

Homework 1

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Review Questions

1. What are the characteristics of firms with higher entrepreneurial intensity? How can they be achieved?
 - **Product/Customer Focus** can be achieved by focusing on the product or customer. **Tenacity Despite Failure** can be achieved by understanding that mistakes and failure happens to everyone and that the best thing to do is to learn from it and use what you've learned to try again. **Execution Intelligence** is the trickiest one to achieve and takes knowledge of the market and good business practices.
2. What key insights does the GEM study provide us about entrepreneurship?
 - GEM shows us that in order to be successful, there must be a good business idea, solid financial plan, and excellent execution of the idea.
3. What does evidence show us about the rate of failure associated with entrepreneurial ventures?
 - It can be difficult to estimate the rate of failure associated with entrepreneurial ventures because the Bureau of Labor Statistics does not differentiate between the number of businesses that failed and ones that were sold or acquired by another company. However, the rate is certainly not the oft-cited 1/10 firms but closer 50% after five years and 33% after ten years.
4. What is entrepreneurship?
 - Entrepreneurship is "the process by which individuals pursue opportunities without regard to resources they currently control for the purpose of exploiting future goods and services."
5. In what ways is an entrepreneur who just launched a restaurant different from someone who just took a job as the general manager of a restaurant owned by a major restaurant chain?
 - Someone launching their own business is taking a risk on a new venture while someone taking a new job at an existing chain is only taking the normal risk associated with a new job.
6. What are the three main attributes of firms that pursue high levels of corporate entrepreneurship?
 1. Proactive
 2. Innovative
 3. Risk-taking

7. How are the reasons for becoming an entrepreneur usually ranked?
 1. They want to be their own boss
 2. They want to pursue their own ideas
 3. They want to pursue financial rewards
8. How might an entrepreneur transition from a traditional job to owning their own business over time?
 - Many entrepreneurs will begin their new business by operating it part-time while still working their traditional job until their new business is large enough to support them leaving their full-time job.
9. Why is passion such an important characteristic of successful entrepreneurs?
 - You need to care about the project you're working on so that you are invested in its success.
10. What is it about passion that makes it particularly compatible with the entrepreneurial process?
 - Passion is particularly compatible with the entrepreneurial process because passionate people have the ability to learn and iterate, a willingness to work hard for an extended period of time, the ability to overcome setbacks, the ability to listen to feedback, the perseverance and persistence to make it through tough times.
11. What are the skills and abilities required to effectively execute a business idea?
 - The skills and abilities required to effectively execute a business idea are a solid reputation, a track record of success, and a passion about the business idea.
12. What are the startup types available to someone looking to start their own business?
 - Salary-substitute firms
 - Lifestyle firms
 - Entrepreneurial firms
13. What are the five common myths of entrepreneurship?
 1. Entrepreneurs are born, not made
 2. Entrepreneurs are gamblers
 3. Entrepreneurs are motivated primarily by money
 4. Entrepreneurs should be young and energetic
 5. Entrepreneurs love the spotlight
14. To what extent are entrepreneurs motivated by money?
 - Money is a byproduct motivation for entrepreneurs. Their idea is their main focus while money is a happy side effect.
15. What are the four distinctive parts of the entrepreneurial process and what is the relationship among the parts?
 1. Decision to become an entrepreneur
 2. Developing successful business ideas
 3. Moving from an idea to an entrepreneurial firm
 4. Managing and growing an entrepreneurial firm
16. Do you agree with the notion that entrepreneurs are born and not made?
 - We've already established that this is a myth. But. Some people are simply born

bolder and an innate sense of what a market might be missing so that they can exploit that for their own gain.

17. How do entrepreneurial firms have a positive impact on larger firms?
 - Entrepreneurial firms can carve out their niche by supplying larger firms with goods or services.
18. What did Joseph Schumpeter mean by the term *creative destruction*?
 - People make new products and technologies that make older products and technologies obsolete.
19. In general, what effects does entrepreneurship have on economies and societies throughout the world?
 - Entrepreneurship allows for new technologies and products and services that improve peoples' standards of living.
20. What are the changes to the demographic makeup of entrepreneurs in the United States that are described in this chapter?
 - The numbers of women, minorities, and seniors owning their own businesses is increasing.

Case Study

31. Which of the characteristics of successful entrepreneurs, discussed in the chapter, do you see in Julie Rice and Elizabeth Cutler? To what degree do you think these characteristics have contributed to Soul- Cycle's success?
 - SoulCycle has a very deep **product and customer focus** where they focus on the customer experience so that customers feel they are getting good value for their money. While they were not allowed to place a sign on their original building, they showed **tenacity despite failure** and went door to door and tried to spread their business through word of mouth. They clearly had good **execution intelligence** because their business took off.
32. How does SoulCycle's basic offering, its 45 minute spinning classes, "add value" to the lives of its customers?
 - The basic class adds value to the lives of its customers through a high intensity workout with meditative elements. This allows customers to exercise which is known to be good for physical and mental health while also being in a *relatively* stress free environment which is also good for mental health.
33. On a scale of 1 to 10 (10 is high), rate SoulCycle on execution intelligence. Make a list of at least five things that you think SoulCycle did particularly well in this area. Justify your numerical ranking.
 1. **Starting in a city.** By starting in a city, you don't need to cater your market as much because there are more people and therefore more people who will be willing to try what you have to offer.
 2. **Full-time instructors.** Consistency is key. By employing full-time instructors, SoulCycle creates a personal connection with people. SoulCycle can then exploit this connection because people will feel they owe it to themselves *and* their

instructor to show up.

3. **No clocks.** A lot of people just watch the clock while exercising and wait for it to end. No clocks to watch means they have to get into the workout and power through the entire session.
 4. **The music.** If each instructor chooses their own music, then patrons can choose an instructor that matches their personality and music tastes better and so they'll be more inclined to go than if they didn't like the music.
 5. **The atmosphere.** Scented candles don't seem like a good idea in a spot where people will be hot from working out and breathing heavily.
34. Talk about the challenge that Peloton poses to SoulCycle. If you were asked to advise SoulCycle on how to respond to the Peloton threat, what would you tell the company to do?
- I don't really know much about Peloton to have an opinion or be able to offer advice. Some people work out at home and some people work out at a gym. I don't think this is an issue for SoulCycle because of the experience they offer that Peloton doesn't.