

Foundations of Entrepreneurship

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Topic: Introduction

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FOUNDATIONS OF ENTREPRENEURSHIP Socio-Economic Contributions of Entrepreneurs: Multiplication Effect RURAL HEAL I CLINICS Phone 259-7400 libitared in © Mand



Questions to Be Answered

- Techno-economic contributions of entrepreneurs?
- Why should one aspire to become an entrepreneur?
- Roles of entrepreneurs in the progression of our civilization?
- Entrepreneurship and GDP growth?
- What makes the present situation perfect for startups?
- Is it the right time to start a startup?
- Can we compete with global companies?



Definition of Some Keywords

- Entrepreneur and entrepreneurship
 - Innovation, vision, alleviate pain, calculated risk
- Value proposition
- GDP
- Velocity of money
- Value of money



Founders have three main traits:

- an insurgent's mission,
- an owner's mindset, and
- □ obsession with the front line.

Entrepreneurs identify opportunities in adversities. Opportunities without much risk will vanish in no time.



Some of the Serious Crisis that Humanity Faces Today

- The COVID-19 Pandemics
- Growing inequalities
- Lost diversity, and
- Climate change

are some of the existential crisis that are threatening the humankind.



Crisis and Opportunities

• Winston Churchill is credited to have said:

"Never let a good crisis go to waste".

Crisis opens up new opportunities



Entrepreneur

- o Dictionary definition of entrepreneur: 'one who organizes, manages, and assumes the risks of a business or enterprise'.
- o Entrepreneurs have a <u>compelling vision</u> or a dream to achieve something extraordinary and a <u>comprehensive plan to execute it</u>.
- They identify opportunities in adversities or translate adversities into opportunities. Failures don't deter them.
- Identify solutions to workaround the adversities or risks and accomplish desired goals.
- Comfortable with uncertainties and ambiguities, the ability to identify opportunities that others will never see and to focus on them, to be resolute, persevering, brave, open to ideas and advice.



Types of Business Ventures

- Innovation- and Vision-Driven Entrepreneurship characterised by easy scalability and growth of the business model.
- Corporate Entrepreneurship or Intrapreneurship
- Small Business
- The large corporate entities and cooperatives.
- Social Entrepreneurship
 - For profit enterprise
 - Not-for profit enterprise



Innovation and Entrepreneurship

Entrepreneurs use innovation

- To develop solutions to alleviate problems persisting in a group of people.
- To create differentiation in products or services gaining competitive advantage.
- To alleviate risks.
- Use factors of production efficiently to delineate superior value propositions and, in the process, innovate new business models.
- Innovation can be perceived under many contexts and not merely in products and services development. Doing anything differently that makes better value for customers may be termed as innovation.



Innovation and Entrepreneurship

- Schumpeter Propounded
- •Creative Destruction as a way of innovation and entrepreneurship. It leads to superior economic growth.



Innovation and Entrepreneurship

• Innovation disrupts existing business model by introducing better products with superior value proposition at increasingly higher speed.

Fortune 500 firms in 1955 vs. 2014.

- In about 60 years, almost <u>88% of the Fortune 500</u> companies no longer feature in the list because they have either become bankrupt or are no longer significant.
- And we're all better off because of that dynamic 'creative destruction'.

Innovate or Perish

• Every new employee gets a copy of the "Facebook's little red book" that famously says:

"If we don't create the thing that kills Facebook, someone else will"

It's a way to communicate the history, mission, and values of the company.

One of the last pages says:

"Embracing change' isn't enough. It has to be so hardwired into who we are that even talking about it seems redundant. The internet is not a friendly place. Things that don't stay relevant don't even get the luxury of leaving ruins. They disappear."

Facebook was not originally created to be a company.





The Vision

- Vision is where the company wants to be or what it aspires to accomplish in the long run.
- It relates to the dream and passion.
- Bill Gates envisioned to see personal computers in every home [and not really the progression of business].
- One of Elon Musk's visions is to see humankind travel to Mars and live there. [But the design of the spacecraft is not part of that vision. But the vision guides the designs.]
- Vision sets the direction for your business planning.
- Founders have to be able to articulate and share a vision. A shared vision is one of the hallmarks of business success.



Motivation

- To study entrepreneurship
 - To become entrepreneur
 - To become job-market-fit
 - To prepare to be corporate entrepreneur
 - To become an entrepreneur



Why should one aspire to become an entrepreneur?

Individualistic choices

- Be own boss autonomy & freedom
- Personal wealth creation
- Economic value creation
- Social responsibility
- Corporate entrepreneurship
- Accomplishment
- Opportunity exploitation
- Solve an acute & agonizing pain
- Deep knowledge in a domain
- No other option but to start a business



Why should one aspire to become an entrepreneur?

- •Some contribution of entrepreneurs are highly profound.
- Wealth for self &family
- Economic value creation for the nation
- Socio-economic value creation
- Contribution to the progression of our civilization

Create Something New and Feel the Sense of Achievements



- Create a venture
- Give jobs
- Government income
- Nation building
- Create wealth for self, family and community

Self-actualization

desire to become the most that one can be

Esteem

respect, self-esteem, status, recognition, strength, freedom

Love and belonging

friendship, intimacy, family, sense of connection

Safety needs

personal security, employment, resources, health, property

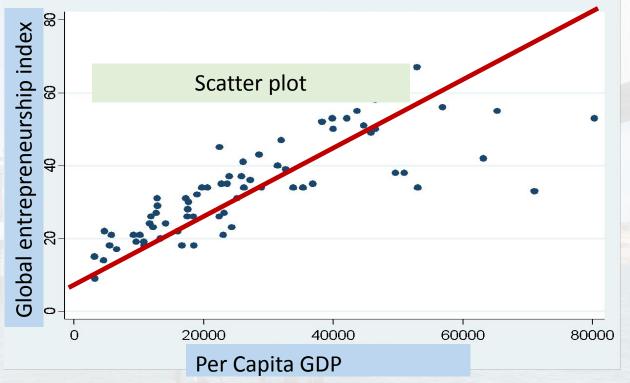
Physiological needs air, water, food, shelter, sleep, clothing, reproduction

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'Global Entrepreneurship Index' and 'Per-Capita GDP'

Note: Annual GDP is the monetary value of all goods and services produced within the country in a year. Divide that by the number of people to get per-capita GDP.



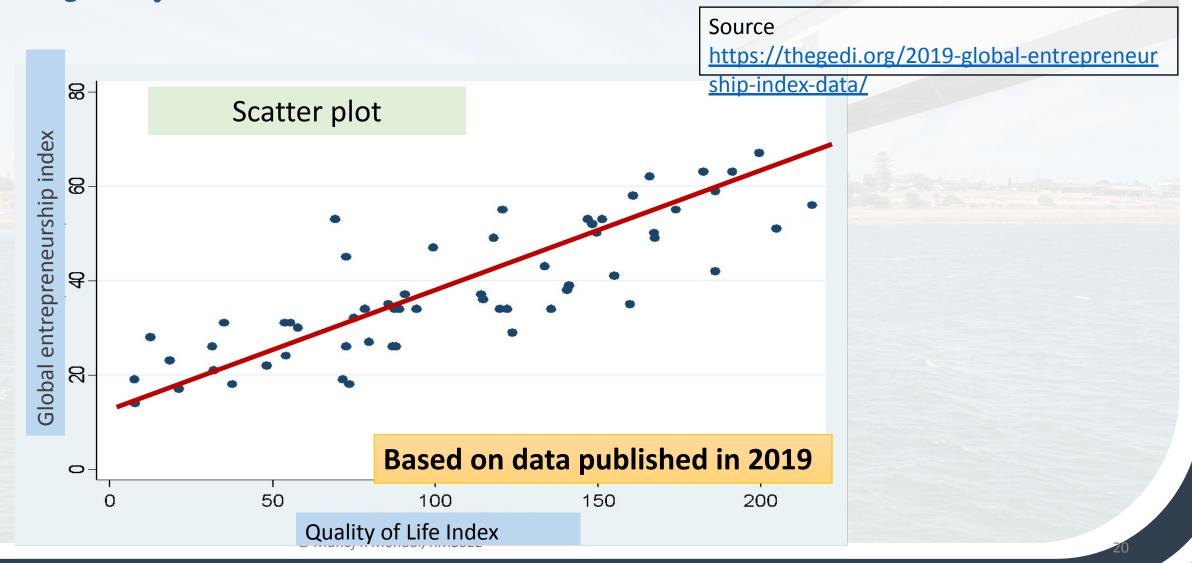
Clearly, countries with higher entrepreneurial activities generate higher per-capita GDP, which in turn leads to higher government income that leads to better infrastructure, better healthcare and better public amenities.

Data source https://thegedi.org/2019-global-entrepreneurship-index-data/

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'Global Entrepreneurship Index' and 'Quality of Life Index'





Economic Contributions of Entrepreneurs

Entrepreneurs

- Increase government income resulting in higher expenditure and more consumption.
- Generate employment.
- Promote savings.
- Increase consumption.
- Stimulate new demand by offering products of higher esteem.

It is important to know what all an entrepreneur executes and facilitates.



Economic Contributions of Entrepreneurs ... contd.

- Improve technological landscape through innovations in all key areas.
- Facilitate diffusion of technologies from abroad into domestic industries resulting in technological self-reliance.
- Bring foreign exchange that increases value for local currency. Increased forex reserves provide enormous power to a nation while increasing purchasing power to its citizens.
- Improve quality of life of citizen.
- Earn foreign exchange



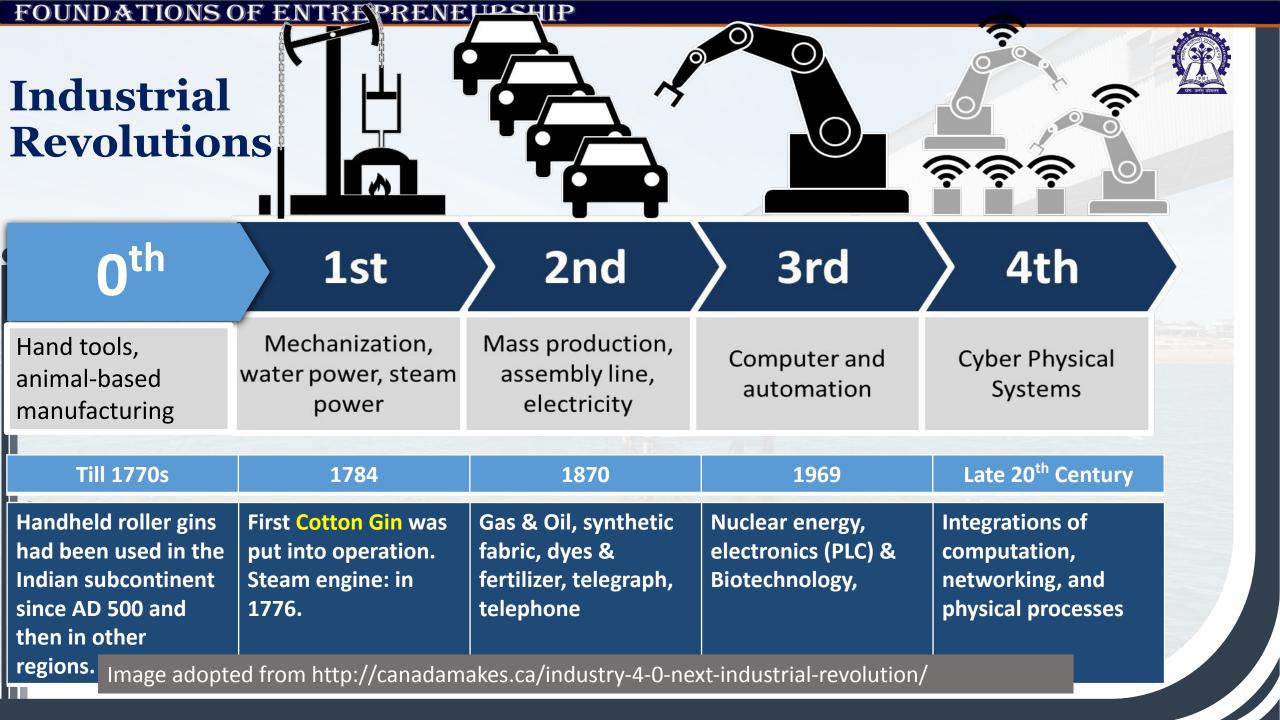
Reliance Industries Ltd.

Reliance Industries contributes about 10% of the direct tax collection of our country.

Reliance Jio's disruptive entry will expand India's per capita GDP by about 5.65%, says a report by Harvard Business School[#].

Imagine that we have many more such companies and the GDP and government's income would soon multiply.

* Appeared in the Mint on 06 April 2018



प्राप्त करना क्रमानन







Industry 4.0

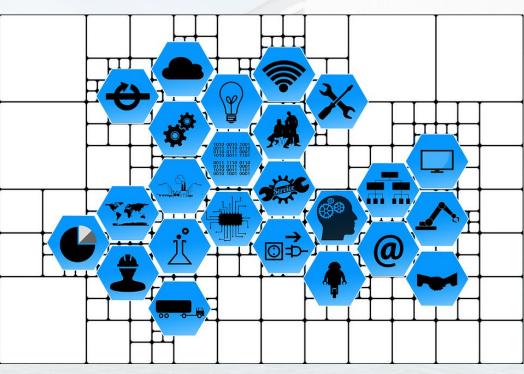


- Industry 4.0: started during 1990s.
- IoT, additive manufacturing, Cloud computing, AI, e-vehicles, Autonomous vehicle, Business intelligence, Smart machines, etc.



4.0

- Business intelligence
- Smart factory
- Cloud computing
- Big data
- AI-ML
- Digitization
- Blockchain
- Electronic healthcare
- Autonomous transportation
- Cryptocurrency





But where are we in this technological revolution landscape?



Historical GDP of India vis-à-vis the World

Year	<u>GDP</u> (<u>1990 dollars</u>)	% of <u>world</u> <u>GDP</u>	Population	% of world population	Period
1	33.750	32.00	70.000	30.3	Classical era
1000	33.750	28.00	72.500	27.15	Early medieval era
1500	60.500	24.35	79.000	18.00	Late medieval era
1600	74.250	22.39	100.000	17.98	
1700	90.750	24.43	165.000	27.36	Early modern era
1820	111.417	16.04	209.000	20.06	
1870	134.882	12.14	253.000	19.83	Colonial era
1913	204.242	7.47	303.700	16.64	(British era)
1950	222.222	4.17	359.000	14.11	Republic of India



Historical GDP of India vis-à-vis the World

Fig 2 Global economy – Estimated relative size (1990 GK Dollars) (%)

	China	India	China+ India	Britain	Japan	US	
1400	30.0%	25.0%	55.0%	1.0%	3.0%	N/A	
1500	24.9%	24.4%	49.3%	1.1%	3.1%	N/A	
1700	22.3%	24.5%	46.8%	2.9%	4.1%	0.1%	
1900	11.1%	8.6%	19.7%	9.4%	2.6%	15.8%	
1930	7.5%	6.4%	13.9%	6.7%	3.4%	21.8%	
1950	3.8%	4.1%	7.9%	6.4%	3.0%	26.8%	
1970	4.2%	3.1%	7.3%	4.0%	6.7%	20.4%	
1990	5.5%	3.7%	9.2%	3.2%	7.8%	19.4%	
2000	9.1%	5.2%	14.3%	3.3%	7.1%	22.2%	
2015	17.1%	9.0%	26.1%	2.6%	4.8%	17.5%	

Source: Stephen Broadberry, Hanhui Guan, David Li, 'China, Europe and the great divergence', July 2014; TED data base, September 2015; Maddison Data base, 2013, Macquarie Research, January 2017



What went wrong?

- We were under seize
- We lost our entrepreneurial zeal
- It made us risk averse
- Now our parents motivate us to think that a government job is the most coveted career objective.
- In the process, we have become victims of many myths
- Data on failure rate of startups intimidate us
- The imperial world focused on R&D and entrepreneurial venture creation.



Myths that we are victim of and the reality

- Myth: Entrepreneurs are born, not made
- Fact: Dhirubhai Ambani, Narayana Murthy, Sunil Bharti Mittal, Sabir Bhatia, Steve Jobs, John D. Rockefeller, Andrew Carnegie
- Myth: It takes a lot of money to start a business
- Facts: More than 80 percent of new ventures are bootstrapped.
- Myth: Entrepreneurs are born in business families
- Entrepreneurship is mostly associated with 'First Generation Entrepreneurs'.
- Myth: Entrepreneurs are extroverts
- Fact: Blake Masters and Peter Thiel have shown that 10 out of 11 successful entrepreneurs are introvert.



Is failure so obvious?

• 42% of the well funded ventures fail as they want to sell something that nobody wants to buy.

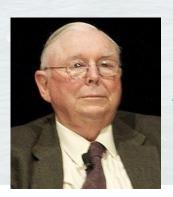
Remedy: Validated learning

• 29% of the well funded ventures fail as they run out of cash

Remedy: Understand finance and do the projected cash flow.

• 23% fail due to disharmony among founders

Remedy: follow the time-tested team building process



"All I Want To Know Is Where I'm Going To Die So I'll Never Go There." – Charlie Munger



The greatest success factor

- Timing
- Bill Gross provided evidence that timing is the single biggest reason that startups succeed.
- Victor Hugo said: There is one thing that all the military in the world can not defeat that is an idea whose time has come.
- Why the present time is so great



Why the present time is so great

- India now has the consumption power
- If we do not create capability, our dependence on foreign goods will only increase making them richer.
- We have demographic advantage.
- · We are rich in natural resources.
- No dearth of knowledge workers.
- Government policies are very favorable.
- Matured ecosystem in place.



Can we compete or is it just pipe dream?

- Hero Motor, Bajaj, TVS has driven competition out whichever markets they entered.
- •We are already the global producer of pharmaceuticals.
- •Several Indian companies have reported early success towards possible treatment of COVID.
- Two COVID Vaccines have received approval.
- · We are playing leading role in the technology sphere.



Do you have the elements to successfully create and grow a venture?

- •Almost all the qualities of successful entrepreneurs such as leadership qualities, people skill, empathy, finance, marketing, strong peer network, tolerance to ambiguity can be inculcated to a large extent.
- <u>Unless you start, you will never know what you are really capable of.</u>







- "Fail early, fail often, but always fail forward."
- John C. Maxwell, Failing Forward: How to Make the Most of Your Mistakes



Intrapreneurship/ Corporate Entrepreneurship

Process or strategies of intrapreneurship or corporate entrepreneurship within a company:

Employees within the organization who are creative, proactive, have the gumption to embrace calculated risk to achieve higher goals can pursue disruptive innovation within the larger mission of the organization using the resources, capabilities and security of the company to draw upon.



Anand Shanwal - cbinsight

- · What do Uber, Facebook, and Starbucks have in common?
- They all have strong business moats key competitive advantages that set a company apart and make it hard for competitors to enter.
- It's what drove Amazon to post \$96B in revenue in Q3'20. It's how Google has maintained its hold on over 85% of the search engine market.
- Today, the most durable business moats are being built on advantages like network effects, data, and repeat engagement within a product ecosystem.



Some Books You Can Reffer

- ☐ The hard thing about hard thing by Ben Horowitz
- ☐ Zero to One by Peter Thiel and Blake Masters
- ☐ Good to Great by James C Collins
- ☐ Four Steps to Epipheny by Steve Blank
- ☐ The E-Myth Revisited by Michael E Gerber

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