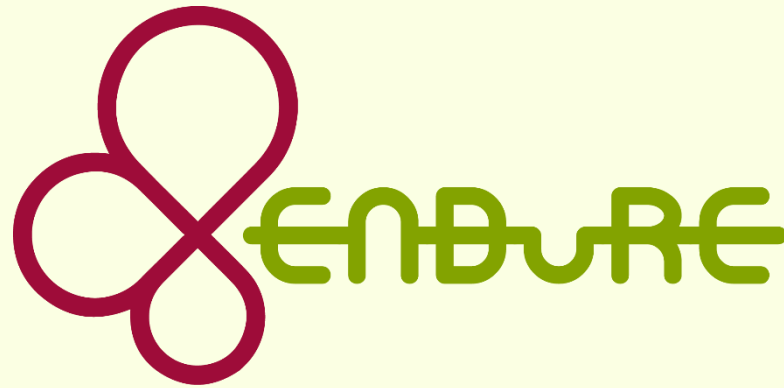




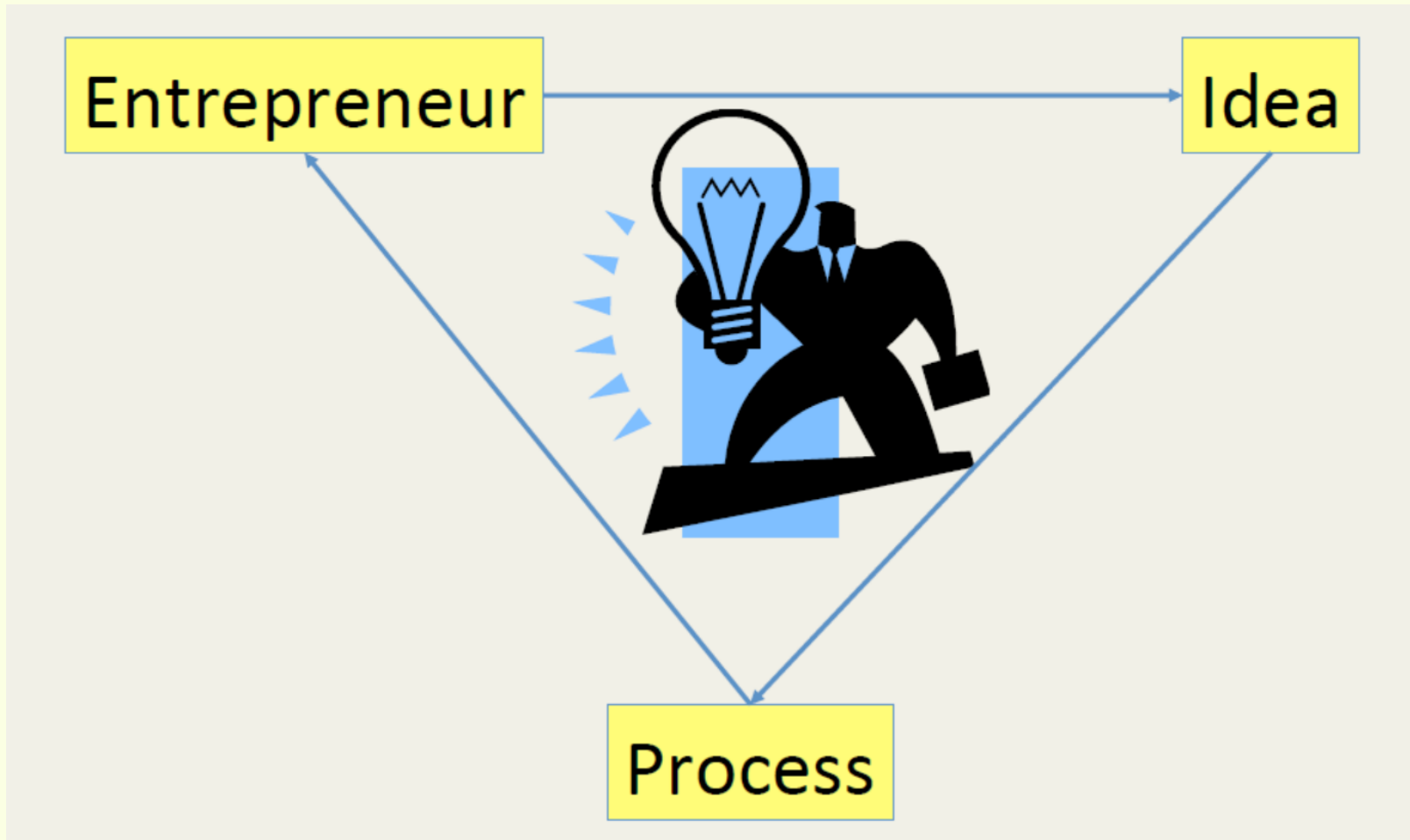
Problem Statement & Idea Understanding



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The Nature of Entrepreneurship



THE ENTREPRENEUR

Entrepreneurship

- “[...] the scholarly examination of **how, by whom, and with what effects opportunities** to create future goods and services are **discovered, evaluated, and exploited**” (Shane & Venkataraman, 2000)
- In short, entrepreneurship is about the **exploitation of opportunity**

The Entrepreneurial Mindset

What is Entrepreneurship?

- The recognition and pursuit of opportunity (new combinations)
 - Without regard to the resources you currently control,
 - With confidence that you can succeed
 - With the flexibility to change course as necessary, and
 - With the will to rebound from setbacks.
-
- (Howard Stevenson; see <http://www.inc.com/eric-schurenberg/the-best-definition-of-entrepreneurship.html>)

Example: A Matrix Used to Make Investment Decisions

Criteria	Score out of 4
Entrepreneur able to evaluate and react to risk	3.6
Entrepreneur capable of sustained effort	3.6
Entrepreneur is familiar with the market	3.5
Entrepreneur has demonstrated leadership ability	3.2
Entrepreneur has a track record	3.0
Product prototype exists	3.0
Target market has high growth rate	3.0
Product demonstrated market acceptance	2.9
Financial return	2.9
Product hard to copy or can be protected	2.7
Venture will stimulate an existing market	2.4
Little threat of competition within 3 years	2.2
Venture will create a new market	1.8
Product is high-tech	1.5

Source: Bessant and Tidd (2007) p. 52

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What do you notice from this list?

- The five most important issues are about the entrepreneur and their **abilities to deliver!**
- Five more issues are about the **market.**
- Competition is expected so **protection of IPR** is important.
- High-tech is not essential, but **innovation is implicit** in seven of these answers.



The Entrepreneur

- How do you define an entrepreneur?
 - - Someone with a bright idea?
 - - Someone who sets up a business?
- How do you identify an entrepreneur?
 - - Is he born?
 - - Is she made?

Exercise: Who is the Entrepreneur?

Traits	A	B	C	D
Age	42	43	39	53
Sex	Male	Male	Male	Female
Nationality	S. African / USA	Chinese	British / USA	British / USA
Education	BA and BSc– U. of Penn	BSc– Wuhan University	BA– University of Birmingham	BS– U. of Penn MBA– GWU
Trait 1	Difficulty interacting with peers growing up	Likes to wear T shirts and jeans	Did a marathon at the age of 12	Self-confident and assured presence
Trait 2	Loves to party and fast cars	Private person	Likes to play chess and tennis	Feminist
Trait 3	5 kids and twice divorced	Married with 2 children	Unmarried	Remarried with 1 child
Trait 4	Philosophy is to live for the present	Believes in compromise	Believes that we should always stay young	Very optimistic about life
Trait 5	Likes Isaac Asimov	Likes Steve Jobs	Likes Dr. Seuss	Likes the book “Lean In”

Who Is The Entrepreneur?

- **A. Elon Musk**

- 1983-- Sold first computer program at 12
- 2000- Took over Paypal
- 2002-- Founded SpaceX
- 2003-- Founded Tesla Motors

http://www.ted.com/talks/elon_musk_the_mind_behind_tesla_spacex_solarcity.html http://www.youtube.com/watch?v=MBItc_QAUUM

- **B. Jun Lei**

- 1992-- Joined Kingsoft as early-growth company and became CEO
- 2000-- Founded Joyo
- 2010-- Founded Xiemi
- Serial entrepreneur investor

• <http://money.cnn.com/2013/09/12/technology/xiaomi-phones-china/index.html>

Who Is The Entrepreneur?

- **C. Michael Acton Smith**
 - 1998-- Founder of Firebox.com
 - 2004-- Founder of Mind Candy
 - Perplex City
 - Moshi Monsters
 - <http://www.bbc.co.uk/news/business-16270706>
- **D. Joanne Shields**
 - 1997- CEO of Veon (interactive video tech company)
 - 2005- Hired by Google as head of EMEA
 - 2007- Hired as CEO of Bebo
 - 2010- Hired by Facebook as head of EMEA
 - 2013- Hired as CEO of Tech City Investment Organisation
 - <http://www.standard.co.uk/lifestyle/london-life/joanna-shields-on-a-mission-to-transform-london-into-a-digital-supercity-8587959.html>

Entrepreneurs: Born or Made?

- Numerous studies claim to have identified specific **personality traits** associated with entrepreneurship.
- Evidence here has been mixed, hampered by inconsistent definitions and lack of theoretical consistency.
- However, recent work by Zhao and Seibert claims to have identified a relationship, based on meta-analysis techniques.
- See:
http://www.olim.org/wiki/uploads/Articles/ZhaoSeibert2006Big5andE_MetaAnalysis.pdf

The Big 5 Personality Traits

- **Neuroticism:** entrepreneurs lower than managers (small difference)
- **Extraversion:** entrepreneurs higher than managers (small)
- **Open to experience:** entrepreneurs higher than managers (medium)
- **Agreeableness:** entrepreneurs lower than managers (big)
- **Conscientiousness:** entrepreneurs higher than managers, especially on achievement (biggest)

(Source: Zhao and Seibert, 2006)

The Entrepreneur

Grand Paradox

Are entrepreneurs born or made?

- Evidence is inconclusive
- To understand why people act entrepreneurially it is not enough to look just at an individual or at the environment.
- We should think about **INDIVIDUALS-IN-CONTEXT**
- Video
- Do you think that think that Michael Acton Smith was born or was made an entrepreneur?
- <http://www.thelostlectures.com/1125/michael-acton-smith-creating-a-monster/>

It takes a TEAM...



"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has." *Margaret Meade*

What Entrepreneurs Do: The Issue of Innovation

There is more than one way
to exploit an opportunity.

THE IDEA

The Idea - Schumpeter & Kirzner

- Schumpeterian opportunities are disequilibrating, depend upon new information, are highly innovative, rare, and involve processes of creation – the entrepreneur has to work, often in the face of opposition from vested interests or social inertia, to establish new ways of doing things and turning these into a viable business.
- Kirznerian opportunities, in contrast, are depicted as equilibrating, having limited, or no, reliance on new information, being less innovative, more common, and relying on discovery rather than creation (e.g., finding more effective ways of exploiting an existing business idea).
- In summary, Schumpeterian opportunities **‘break away from existing knowledge’**, while Kirznerian opportunities **‘replicate existing organizational forms’**

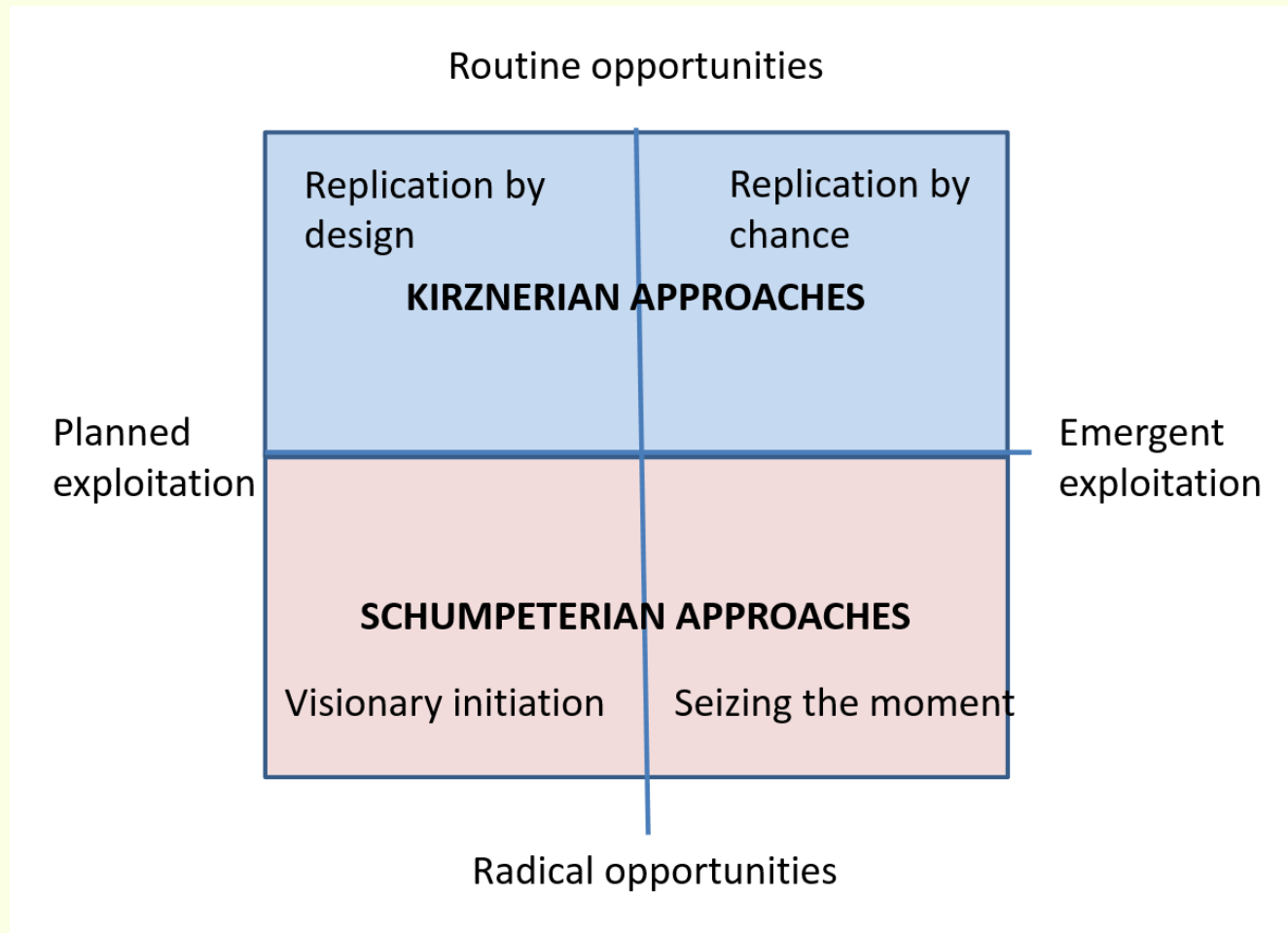
(Shane 2003, p. 21).

The Idea

- How does an idea come about?
- What makes it entrepreneurial?
- When does it become innovative?

- No consensus
- Incremental change vs. sudden change
- Schumpeter vs. Kirzner

The Idea



The Idea

- Given its creative and evolutionary implications, most interest has focused on the Schumpeterian conception.
- **Gales of creative destruction:** the entrepreneur as an heroic Promethean figure. The saviour of a stagnating economic system.

The Idea

Schumpeter on 'new combinations'

- 1. **The introduction of a new good** - that is one with which consumers are not yet familiar - or of a new quality of a good
- 2. **The introduction of a new method of production** - that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially
- 3. **The opening of a new market** - that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before
- 4. **The conquest of a new source of supply** of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created
- 5. **The carrying out of the new organization** of any industry, like the creation of a monopoly position (e.g. through trustification) or the breaking up of a monopoly position

The Idea

Schumpeter: Misconceptions

- Innovative ideas are not in short supply; the will to act on them is
- Inertia is common - usually as a result of fear of social disapproval
- Marketing innovation work usually involves 'new combinations' rather than total novelty alone
- Promoting a new combination involves conflict with established interests
- Once accepted the innovator faces competition from imitation and/or complacency from success
- Entrepreneurship is a **process** that is more viable at some times than others: few people are always entrepreneurial

The Idea

DISCUSSION

- Is Richard Branson a Schumpeterian or a Kirznerian entrepreneur?
- <http://www.effectuation.org/video/richard-branson-and-affordable-loss-principle>

THE PROCESS

The Process

The entrepreneur has identified the idea,
how does he put it into action?

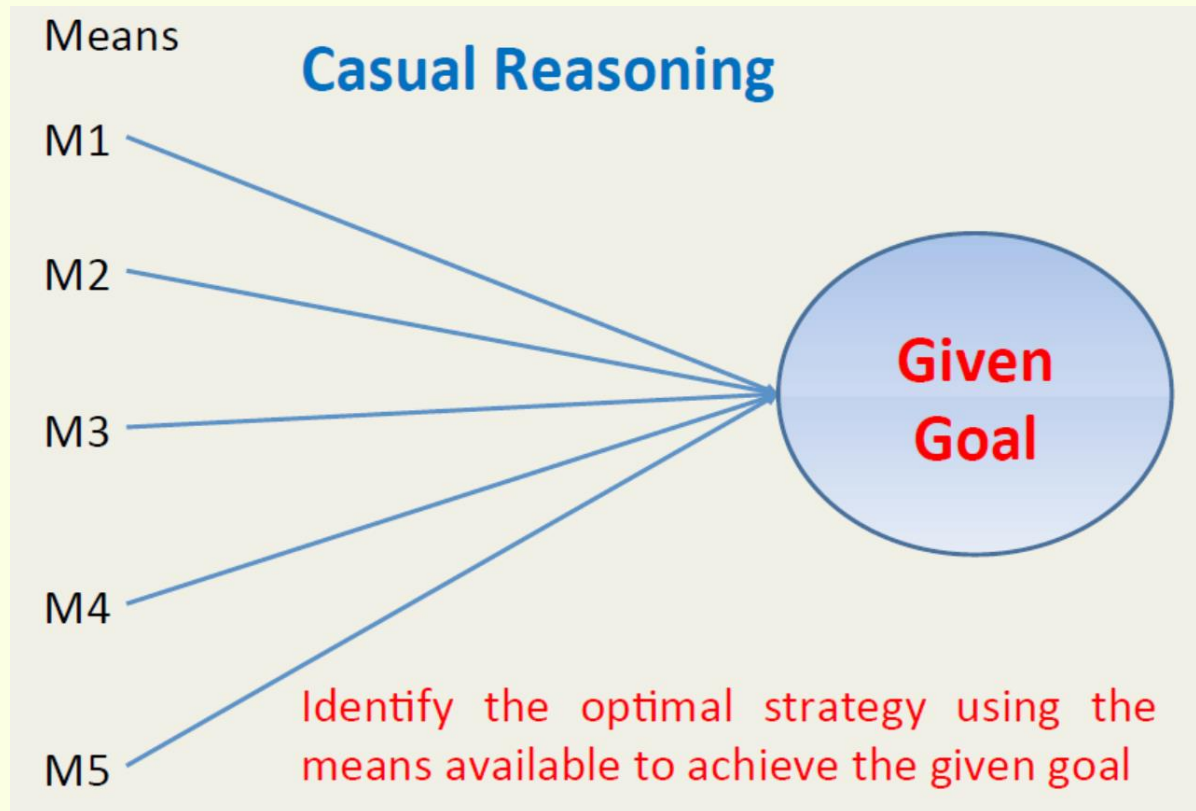
Learning by doing

The Process

Causal reasoning

- Normal management process
- Causal reasoning
 - Begins with pre-determined goal and a given set of means
 - Seeks to identify the optimal - fastest, cheapest, most efficient, etc. - alternative to achieve the given goal
- The make-vs.-buy decision in production
- Choosing the target market with the highest potential return in marketing
- Hiring the best person for the job in human resources management.

The Process



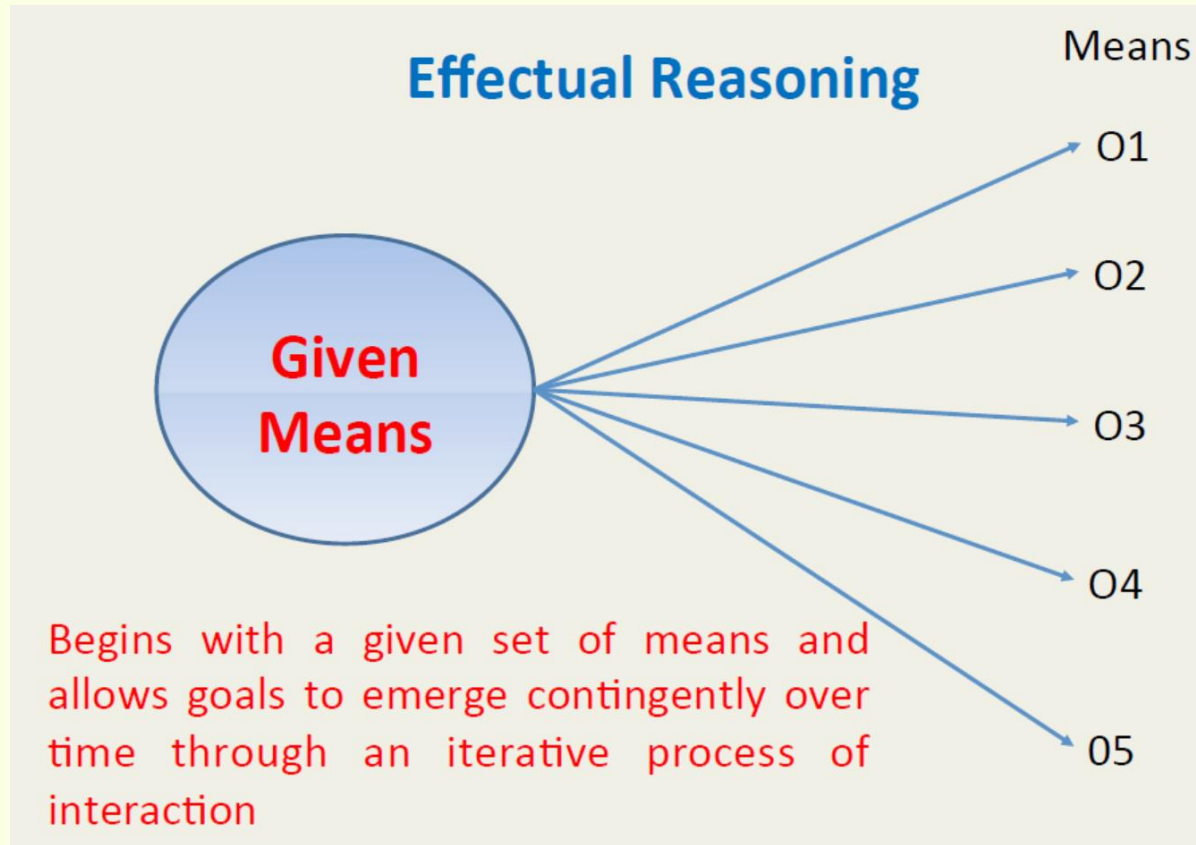
The Process

Effectuation

- Entrepreneurial process
- Effectual reasoning
 - Begins with a given set of means and
 - Allows goals to emerge contingently over time
- Opportunities arise from the varied imagination and diverse aspirations of the founders and the people they interact with
- Explorers rather than ‘strategists’

<http://www.effectuation.org/sites/default/files/documents/what-makes-entrepreneurs-entrepreneurial-sarasvathy.pdf>

The Process

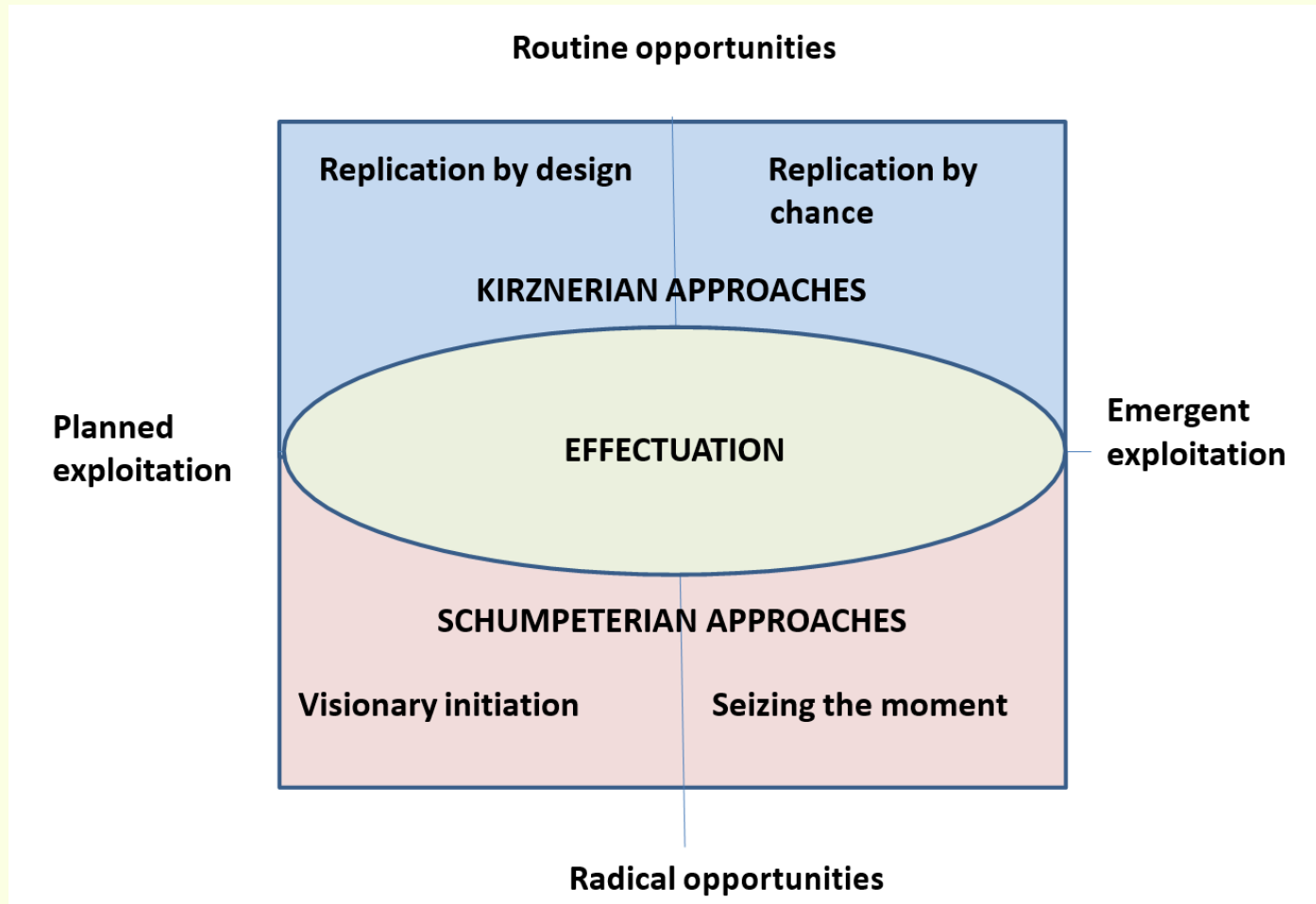


The Process

Effectual Entrepreneurship

- Effectuation articulates a dynamic and iterative process of creating new artefacts in the world.
- Effectual reasoning is a type of human problem solving that takes the future as:
 - fundamentally unpredictable, yet **controllable through human action**;
 - the environment as constructible **through choice**;
 - and goals as **negotiated residuals of stakeholder commitments** rather than as pre-existent preference orderings
- <http://www.effectuation.org/learn/effectuation-101>

The Process



The Process

How can you build effectual reasoning into a business plan?

- Allow mistakes - essential for creative process
- Pivoting - based on feedback from customers and business partners
- Contingency planning- inability to predict outcomes
- Business modelling vs. Business plan

The Process

Business Modelling

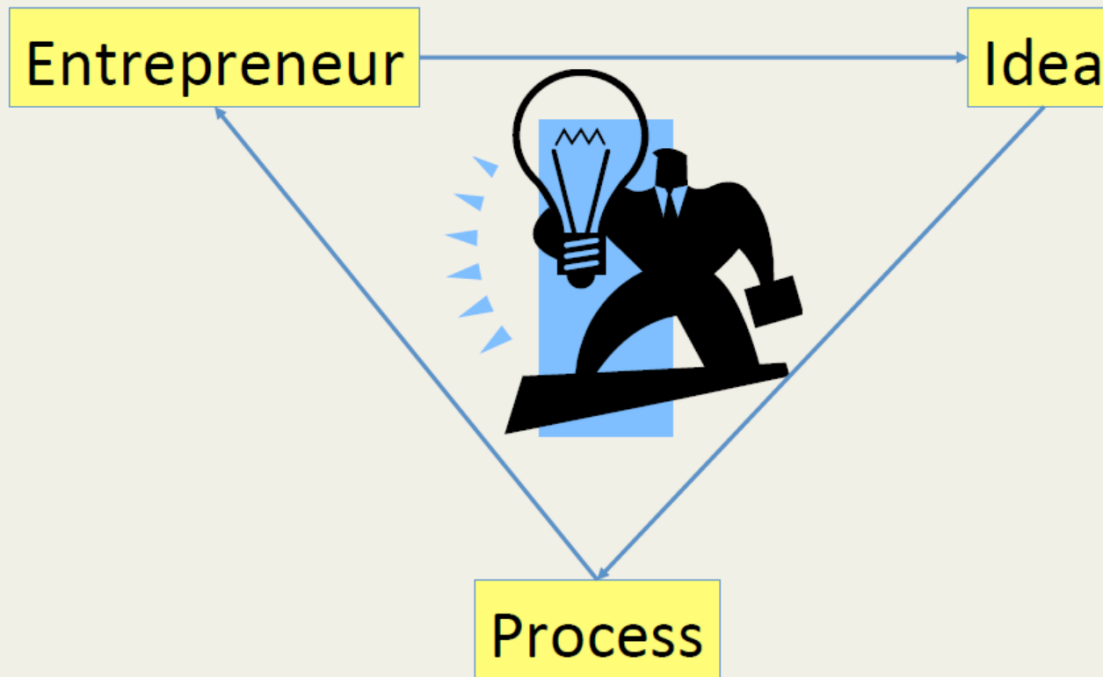
- Business plans (causal reasoning) are necessary in developing a business (not least because many stakeholders expect to see one).
- But a business model can be used to guide effectual thinking: to test ideas and hunches, to map out new territory (rather than assuming you understand it already), to understand the means you have available, to identify the other people you need to engage.
- Business modelling can help lay the basis for better business plans.

The Nature of Entrepreneurship

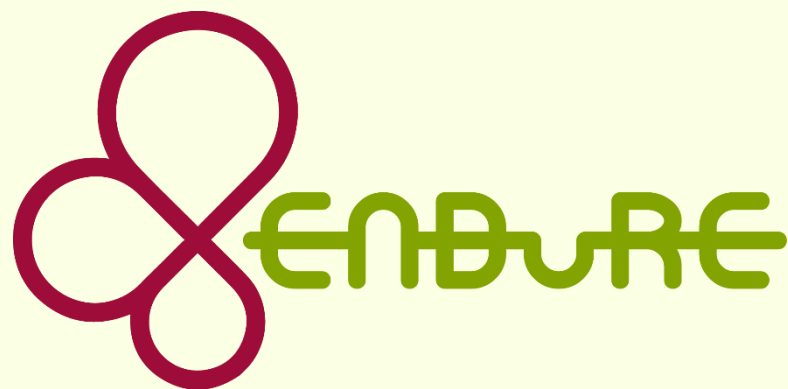
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So Get Started



Discussion



UNIVERSITY OF
SURREY



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IVERIDIS
INTELLIGENT INNOVATION



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