

# Introduction to Entrepreneurship

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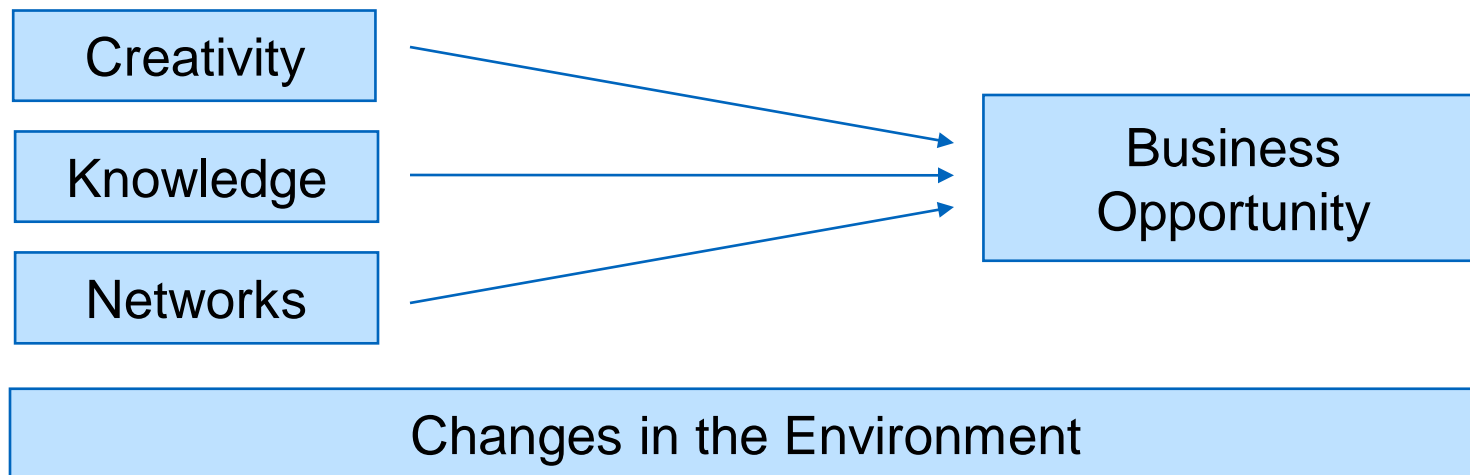


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# Summary Session 3

# What factors contribute to opportunity identification?



Based on Ardichvili et al. (2003); Baron (2006); Shane (2003)

# Knowledge and creativity

The 18-hour CD

Sony nearly missed a golden opportunity when they temporarily abandoned work on developing music CDs in the mid-1970s

Why?

Putting 18 hours of music on a single CD would not be commercially viable

But why 18 hours?

Sony used the size and shape of LP record albums as their starting point

**Knowledge can be restricting in developing opportunities**

**Creativity is needed to overcome restrictions**



Ward (2004)

# Changes in the environment

## World's first no-kill eggs go on sale in Berlin

**Chick's sex can be determined before it hatches, potentially ending culling of billions of males**



<https://www.theguardian.com/environment/2018/dec/22/worlds-first-no-kill-eggs-go-on-sale-in-berlin>



Video

**Töten männlicher Küken nur noch übergangsweise zulässig**

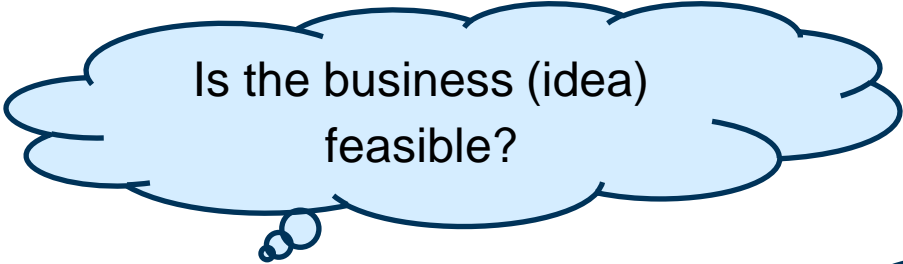


# Uncertainties around a business idea

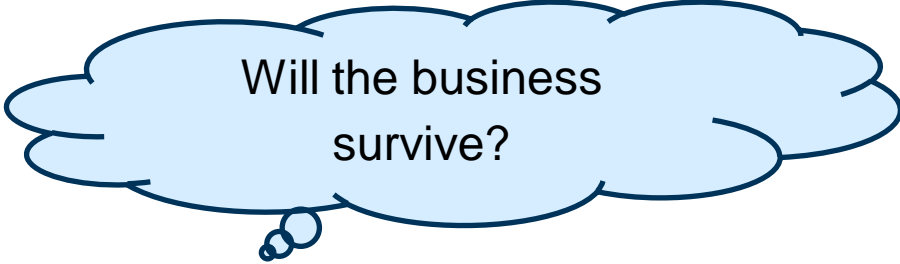
Consequences of the decision to start a business based on a new idea:

New, ill defined product concept

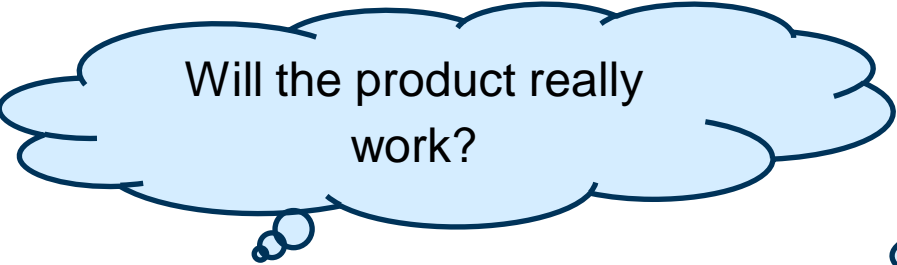
Little experience in setting-up a business



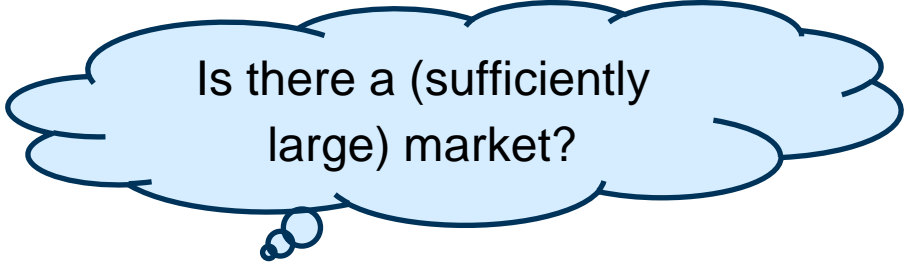
Is the business (idea) feasible?



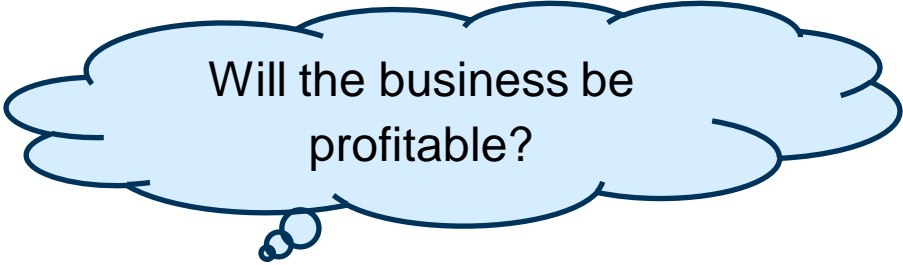
Will the business survive?



Will the product really work?

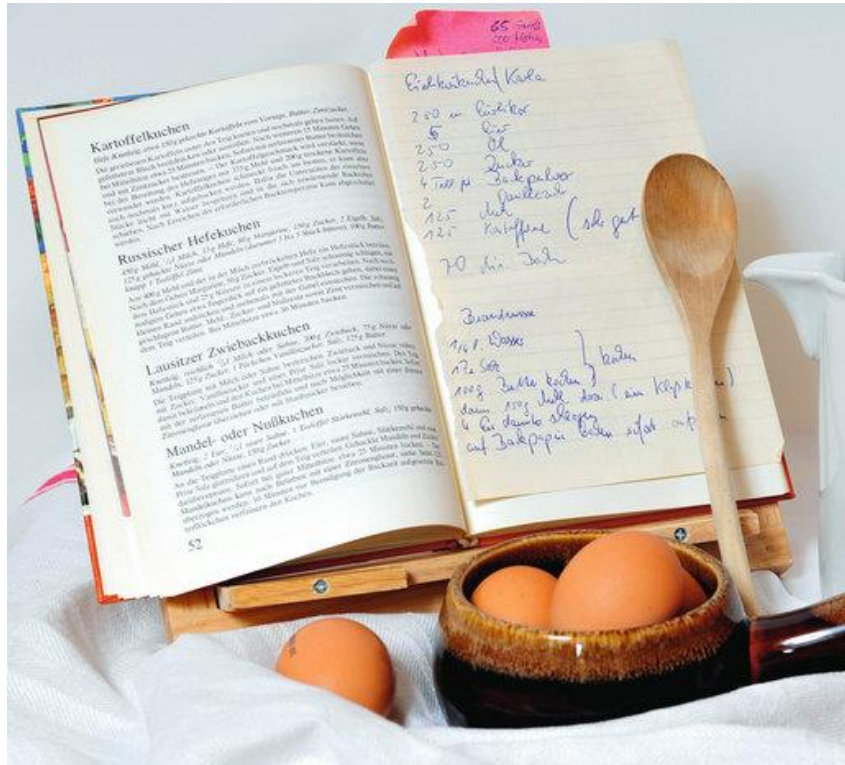


Is there a (sufficiently large) market?



Will the business be profitable?

# Why Entrepreneurship is not Business Administration



Causal

vs.



effectual logic

# Effectual Decision Making

To cope with uncertainty, entrepreneurs tend to use an effectuation process more often than a causal process. **Effectuation framework** (Sarasvathy, 2001) helps us understand how successful entrepreneurs deal with uncertainty.

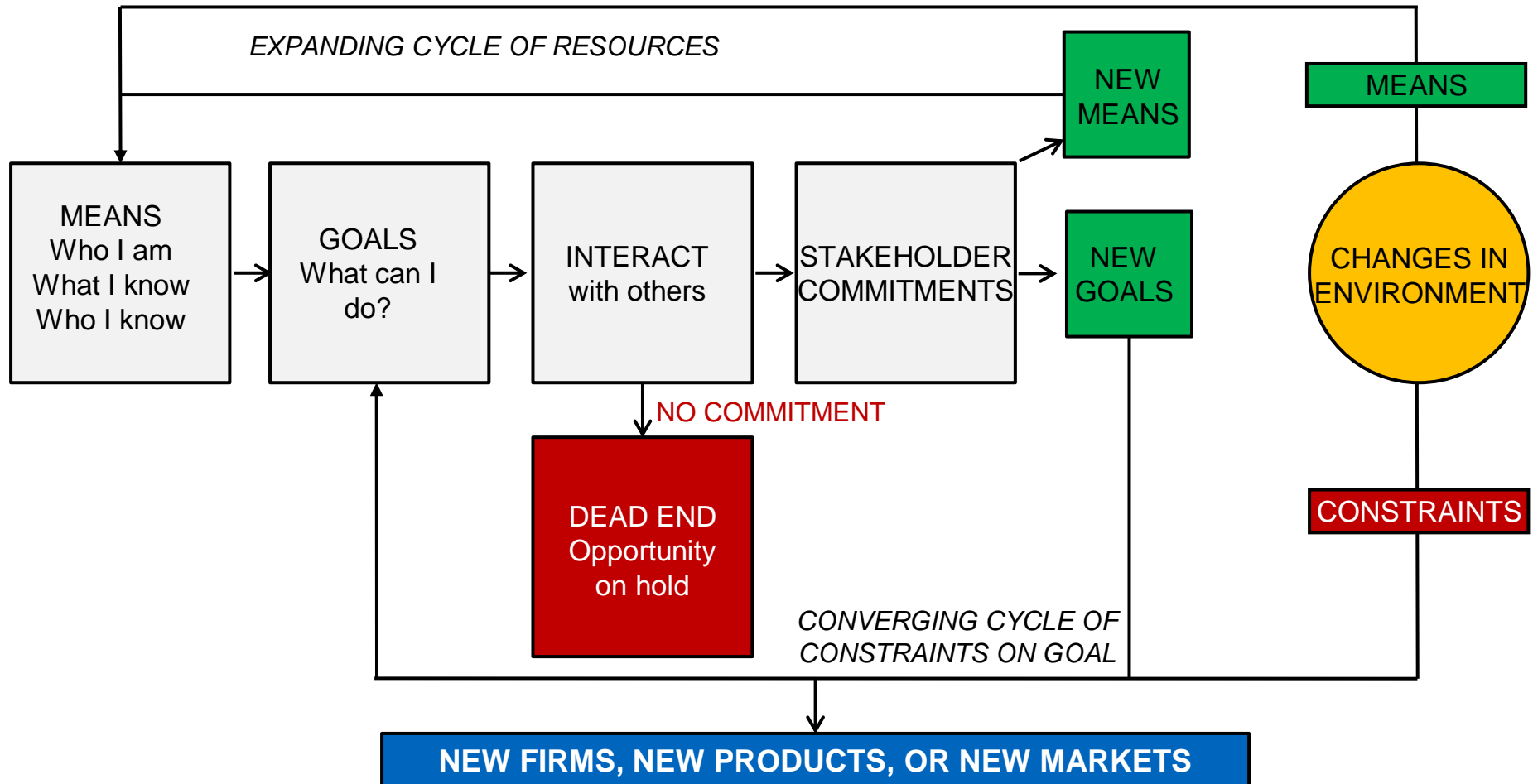
Four key principles



The worldview 'Control vs. predict' is sometimes referred to as a 5th principle



# Summary: Effectuation in action



Sarasvathy (2001)

# Your questions

In Quiz 1: Unfortunately, I still cannot understand why answer 5C would be incorrect. Could you please explain that again?

What is true about entrepreneurs' personality traits?

Wählen Sie eine Antwort:

- ☐ a. They are fairly unstable over time, particularly after adolescence.
- ☐ b. They are dispositions to act or react in a certain way across various situations.
- ☐ c. They facilitate, but never restrain, individuals from undertaking entrepreneurial activities.
- ☐ d. They are influenced by only environmental factors, mainly experiences in childhood.

- Can we say that any successful entrepreneurial product eventually turns into traditional business?
- During the first lecture you mention that the difference is that traditional companies already have their market share and try to enlarge it. But haven't they started also as entrepreneurs ?
- Can we say that, after reaching some market share threshold, management strategy is no longer as entrepreneurial ?
- Does decision making transform from effectual to causation during the growth of a startup?

**Thank you for your  
contributions.  
See you next week!**