

# **Introduction to Business Management**

**ADM1100B**

**Managing Entrepreneurially and  
Options for Organizing a Business**



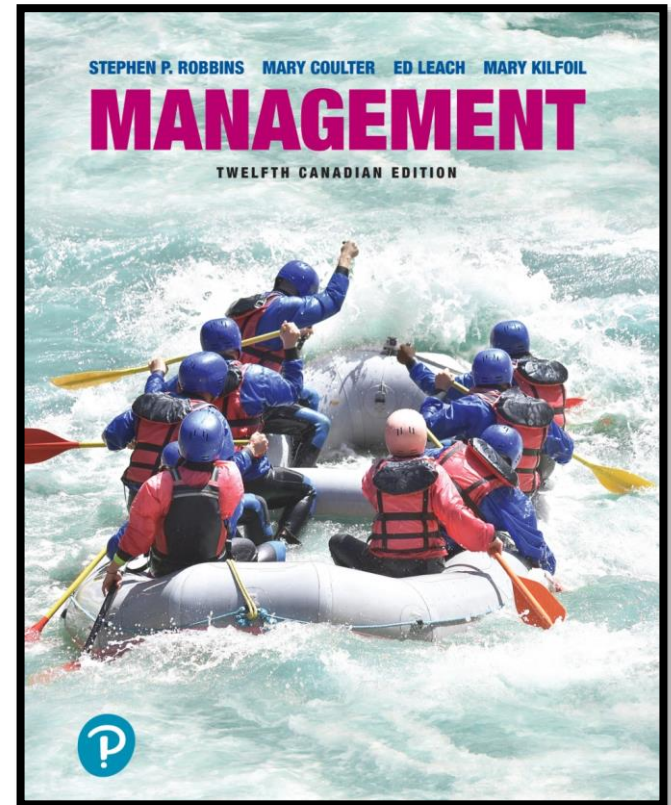
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**Fall 2020**



# Outline

- Introduction
- The Context of Entrepreneurship
- Why Is Entrepreneurship Important?
- A Model for Company Building (Steps)
- Researching and Planning Venture's Feasibility
- Issues in Organizing an Entrepreneurial Venture
- Issues in Controlling an Entrepreneurial Venture





# Introduction

How the opportunity focus of entrepreneurs enables organizations to build cultures that are flexible, nimble, and innovative?





# Introduction

Embrace the capacity of entrepreneurial thinking and practices to **add value** in both new and existing organizations.

Identify **opportunities** and build the business case for launching an entrepreneurial venture.

Choose appropriate **organizational structures** to support an entrepreneurial culture.

Make appropriate choices in **leading** an entrepreneurial venture.

Deploy appropriate **control** structures to respond to the unique **challenges** faced by entrepreneurial ventures.





# The Context of Entrepreneurship

All organizations have a starting point. Almost 98% of Canadian businesses have 50 employees and many are family owned which helps emphasize the issue of succession.

What is Entrepreneurship? Entrepreneurship is **opportunity driven** and applies to small startups, inside large organizations and in the formation of social enterprises/ventures.



Entrepreneurship: The process of starting new organizations, generally in response to opportunities.



# How Entrepreneurial Ventures Add Value to the Economy



First, the role of the entrepreneur is to **produce disruptive solutions** to social problems.



The entrepreneur creates an opportunity through innovation and then takes advantage of it. In the process of transformation that accompanies a radical innovation, the way things were done before is “destroyed.”



Second, the entrepreneur **produces value** for society using entrepreneurial alertness to spot imperfections in the market place.



Entrepreneurs are able to perceive the opportunities for entrepreneurial profits by being sensitive to signals in the marketplace.



# The Context of Entrepreneurship



Opportunities can be recognized, discovered, or enacted:

**Recognized** – both supply and demand are known and the opportunity tangibly exists. Entrepreneurs are alert to imperfections in the market and use these opportunities to start ventures.

**Discovered** – Entrepreneur relies on his or her experience and actively employs sophisticated search techniques to find the opportunity

**Enacted** – When neither supply nor demand is known and the entrepreneur creates something new, or enacts an opportunity.



# Why Is Entrepreneurship Important?



- Innovation
- Number of new start-ups
- Job Creation
- Global Entrepreneurship





# Why Is Entrepreneurship Important?

## Innovation

A process of changing, experimenting, transforming, and revolutionizing, and it's a key aspect of entrepreneurial activity.

- New small organizations generate 24 times more innovations per research and development dollar spent than do Fortune 500 organizations.
- They account for more than 95 percent of new and “radical” product developments.





# Why Is Entrepreneurship Important?

## Number of New Start-Ups

All businesses—whether they fit the definition of entrepreneurial ventures or not—were new start-ups at one point in time, the most suitable measure we have of the important role of entrepreneurship is to look at the number of new firms over a period of time.

- As of December 2012 there were almost 1.2 million small businesses in Canada and between 2002 and 2007 an average of 104,000 new small businesses were created annually in Canada.





# Why Is Entrepreneurship Important?

## Job Creation

Job creation is important to the overall long-term economic health of communities, regions, and nations.

- Businesses with fewer than 100 employees represent 98.2 percent of the total business establishments in Canada.
- During the last decade, small businesses created between 60 and 80 percent of net new jobs.





# Why Is Entrepreneurship Important?

## Global Entrepreneurship

Global Entrepreneurship Monitor (GEM) - studies the impact of entrepreneurial activity on economic growth in various countries.

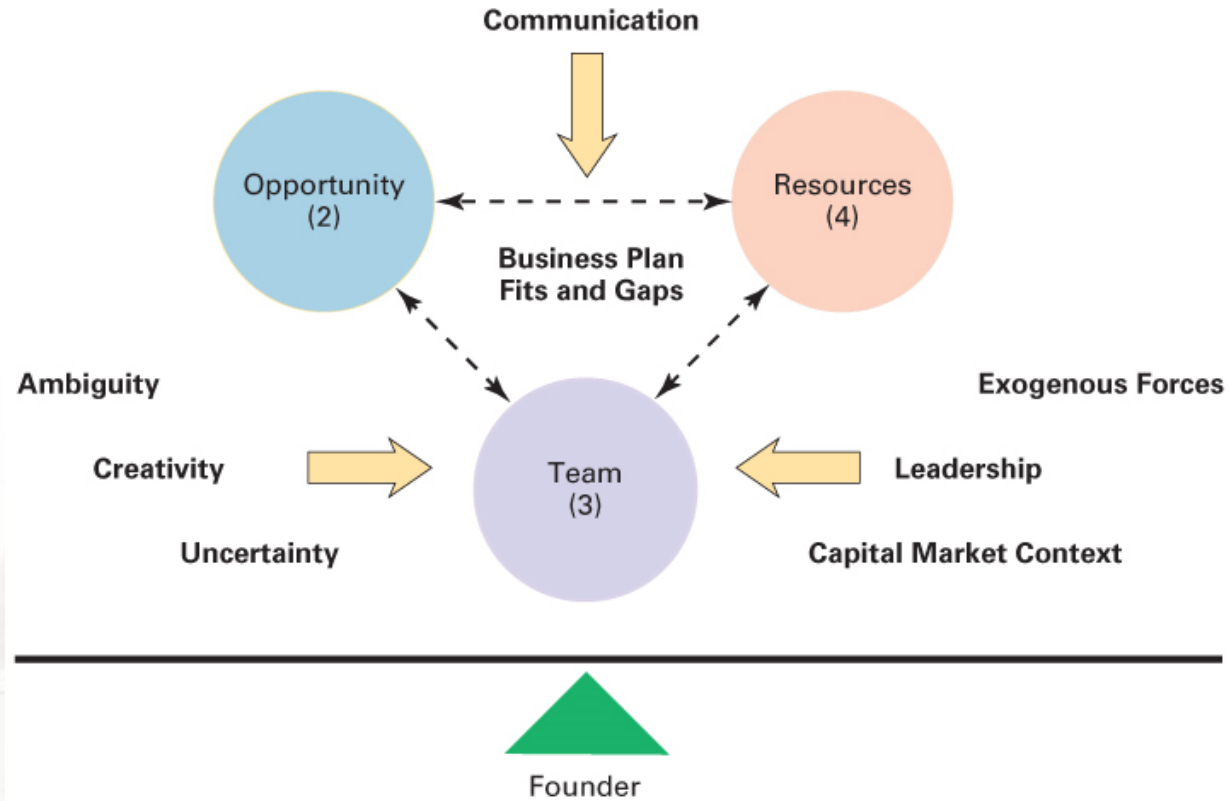
- Highest levels of entrepreneurial activity tend to be in middle-income countries.
- Entrepreneurship contributes to the growth and development of a country.
- The 2013 GEM report covered 70 economies and surveyed 197,000 adults and estimated that “nearly half the world’s entrepreneurs are between the ages of 25 and 45.





# What Do Entrepreneurs Do?

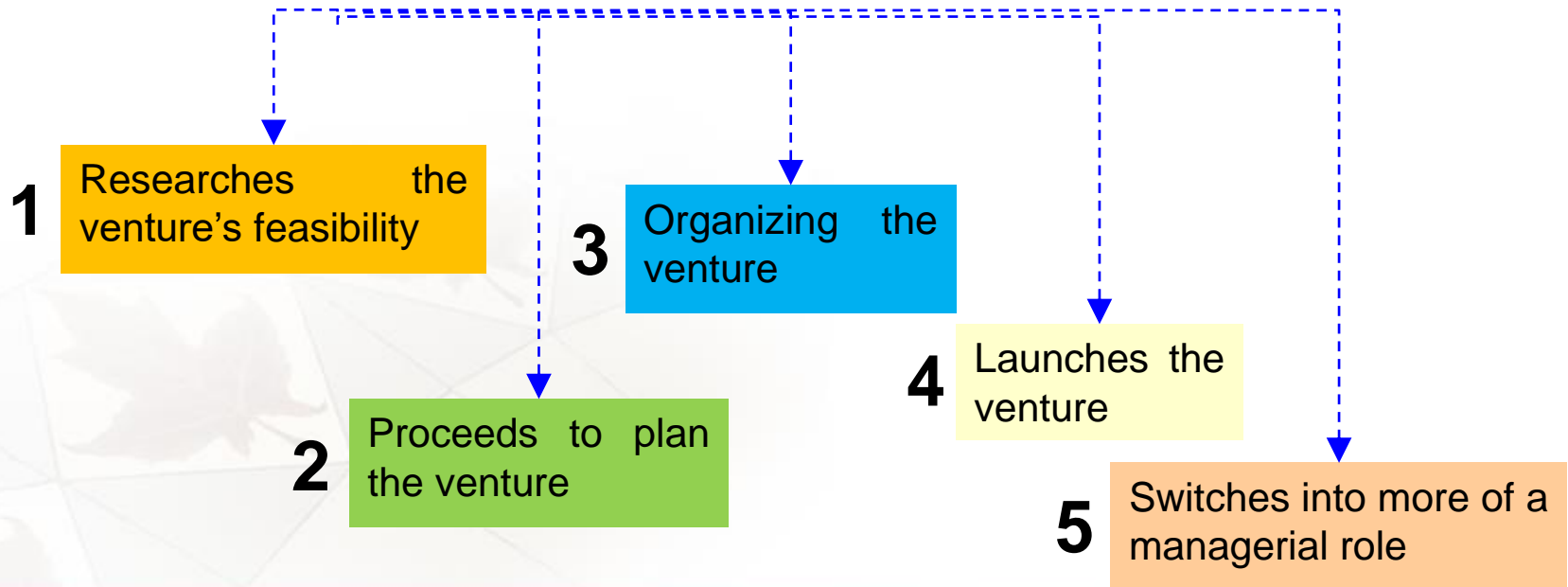
The Timmons Model of the Entrepreneurial Process





# What Do Entrepreneurs Do?

Initially, an entrepreneur is engaged in assessing the potential for the entrepreneurial venture and then dealing with start-up issues. Then the entrepreneur:





# What Do Entrepreneurs Do?

1. The Timmons Model bases itself on the founder (entrepreneur). Success of the venture depends on the ability of the founder to balance the critical factors of opportunity, team, and resources. The founder also has a commitment to sustainability for the environment, community, and society.
2. Unlike conventional entrepreneurship models that start with a business plan, the Timmons Model starts with a market opportunity and with the capacity of the founder to distinguish the difference between an idea and an opportunity.
3. Once the founder identifies an opportunity, he or she works to start a business by putting together the team. The founder's ability to build an effective team is a major factor in the success of the founder's vision in spite of the challenges to be faced.
4. The Timmons Model discounts the popular notion that extensive resources reduce the risk of starting a venture and encourages bootstrapping or starting with the bare minimal requirements as a way to attain competitive advantages. The founder works to "minimize and control" rather than "maximize and own."



# Social Responsibility Facing Entrepreneurs



1. The International Standards Organization has developed standards for sustainability and for social responsibility.
2. There are some entrepreneurs who take their social responsibilities seriously.
3. Entrepreneurs have pursued opportunities with products and services that protect the global environment.



# Ethical Issues Facing Entrepreneurs



1. Entrepreneurs need to be aware of the ethical consequences of what they do.
2. In a survey of employees from different sizes of businesses who were asked whether they thought their organization was highly ethical, 20 percent of employees at companies with 99 or fewer employees disagreed.





# The Entrepreneurial Process

Entrepreneurs must address four key steps as they start and manage their entrepreneurial ventures:

- exploring the entrepreneurial context
- identifying opportunities and possible competitive advantages
- starting the venture
- managing the venture



# Researching and Planning Venture's Feasibility



Researching Venture's Feasibility



1. Generating and Evaluating Ideas
2. Researching Competitors
3. Researching Financing

Planning Venture's Feasibility



4. Developing a Business Plan





# Generating and Evaluating Ideas

Generating and Evaluating Ideas Sources for an entrepreneurial venture include:

- ✓ working in the same industry
- ✓ personal interests or hobbies
- ✓ examining existing products services, and opportunities in external environmental sectors

It involves personal and marketplace considerations. Each of these assessments will provide an entrepreneur with key information about the idea's potential





# Researching Competitors

An analysis of the benefits, costs, and value that an organization can deliver to customers and other groups within and outside of the organization.

- What types of products or services are competitors offering?
- What are the major characteristics of these products or services?
- What are the strengths and weaknesses of competitors' products?
- How do competitors handle marketing, pricing, and distributing?
- What do competitors attempt to do differently from other companies?
- Do they appear to be successful at it? Why or why not?
- What are they good at?
- What competitive advantage(s) do they appear to have?
- What are they not so good at?
- What competitive disadvantage(s) do they appear to have?
- How large and profitable are these competitors?

# Researching Financing



The entrepreneur must devote time and effort to carefully researching a number of varied financing options.



Getting financing isn't always easy

- Early in a venture,
  - peers “friends, fools, and family.”
- Maturity
  - Angel investors
  - professional venture capital firms.
  - accelerator programs

# Developing a Business Plan



Written document that summarizes a business opportunity and defines and articulates how the identified opportunity is to be seized and exploited.

A good business plan covers six major areas:

- Executive summary
- Analysis of opportunity
- Analysis of the context
- Description of the business
- Financial data and projections
- Supporting Documentation



# Issues in Organizing an Entrepreneurial Venture



There are four organizing issues an entrepreneur must address:

- Organizational design and structure
- Human resource management
- How to stimulate and make changes
- The continuing importance of innovation



# Organizational design and structure



As the business grows, the entrepreneur must hire employees to help in the business. At this point, the entrepreneur must decide on the most appropriate structural arrangement to effectively and efficiently carry out the organization's activities.

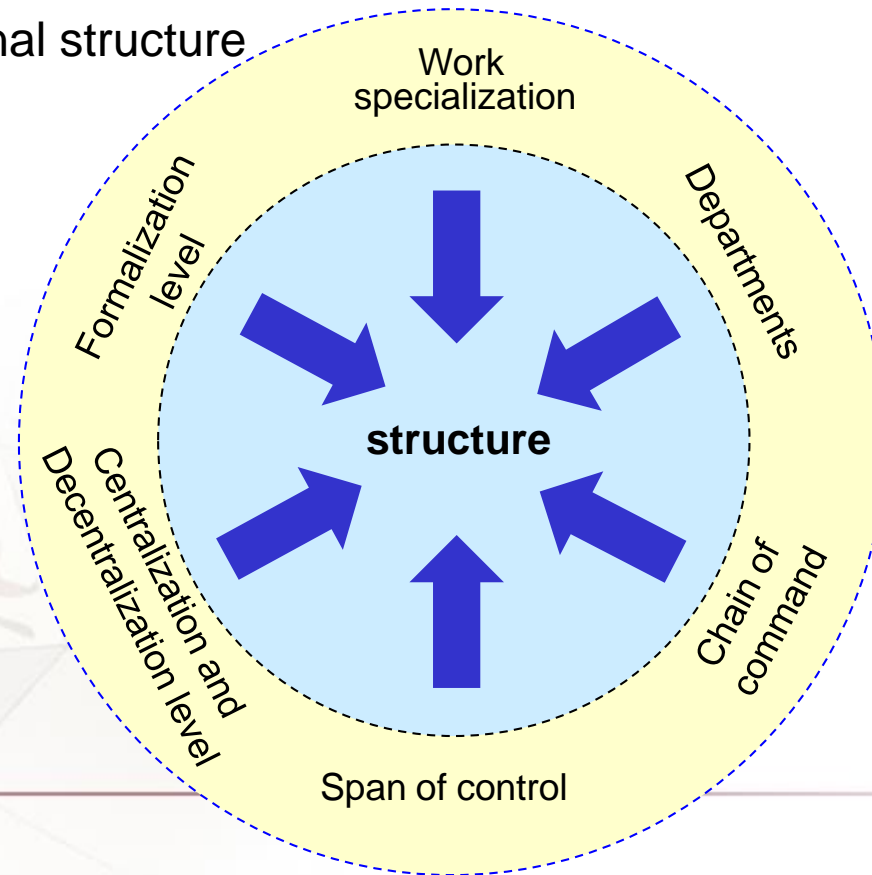


- The structure may be very simple—one person does whatever is needed.
- As the entrepreneurial venture grows, new functional areas need people.



# Organizational design and structure

Organizational design choices are based on the six key elements of organizational structure



# Human Resource Management



As an entrepreneurial venture grows, additional employees will need to be hired to perform the increased workload.

**Employee Recruitment:** An entrepreneur wants to ensure that the venture has the people to do the required work. Recruiting new employees is one of the biggest challenges that entrepreneurs face.



**Employee Retention:** Getting competent and qualified people into the venture is just the first step in effectively managing the human resources. An entrepreneur wants to keep the people he or she has hired and trained

# How to Stimulate and Make Changes



If changes are needed in the entrepreneurial venture, often it is the entrepreneur who first recognizes the need for change and acts as the catalyst, coach, cheerleader, and chief change consultant.



# The Continuing Importance of Innovation



- ✓ Organizations must continually innovate new products and services if they want to compete successfully.
- ✓ The entrepreneur must provide the supervisory support, organizational reward systems, and a culture that are consistent with a commitment to innovation.



## Applied Research

Research that accesses, rather than generates, new knowledge and applies it to a practical or commercial purpose.

## Research and Development (R&D)

Investigative activities that an organization conducts to lead to discoveries that will help develop new products or procedures.



# The Continuing Importance of Innovation



## The 10 Most Innovative Firms

2016	2015	Company	Industry	R&D Spend*
1	1	Apple	Computing & electronics	8.1
2	2	Alphabet (Google)	Software & Internet	12.3
3	6	3M	Industrials	1.8
4	3	Tesla Motors	Automotive	.7
5	5	Amazon	Software & Internet	12.5
6	4	Samsung	Computing & electronics	12.7
7	NA	Facebook	Software & Internet	4.8
8	8	Microsoft	Software & Internet	12
9	7	General Electric	Industrials	4.2
10	9	IBM	Computing & electronics	5.2

# Issues in Controlling an Entrepreneurial Venture



Entrepreneurs must consider a number of issues relating to the control of their venture's operations in order to survive and prosper. These control issues include the following:

- Managing Growth
- Managing Downturns
- Exiting the Venture





# Managing Growth

The best growth strategy is a well-planned one. Growth strategy should be part of a venture's overall business goals and plan. Rapid growth without planning can be disastrous.

The key challenges for an entrepreneur in organizing for growth include:

- Finding capital
- Finding people
- Strengthening the organizational culture





# Managing Downturns

It's important to have an up-to-date contingency plan, or Plan B, for dealing with a worst-case situation or crisis.

An entrepreneur wants to be prepared before an emergency hits.





# Exiting the Venture

Harvesting or Exiting a venture when an entrepreneur hopes to capitalize financially on the investment in the venture.





# References

- The required textbook is from Robbins, Coulter, Leach and Kilfoil: Management, Twelfth Canadian Edition. Pearson Canada Inc., 2018.

