

Chapter 1

Who is an entrepreneur?

Learning objectives

- Entrepreneurial mindset and cognition.
- The most cited characteristics found in successful entrepreneurs and the “dark side” of entrepreneurship.
- Dark side of entrepreneurship, risks of entrepreneurs, and handling of stress causes.
- The ethical dilemmas confronting entrepreneurs and Ethics in a conceptual framework for a dynamic environment.
- Strategies for establishing ethical responsibility and leadership, and entrepreneurial motivation.

1. To describe the entrepreneurial mindset and cognition

The entrepreneurial mindset

- An entrepreneurial mindset can transform your approach to both life and business.
- In every business, big or small, there are always issues to solve. It may be noticed that some leaders seem to possess a certain skill set that allows them to solve those problems better than others.
- The ability to approach challenges differently and overcome them at the same time is where the entrepreneurial mindset comes into play.
- A mindset is a way of thinking. It can help you be decisive, rise to challenges, overcome obstacles, learn from setbacks, and make daily improvements.

How to develop an entrepreneurial mindset

- ❑ An entrepreneurial mindset is one that you can develop and grow with self-awareness.
- ❑ Daily practice is key to sharpening an entrepreneurial mindset.
- ❑ Developing an entrepreneurial mindset is a journey that requires dedication and perseverance.

What are the benefits of an entrepreneurial mindset in life?

- ❑ An entrepreneurial mindset not only display significant benefits in business but also enhances various parts of life.
- ❑ It equips entrepreneurs with the skills to adapt to change, embrace continuous learning, and take ownership of their lives.
- ❑ Entrepreneurs can lead fulfilling lives characterized by personal growth and proactive pursuit of passions.
- ❑ The entrepreneurial mindset overcomes the boundaries of business, enabling entrepreneurs to growth in all aspects of life.

The entrepreneurial cognition

In science, cognition refers to mental processes. These processes include attention, remembering, producing and understanding language, solving problems, and making decisions.

The term comes from the Latin cognoscere, which means “to know,” “to conceptualize,” or “to recognize,” and refers to a faculty for the processing of information, applying knowledge, and changing preferences.

Cognition is used to refer to the mental functions, mental processes (thoughts), and mental states of intelligent humans.

The entrepreneurial cognition (Cont.)

“Entrepreneurial cognition is the knowledge structure that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation, and growth.”

---Ronald K. Mitchell and colleagues---

Who are entrepreneurs?

Entrepreneurs—normally defined as “risk takers” in new-venture creations—are uniquely optimistic, hard-driving, committed individuals who derive great satisfaction from being independent. Starting a new business requires more than just an idea; it requires a special person, an entrepreneur, who combines sound judgment and planning with risk-taking to ensure the success of his or her own business.

2. To identify and discuss the most cited characteristics found in successful entrepreneurs.

Characteristics associated with the entrepreneurial mindset

1. Confidence.
2. Perseverance, determination.
3. Energy, diligence.
4. Resourcefulness.
5. Ability to take calculated risks.
6. Dynamism, leadership.
7. Optimism.
8. Need to achieve.
9. Versatility; knowledge of product, market, machinery, technology.
10. Creativity.
11. Ability to influence others.
12. Ability to get along well with people.
13. Initiative.
14. Flexibility.
15. Intelligence.
16. Orientation to clear goals.
17. Positive response to challenges.
18. Independence.
19. Responsiveness to suggestions and criticism.
20. Time competence, efficiency.

Characteristics associated with the entrepreneurial mindset (Cont.)

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|----------------------------------------|-------------------------------|
| 21. Ability to make decisions quickly. | 33. Perceptiveness. |
| 22. Responsibility. | 34. Toleration for ambiguity. |
| 23. Foresight. | 35. Aggressiveness. |
| 24. Accuracy, thoroughness. | 36. Capacity for enjoyment. |
| 25. Cooperativeness. | 37. Efficacy. |
| 26. Profit orientation. | 38. Commitment. |
| 27. Ability to learn from mistakes. | 39. Ability to trust workers. |
| 28. Sense of power. | 40. Sensitivity to others. |
| 29. Pleasant personality. | 41. Honesty, integrity. |
| 30. Egotism. | 42. Maturity, balance. |
| 31. Courage. | |
| 32. Imagination. | |

Examples of the entrepreneurial process

- ***Global Breakthrough Innovators***

- ❖ ***Steve Jobs, of Apple***

- He was cofounder, chairman, and chief executive officer of Apple, Inc.
- An entrepreneur who is widely recognized as a charismatic pioneer of the personal computer revolution started his company in a garage in 1976.
- By 2011, Apple had over 50,000 employees worldwide with annual sales exceeding \$65 billion.
- It was the largest publicly traded company in the world by market capitalization and the largest technology company in the world by revenue and profit. Steve Jobs passed away in 2011 at the age of 56.

Examples of the entrepreneurial process (Cont.)

- ***Global Breakthrough Innovators***

- ❖ ***Bill Gates, of Microsoft***

- One of the best-known entrepreneurs of the personal computer revolution, Gates was the chief software architect of Microsoft Corporation, the worldwide leader in software, services, and solutions.
- Microsoft would also come to dominate the office suite market with Microsoft Office.
- In 2011, Microsoft Corporation acquired Skype Communications for \$8.5 billion. Microsoft revenues exceed \$36 billion, employing more than 55,000 people in 85 countries and regions.

Examples of the entrepreneurial process (Cont.)

- ***Global Breakthrough Innovators***

- ❖ ***Sam Walton, of Walmart***

- He is best known for starting Walmart in 1962. His philosophy was to help bring a large variety of products and low prices to his consumers throughout his career.
- Today, Walmart is the world's 18th largest public corporation with over \$400 billion in revenue and over 600,000 employees. Walmart has 8,500 stores in 15 countries, under 55 different names.
- As a result of his accomplishments, Sam Walton reached the ranks of the richest man in the United States from 1985 until 1988.

Dealing with Failure

- Entrepreneurs use failure as a learning experience; hence, they have a tolerance for failure.
- The trial-and-error nature of becoming a successful entrepreneur makes for serious setbacks and disappointments, which are an integral part of the learning process.
- However, the emotions generated by failure (i.e., grief) can interfere with the learning process.
 - ❖ Grief is a negative emotional response to the loss of something important, triggering behavioral, psychological, and physiological symptoms.

3. Dark side of entrepreneurship, risks of entrepreneurs, and handling of stress causes

The dark side of entrepreneurship

- A great deal of literature is devoted to congratulating the rewards, successes, and achievements of entrepreneurs.
- However, a dark side of entrepreneurship also exists, and its destructive source can be found within the energetic drive of successful entrepreneurs.

The Entrepreneur's Confrontation with Risk

- Starting or buying a new business involves risk.
 - ❖ The higher the rewards, the greater the risks entrepreneurs usually face. This is why entrepreneurs tend to evaluate risk very carefully.

Figure 2.1 Typology of Entrepreneurial Styles



Source: Thomas Monroy and Robert Folger, "A Typology of Entrepreneurial Styles: Beyond Economic Rationality," *Journal of Private Enterprise* 9, no. 2 (1993): 71.

The entrepreneur's confrontation with risk (Cont.)

- Entrepreneurs face a number of different types of risk as follows:
 1. Financial risk,
 2. Career risk,
 3. Family and social risk, and
 4. Psychic risk.

The entrepreneur's confrontation with risk (Cont.)

- ***Financial risk***

- ❖ In most new ventures, the entrepreneur puts a significant portion of his or her savings or other resources at stake, which creates a serious financial risk.
- This money or these resources will be lost if the venture fails.
- The entrepreneur may also be required to personally sign on company obligations that far exceed his or her net worth.
- The entrepreneur is exposed to personal bankruptcy.

The entrepreneur's confrontation with risk (Cont.)

- ***Career risk***

- ❖ A question frequently raised by would-be entrepreneurs is whether they will be able to find a job or go back to their old job should their venture fail.
- ❖ Career risk is a major concern for managers who have a secure organizational job with a high salary and a good package of benefits.

The entrepreneur's confrontation with risk (Cont.)

- ***Family and social risk***
 - ❖ Starting a new venture requires much of the entrepreneur's energy and time, which can create family and social risks.
 - His or her other commitments may suffer.
 - Entrepreneurs who are married, and especially those with children, expose their families to the risks of an incomplete family experience and the possibility of permanent emotional scars.
 - Old friends may disappear eventually because of missed get-togethers.

The entrepreneur's confrontation with risk (Cont.)

- ***Psychic risk***

- ❖ The psychic risk may be the greatest risk to the well-being of the entrepreneur.
 - Money can be replaced; a new house can be built; and spouses, children, and friends can usually adapt.
 - Some entrepreneurs who have suffered financial disaster have been unable to bounce back, at least not immediately.
 - The psychological impact has proven to be too severe for them.

What is entrepreneurial stress?

- Stress can be viewed as a function of discrepancies between a person's expectations and ability to meet demands, as well as discrepancies between the individual's expectations and personality.
- If a person is unable to fulfill role demands, stress occurs. When entrepreneurs' work demands and expectations exceed their abilities to perform as venture initiators, they are likely to experience stress.

Source of stress

- Researchers David P. Boyd and David E. Gumpert have identified four causes of entrepreneurial stress:
 1. Loneliness,
 2. Immersion in enterprise,
 3. People problems, and
 4. The need to achieve.

Dealing with stress

- Having identified these causes, entrepreneurs then can combat excessive stress by
 1. Acknowledging its existence,
 2. Developing coping mechanisms, and
 3. Probing unacknowledged personal needs.
- Following are six specific ways entrepreneurs can cope with stress.
 1. Networking.
 2. Getting Away from It All.
 3. Communicating with Employees.
 4. Finding Satisfaction Outside the Company.
 5. Delegating.
 6. Exercising Rigorously.

4. Ethical dilemmas of entrepreneurs and ethics in a conceptual framework

Entrepreneurial Ethics

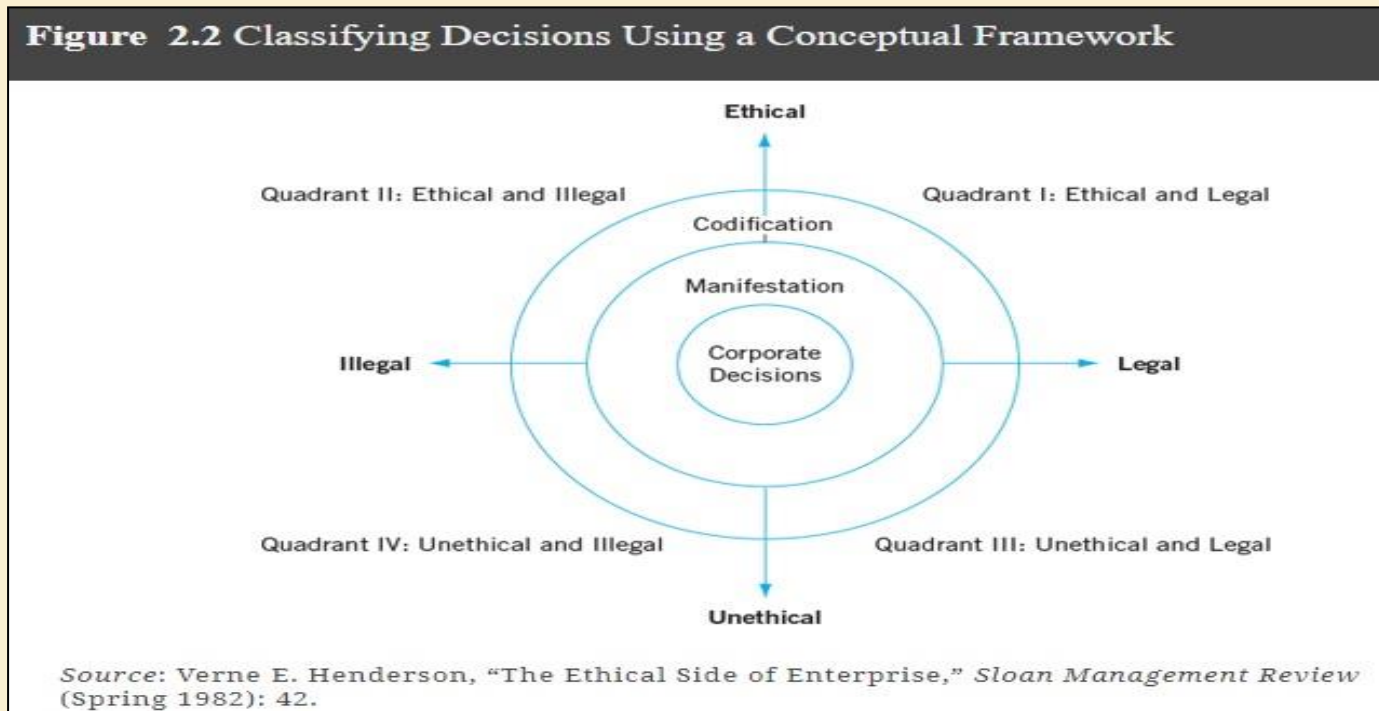
- Ethical issues in business are of great importance today and with good reason.
 - ❖ Scandals, fraud, and various forms of executive misconduct in corporations.
- Today's entrepreneurs are faced with many ethical decisions, especially during the early stages of their new ventures.

“There is no simple universal formula for solving ethical problems. We must choose from our codes of conduct whichever rules are appropriate to the case in hand; the outcome of these choices makes us who we are.”

--Adrian Cadbury--

Ethical Dilemmas

- Ethics provides the basic rules or parameters for conducting any activity in an “acceptable” manner.



- Ethics represents a set of principles prescribing a behavioral code that explains what is good and right or bad and wrong; additionally, they outline moral duty and obligations.

Ethical Rationalizations

- The four rationalizations are:
 1. that the activity is not “really” illegal or immoral;
 2. that it is in the individual’s or the corporation’s best interest;
 3. that it will never be found out; and
 4. that, because it helps the company, the company will condone it.

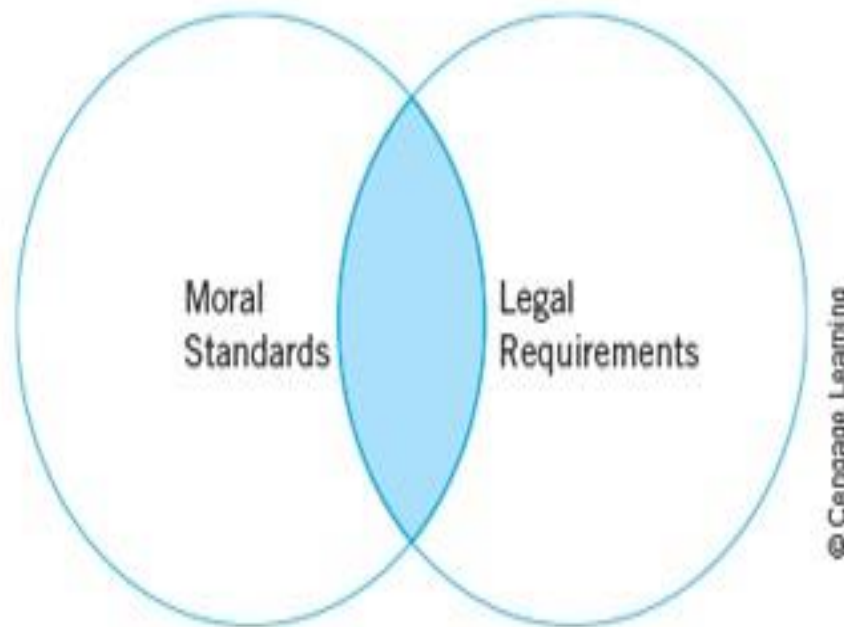
Ethical Rationalizations (Cont.)

Type	Direct Effect	Examples
Nonrole	Against the firm	Expense account cheating Embezzlement Stealing supplies
Role failure	Against the firm	Superficial performance appraisal Not confronting expense account cheating Palming off a poor performer with inflated praise
Role distortion	For the firm	Bribery Price fixing Manipulating suppliers
Role assertion	For the firm	Investing in unethically governed countries Using nuclear technology for energy generation Not withdrawing product line in face of initial allegations of inadequate safety

The Matter of Morality

- Ethical conduct may reach beyond the limits of the law.

Figure 2.3 Overlap between Moral Standards and Legal Requirements



Complexity of Decisions

- Entrepreneurs are challenged by the need to make business decisions each day. Many of these decisions are complex and raise ethical considerations.
- The business decisions of entrepreneurs are highly complex for five reasons.
 - ❖ *First*, ethical decisions have extended consequences.
 - ❖ *Second*, business decisions that involve ethical questions have multiple alternatives—the choices are not always “do” or “don’t do.”
 - ❖ *Third*, ethical business decisions often have mixed outcomes.
 - ❖ *Fourth*, most business decisions have uncertain ethical consequences.
 - ❖ *Finally*, most ethical business decisions have personal implications.

5. Strategies for establishing ethical responsibility, leadership, and entrepreneurial motivation

Establishing a Strategy for an Ethical Venture

- ***Ethical Codes of Conduct***

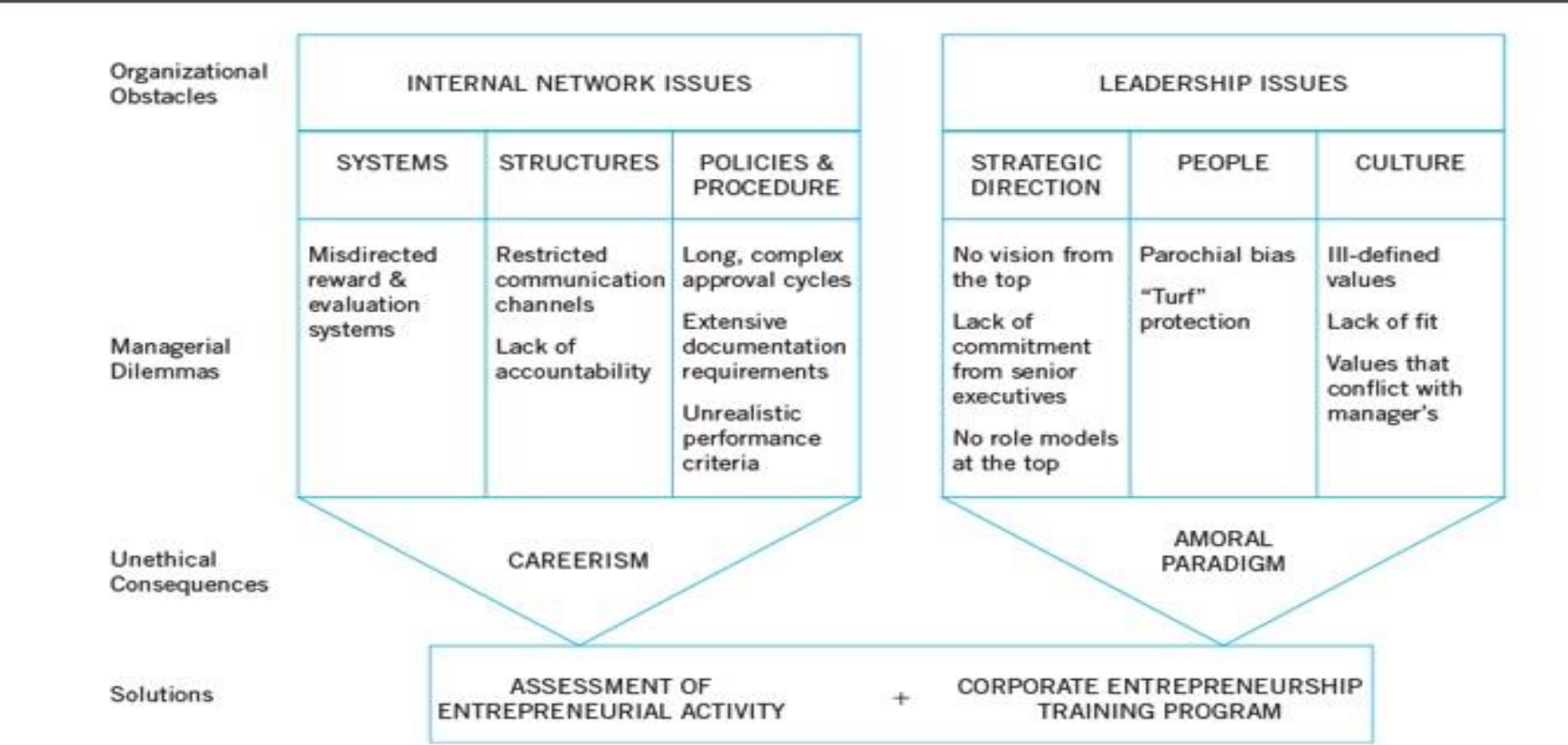
- ❖ These codes cover many subjects, such as misuse of corporate assets, conflict of interest, and use of inside information to equal employment practices, falsification of books or records, antitrust violations, etc.

- ***Ethical Responsibility***

- ❖ Establishing a strategy for ethical responsibility is not an easy task for entrepreneurs. No single, ideal approach to organizational ethics exists.
- ❖ This strategy should encompass three major elements:
 - Ethical consciousness.
 - Ethical process and structure.
 - Institutionalization.

Ethical Considerations of Corporate Entrepreneurs

Figure 2.4 Ethical Challenges for Corporate Entrepreneurship



Source: Donald F. Kuratko and Michael G. Goldsby, "Corporate Entrepreneurs or Rogue Middle Managers? A Framework for Ethical Corporate Entrepreneurship," *Journal of Business Ethics* 55 (2004): 18.

Ethical Leadership by Entrepreneurs

- Although ethics present complex challenges for entrepreneurs, the value system of an owner/entrepreneur is the key to establishing an ethical organization.
- In smaller ventures, the ethical influence of the owner is more powerful than in larger corporations because his or her leadership is not diffused through layers of management.
- An owner's value system is a critical component of the ethical considerations that surround a business decision.
- Entrepreneurs must realize that their personal integrity and ethical example will be the keys to their employees' ethical performance.

Entrepreneurial Motivation

- Entrepreneurial motivation is the process that activates and motivates the entrepreneur to exert a higher level of effort for the achievement of his/her entrepreneurial goals.
- Entrepreneurial motivation also refers to the forces or drives within an entrepreneur that affect the direction, intensity, and persistence of his or her voluntary behavior as an entrepreneur.

Entrepreneurial Motivating Factors

- ***Internal Factors***

- ❖ Desire to do something new.
- ❖ Become independent.
- ❖ Achieve what one wants to have in life.
- ❖ Be recognized for one's contribution.
- ❖ One's educational background.
- ❖ One's occupational background and experience in the relevant field.

Entrepreneurial Motivating Factors (Cont.)

- ***External Factors***
 - ❖ Government assistance and support.
 - ❖ Availability of labor and raw materials.
 - ❖ Encouragement from big business houses.
 - ❖ Promising demand for the product.

In conclusion

- Entrepreneurial mindset and cognition.
- Characteristics in successful entrepreneurs.
- Dark side of entrepreneurship, risks of entrepreneur, and handling stress.
- Ethical dilemmas of entrepreneurs and ethics in a conceptual framework.
- Strategies for establishing ethical responsibility, leadership, and entrepreneurial motivation.

Understand



**THANK YOU
FOR YOUR ATTENTION**

Q&A