

Introduction to Entrepreneurship

Week 1

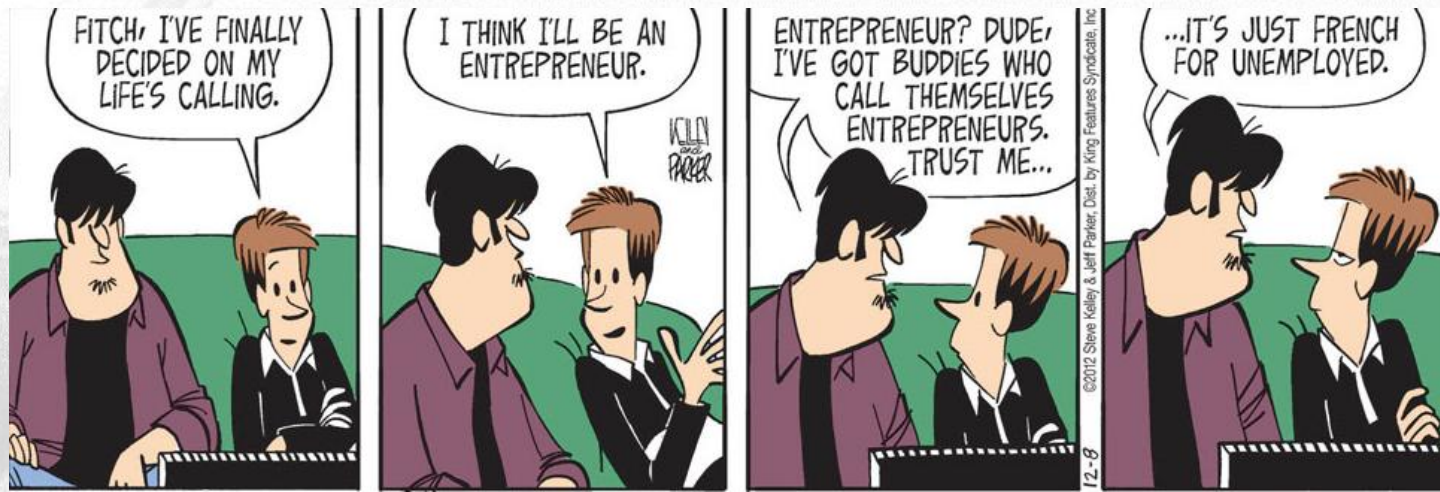
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Entrepreneurship

- It is the **discovery**, **evaluation**, and **exploitation** of opportunities, usually by launching a new enterprise to bring in **innovations** to the market, **creating value** for the enterprise and its stakeholders in the process.
- It is the process of capitalizing on opportunities by starting new businesses for the purposes of changing, revolutionizing, transforming, or introducing new products or services.
- **Entrepreneur**
- An entrepreneur is an individual who **identifies a business opportunity**, takes the **initiative to organize and manage resources**, and assumes the **risks** involved to create and grow a new venture.



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



Is an Entrepreneurial Venture a Startup, Small Business, or a New Venture?

- Many people believe that entrepreneurial ventures and small businesses are the same, but they are not. While they may share some similarities, their goals, approaches, and impact are quite different.
- **Entrepreneurial Venture (EV)**
- It is a type of business that is focused on **innovation**, **opportunity-seeking**, and **growth**. While it can start small or be classified as a startup or new venture initially, not all small businesses or startups qualify as entrepreneurial ventures.
- **Focus on Innovation:** Introduces new products, services, or business models.
- **Opportunity-Driven:** Actively seeks new markets and growth opportunities.
- **Growth-Oriented:** Aims for scalability and significant financial success.
- **Impact:** Often disrupts industries or creates new ones.
- Example: SpaceX—pioneering reusable rockets to revolutionize the space industry.



Small Business

- It is an independently owned business with fewer than 500 employees. It typically operates in a stable, established market and focuses on serving a local or niche customer base.
- **Traditional Practices:** Follows established business models, rather than introducing new innovations.
- **Local Focus:** Limited to a specific geographic area.
- **Growth Not Essential:** Many small businesses aim for steady income rather than rapid growth.
- **How It's Different from EV?**
- A small business is not necessarily innovative or growth-driven, which are essential traits of entrepreneurial ventures.
- It prioritizes stability over disruption.



Startup

- It is a newly established business designed to find a scalable and profitable business model under conditions of high uncertainty.
- **Exploratory Phase:** Focuses on testing ideas and validating the business model.
- **Growth-Oriented:** Seeks rapid growth after validating its model.
- **Uncertainty:** Operates in unpredictable markets.
- **How It's Different from EV?**
- A startup may or may not emphasize innovation (e.g., a delivery app for an existing market is a startup but not necessarily an entrepreneurial venture).
- Startups can evolve into entrepreneurial ventures if they pursue innovation and disrupt the market.
- Example: Airbnb—began as a startup focused on short-term accommodations and has scaled globally.



New Venture

- A new venture is any newly established business. It's a broad term that includes startups, entrepreneurial ventures, and small businesses.
- **Wide Scope:** Can include any new business, whether traditional or innovative.
- **Varied Goals:** May aim for growth, stability, or niche service.
- **How It's Different from EV?**
- A new venture is the broadest category and includes all kinds of businesses, regardless of their focus on growth or innovation.
- Entrepreneurial ventures and startups are types of new ventures, but not all new ventures qualify as entrepreneurial ventures.
- Example: A tech company developing an app but still exploring its market fit and growth potential.

Aspect	Entrepreneurial Venture	Startup	Small Business	New Venture
Definition	A business focusing on innovation , opportunity , and growth .	A newly established business exploring a scalable model.	An independent business operating traditionally in a local market.	Any newly established business.
Focus	Innovation and market disruption.	Growth and scalability.	Stability and steady operations.	Varies (growth, stability, or niche).
Innovation	Core component.	May or may not emphasize innovation.	Not required.	Not necessarily innovative.
Growth Orientation	Aims for significant growth and scalability.	Seeks growth after validating the model.	Growth is not always a priority.	Depends on the business type.
Examples	Tesla, SpaceX, Airbnb.	An app startup validating its idea.	A family-owned bakery or retail shop.	Includes startups, bakeries, or any new business.

Investing in Entrepreneurial Ventures

- **Venture Capitalists**

- Venture capitalists (VCs) are professional investors or firms that provide financial support to early-stage or growing businesses with high growth potential. In exchange for their investment, they receive equity (ownership) in the business.
- External equity financing is provided by professionally-managed pools of investor money.

- **Angel Investors**

- Angel investors are wealthy individuals or small groups who personally invest their own money in startups or small businesses in exchange for equity or convertible debt.

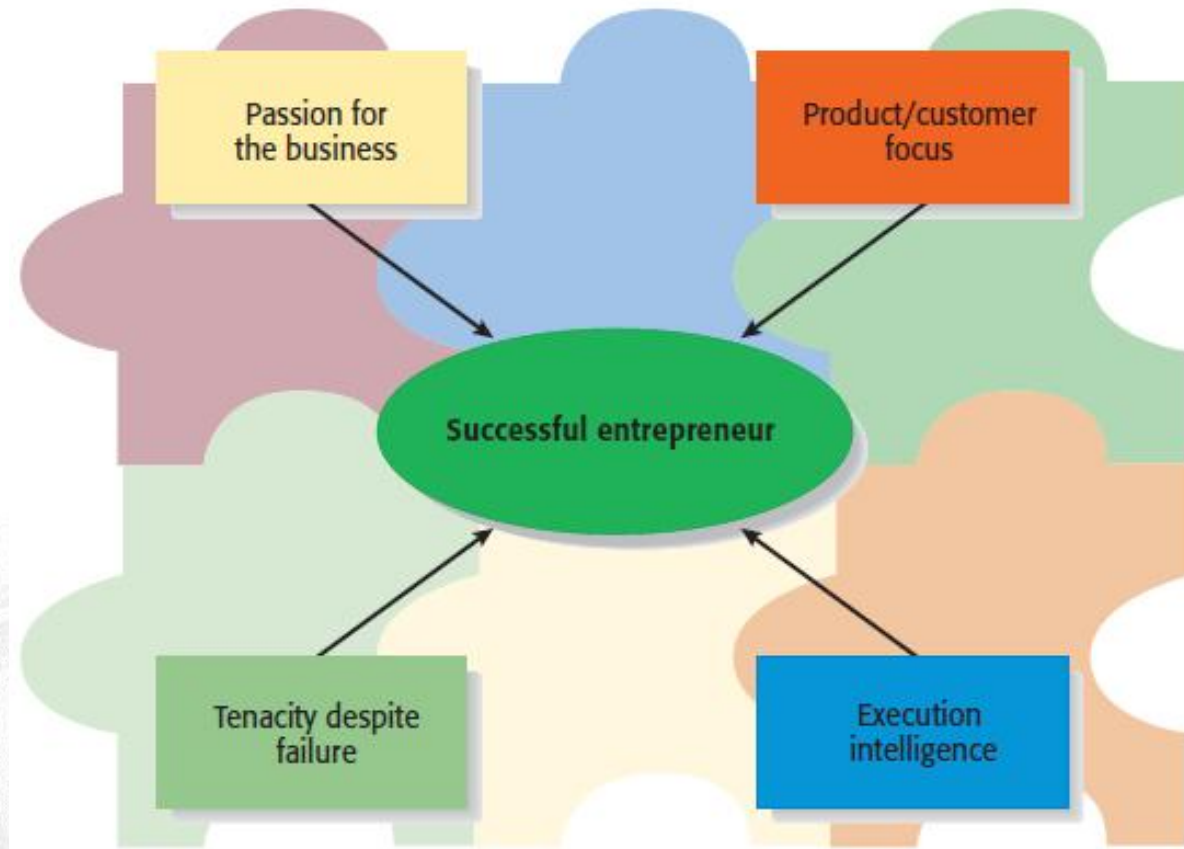
- **Initial Public Offering (IPO)**

- It is the process through which a private company offers its shares to the public for the first time, allowing it to be traded on a stock exchange.

Characteristics of Successful Entrepreneurs

1 of 3

Four Primary Characteristics



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.

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.

Common Myths About Entrepreneurs

1 of 5

- **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 5

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

- A moderate risk taker
- A networker
- Achievement motivated
- Alert to opportunities
- Creative
- Decisive
- Energetic
- Has a strong work ethic
- Lengthy attention span

- Optimistic disposition
- Persuasive
- Promoter
- Resource assembler/leverager
- Self-confident
- Self-starter
- Tenacious
- Tolerant of ambiguity
- Visionary

Common Myths About Entrepreneurs

3 of 5

- **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 5

- **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 5

- **Myth 4: Entrepreneurs Should Be Young and Energetic**
 - **Entrepreneurial** activity is fairly easily spread out over age ranges.
 - While it is important to be energetic, investors often cite the strength of the entrepreneur as their most important criteria 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.

Economic Impact of Entrepreneurial Firms

- Innovation

- Is the process of creating something new, which is central to the entrepreneurial process.
- Several studies have found that small businesses outperform their larger counterparts in terms of obtaining patents.

- Job Creation

- Small businesses are the creators of most new jobs in the U.S., and employ half of all private sector employees.
- According to a Kauffman Foundation survey, 92% of Americans say entrepreneurs are critically important to job creation.

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 in new ways.

- 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.



The Entrepreneurial Process

- The entrepreneurial process involves
 1. Identifying viable opportunities and deciding to become an entrepreneur.
 2. Creating a structured business plan.
 3. Acquiring the necessary resources and moving from an idea to an entrepreneurial firm.
 4. Effectively managing the enterprise for sustainable growth.



Aspects of the Entrepreneurial Process

- **Identifying viable opportunities and deciding to become an entrepreneur**
- This stage involves assessing potential business opportunities to determine their feasibility and value.
 - Key elements include:
 - **Opportunity Assessment:** Identifying viable market gaps or unmet customer needs.
 - **Creation and Length of Opportunity:** Estimating how long the opportunity will remain viable.
 - **Risk and Returns:** Evaluating the potential risks and benefits of pursuing the opportunity.
 - **Skills and Goals Alignment:** Ensuring the opportunity aligns with personal and business objectives.
 - **Competitive Environment:** Analyzing competitors and the industry landscape.



Aspects of the Entrepreneurial Process

- **Creating a structured business plan**
- This involves creating a detailed plan to structure and execute the business idea.
 - Key components of a business plan:
 - Title Page, Executive Summary, and Table of Contents: Overviews and structure.
 - Major Sections:
 - Description of Business and Industry
 - Technology, Marketing, and Financial Plans
 - Production, Organizational, and Operational Plans
 - Summary and Appendices (supporting data and exhibits).



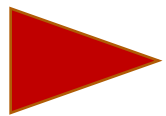
Aspects of the Entrepreneurial Process

- **Acquiring the necessary resources and moving from an idea to an entrepreneurial firm**
- Identifying and acquiring the necessary resources to launch and sustain the business.
 - Key tasks include:
 - **Determine Resources Needed:** Assess financial, human, and physical resource requirements.
 - **Evaluate Existing Resources:** Understand what is already available.
 - **Identify Resource Gaps:** Find suppliers or partners to address deficiencies.
 - **Access to Resources:** Secure funding, partnerships, or technology as needed.



Aspects of the Entrepreneurial Process

- **Manage the Enterprise**
- Managing the business to ensure smooth operations, growth, and success.
 - Key focus areas:
 - **Management Style:** Develop an effective leadership approach.
 - **Key Success Variables:** Identify critical factors for achieving goals.
 - **Problem Identification:** Address potential issues proactively.
 - **Control Systems:** Implement systems to monitor and manage performance.
 - **Growth Strategy:** Develop plans for scaling and expanding the business.



The Value Proposition

Value

The importance, worth, or usefulness of something.

Proposition

A suggested scheme or plan of action.

Value Proposition

A suggested offering intended to make a venture attractive to customers. It communicates the unique value a product or service delivers to its customers. It explains why a customer should choose your offering over competitors.

"We can not talk about value without the customer"

Customer

A person or organization buys goods or services from a store or a business.

A person or organization that gains value by interacting with your offering.



Examples of Value Propositions

Uber – The Smartest Way to Get Around

Apple iPhone – The Experience IS the Product

Slack – Be More Productive at Work with Less Effort

Less Accounting – Bookkeeping, Without the Hassle

Uber – The Smartest Way to Get Around

What it conveys: Uber positions itself as the most intelligent solution for transportation. It emphasizes convenience, efficiency, and accessibility compared to traditional taxis or public transport.

Core value

- Easy booking via app
- Real-time tracking
- Affordable and transparent pricing
- Multiple ride options to suit different needs

Why it works: It highlights a hassle-free, modern way to travel that fits seamlessly into a tech-savvy, fast-paced lifestyle.

Apple iPhone – The Experience IS the Product

What it conveys: Apple emphasizes the superior user experience as the key value of its iPhone. It's not just about hardware or software but the seamless integration of design, functionality, and innovation.

Core value

- Intuitive design and usability
- Premium feel and aesthetic
- A robust ecosystem with Apple services
- Innovation at the forefront (e.g., camera quality, performance)

Why it works: It connects emotionally with customers, focusing on how owning and using an iPhone makes them feel, rather than just listing technical specifications.

Value Proposition Canvas

Value Map



Customer Profile





Value Proposition Canvas

It is a framework used to match a product or service (the Value Map) to the needs and expectations of customers (the Customer Profile). It helps businesses design solutions that directly address their customers' jobs, pains, and gains.

- **Customer Jobs:** The tasks, problems, or needs that the customer wants to address.
- **Pains:** The negative outcomes, challenges, or risks the customer faces while trying to accomplish their jobs.
- Examples: frustration, inefficiency, high costs, or risks.
- **Gains:** The positive outcomes or benefits the customer desires from achieving their jobs.
- Examples: convenience, savings, improved performance, or status.



Value Proposition Canvas

- **Products & Services:** The specific offerings (products, services, or features) the business provides. These should address customer jobs.
- **Pain Relievers:** How the product or service helps reduce or eliminate the customer's pains.
- Examples: faster processes, reduced costs, or improved reliability.
- **Gain Creators:** How the product or service enhances or adds value to the customer's gains.
- Examples: better experiences, higher efficiency, or unexpected benefits.

This tool is especially useful for startups, product development teams, and marketing strategies, as it ensures a customer-centric approach to value creation.

Customer Profile Example - TESLA

Customer Job

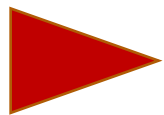
- Functional Job (Make a living. Tesla - Commute to work)
- Social Job (Make & keep social relationships. Tesla- Convey an image of success)
- Emotional Job (Create satisfaction. Tesla- Self- Actualization)

Pain – Tesla Customer's Pain

- How far can we drive?
- What about recharging?
- Lack of charging stations

Gains – Tesla Customer's Gains

- Long-range (Functional gain)
- Perform like a sports car (Social Gain)
- Status symbol (Emotional Gain)



Customer Profile Example - TESLA

Product & Services

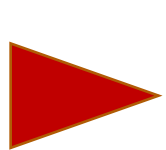
- A list of products that you make, or the service you provide, That help your customers get the job done. Example: Battery warranty & capacity 8 years & Models variety.

Pain relievers

- Help the customer remove their pains. Example: Fast charging, cheap overnight charging. charging network.

Gain Creator

- What you can offer your customer to help them achieve the gains. Example: Smart Card, Long range, High tech touch screen.



What is Unique Value Proposition?

- A unique value proposition (UVP) is a clear statement that explains the benefits of your product, how it solves customers' problems, why it is different from the rest, and why customers should buy it.
- It is a more **specific** statement that highlights what makes your product or service different from and better than competitors. It emphasizes the unique aspect that sets you apart.
- **Key Difference**
- A value proposition focuses on the general value you deliver to your customers.
- A unique value proposition emphasizes the specific feature, benefit, or experience that makes your offering stand out from competitors.

- **Value Proposition:** The basic promise of value a product/service delivers to solve a problem or fulfill a need. What do you offer?
- **Unique Value Proposition (UVP):** What sets your offering apart from competitors. Why should customers choose you over someone else?
- **Value Proposition:** You're selling bottled water because people are thirsty.
- **UVP:** Your bottled water is sourced from untouched glaciers, making it purer and healthier than others.
- **VP-Tesla:** "An electric car that combines sustainability with performance and convenience."
- **UVP-Tesla:** "The only electric car that offers long-range capability, high-performance acceleration, and cutting-edge autopilot technology in one package."

