



Chapter 1

Introduction to Entrepreneurship

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Chapter Objectives

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1. Explain entrepreneurship and discuss its importance.
2. Describe corporate entrepreneurship and its use in established firms.
3. Discuss three main reasons people decide to become entrepreneurs.
4. Identify four main characteristics of successful entrepreneurs.
5. Explain five common myths regarding entrepreneurship.

Chapter Objectives

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6. Explain how entrepreneurial firms differ from salary-substitute and lifestyle firms.
7. Discuss the changing demographics of entrepreneurs in the United States.
8. Discuss the impact of entrepreneurial firms on economies and societies.
9. Identify ways in which large firms benefit from the presence of smaller entrepreneurial firms.
10. Explain the entrepreneurial process.

Introduction to Entrepreneurship

There is tremendous interest in entrepreneurship in the U.S. and around the world.

According to the 2007 GEM study, 9.6% of Americans are actively engaged in starting a business or are the owner/manager of a business that is less than three years old.

Entrepreneurial Revolution

“We are in the midst of a silent revolution – a triumph of the creative and entrepreneurial spirit of humankind throughout the world.

I believe its impact on the 21st century will equal or exceed that of the Industrial Revolution on the 19th and 20th.”

Jeffry A. Timmons
The Entrepreneurial Mind, 1989

Entrepreneurial Revolution

- > 7 Million American Millionaires are 'self-made entrepreneur'.
- The poor become rich due to entrepreneurial process.
- Building entrepreneurial community is the priority of the new E-Generation.
- Secret weapon of the American economy !

Mega Entrepreneurs/Founders

- Arthur M. Blank – The Home Depot, Inc.
- Ely R. Callaway – Callaway Golf
- Richard Branson – Virgin Group of Comp.
- Paul Fireman – Reebok
- Anita Roddick – The Body Shop
- Frederik W. Smith – Federal Express
- Phil Knight – Nike
- Akio Morita - Sony
- Liz Claiborne – ?
- Walt Disney - ?

Mega Entrepreneurs/Founders

- Jeff Bezos – Amazon.Com
- Sergey Brin & Larry Page- Google
- Kenneth H. Olsen – Digital Equipment Corp
- Bill Gates & Paul Allen - Microsoft
- Larry Ellison - Oracle
- Steve Jobs & Steve Wozniak - Apple Computer
- Mitch Kapor - Lotus Dev Corp
- Michael Dell - Dell Computer
- Marc Andreessen – Netscape
- Mark Zuckerberg - Facebook
- Heinz Nixdorf – Nixdorf Computer AG

Entrepreneurial Impact – Old & New Companies

	Sales (2000) \$Billion	Workers (2000) Thousands	Capital (2001) \$Billion
• General Motors	185	386	34
• Ford	163	365	45
• Crysler	151	464	43
Total	499	1215	122
• Intel	29	67	179
• Microsoft	22	31	362
• Cisco	15	21	121
Total	66	119	662

Indications of Increased Interest in Entrepreneurship

- **Books & Magazines**

- Amazon.com lists over 45,000 books dealing with entrepreneurship and 118,000 focused on small business.

- **College Courses**

- In 1985, there were about 250 entrepreneurship courses offered across all colleges in the United States.
- Today, more than 5,000 entrepreneurship courses are offered in two-year and four-year colleges and universities in the United States.

- **National Commission on Entrepreneurship**

- **Ernst & Young Award & PECIPTA & Enterprise 50**

- **3.5 Million of 100 Million Americans are Millionaires**

What is Entrepreneurship?

The word “entrepreneur” derives from the French words *entre*, meaning “between,” and *prendre*, meaning “to take.” The word was originally used to describe people who “take on the risk” between buyers and sellers or who “undertake” a task such as starting a new venture.

What is Entrepreneurship?

- **Academic Definition (Stevenson & Jarillo)**
 - Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control.
- **Venture Capitalist (Fred Wilson)**
 - Entrepreneurship is the art of turning an idea into a business.
- **Explanation of What Entrepreneurs Do**
 - Entrepreneurs assemble and then integrate all the resources needed—the money, the people, the business model, the strategy—needed to transform an invention or an idea into a viable business.

Corporate Entrepreneurship

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- Corporate Entrepreneurship
 - Is the conceptualization of entrepreneurship at the firm level.
 - All firms fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial.
 - The position of a firm on this continuum is referred to as its entrepreneurial intensity.

Corporate Entrepreneurship

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Entrepreneurial Firms

- Proactive
- Innovative
- Risk taking

Conservative Firms

- Take a more “wait and see” posture
- Less innovative
- Risk adverse

Why Become an Entrepreneur?

The three primary reasons that people become entrepreneurs and start their own firms



Desire to be their own boss

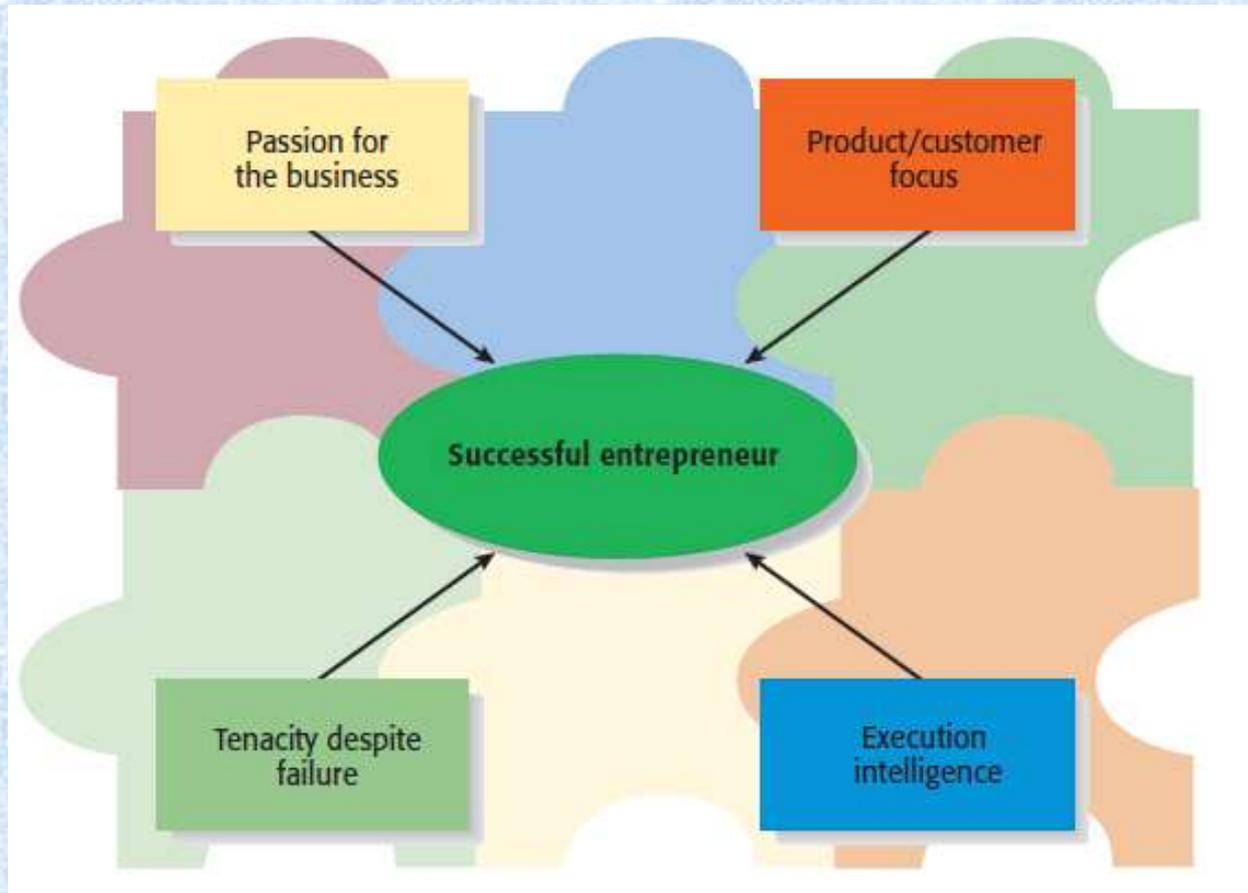
Desire to pursue their own ideas

Financial rewards

Characteristics of Successful Entrepreneurs

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Four Primary Characteristics



Characteristics of Successful Entrepreneurs

- **Passion for the Business**

- The number one characteristic shared by successful entrepreneurs is a **passion** for the business.
- This passion typically stems from the entrepreneur's belief that the business will positively influence people's lives.

“The most important thing about starting a business is to be passionate about what you do. I think it is very difficult to enter a business you don't understand and have passion for” - Oleg Tschltzoff, Fotolia, NY.

“The key is to have passion and never give up. This is imperative because it creates a drive to solve business problems” - Peter Flint, Trulia.Com

“Do what you've passionate about. In the startup world, if you're bored, you might as well be dead” - Chris Shaw, ProtechMy Photos

Characteristics of Successful Entrepreneurs

- Product/Customer Focus

- A second defining characteristic of successful entrepreneurs is a **product/customer focus**.
- An entrepreneur's keen focus on products and customers typically stems from the fact that most entrepreneurs are, at heart, craftspeople.

“**The computer is the most remarkable tool we've ever built but the most important thing is to get them in the hands as many people as possible.**” - Steven Jobs

→ good products with the capability to satisfy customers.

Characteristics of Successful Entrepreneurs

- Tenacity/Determined Despite Failure
 - Because entrepreneurs are typically trying something new, the failure rate is naturally high.
 - The litmus test for entrepreneurs is their ability to persevere through setbacks and failures.

Characteristics of Successful Entrepreneurs

- Execution Intelligence

- The ability to fashion a solid business idea into a viable business is a key characteristic of successful entrepreneurs.
- In many cases, Execution Intelligence is the factor that det. whether a start-up is successful or fails.
- The ability to exec a business idea means developing a business model, putting tog' a new venture team, raising money, establishing partnerships, managing finances, leading & motivating employees etc....

“To open a business is very easy, to keep it open is very difficult.”

- Chinese saying

“Ideas are easy. It's execution that 's hard.” - Jeff Bezos, Amazon.com

Common Myths About Entrepreneurs

1 of 5

- Myth 1: Entrepreneurs Are Born Not Made
 - This myth is based on the mistaken belief that some people are genetically predisposed to be entrepreneurs.
 - The consensus of many studies is that no one is “born” to be an entrepreneur; everyone has the potential to become one.
 - Whether someone does or doesn’t become an entrepreneur, is a function of the environment, life experiences, and personal choices.

Common Myths About Entrepreneurs

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Although no one is “born” to be an entrepreneur, there are common traits and characteristics of successful entrepreneurs

- Achievement motivated
- Alert to opportunities
- Creative
- Decisive
- Energetic
- Has a strong work ethic
- Is a moderate risk taker
- Is a networker
- Lengthy attention span

- Optimistic disposition
- Persuasive
- Promoter
- Resource assembler/leverager
- Self-confident
- Self-starter
- Tenacious
- Tolerant of ambiguity
- Visionary

Common Myths About Entrepreneurs

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- Myth 2: Entrepreneurs Are Gamblers
 - Most entrepreneurs are moderate risk takers.
 - The idea that entrepreneurs are gamblers originates from two sources:
 - Entrepreneurs typically have jobs that are less structured, and so they face a more uncertain set of possibilities than people in traditional jobs.
 - Many entrepreneurs have a strong need to achieve and set challenging goals, a behavior that is often equated with risk taking.

Common Myths About Entrepreneurs

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- Myth 3: Entrepreneurs Are Motivated Primarily by Money.
 - While it is naïve to think that entrepreneurs don't seek financial rewards, money is rarely the reason entrepreneurs start new firms.
 - In fact, some entrepreneurs warn that the pursuit of money can be distracting.

Common Myths About Entrepreneurs

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- Myth 4: Entrepreneurs Should Be Young and Energetic.
 - The most active age for business ownership is 35 to 45 years old.
 - While it is important to be energetic, investors often cite the strength of the entrepreneur as their most important criteria in making investment decisions.
 - What makes an entrepreneur “strong” in the eyes of an investor is experience, maturity, a solid reputation, and a track record of success.
 - These criteria favor older rather than younger entrepreneurs.

Types of Start-Up Firms

Salary-Substitute Firms

Firms that basically provide their owner or owners a similar level of income to what they would be able to earn in a conventional job

Lifestyle Firms

Firms that provide their owner or owners the opportunity to pursue a particular lifestyle, and make a living at it

Entrepreneurial Firms

Firms that bring new products and services to the market by creating and seizing opportunities regardless of the resources they currently control

Changing Demographics of Entrepreneurs

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Women Entrepreneurs

- There were 6.2 million women-owned businesses in 2002 (the most recent statistics available)
- This number was up 20% from 1997.

Changing Demographics of Entrepreneurs

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Minority Entrepreneurs

- Minorities owned roughly 18% of U.S. businesses in 2002.
- This number was up 10% from 1997.

Senior Entrepreneurs

- Although statistics are not kept on senior entrepreneurs, there is strong evidence that the number of older people choosing entrepreneurial careers is rapidly increasing.

Changing Demographics of Entrepreneurs

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Young Entrepreneurs

- Interest among young people in entrepreneurial careers is growing.
- According to a Gallop study, 7 out of 10 high school students want to start their own business.
- Over 2,000 two-year and four-year colleges and universities offer entrepreneurship courses.

Economic Impact of Entrepreneurial Firms

- Innovation
 - Is the process of creating something new, which is central to the entrepreneurial process.
 - Small firms are twice as innovative per employee as large firms.
- Job Creation
 - In the past two decades, economic activity has moved in the direction of smaller entrepreneurial firms, which may be due to their unique ability to innovate and focus on specialized tasks.

Entrepreneurial Firms' Impact on Society and Larger Firms

- Impact on Society
 - The innovations of entrepreneurial firms have a dramatic impact on society.
 - Think of all the new products and services that make our lives easier, enhance our productivity at work, improve our health, and entertain us in new ways.
- Impact on Larger Firms
 - Many entrepreneurial firms have built their entire business models around producing products and services that help larger firms become more efficient and effective.

The Entrepreneurial Process

The Entrepreneurial Process Consists of Four Steps

Step 1: Deciding to become an entrepreneur.

Step 2: Developing successful business ideas.

Step 3: Moving from an idea to an entrepreneurial firm.

Step 4: Managing and growing the entrepreneurial firm.

Step 5: Exiting the venture.

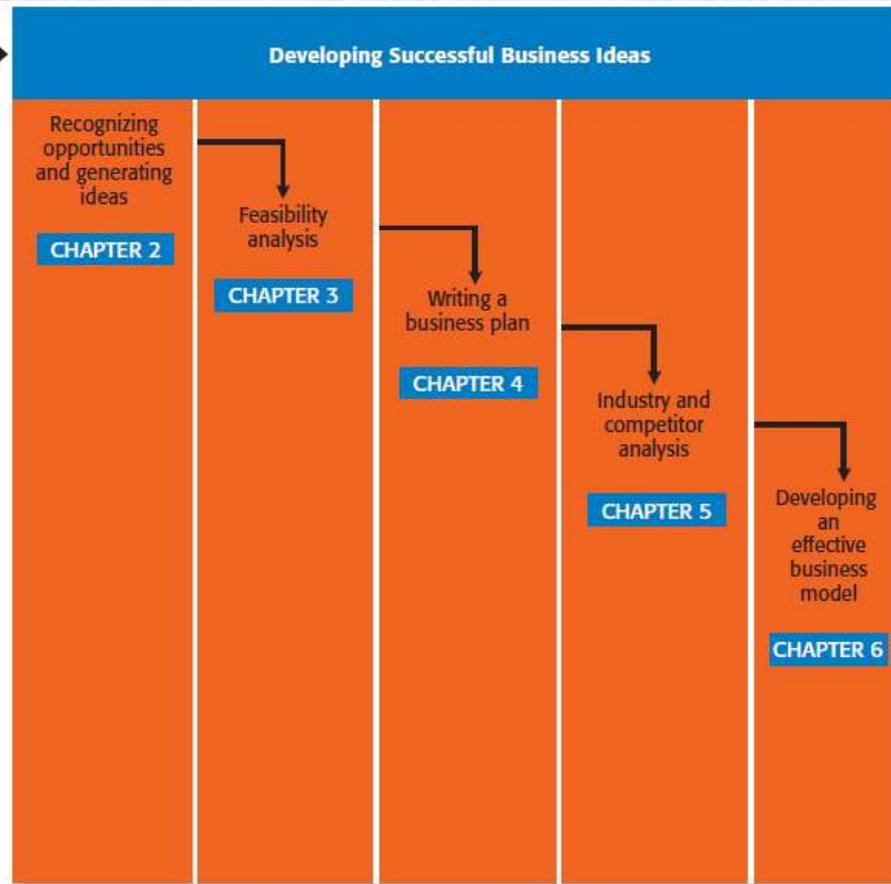
Steps in the Entrepreneurial Process

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Step 1

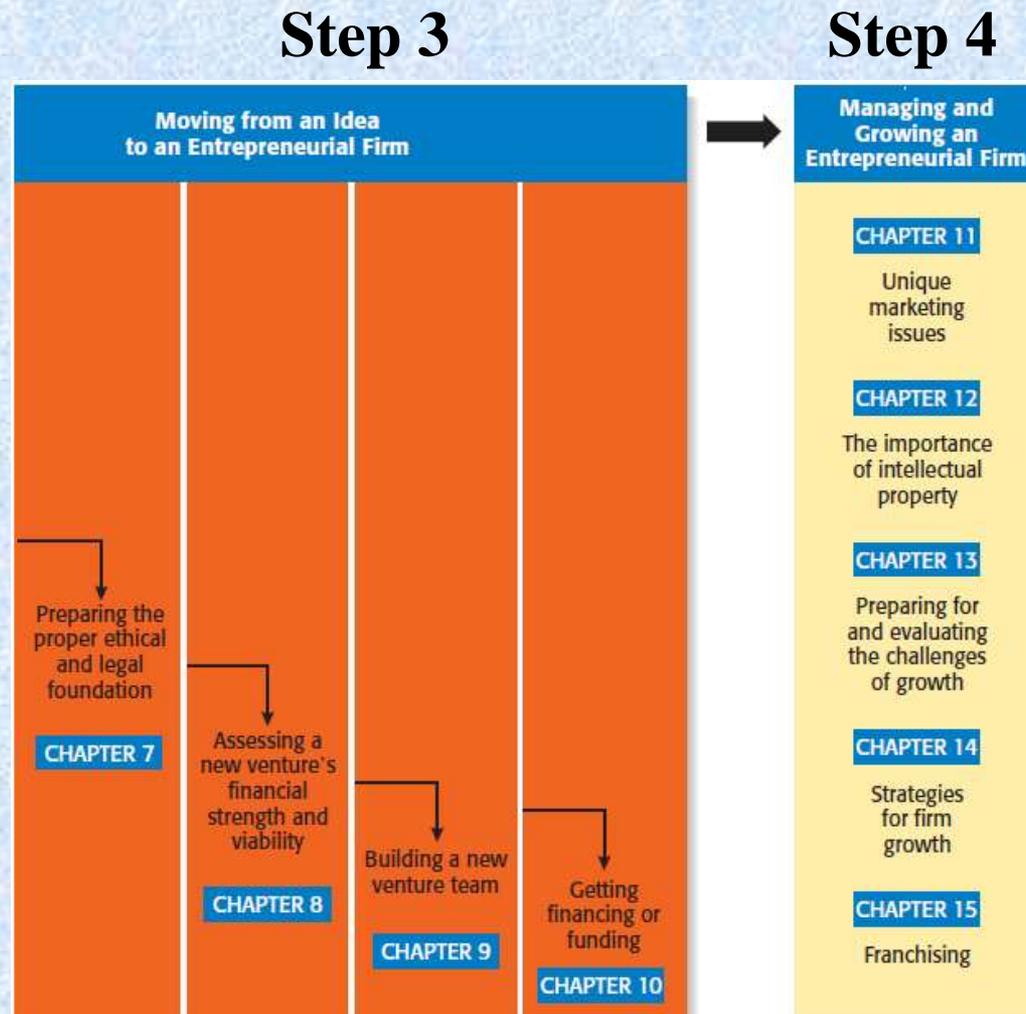


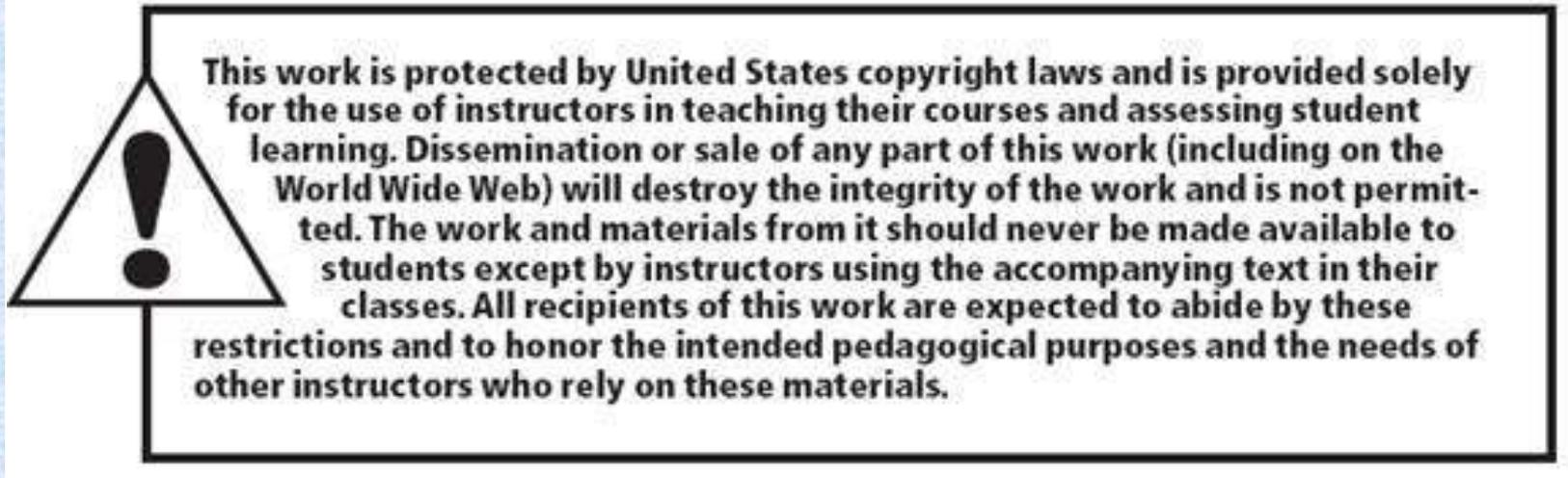
Step 2



Steps in the Entrepreneurial Process

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