicts the connection between an awareness of emerging trends and the personal characteristics of the entrepreneur

Figure 2.5 The Opportunity Recognition Process



Techniques for Generating Ideas

- Brainstorming
- Focus Groups
- Library and Internet Research

Brainstorming

- Brainstorming
 - Is the process of generating several ideas about a specific topic.
 - A brainstorming “session” typically involves a group of people, and should be targeted to a specific topic.
 - Rules for a brainstorming session:
 - No criticism.
 - Freewheeling is encouraged.
 - The session should move quickly.
 - Leap-frogging is encouraged.



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Focus Groups

- Focus Group
 - Focus groups involve a group of people who are familiar with a topic, are brought together to respond to questions, and who are able to shed light on an issue through the give-and-take nature of group discussions.
 - They work best as a follow-up to brainstorming, when the general idea for a business has been formulated but further refinement of the idea is needed.



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Library and Internet Research (1 of 3)

- Library Research
 - Libraries are an often underutilized source of information for generating new business ideas.
 - The best approach is to talk to a reference librarian, who can point out useful resources, such as industry-specific magazines, trade journals, and industry reports.
 - Simply browsing through several issues of a trade journal or an industry report on a topic can spark new ideas.



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Library and Internet Research (2 of 3)

Large public and university libraries typically have access to search engines and industry reports that would cost thousands of dollars to access on your own.

Examples of Useful Search Engines and Industry Reports

- BizMiner
- ProQuest
- IBISWorld
- Mintel
- LexisNexis Academic



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Library and Internet Research (3 of 3)

- Internet Research
 - If you are starting from scratch, simply typing “new business ideas” into a search engine will produce links to newspaper and magazine articles about the “hottest” and “latest” new business ideas.
 - If you have a specific topic in mind, setting up Google mail alerts will provide you with links to a constant stream of newspaper articles, blog posts, and news releases about the topic.
 - Targeted searches are also useful.



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Other Techniques

- Customer Advisory Boards
 - Some companies set up customer advisory boards that meet regularly to discuss needs, wants, and problems that may lead to new ideas.
- Day-In-The-Life Research
 - A type of anthropological research, where the employees of a company spend a day with a customer.



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- . **Practice:** Working in group to create an innovative opportunity for startup