

Enterperneurship and notes

Science



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Entrepreneurship---MGT602 VU

To introduce the concept of entrepreneurship and its historical development.

2. To explain the entrepreneurial decision process. 3. To identify the basic types of start-up ventures. 4. To explain the role of entrepreneurship in economic development. 5. To discuss the ethics and racialresponsibilityof entrepreneurs.

NATURE AND DEVELOPMENT OF ENTREPRENEURSHIP

The term entrepreneur comes from the French and translates " between-taker" or go-between. " Earliest Period In this period themoneyperson (forerunner of the capitalist) entered into a contract with the go-between to sell his goods. While the capitalist was a passive risk bearer, the merchant bore all the physical and emotional risks. Middle Ages In this age the term entrepreneur was used to describe both an actor and a person who managed large production projects. In such large production projects, this person did not take any risks, managing the project with the resources provided.

A typical entrepreneur was the cleric who managed architectural projects. 7th Century In the 17th century the entrepreneur was a person who entered into a contract with the government to perform a service Richard Cantillon, a noted economist of the 1700s, developed theories of the entrepreneur and is regarded as the founder of the term. He viewed the entrepreneur as a risk taker who " buy[s] at certain price and sell[s] at an uncertain price, therefore operating at a risk. " 18th Century In the 18th century the person with capital was differentiated from the one who needed capital. In other words, entrepreneur was distinguished from the capital provider.

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Many of the inventions developed during this time as was the case with the inventions of Eli Whitney and Thomas Edison were unable to finance invention themselves. Both were capital users (entrepreneurs), not capital providers (venture capitalists.) Whitney used expropriated crown property. Edison raised capital from private sources. A venture capitalist is a professional money manager who makes risk investments from a pool of equity capital to obtain a high rate of return on investments. 19th and 20th Centuries In the late 19th and early 20th centuries, entrepreneurs were viewed mostly from an economic perspective.

The entrepreneur " contributes his own initiative, skill and ingenuity in planning, organizing and administering the enterprise, assuming the chance of loss and gain. " Andrew Carnegie is one of the best examples of this definition, building the American steel industry on of the wonders of industrial world, primarily through his competitiveness rather than creativity. In the middle of the 20th century, the notion of an entrepreneur as an innovator was established. © Copyright Virtual University of Pakistan 3 Entrepreneurship---MGT602

Innovation, the act of introducing something new, is one of the most difficult tasks for the entrepreneur. VU Edward Harriman and John Pierpont Morgan are examples of this type of entrepreneur. Edward reorganized the Ontario and southern railroad through the northern pacific trust and john developed his large banking house by reorganizing and financing the nation's industries. This ability to innovate is an instinct that distinguishes human beings from other creatures and can be observed throughout history.

DEFINITION OF ENTREPRENEUR The concept of entrepreneurship from a personal perspective has been explored in this century.

This exploration is reflected in the following three definitions of an entrepreneur: In almost all definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes: 1. Initiative taking 2. The organizing and reorganizing or social/economic mechanisms to turn resources and situations to practical account. 3. The acceptance of risk or failure. To an economist, an entrepreneur is one who brings resources, labor, materials, and other assets into combinations that make their value greater than before, and one who introduces changes, innovations, and a new order.

To a psychologist, such a person is typically driven by certain forces- the need to obtain something, to experiment, to accomplish or perhaps to escape the authority of others. Entrepreneurship is the dynamic process of creating incremental wealth. Our definition of entrepreneurship involves four aspects: 1. Entrepreneurship involves the creation process. 2. It requires the devotion of the necessary time and effort. 3. It involves assuming the necessary risks. 4. The rewards of being an entrepreneur are independence, personal satisfaction, and monetary reward.

For the person who actually starts his or her own business there is a high failure rate due to poor sales, intense competition, lack of capital or lack of managerial ability. **THE ENTR EPRENEURIAL DECISION PROCESS** (Deciding to become an entrepreneur by leaving present activity) Many individuals have difficulty bringing their ideas to the market and creating new venture

entrepreneurship and the actual entrepreneurial decisions have resulted in several million new businesses being started throughout the world.

Although no one knows the exact number in the United States. Indeed, millions of ventures are formed despite recession, inflation, high interest rates, and lack of infrastructure, economic uncertainty and the high probability of failure. The entrepreneurial decision process entails a movement from something to something— a movement from a present life style to forming a new enterprise. To leave a present live-style to create something new comes from a negative force--disruption. Many companies are formed by people who have retired, moved, or been fired.

Another cause of disruption © Copyright Virtual University of Pakistan 4 Entrepreneurship---MGT602 is completing an educational degree. The decision to start a new company occurs when an individual perceives that forming a new enterprise is both desirable and possible. VU KEY TERMS Breakthrough innovations A new product with some technological change Business ethics The study of behavior and morals in a business situation Desirability of new venture formation Aspects of a situation that make it desirable to start a new company.

Entrepreneur Individual who takes risks and starts something new Entrepreneur as an innovator An individual developing something unique Entrepreneurial decision process Deciding to become an entrepreneur by leaving present activity Entrepreneurship Process of creating something new and assuming the risks and rewards © Copyright Virtual University of

Pakistan 5 Entrepreneurship---MGT602 THE NATURE AND IMPORTANCE OF ENTREPRENEURSHIP Lesson 02 VU LEARNING OBJECTIVES 1. To introduce

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the concept of entrepreneurship and its historical development. . To explain the entrepreneurial decision process. Desirability of New Venture Formation (Aspects of a situation that make it desirable to start a new company) The perception that starting a new company is desirable results from an individual's culture, subculture, family, teachers and peers. American culture places a high value on being your own boss, being a success and making money therefore, it is not surprising to find a high rate of company formation in the United States.

On the other hand in some countries making money is not as valued and failure may be a disgrace. The rate of business formation in these countries is not as high. Many subcultures that shape value systems operate within a cultural framework. Studies indicate that a high percentage of founders of companies had fathers and/or mothers who valued independence. Encouragement to form a company is also gained from teachers, who can significantly influence individuals. An area having a strong educational base is also a requirement for entrepreneurial activity.

Peers are important, also, as is an area with an entrepreneurial pool and peer-meeting place. Possibility of New Venture Formation (Factors making it possible to create a new venture) Although the desire of new venture formation derived from the individual's culture, subculture, family, teachers and peers needs to be present before any action is taken, the second feature necessary centers around this question " What makes it possible to form a new company? " Formal education and previous business experience give a potential entrepreneur the skills needed to form and manage a new enterprise. Although educational systems are important in providing the

needed business knowledge, individual will tend to be more successful in forming in fields in which they have worked. The government also contributes by providing the infrastructure to help a new venture. The market must be large enough and the entrepreneur must have the marketing know-how to put together the entire package. Finally, financial resources must be readily available.

Although most start-up money comes from personal savings, credit, and friends, but there is often a need for additional capital. Riskcapital availability plays an essential role in the development and growth of entrepreneurial activity. © Copyright Virtual University of Pakistan 6 Entrepreneurship---MGT602 VU KEY TERMS Foundation companies A type of company formed from research and development that usually does not go public. Gazelles Very high growth ventures. Government as an innovator A government active in commercializingtechnologyHigh-potential ventures.

A venture that has high growth potential and therefore receives great investor interest Entrepreneurship Entrepreneurship within an existing business structure Iterative synthesis The intersection of knowledge and social need that starts the product development process Lifestyle firm A small venture that supports the owners and usually does not grow Ordinary innovation Z new product with little technological change Possibility of new venture formation Factors making it possible to create a new venture Copyright Virtual University of Pakistan 7 Entrepreneurship---MGT602 ENTREPRENEURIAL PROCESS/START UPS Lesson 03 LEARNING OBJECTIVES 1. To identify the basic types of start-up ventures. 2. To explain the role of entrepreneurship in economic development 3. To discuss the ethics and

racial responsibility of TYPES OF START-UPS Life-Style Firms A life-style firm exists primarily to support the owners and usually has little growth opportunity.

This type of firm may grow after several years to 30 or 40 employees. Foundation Companies VU A type of company formed from research and development that usually does not go public. This firm can grow in five to ten years from 40 to 400 employees. High-Potential Venture A venture has high growth potential and therefore receives great investor interest. The company may start out like a foundation company, but its growth is far more rapid. After five to ten years the company could employ around 500 employees.

These firms are also called gazelles and are most important for the economic development of an area ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT The role of entrepreneurship in economic development involves initiating change in the structure of business and society. One theory of economic growth depicts innovation as the key, not only in developing new products, but also in stimulating investment interest. The new capital created expands the capacity for growth (supply side), and new spending utilizes the new capacity and output (demand side. In spite of the importance of investment and innovation in the economic development of an area, there is still a lack of understanding of few factors which are as follows:

- The product-evolution process is the process through which innovation develops and commercializes through entrepreneurial activity, which in turn stimulates economic growth. It begins with knowledge in the base technology and ends with products or services available in the marketplace.

- The critical point in the process is the intersection of knowledge and a recognized social need, called the iterative synthesis.

This point often fails to evolve into a marketable innovation. Most innovations introduced in the market are ordinary innovations, with little uniqueness. Technological innovations refer to new products with significant technological advancements. • • • Breakthrough innovations mean the development of new products with some technological change. Regardless of the level of uniqueness or technology, each innovation evolves into and develops towards commercialization through one of three mechanisms: the government, entrepreneurship, or entrepreneurship.

Entrepreneurship has assisted in revitalizing areas of the © Copyright Virtual University of Pakistan 8 Entrepreneurship---MGT602 VU inner city. Individuals in inner-city areas can relate to the concept and see it as a possibility for changing their present situation. GOVERNMENT AS AN INNOVATOR A government active in commercializing technology is known as an innovative government. Commercializing technology is frequently called technology transfer. However, few inventions resulting from government-sponsored research have reached the commercial market.

Most of the by-products from scientific research have little application to any social need. The government lacks the business skills needed for successful commercialization. Government bureaucracy and red tape also often inhibit the timely formation of the business. Recently, federal labs have been required to commercialize some of their technology each year and some are providing entrepreneurial training Intrapreneurship Intrapreneurship refers to entrepreneurship within an existing organization or business structure.

Existing businesses have the financial resources, business skills, and marketing and distribution system to commercialize innovation successfully. Often the bureaucratic structure, emphasis on short-term profits, and structured organization inhibit creativity. Some corporations have tried to establish an Entrepreneurial spirit in their organization, some in the form of strategic business units (SBUs.) Intrapreneurship can also bridge the gap between science and the marketplace. It is the practice of using entrepreneurial skills without taking on the risks or accountability associated with entrepreneurial activities.

It is practiced by employees within an established organization using a systemized business model. Employees, perhaps engaged in a special project within a larger firm are supposed to behave as entrepreneurs, even though they have the resources and capabilities of the larger firm to draw upon. Capturing the dynamic nature of entrepreneurial management (trying things until successful, learning from failures, attempting to conserve resources, etc.) adds to the potential of otherwise static organizations without exposing those employees or self employed people to the risks or accountability normally associated with entrepreneurial failure. Employee Intrapreneur An employee Intrapreneur is the person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment. Thus, Intrapreneurs are inside entrepreneurs who follow the goal of the organization. Employees, perhaps engaged in a special project within a larger firm are supposed to behave as entrepreneurs, even though they have the resources, capabilities and security of the larger firm to draw upon.

Capturing a little of the dynamic nature of entrepreneurial management (trying things until successful, learning from failures, attempting to conserve resources, etc.) adds to the potential of an otherwise static organizations without exposing those employees to the risks or accountability normally associated with entrepreneurial failure Entrepreneurship The third method for bridging the gap between the science and the marketplace is via © Copyright Virtual University of Pakistan 9 Entrepreneurship---MGT602 VU entrepreneurship. Many entrepreneurs have difficult time bridging this gap and creating new ventures.

They may often lack managerial skills, marketing capabilities, or financial resources. They frequently do not know how to interface with banks, suppliers, customers, and distributors. Yet, entrepreneurship is the most effective method for bridging the gap and creating new enterprises, these activities affect an areas economy by building the economic base and providing jobs. ENTREPRENEURIAL CAREERS AND EDUCATION Since 1985 there has been an increased interest in entrepreneurial careers fostered by factors such as increased media coverage of entrepreneurs and employment shifts.

A conceptual model for understanding entrepreneurial careers views thecareerstages as interacting with other stages and events in the individual's life, the life-cycle approach. This approach conceptualizes entrepreneurial careers in nine categories. 1. Educational environment 2. The individual'spersonality3. Childhoodfamily environment 4. Employment history 5. Adult development history 6. Adult family/non-work history 7. Current work situation 8. The individual's current perspective 9.

The current family situation Although there exist a common perception that entrepreneur are less educated than the general population however studies have found entrepreneurs overall and female entrepreneurs in particular, are far more educated than the general population. However, this education sometimes does not develop the specific skills needed in the venture, especially for women entrepreneurs. Childhood influences have been explored, particularly in terms of values and the individual's personality . The traits most frequently researched are the need for achievement, locus of control, risk-taking, and gender identity.

The research on the childhood family environment of the entrepreneur has had more definite results. Entrepreneurs tend to have self-employed fathers, and many also have entrepreneurial mothers. The family plays an important role in establishing the desirability of entrepreneurship as a career. Employment history also has an impact on entrepreneur careers in both positive and a negative sense. Entrepreneurs tend to have a higher probability of success when the venture created is in their field of experience. Negative displacement (such as dissatisfaction with various aspects of ones job) also encourages entrepreneurship.

Although no definite research has been done on the adult development history of entrepreneurs, it appears to also affect entrepreneur's careers. One's development history has somewhat more of an impact on women, since they tend to start businesses at a later stage in life. There is a lack of data on adult family/non-work history and the available data adds little understanding towards entrepreneurial career development. Entrepreneurs are known for their strong work values, their long workdays, and their

dominant management style. They tend to fall in love with the organization and will sacrifice almost anything in order for it to survive. While in college, few future entrepreneurs realize that they will pursue entrepreneurship as their major life goal. Relatively few individuals will start a business immediately after graduation. Entrepreneurship education is a fast growing area in colleges and universities. While the courses vary by university, there is a great commonality, especially in the initial few courses. The skills required by entrepreneurs can be classified in to three main areas:

1.

Technical skills involve such things as writing, listening, oral presentations, coaching, and technical know-how. 2. Business management skills include those areas involved in starting, developing and managing any enterprise. 3. Personal entrepreneurial skills differentiate an entrepreneur from a manager and include inner control (discipline), risk taking, innovativeness, persistence, visionary leadership, and being change oriented. These skills and objectives form the basis of the modular approach to an entrepreneurship curriculum.

Today entrepreneurs are recognizing the need to learn some of the science of management in an MBA program in order to grow their businesses effectively in the global environment. ETHICS AND SOCIAL RESPONSIBILITY OF ENTREPRENEURS The entrepreneur must establish a balance between ethical exigencies, economic expediency, and social responsibility. A managers attitudes concerning corporate responsibility tend to be supportive

of laws and professional codes of ethics. Entrepreneurs have few reference persons, role models, and developed internal ethics codes.

Entrepreneurs are sensitive to peers pressure and social norms in the community as well as pressures from their companies. While ethics refers to the " study of whatever is right and good for humans," business ethics concerns itself with the investigation of business practices in light of human values. The word " ethics" stems from the Greek ethos, meaning custom and usage. Development of Our Ethical Concepts Socrates, Plato, and Aristotle provide the earliest writings dealing with ethical conceptions; earlier writings involving moral codes can be found in both Judaism and Hinduism.

American attitudes on ethics result from three principle influences: Judeo-Christian heritage, a belief in individualism and opportunities based on ability rather than social status. Research on business ethics can be broken down into four broad classifications: 1. Pedagogically-oriented inquiry 2. Theory-building without empirical testing 3. Empirical research, measuring the attitudes and ethical beliefs of students andacademicfaculty 4.

Empirical research within business environments THE FUTURE OF ENTREPRENE URSHIP In spite of the differences in definition of entrepreneurship, there are common aspects such as risk taking, creativity, independence, and rewards. Entrepreneurship is currently being embraced by educational institutions, governments, societies, and corporations. Schools are increasing their emphasis on entrepreneurship in terms of courses and academic research. In Europe many universities have started programs in entrepreneurship. There has also been an increase in academic research, endowed chairs and centers of Copyright Virtual University of <https://assignbuster.com/enterperneurship-and-notes/>

Pakistan 11 Entrepreneurship---MGT602 VU entrepreneurial activity. Governments have also promoted the growth of entrepreneurship. Individuals are encouraged to form new businesses and provided tax incentives, roads, and a communications system to facilitate this creative process. Some state governments are developing strategies for fostering entrepreneurial activity. The venture capital industry has benefited from lowering of capital gains tax rates and more relaxed rules regarding pension fund investment. Society's support of entrepreneurship is critical in providing motivation and public support.

The media has played a powerful role in developing public support. Media coverage uplifts the image of the entrepreneur and growth companies. Articles have appeared in newspapers such as New York Times, The Wall Street Journal, and the Washington Post. Business magazines such as Barrons, Business Week, Forbes, and Fortune have provided coverage. Magazines such as Black Enterprise, Entrepreneur, Inc. , and Venture focus on issues of the entrepreneurial process. Television on both a national and local level has highlighted entrepreneurship. Large companies will continue to have a special interest in Entrepreneurship in the future.

The largest 15 companies account for over 20 percent of the total U. S. research and development. Other companies will create more new businesses through Entrepreneurship. KEY TERMS Product-evolution process Process for developing and commercializing an innovation Risk taking Taking calculated chances in creating and running a venture. Technological innovation A new product with significant technological advancement Technology transfer Commercializing the technology in the laboratories into

new products © Copyright Virtual University of Pakistan 12
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THE ENTREPRENEURIAL AND INTRAPRENEURIAL MIND LEARNING OBJECTIV

ES 1. To explain the aspects of the entrepreneurial process. 2. To explain the differences between entrepreneurial and managerial domains. 3. To explain the organizational environment conducive for entrepreneurship. 4. To identify the general characteristics of an Entrepreneur. 5. To explain the process of establishing entrepreneurship in an organization. VU Lesson 04

ENTREPR E NEURIAL PROCESS The entrepreneurial process involves finding, evaluating, and developing an opportunity by overcoming the strong forces that resist the creation of something new.

Phase 1: Identifying and Evaluating the Opportunity Most good business opportunities result from an entrepreneur being alert to possibilities. Some sources are often fruitful, including consumers and business associates. Channel members of the distribution system-retailers, wholesalers or manufacturer's reps-are also helpful. Technically-oriented individuals often identify business opportunities when working on other projects. Each opportunity must be carefully screened and evaluated-this is the most critical element of the entrepreneurial process. . The evaluation process involves looking at b. The creation and length of the opportunity c. Its real and perceived value d. Its risks and return. e. It's fit with the skills andgoalsof the entrepreneur f. Its differential advantage in its competitive environment It is important to understand the cause of the opportunity, as the resulting opportunity may have a different market size and time

dimension. The market size and the length of the window of opportunity are the primarily bases for determining risks and rewards.

The risks reflect the market, competition, technology, and amount of capital involved. The amount of capital forms the basis for the return and rewards. The return and reward of the present opportunity needs to be viewed in light of any possible subsequent opportunities as well. The opportunity must fit the personal skills and goals of the entrepreneur. The entrepreneur must be able to put forth the necessary time and effort required for the venture to succeed. One must believe in the opportunity enough to make the necessary sacrifices.

Opportunity analysis, or an opportunity assessment plan, should focus on the opportunity and provide the basis to make the decision, including: a. A description of the product or service b. An assessment of the opportunity c. Assessment of the entrepreneur and the team d. Specifications of all the activities and resources needed e. The source of capital to finance the initial venture The most difficult aspect of opportunity analysis is the assessment of the opportunity. Phase 2: Develop a Business Plan A good business plan must be developed in order to exploit the opportunity defined.

A good business plan is important in developing the opportunity and in determining the resources required, obtaining those resources and successfully managing the venture. © Copyright Virtual University of Pakistan 13 Entrepreneurship---MGT602 VU Phase 3: Determine the Resources Required. Assessing the resources needed starts with an appraisal of the entrepreneur's present resources. Any resources that are critical must be distinguished from those that are just helpful. Care must be taken not to

underestimate the amount and variety of resources needed. Acquiring needed resources, while giving up as little control as possible, is difficult.

The entrepreneur should try to maintain as large an ownership position as possible, particularly in the start-up stage. As the business develops, more funds will probably be needed, requiring more ownership be relinquished. Alternative resource suppliers should be identified, along with their needs and desires, in order to structure a deal with the lowest cost and loss of control. Phase 4: Manage the Enterprise. The entrepreneur must employ these resources through implementation of the business plan. This involves implementing a management structure, as well as identifying a control system.

KEY TERMS Administrative domain The ways managers make decisions
Business plan The description of the future direction of the business
Corporate culture The environment of a particular organization
Entrepreneurial domain The ways entrepreneurs make decisions
Entrepreneurial process The process through which a new venture is created by an entrepreneur
Entrepreneurial culture The environment of an entrepreneurial-oriented organization
Entrepreneurship Entrepreneurship within an existing business organization
Opportunity identification The process by which an entrepreneur comes up with the opportunity for a new venture
Opportunity parameters Barriers to new product creation and development
Top management commitment Managers in an organization strongly supporting entrepreneurship
Traditional managers Managers in a non-entrepreneurial-oriented organization
Window of opportunity The time

period available for creating the new venture © Copyright Virtual University of Pakistan 14 Entrepreneurship---MGT602 VU

THE ENTREPRENEURIAL AND INTRAPRENEURIAL MIND (continued...) Lesson

05 LEARNING OBJECTIVES 1. To explain the aspects of the entrepreneurial process. 2. To explain the differences between entrepreneurial and managerial domains. 3. To explain the organizational environment conducive for entrepreneurship. 4. To identify the general characteristics of an entrepreneur. 5. To explain the process of establishing entrepreneurship in an organization. MANAGERIAL VERSUS ENTREPRENEURIAL DECISION MAKING

The difference between the entrepreneurial and managerial styles involves five business dimensions. Strategic Orientation The entrepreneur's strategic orientation depends on his or her perception of the opportunity.

This orientation is most important when other opportunities have diminishing returns accompanied by rapid changes in technology, consumer economies, social values or political rules. When the use of planning systems is the strategic orientation, there is more pressure for the administrative domain to be operant. Commitment to Opportunity The entrepreneurial domain is pressured by the need for action and has a short time p in terms of opportunity commitment. The administrative domain (the ways managers make decisions) is not only slow to act on an opportunity, but the commitment is usually for a longer time p. Commitment of Resources An entrepreneur is used to having resources committed at periodic intervals, often based on certain tasks or objectives being reached.

In acquiring these resources the entrepreneur is forced to achieve significant milestones using very few resources. In the administrative domain, the

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commitment of resources is for the total amount needed. Administrative-oriented individuals receive personal rewards by effectively administering the resources under their control. Control of Resources The administrator is rewarded by effective resource administration and has a drive to own or accumulate as many resources as possible. The entrepreneur, under pressure of limited resources, strives to rent resources on an as-needed basis. Managerial Structure In the administrative domain, the organizational structure is formalized and hierarchical in nature.

The entrepreneur employs a flat organizational structure with informal networks. CAUSES FOR RECENT INTEREST IN INTRAPRENEURSHIP © Copyright Virtual University of Pakistan 15 Entrepreneurship---MGT602 VU Interest in intrapreneurship has resulted from events occurring on social, cultural, and business levels. There is an increasing interest in " doing your own thing. " Individuals frequently desire to create something of their own. They want responsibility and want more freedom in their organizations. Frustration can develop and result in the employee becoming less productive or leaving the organization. This has recently caused more discontent in structured organizations.

When meaning is not provided within the organization, individuals often search for an institution, such as entrepreneurship, that will provide it. Intrapreneurship is one method for stimulating and capitalizing on those who think that something can be done differently and better, such as Xerox Corporation's commitment to Xerox Technology Ventures. It is important to instill the intrapreneurial spirit in an organization in order to innovate and grow. In a large organization problems occur that thwart creativity and

innovation. This growth and diversity that can result are critical, since large corporations are more efficient in a competitive market than are smaller firms.

The resistance against flexibility, growth, and diversification can be overcome by developing a spirit of entrepreneurship, called Intrapreneurship, within the existing organization. There are social, cultural, and business pressures for Entrepreneurship. Hyper competition has forced U. S. companies to focus on new product development and increased productivity. Reductions in large corporation's staff are being absorbed in the workforce, particularly in small businesses. Entrepreneurial endeavors consist of four key elements. 1. New business venturing refers to the creation of new business within an existing organization. 2. Organizational innovativeness refers to product and service innovation with an emphasis on development and innovation in technology. 3.

Self-renewal reflects the transformation of organizations through the renewal of the key ideas on which they are built. 4. Proactiveness includes initiative and risk taking, as well as competitive aggressiveness

KEY TERMS

Administrative domain The ways managers make decisions Business plan The description of the future direction of the business Corporate culture The environment of a particular organization Entrepreneurial domain The ways entrepreneurs make decisions Entrepreneurial process The process through which a new venture is created by an entrepreneur Entrepreneurial culture The environment of an entrepreneurial-oriented organization

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Entrepreneurship within an existing business organization Opportunity identification The process by which an entrepreneur comes up with the opportunity for a new venture Opportunity parameters Barriers to new product creation and development Top management commitment Managers in an organization strongly supporting Entrepreneurship Traditional managers Managers in a non-entrepreneurial-oriented organization Window of opportunity The time period available for creating the new venture VU © Copyright Virtual University of Pakistan 17 Entrepreneurship---MGT602 VU THE ENTREPRENEURIAL AND INTRAPRENEURIAL MIND (continued...) Lesson 06 LEARNING OBJECTIVES 1. 2. 3. 4. 5. To explain the aspects of the entrepreneurial process. To explain the differences between entrepreneurial and managerial domains. To explain the organizational environment conducive for entrepreneurship. To identify the general characteristics of an entrepreneur. To explain the process of establishing entrepreneurship in an organization.

CORPORATE VERSUS INTRAPRENEURIAL CULTURE Smaller, aggressive, entrepreneurial firms are developing more new products and becoming dominant in certain markets. Many companies are attempting to create the same spirit, culture, and rewards of entrepreneurship in their organizations. The typical corporate culture has a climate and reward system that favors conservative decision making. Emphasis is on gathering large amounts of data as the basis for a rational decision. Risky decisions are often postponed until hard facts are gathered or a consultant is hired. Often there are so many approvals required that no individual feels personally responsible for

the project. The guiding principles in a traditional corporate culture are: 1. 2. 3. 4. 5. 6.

Follow instructions given Do not make mistakes Do not fail Do not take initiative Stay within your turf and protect your backside This restrictive environment is not conducive to creativity, flexibility, and risk taking The guiding principles of intrapreneurs Aspects of an Entrepreneurial culture are quite different: 1. 2. 3. 4. 5. Develop visions, goals, and action plans Be rewarded for actions taken Suggest, try, and experiment Create and develop Take responsibility and ownership There are differences in the norms of the two cultures. The traditional culture is hierarchical in nature, with established procedures, lines of authority, and control mechanisms. These support the present corporate culture, and do not encourage new venture creation.

The culture of an intrapreneurial firm has a flat organizational structure with networking, teamwork, sponsors, and mentors. Close working relationships help establish an atmosphere or trust that facilitates accomplishment of visions. Individuals make suggestions across functional areas, resulting in cross-fertilization of ideas. The two cultures produce different types of individuals and management styles. © Copyright Virtual University of Pakistan 18 Entrepreneurship---MGT602 VU Motivation Traditional managers are motivated primarily by promotion and typical corporate rewards. Entrepreneurs and intrapreneurs thrive on independence and the ability to create.

Intrapreneurs expect their performance to be suitably rewarded. There are also time orientation differences. Managers emphasize the short run, entrepreneurs the long run, and intrapreneurs somewhere in between.

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Intrapreneurs use a midpoint mode between delegation of managers and direct involvement of entrepreneurs. Entrepreneurs and intrapreneurs are moderate risk takers; managers are much more cautious. Most entrepreneurs fail at least once, and Intrapreneurs learn to conceal risky projects from management until the last possible moment. Traditional managers tend to be most concerned about those at higher levels, entrepreneurs serve self and customers, and intrapreneurs add sponsors.

CLIMATE FOR INTRAPRENEURSHIP In establishing an Intrapreneurial environment, certain factors and leadership characteristics need to be present. The first of these is that the organization operates on the frontiers of technology. Since research and development are key sources for new product ideas, the firm must operate on the cutting edge of technology and encourage and supporting new ideas instead of discouraging them. Second is experimentation, or trial and error, is encouraged. Successful new products usually do not appear fully developed; instead they evolve. A company wanting to establish an intrapreneurial spirit has to establish an environment that allows mistakes and failures.

Without the opportunity to fail, few corporate intrapreneurial ventures will be developed. Third an organization should make sure that there are no initial opportunity parameters, such as turf protection, inhibiting creativity in new product development. Fourth, the resources of the firm need to be available and easily accessible. Often, insufficient funds are allocated not to creating something new but instead to solving a problem that have an immediate effect on the bottom line. Some companies, such as Xerox, 3M, and AT&T

have established separate venture capital areas for funding new internal ventures. Fifth a multidisciplinary team approach needs to be encouraged.

One key to Intrapreneurial success is the existence of " skunkworks" involving key people. Developing the needed team work for a new venture is further complicated by the fact that a team member's promotion within the corporation is related to performance in the current position, not in the new venture. The corporate environment must establish a long time horizon for evaluating the success of the overall program. Sixth the spirit of intrapreneurship cannot be forced on individuals; it must be voluntary. Most managers in a corporation are not capable of being successful intrapreneurs. Those who do emerge from this self selection process must be allowed the latitude to carry a project through to completion.

An intrapreneur falls in love with the new venture and will do almost anything to ensure its success. The seventh characteristic is a reward system. The intrapreneur needs to be appropriately rewarded for the energy and effort expended on the new venture. An equity position in the new venture is one of the best motivational methods. Eight a corporate environment favorable for intrapreneurship has sponsors and champions throughout the organization that supports the creative activity and resulting failures. Finally the intrapreneurial activity must be whole-heartedly supported by top management. © Copyright Virtual University of Pakistan 19

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THE ENTREPRENEURIAL AND INTRAPRENEURIAL MIND (continued...) Lesson 07 LEARNING OBJECTIVES 1. 2. 3. 4. 5. To explain the aspects of the entrepreneurial process. To explain the differences between entrepreneurial

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and managerial domains. To explain the organizational environment conducive for entrepreneurship. To identify the general characteristics of an Entrepreneur. To explain the process of establishing entrepreneurship in an organization. INTRAPRENEURIAL LEADERSHIP CHARACTERISTICS There are certain individual characteristics needed for a person to be successful Entrepreneurs, including: 1. Understanding the environment 2. Being visionary and flexible 3. Creating management options 4.

Encourage teamwork while employing a multi-disciplined approach 5. Encouraging open discussion 6. Building a coalition of supporters, and persisting An Entrepreneur needs to understand all aspects of the environment. Part of this ability is reflected in individual's level of creativity. Creativity tends to decrease with age and education. The individual must be creative and have a broad understanding of the internal and external environments of the corporation. The intrapreneurial person must be a visionary leader—a person who dreams great dreams. Leadership is the ability to dream great things and communicate them in a way that people say yes to being a part of the dream.

To establish a successful new venture, the intrapreneurial leader must have a dream and overcome all obstacles to achieve it. The third necessary characteristic is that the intrapreneur must be flexible and create management options. An intrapreneur is open to and encourages change. By challenging the beliefs and assumptions of the corporation, an intrapreneur can create something new in the organization structure. He or she must possess the ability to encourage teamwork and use a multi-disciplined approach. Every new company formation requires a broad range of business

skills. The intrapreneur must be a good diplomat to minimize disruption. Open discussion must be encouraged to develop a good team for creating something new.

Many corporate managers have forgotten that frank, open discussion is part of the learning process. A successful venture can be formed only when the team feels the freedom to disagree and to critique an idea. The degree of openness among the team depends on the degree of openness of the intrapreneur. Openness leads to a strong coalition of supporters and encouragers. The intrapreneur must encourage each team member, particularly during hard times. A good intrapreneur makes everyone a hero. Only through persistence will a new venture be created and successful commercialization result. ESTABLISHING INTRAPRENEURSHIP IN THE ORGANIZATION To establish an intrapreneurial environment, the organization must implement a procedure.

This can be done internally, but it is easier to use an outsider to facilitate the process. This is particularly true when the environment is very traditional. There are some steps involved in it. Step 1: The first step is to secure a commitment to intrapreneurship in the organization by top, upper, and middle management. Without top management commitment, the organization will never be able to make the necessary changes. Once top management has committed to intrapreneurship for a sufficient length of time, the concept is introduced throughout the organization. This is effectively accomplished through seminars. General guidelines need to be established for intrapreneurial venture development. Next, intrapreneurial

leaders need to be identified, selected, and trained. Step 2: Ideas and general interest areas should be identified, along with the amount of risk money that is available. The overall expectations and target results should be established, specifying time frame, profitability requirements, and impact of the organization. A mentor/sponsor system needs to be established. Step 3: A company needs to use technology to make itself faster and more flexible. Technology has allowed small companies to act like they are big ones. Large companies can use technology to make them responsive and flexible.

Step 4: The organization can use a group of managers to train and share their experiences with other members. These sessions should be conducted one day per month for a specified period of time. Information about intrapreneurship and about the company's specific activities should be well publicized. Step 5: The organization needs to develop ways to get closer to its customers by tapping the data base, hiring from smaller rivals, and helping the retailer. Step 6: An organization must learn to be more productive with fewer resources. With middle management cutbacks, more control has been given to lower levels of the organization. The p of control should be increased. Step 7: The organization needs to establish a strong support structure.

Because they do not immediately affect the bottom line, intrapreneurial activities can be overlooked and receive little funding. These ventures require flexible, innovative behavior, with the intrapreneurs having total authority over expenditures and access to funds. Step 8: The support must involve tying the rewards to the performance of the intrapreneurial unit.

This encourages team members to work harder and compete more effectively. The equity portion of the compensation is particularly difficult to handle. Step 9: The organization needs to implement an evaluation system that allows successful units to expand and unsuccessful ones to be eliminated.

PROBLEMS AND SUCCESSFUL EFFORTS Intrapreneurship, also called corporate venturing, is not without problems. One study found that new ventures started within a corporation performed worse than those started independently. Independent start-ups tend to outperform corporate start-ups. There are many examples of companies that have successfully implemented intrapreneurship. 3M allows employees to devote 15 percent of their time to independent projects. After failing to recognize the potential of Wozniak's personal computer, Hewlett-Packard has taken steps to take advantage of future opportunities. Even IBM has developed the independent business unit concept. The problems of ntrapreneurship are not insurmountable, and the concept can lead to new products, growth and the development of an entirely new corporate environment and culture. © Copyright Virtual University of Pakistan 21 Entrepreneurship---MGT602 THE INDIVIDUAL ENTREPRENEUR Lesson 08 LEARNING OBJECTIV ES 1. To identify some key entrepreneurial feelings and motivations. 2. To identify key elements in an entrepreneur's background. 3. To discuss the importance of role models and support systems. 4. To identify the similarities and differences between male and female entrepreneurs. 5. To explain the differences between inventors and entrepreneurs. VU ENTREPR E NEURIAL FEELINGS There is no " true entrepreneurial profile"- entrepreneurs come

from many educational backgrounds, family situations, and work experiences.

A potential entrepreneur may presently be a nurse, secretary, assembly line worker, sales person, mechanic, home maker, manager or engineer. A potential entrepreneur can be male or female and of any race or nationality.

Locus of Control One concern people have when forming is whether they will be able to sustain the drive and energy required to form something new and to manage the new enterprise and make it grow. While research results are inconsistent, internal control seems to be a characteristic of entrepreneurs. Internal beliefs appear to differentiate entrepreneurs from the general public, but not from managers. Managers and entrepreneurs both have an internality tendency. **Feelings about Independence and Need for Achievement.**

The entrepreneur also has the need for independence, to do things in his or her own way and time. Another controversial characteristic is the entrepreneur's need for achievement. McClelland specified three attributes as characteristics of entrepreneurs: 1. Individual responsibility for solving problems and setting and achieving goals. 2. Moderate risk taking as a function of skill. 3. Knowledge of results of decision/task accomplishment. McClelland concluded that a high need for achievement leads individuals to engage in entrepreneurial behavior, although other studies have been inconsistent. **Risk Taking** Risk taking seems a part of the entrepreneurial process.

However, it has not yet been empirically established whether risk-taking is a distinguishing characteristics of entrepreneurs. ENTREPR E NEURIAL

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BACKGROUND AND CHARACTERISTICS Only a few background characteristics have differentiated the entrepreneur from the general populace or managers. Childhood Family Environment The impact of birth order and social status has had conflicting research results. There is strong evidence that entrepreneurs, both male and female, tend to have self-employed or entrepreneurial fathers. Having a father who is self-employed provides a strong inspiration in the example of independence and flexibility of self-employment.

This feeling of independence is often further enforced by an entrepreneurial mother. The overall parental relationship may be the most important aspect of the childhood environment in establishing the desirability of entrepreneurial activity. Parents of entrepreneurs need to be supportive and encourage independence, achievement, and responsibility. This supportive relationship appears to be most important for females. Female entrepreneurs tend to grow up in middle- to upper-class environments, where families are child-centered, and are similar to their fathers in personality.

KEY TERMS Departure points The activities occurring when the venture is started Inventor An individual who creates something new Locus of control An attribute indicating the sense of control that a person has over life Moral-support network Individuals who give psychological support to an entrepreneur Entrepreneurship - MGT602 VU © Copyright Virtual University of Pakistan 23 Entrepreneurship---MGT602 VU THE INDIVIDUAL ENTREPRENEUR (continued...) Lesson 09 LEARNING OBJECTIVES 1. To identify some key entrepreneurial feelings and motivations. 2. To identify

key elements in an entrepreneur's background. 3. To discuss the importance of role models and support systems. 4. To identify the similarities and differences between male and female entrepreneurs. 5. To explain the differences between inventors and entrepreneurs.

ENTREPRENEURIAL BACKGROUND AND CHARACTERISTICS Education

Education appears important in the upbringing of the entrepreneur, in the level of education obtained and in playing a major role in coping with problems. Although formal education is not necessary for starting a new business, it does provide a good background. In education, female entrepreneurs previously experienced some disadvantage, with few having degrees in engineering, science, or math. The ability to deal with people and communicate clearly in written and spoken work is also important. Personal Values Studies have failed to indicate that entrepreneurs can be differentiated on personal valued from managers, unsuccessful entrepreneurs, or the general public. Leadership, support, aggression, benevolence, conformity, creativity, veracity, and resource seeking may also be important.

A successful entrepreneur is frequently characterized as a winner; winning may be a prerequisite for his or her actually becoming one. Age Entrepreneurial age is the age of the entrepreneur reflected in the experience. Entrepreneurial experience is one of the best predictors of success. In chronological age, most entrepreneurs start their careers between ages 22 and 55. Earlier starts in an entrepreneurial career seem to be better than later ones. Generally, male entrepreneurs start their first venture in their early 30s, while women tend to do so in their middle 30s.

Work History Dissatisfaction with one's job often motivates the launching of a new venture. Previous technical and industry experience is also important once the decision to start a business is made.

Experience in the following areas is particularly important: financing; product or service development; manufacturing; development of distribution channels; and preparation of a marketing plan. As the venture becomes established, managerial experience and skills become more important. Entrepreneurial experience becomes increasingly important as the complexity of the venture increases. MOTIVATION While motivations may vary, the reason cited most often for becoming an entrepreneur independence-not wants to work for anyone else. Other motivating factors differ between male and female entrepreneurs. Money is the second reason for men's starting a venture. Job satisfaction, achievement, opportunity, and money are the second order reasons for women. © Copyright Virtual University of Pakistan 24 Entrepreneurship---MGT602 VU

KEY TERMS Motivations That causes people to do something Need for achievement An individual's need to be recognized Need for independence. Being one's own boss-one of the strongest needs of an entrepreneur Professional-support network Individuals who help the entrepreneur in business activities Role models Individuals influencing an entrepreneur's career choice and style Social status The level at which an individual is viewed by society Work history The past work experiences of an individual © Copyright Virtual University of Pakistan 25 Entrepreneurship---MGT602 VU THE INDIVIDUAL ENTREPRENEUR (continued...) Lesson 10 LEARNING

OBJECTIVES 1. To identify some key entrepreneurial feelings and motivations. 2.

To identify key elements in an entrepreneur's background. 3. To discuss the importance of role models and support systems. 4. To identify the similarities and differences between male and female entrepreneurs. 5. To explain the differences between inventors and entrepreneurs. ROLE MODELS AND SUPPORT SYSTEMS One of the most important factors influencing entrepreneurs in their career choice is role models. Role models can be parents, relatives, or successful entrepreneurs in the community. Role models can also serve in a supportive capacity as mentors during and after the new venture is launched. This support system is most crucial during the start-up phase.

It is important that an entrepreneur establish connections to support resources early in the venture formation process. As contacts expand they form a network with density (extensiveness of ties between two individuals) and centrality (the total distance of the entrepreneur to all other individuals.) The strength of ties between the entrepreneur and any individual is dependent on the frequency, level, and reciprocity of the relationship. An informal network for moral and professional support benefits the entrepreneur. Moral-Support Network It is important for the entrepreneur to establish a moral support network of family and friends. Most entrepreneurs indicate that their spouses are their biggest supporters.

Friends can provide advice that is more honest than that received from others, plus encouragement, understanding, and assistance. Relatives can also be sources of moral support, particularly if they are also entrepreneurs.

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Professional-Support Network The entrepreneur also needs advice and counsel, which can be obtained from members of a professional support network. A mentor-protégé relationship is an excellent way to secure the needed professional advice. The mentor is a coach, sounding board, and advocate. The individual selected needs to be an expert in the field. An entrepreneur can initiate the "mentor-finding process" by identifying and contacting a number of experts.

The mentor should be periodically apprised of the progress of the business so that a relationship can gradually develop. Another source of advice is a network of business associates. Self-employed individuals who have experience in starting a business are good sources. Clients and buyers are also important as they provide word-of-mouth advertising. Suppliers are good components of the professional-support network—they help to establish credibility with creditors and customers, and provide good information on trends in the industry. Trade associations are good network additions, as they keep up with new developments and can provide overall industry data. Affiliations with individuals developed in hobbies, sporting events, civic involvements and school alumni groups are excellent sources of referrals, advice, and information. Each entrepreneur needs to establish both a moral- and a professional-support network to share problems with and gain overall support.

MALE VERSUS FEMALE ENTREPRENEURS Women are now starting new ventures at three times the rate of men. Women form over 70

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percent of all new businesses. Women now own over 8.5 million small businesses, an increase of over 45 percent since 1990. In some respects

female entrepreneurs possess very different motivations, business skills, and occupational backgrounds.

Factors in the start-up process for male and female entrepreneurs are different, especially in such areas as support systems, sources of funds, and problems. Men are motivated by the drive to control their own destinies. Women tend to be more motivated by the need for achievement arising from job frustration. Departure points and reasons for starting the business are similar for both men and women. Both generally have a strong interest and experience in the area of their venture. For men, the transition to a new venture is easier when the venture is an outgrowth of a present job. Women often leave a previous occupation with a high level of frustration and enthusiasm for the new venture rather than experience.

Start-Up Financing Males often have investors, bank loans, or personal loans in addition to personal funds as sources of startup capital. Women usually rely solely on personal assets or savings. Obtaining financing and lines of credit are major problems for women. **Occupations** Both groups tend to have experience in the field of their ventures. Men more often have experience in manufacturing, finance, or technical areas. Most women usually have administrative experience, often in service-related fields. **Personality** Both men and women tend to be energetic, goal-oriented, and independent. Men are often more confident and less flexible and tolerant than women. **Backgrounds** The backgrounds of male and female entrepreneurs tend to be similar.

Women are little older when they embark on their careers. Men often have studied in technical- or business-related areas, while women tend to have liberal arts education. Many women busi