

## Chapter 5

### What Is An Entrepreneur?

- **Entrepreneurship** - starting a new organization in response to opportunities.
- **Social entrepreneurship** - organizations responding to community needs.
- **Entrepreneurial** - individuals who embrace one or more of the *acquirable and desirable* skills identified by Jeffery Timmons
  - Commitment and Determination
  - Leadership
  - Opportunity Obsession
  - Tolerance of Risk and Uncertainty
  - Creativity
  - Self Reliance
  - Ability to Adapt
  - Motivation to Excel.

### How Do Entrepreneurs Bring Value?

#### Two Ways

- 1) **Creative Destruction(Joseph Schumpeter)**- shifting the way things were done through radical innovation.
- 2) **Entrepreneurially alert(Israel Kirzner)** - ability to look for opportunities through market signals.

### Opportunities and Management

Opportunities can be:

- **Recognized** - when supply and demand are known, entrepreneurs recognize opportunities when they are alerted to information in the environment.
- **Discovered** - if only supply or demand is known, the above is not enough. The entrepreneur must go discover the opportunity.
- **Enacts** - the entrepreneur creates something new, or enacts an opportunity when supply and demand are not known.

**Small Business** - less than 100 employees and does not hold a significant impact on the industry.

**Entrepreneurial Venture** -organization that pursue opportunities that are characterized by innovative practices that have growth and profitability as their main goal.

### Why is Entrepreneurship Important

1. **Innovation** - innovation is a process of changing, experimenting, transforming, and revolutionizing.

2. **Number of New Startups**
3. **Creating Jobs**
4. **Global Entrepreneurship**

## **What Do Entrepreneurs Do?**

### **Introduction**

Not all entrepreneurs do the same thing. In general, entrepreneurs create something new or different. They search for change, respond to it and exploit it. What they do from top to bottom:

1. Examine potential and deal with startup issues. Explores the context through gathering info, finding opportunities and pinpointing possible competitive advantages. Research feasibility - uncovering business ideas, looking at competitors and exploring financing.
2. Plans Venture - develops a mission, explores culture issues and builds a business plan. Then looks to organize the venture.
3. Launch the venture - set goals and strategies, establish IT, marketing, IS, Financial and cash flow management.
4. Manages Venture

### **The Timmons Model**

**The Timmons Model of Entrepreneurship** - considers opportunities, teams, and resources as the three critical factors available to an entrepreneur. Success depends on the ability of the entrepreneur to balance these critical factors.

1. **Based On The Founder.**
  - a. Success of the venue depends on how the ability can balance their opportunity team and resources.
  - b. **Commitment to sustainability for the environment, community and society.**
2. **Market Opportunity** - can the founder distinguish ideas from opportunity.
3. **Assembles Team**
4. Discounts the notion that extensive resources reduce risk and encourages *bootstrapping*(starting with bare requirements) in order to attain competitive advantage.

*Figure 5-1 from the textbook shows the Timmons Model.*

### **[A Few Notes On] Social Responsibilities**

- Some entrepreneurs will reinvest profits back into the community
- Some launch initiatives are designed to help the community.
- That being said, there have been many ethical issues uncovered.

## Start Up And Planning

### Steve Blank and Jerry Engle

**Blank and Engle** have developed a process on the best way to look for startups. They place emphasis on entrepreneurship not as a small business mirroring a larger one but as a temporary organization which searches for a repeatable and scalable business model.

### Blank/Engle Process

- 1) **Customer Discovery** - captures founders' visions and turns into a series of business model hypotheses. *Search phase.*
- 2) **Customer Validation** - testing whether the result is repeatable and scalable. If it fails, return to Step 1. *Search phase.*
- 3) **Customer Creation** - is the start of execution. It builds end-user demand and drives it into the sales channel to scale business. *Execution Phase.*
- 4) **Company Building** - transition from startup to company focused on executive specific model. *Execution Phase.*

### Elements of A Business Model

1. Value Proposition
2. Customer Segments
3. Channels
4. Customer Relationships
5. Revenue Streams
6. Key Resources
7. Key Partners
8. Key Activities
9. Cost Structure

### Generating and Evaluating

**Failure** - It is important to embrace failure while looking for new concepts. It is a key part of the process.

### Process of Generating and Evaluating Ideas:

1. Generating ideas - exploring new ideas
2. Evaluating ideas - personal & market questions
3. **Feasibility Study** - used as a tool to analyze research.
  - a. Competitor Research
  - b. Creating Value Proposition
  - c. Research Financial Components
4. Planning and Creating Business Plan

## **Organizing**

Businesses can't run alone; they need employees. Structural changes can be difficult as control is delegated for entrepreneurs. Similarly structure within existing organizations can also make internal entrepreneurship hard.

## **Human Resource Management**

- 1) Employee Recruitment - entrepreneurs look to fill in critical skill gaps, buy into the culture and focus on matching people and soft skills to their organization.
- 2) Employee Retention - keeping good employees in the long term that have been hired and trained. Many benefits are offered to talented employees.

## **Managing Change**

- Entrepreneurs have a responsibility to create change and adapt to market.
- Communication with employees and support of them.
- Guide the actual change process.

## **Types of Research**

- 1) **Curiosity Driven(Basic) Research** - acquiring new knowledge with no concern for the application. This is what happens in a lot of universities for example.
- 2) **Applied Research** - access new info and apply it to commercial purposes.
- 3) **Research and Development** - activities are conducted that help organizations develop new products or procedures. Requires a combination of talent, knowledge, team, tool, process. These factors are known as *capabilities*.

## **[A Few Notes On] Leading**

Entrepreneurs draw the best in people and drive their visions of the community forward. Entrepreneurs must be able to create a greater vision for the future.

## **Controlling**

### **Growth**

is best planned, but should never be "over the top mapped out"(aside: When Charlie Montyo attempted to map out his bullpen during Playoff Game 1. Growth is similar to a starting pitchers day, you don't want to map out your bullpen as the context is changing constantly).

A more business example of growth is the company Brightspace/D2L. They are a positive example of how good growth looks like. Some issues in growth include:

- 1) Capital to fund growth.
- 2) Scaling Organizations Controls(ex: finance and inventory management)
- 3) Allow organization to grow efficiently.

### **Downturns**

When downturns occur - it is very important to have a Plan B, also known as a **contingency plan** for the worst case scenario. Continuing our baseball example from “Growth”, you always need to have a hot reliever warming up during an elimination game. You never put all your eggs in one basket. Also, a contingency plan focuses on a preventive measure(similar to how a manager might be ready to hook his pitcher).

### **Exiting The Venture**

**Harvesting** - leaving a venture in time to capitalize.

Some leave a venture for personal reasons, bad performance or organizational issues as well.

When leaving a business it can be tough to set a value. It is a big choice for an entrepreneur to make.