Lecture 1

Introduction To Software Entrepreneurship

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Software Entrepreneurship …a definition

■ *Software Entrepreneur* **= Software + Entre*preneur***

- An entrepreneur who uses different set of cutting-edge developing technologies and/or strategies than other business start-ups to develop new business models

- The development of **software**, a digital "soft" good, involves different business models, product strategy, people management, and development plan compared to the traditional manufacturing and service industries

- whose business involves software and IT technology

What Is an Entrepreneur?

- **Employees**—earn their livings working for someone else's business.

- **Entrepreneurs**—earn their livings starting, owning, and working for their own businesses.

Self Employment vs Wage Employment

Self Employment	Wage Employment
Work for profit	Work for wages
Make a fortune	Make a living
You become rich	You make others rich
Residual income is created	No residual income
Unlimited opportunity for progress	Limited opportunity for progress
Your own boss	Somebody is your boss
Reduce unemployment	Increase unemployment

Self Employment vs Wage Employment

Self Employment	Wage Employment
Multiplier effect	No Multiplier effect
Create wealth for generations	No wealth for generations
Can create extra ordinary lifestyle	Normal lifestyle
Reduce rural urban migration	Increase rural urban migration
Create a economy of entrepreneurs	No real economy is created

Why Be an Entrepreneur?

- Reasons To Become One:
  - Control over time
  - Fulfillment
  - Creation/Ownership
  - Control over Compensation
    - salary
    - wage
    - dividend
    - commission
  - Control over Working Conditions

Costs and Benefits of Entrepreneurship

Costs

- Business failure
- Obstacles
- Loneliness
- Financial Insecurity
- Long Hours/Hard Work
- Personal sacrifices
- Burden of responsibility
- Little margin for error

Benefits

- Independence
- Satisfaction
- Financial Reward
- Self-Esteem
- Autonomy
- Challenge of a start-up
- Financial control

What Does An Entrepreneurs Do?

- Everything starts from a **BUSINESS IDEA**
- However, idea is not enough.
- Necessary to :
  - ensure the technology to make the idea work or
  - can be developed at a reasonable cost within a reasonable time
- Next, receive feedback (+ve, -ve, constructive etc.) on what he/she thinks it is a "workable idea"
- Writes his/her business plan
- Get financing
- Develop
- Marketing

Why is Malaysia in Dire Need of Software Entrepreneurs?

- To sustain the growth of the economy

- Wealth creation

- Jobs creation

- Entrepreneurs
  - Comfortable With Technology
  - strong passion to learn and understand technologies.
  - They were frustrated with the way things were, and they wanted to make some changes.
  - To make changes, they had to have skills.
  - "**Must understand the problem in detail, in order to solve the problem**"

Blue Ocean Strategy

■ Red Ocean vs Blue Ocean

Red Ocean	Blue Ocean
• Industries that are already in existence • Limited demand • Firms compete to capture more market share • Limited room for growth • Limited outlook for profit growth • Most strategy is developed to compete in Red Oceans • Multiplier effect	• Are untapped market space • Unlimited potential for growth in demand • Room for highly profitable growth • Largely uncharted • Very little research into creating these markets
• Now, Malaysian online store	• 3-5 years ago, Malaysian online store
• Now, Budget Airlines	• 4-8 years ago, Budget Airlines
• YOUR DUTY TO "LEAD" in red ocean	• YOUR DUTY TO "CREATE" opportunity

Red Oceans vs Blue Oceans – VALUE INNOVATION

Red Ocean	Blue Ocean
• Compete in existing market space • Beat the competition • Exploit existing demand • Make the value-cost trade-off	• Create uncontested market space • Make the competition irrelevant • Create and capture new demand • Break the value-cost trade-off

The Concept of Business and the Concept of Profit

- **Business**
  - organization that provides goods or services to earn profits
- **Profits**
  - difference between a business's revenues and its expenses

- Businesses produce most of the goods and services we consume. They employ most working people.

- They create most new innovations and provide a vast range of opportunities for new businesses.

- Many businesses support charities and provide community leadership.

Dimensions of the External Environment (Business Model)

The Software Entrepreneurial Process

Identify & Evaluate the Opportunity	Develop Business Plan	Resources Required	Manage the Enterprise
▪ Opportunity assessment ▪ Creation & length of opportunity ▪ Real & perceived value of opportunity ▪ Risks & returns of opportunity ▪ Opportunity vs. personal skills & goals ▪ Competitive environment	▪ Title page, table of contents ▪ Executive Summary ▪ Major sections : ……. ……. ▪ Appendixes (exhibits)	▪ Determine resources needed ▪ Determine existing resources ▪ Identify resource gaps and available suppliers ▪ Develop access to needed resources	▪ Develop management style ▪ Understand key variables for success ▪ Identify problems and potential problems ▪ Implement control systems ▪ Develop growth strategy