

ENTREPRENEURSHIP

Sharif University of Technology

Dr. S. Alireza Feyzbakhsh



1. Entrepreneurship Concept

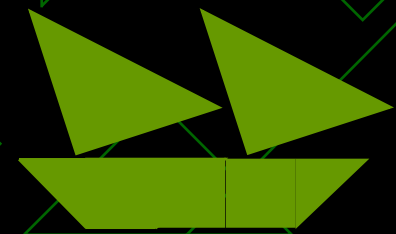
2. Importance of Entrepreneurship

3. The Entrepreneurial Profile

4. The Entrepreneurial Process



Welcome to the world of the entrepreneur. It is both exhilarating and frightening. Buckle your seatbelt if you decide to take the plunge. It'll be the ride of your lifetime!





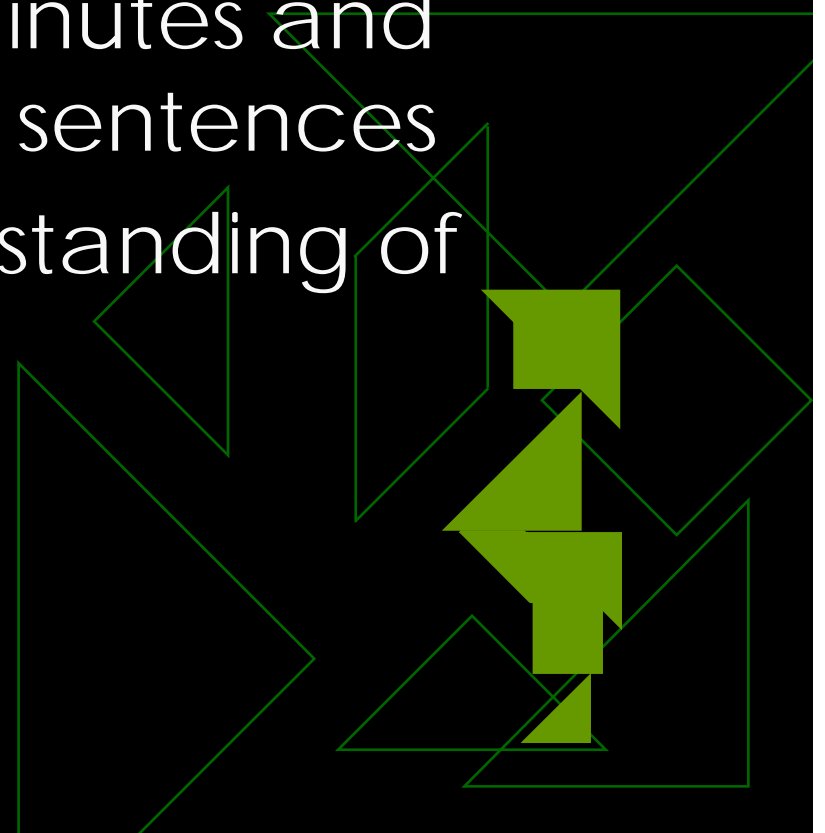
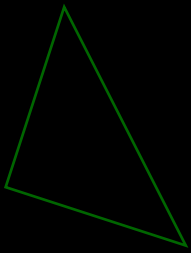
WHO IS ENTREPRENEUR?

WHAT IS ENTREPRENEURSHIP?



How do you define Entrepreneurship?

Please take a few minutes and write down three to four sentences that capture your understanding of entrepreneurship.





Development of Entrepreneurship Theory and the Term Entrepreneur

Stems from French:
means **between-taker** or go between.



Development of Entrepreneurship Theory and the Term Entrepreneur

Middle ages:
actor and person in charge of large
scale production projects.



Development of Entrepreneurship Theory and the Term Entrepreneur

17th century:
person bearing **risks** of profit (loss) in a
fixed-price contract with government.



Development of Entrepreneurship Theory and the Term Entrepreneur

1725:

Richard Cantillon:

person bearing risks is different from one supplying capital.

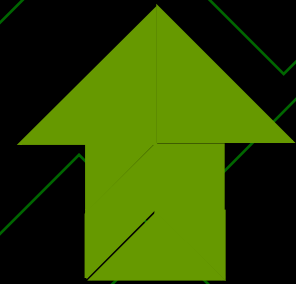


Development of Entrepreneurship Theory and the Term Entrepreneur

1803:

Jean Baptiste:

say-separated profits of entrepreneur from profits of capital.



Development of Entrepreneurship Theory and the Term Entrepreneur

1876:

Francis Walker:

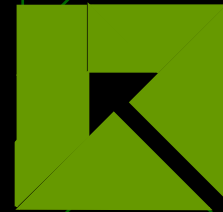
distinguished between those who supplied funds and received interest and those who received profit from managerial capabilities.

Development of Entrepreneurship Theory and the Term Entrepreneur

1934:

Joseph Schumpeter:

Entrepreneur is an innovator
and develops untried technology



Development of Entrepreneurship Theory and the Term Entrepreneur

1961:

David McClelland:

Entrepreneur is an energetic,
moderate risk-taker.

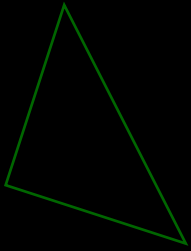


Development of Entrepreneurship Theory and the Term Entrepreneur

1964:

Peter Drucker:

Entrepreneur maximizes
opportunities.



Development of Entrepreneurship Theory and the Term Entrepreneur

1975:

Albert Shapero:

entrepreneur takes initiative, organizes some social and economic mechanisms, and accepts risks of failure.



Development of Entrepreneurship Theory and the Term Entrepreneur

1980:

Karl Vesper:

entrepreneur seen differently by economics, psychologists, business persons, and politician.



Development of Entrepreneurship Theory and the Term Entrepreneur

1983:

Gifford Pinchot:

intrapreneur is an entrepreneur within an established organization.

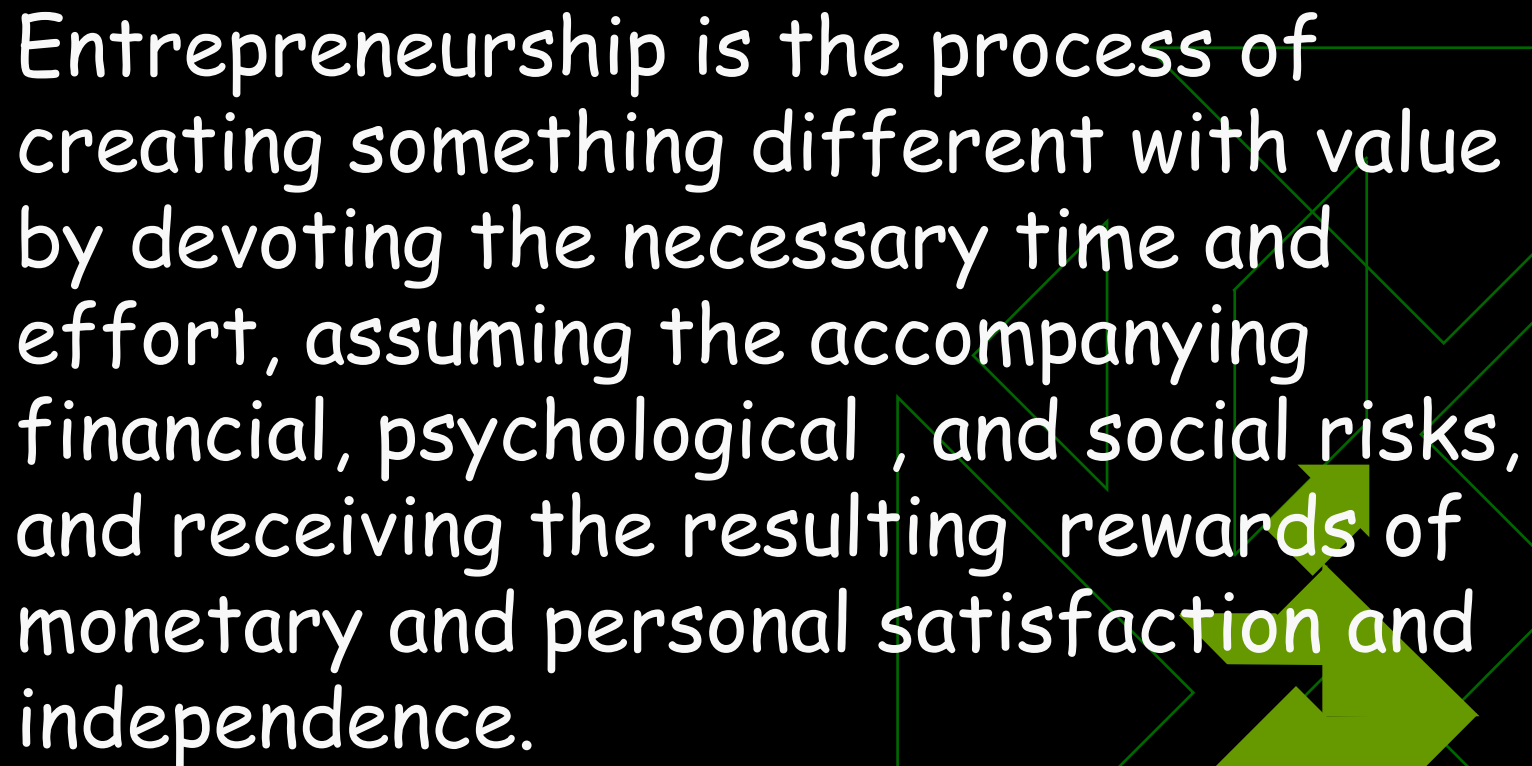


Development of Entrepreneurship Theory and the Term Entrepreneur

1985:

Robert Hisrich:

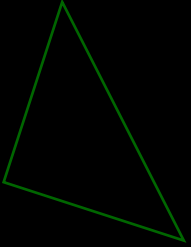
Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence.




In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes:

1. initiative taking,
2. the organizing & reorganizing of social and economic mechanisms to turn resources and situations to practical account,
3. the acceptance of risk or failure.





Entrepreneur Individual who takes risks and starts something new.



Entrepreneur

A person who destroys the existing economic order by introducing new Products and services, creating new form of organization or by exploiting new raw materials.

This destruction can be done through forming a new business or by working within an existing business.



Entrepreneurship

is the process of creating something new with value through running a business by devoting the necessary time and effort, assuming the financial, psychic, and social risks, and receiving rewards of monetary and personal satisfaction and independence.





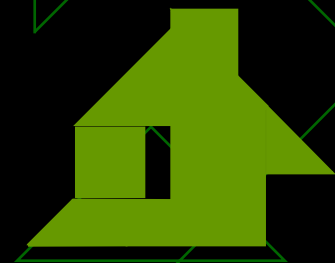
This definition stresses four basic aspects of being an entrepreneur,

1st, Entrepreneurship involves the creation process

2nd, Entrepreneurship requires devotion of the necessary time and effort.

3rd, Assuming the necessary risks

4th, Rewards of being an entrepreneur





1. Entrepreneurship Concept

2. Importance of Entrepreneurship

3. The Entrepreneurial Profile

4. The Entrepreneurial Process



Effect of the Entrepreneurial Revolution

Job Creation: 94% of the jobs created by 15% of the firms, predominantly entrepreneurial firms.

Innovation: 50% of all innovation and 95% of all radical innovation from entrepreneurial firms.

Wealth Distribution: 86% of the *Forbes* 400 wealthiest individuals were self-made entrepreneurs.



ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

It's involves more than just increasing per capita output and income ;it involves initiating and constituting change in the structure of business and society.



ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

The critical point is the intersection of knowledge and a recognized social need.

This point, called *interactive synthesis*, often fails to evolve into a marketable innovation and is where the entrepreneur needs to concentrate his or her efforts.

Entrepreneurship

The method for bridging the gap between science and the marketplace is *entrepreneurship*.

Yet, in spite of all difficulties, **entrepreneurship** is presently the most effective method for bridging the gap.



Intrapreneurship

Intrapreneurship (entrepreneurship within an existing business structure) can also bridge the gap between science and the marketplace. Existing businesses have the financial resources, business skills, and frequently the marketing and distribution system to commercialize innovation successfully.



Intrapreneurial Environment

- ✓ Organization operates on frontiers of technology.
- ✓ New ideas encouraged.
- ✓ Trail and error encouraged.
- ✓ Failures allowed.
- ✓ No opportunity parameters.
- ✓ Resources available and accessible.
- ✓ Multidiscipline teamwork approach.
- ✓ Long time horizon.
- ✓ Volunteer program.
- ✓ Appropriate reward system.
- ✓ Sponsors and champions available.
- ✓ Support of top management.



ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

The innovation can, of course, be of varying degrees of uniqueness.

Ordinary innovation a new product with technological change

Technological innovation a new product with significant technological advancement

Breakthrough innovation a new product with Some technological change

TYPES OF ENTREPRENEURIAL VENTURES

• Lifestyle firm

A small venture that supports the owners and usually does not grow

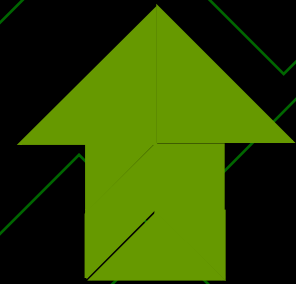
• Foundation company

A type of company formed from research

• High potential venture - Gazelles

and development that usually does not go public

A venture that has high growth potential and therefore receives great investor interest



THE FUTURE OF ENTREPRENEURSHIP

We are living in the age of entrepreneur, with entrepreneurship endorsed by educational *institutions*, *government units*, *society*, and *corporations*.

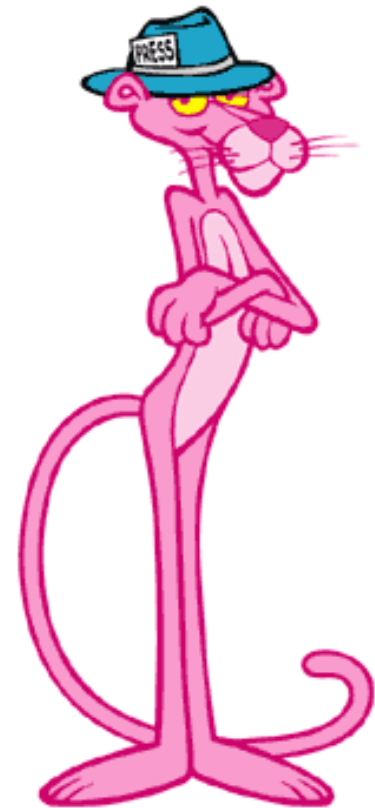
Startups are now supported by venture capitalists and angel investors in the hopes of finding the next big thing. The government is also providing grants and loans to help entrepreneurs start new businesses.

1. Entrepreneurship Concept

2. Importance of Entrepreneurship

3. The Entrepreneurial Profile

4. The Entrepreneurial Process



THE ENTREPRENEURIAL PROFILE



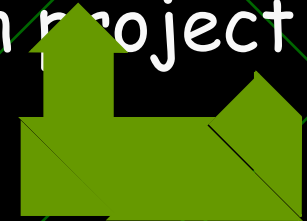
- Vision

- Determination Clear & Communicable

- Motivation Successful, Decisive

- Focus Self-actualization

- Devotion Keep her/his eye on the Ball at all time
Enjoy working on project

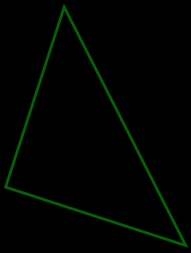


TRAIT

- ✓ Need for achievement
- ✓ Internal locus of control
- ✓ Risk-taking propensity
- ✓ Need for independence
- ✓ Strong desire to be their own boss
- ✓ Creativity
- ✓ Ambiguity tolerance
- ✓ Tremendous drive to succeed

TRAIT

- ✓ Doer
- ✓ Problem solver
- ✓ Goal oriented
- ✓ Initiation
- ✓ Recognition
- ✓ Benevolence
- ✓ Desire for responsibility
- ✓ Performance under tension
- ✓ Ambition
- ✓ Aggression
- ✓ Need for achievement
- ✓ Internal locus of control
- ✓ Risk-taking propensity
- ✓ Need for independence
- ✓ Strong desire to be their own boss
- ✓ Creativity
- ✓ Tremendous drive to succeed



BEHAVIOR

Demographics

• Experiments

- ✓ Work history
- ✓ Role models
- ✓ Job un satisfaction

• Background

- ✓ Childhood
- ✓ Family environment
- ✓ Personal values
- ✓ Education
- ✓ Age



The Myths of Entrepreneurship

Myth 1

Entrepreneurs are Doers, Not Thinkers

Myth 2

Entrepreneurs are Born, Not Made

Myth 3

Entrepreneurs are Always Inventors

Myth 4

Entrepreneurs are Academic and Social Misfits

Myth 5

Entrepreneurs Must Fit the “Profile”



Myth 1 Entrepreneurs are Doers, Not Thinkers

Myth 2 Entrepreneurs are Born, Not Made

Myth 3 Entrepreneurs are Always Inventors

Myth 4 Entrepreneurs are Academic and Social Misfits

Myth 5 Entrepreneurs Must Fit the "Profile"



Myth 6

All Entrepreneurs Need Is Money

Myth 7

All Entrepreneurs Need Is Luck

Myth 8

Ignorance Is Bliss for Entrepreneurs

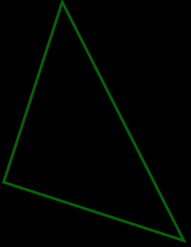
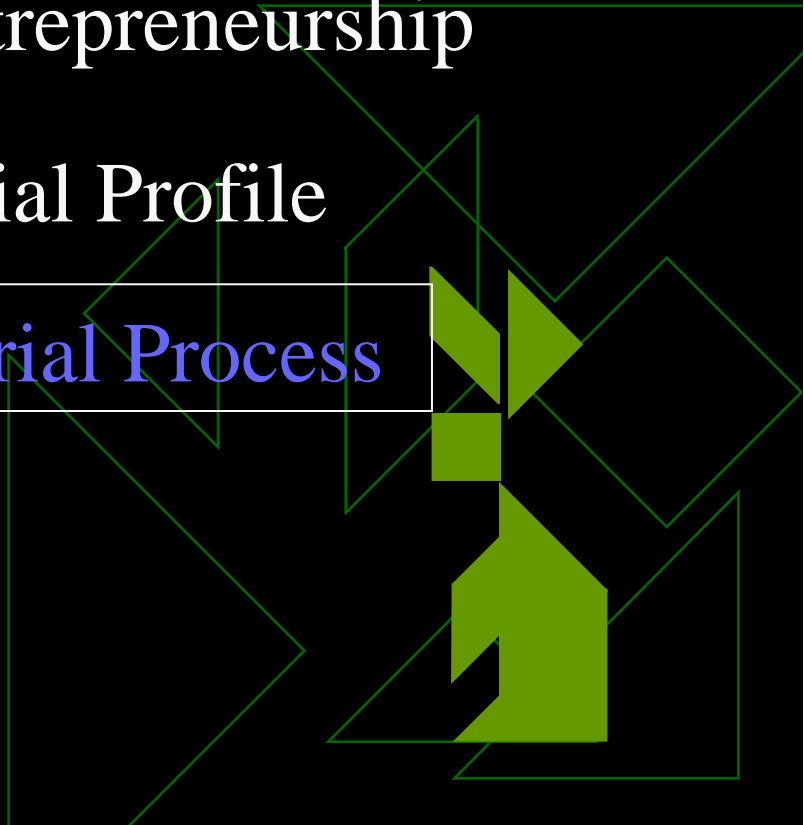
Myth 9

Entrepreneurs Seek success but Experience High Failure

Myth 10

Entrepreneurs are Extreme Risk Takers (Gamblers)



- 
1. Entrepreneurship Concept
 2. Importance of Entrepreneurship
 3. The Entrepreneurial Profile
 4. The Entrepreneurial Process
- 

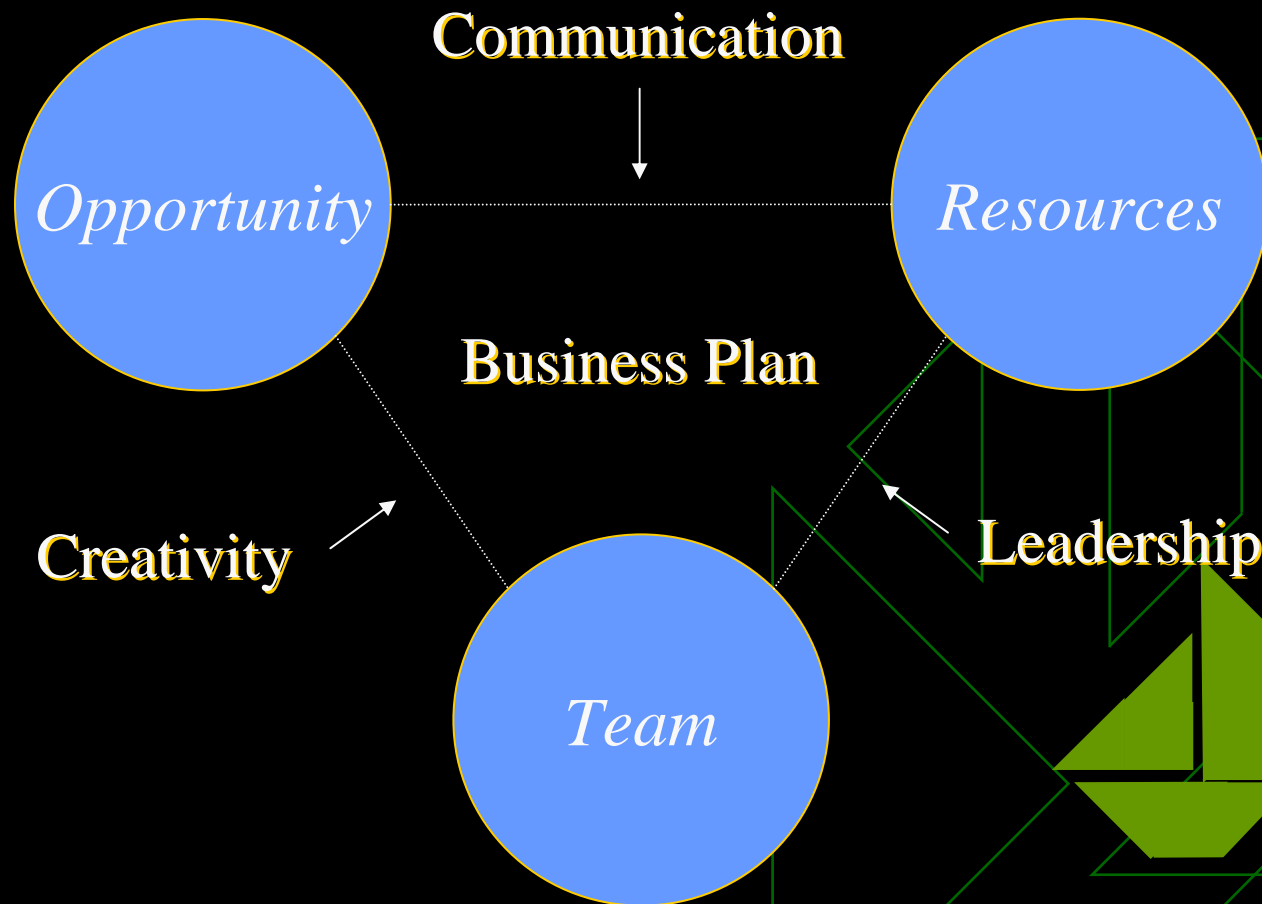
THE ENTREPRENEURIAL PROCESS

That is the process through which a new venture is created by an entrepreneur .

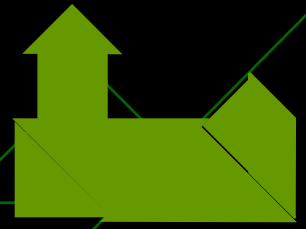
The process has four distinct phases:

1. identify and evaluate the opportunity,
2. develop the business plan,
3. determine the resources required,
4. manage the resulting enterprise created.

Model of the Entrepreneurship Process



TODAY'S ENTREPRENEUR

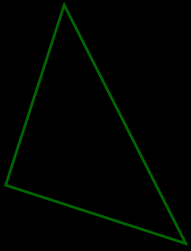


CREATIVITY

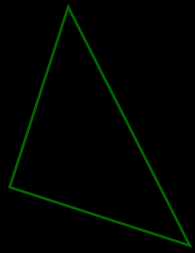
Thinking NEW things

INNOVATION

Doing NEW things

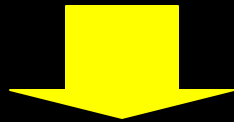


Creativity, Innovation and Entrepreneurship



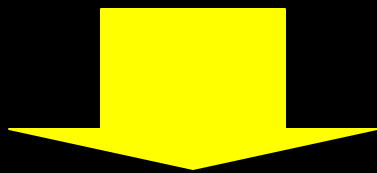
Creativity

Thinking new things



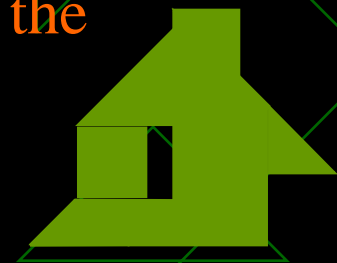
Innovation

Doing new things



Entrepreneurship

Creating value in the
market place



Opportunity

"I was seldom able to see an opportunity, until it ceased to be one." (Mark Twain)

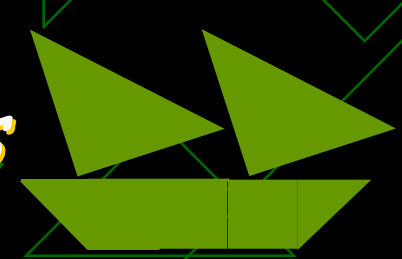
"If a man can make a better mousetrap than his neighbor, though he builds his house in the woods, the world will make a beaten path to his door." (Ralph Waldo Emerson)



Sources of Opportunity

- Internal to firm or industry
 - Unexpected Occurrences (Edsel → Mustang)
 - Incongruities (Minimills)
 - Process Needs (Linotype)
 - Industry and Market Changes (DL&J)

What are some other examples of each of these areas?



Sources of Opportunity

- External to the firm or industry
 - Demographic Changes (Living Longer)
 - Changes in Perception (Healthy Living)
 - New Knowledge (Computer)

What are some other examples of each of these areas?



Sources of New Venture Ideas

- ◆ Keep an idea file or Notebook
- ◆ Talk with people-Network
- ◆ Read voraciously
- ◆ Try thinking in opposites
- ◆ Look for new uses of old things
- ◆ Brainstorm your way to a new idea
- ◆ Team with an inventor
- ◆ Look to the government

Planning as a part of the business operation

Business plan Written document describing all relevant internal and external elements and strategies for starting a new venture



What is the business plan?

- ◆ The BP, the game plan or road map-answers the questions, where am I now? Where am I going? How will I get there?
- ◆ Potential investors, suppliers, and even customers will request or require a Bp.



Why a business plan?

- ◆ It's more for you than anybody else
- ◆ It allows you to organize your thoughts
- ◆ It allows you to see what you are missing
- ◆ It shows others that you have a rational organized process
- ◆ It becomes a historical document to let you see what you were thinking at the time
- ◆ It is a money raising document
- ◆ It is a recruiting tool
- ◆ It keeps you honest
- ◆ It is a starting point for a tactical operating plan

Outline for a Marketing Plan

Situation analysis

Background of venture

Market opportunities and treats

Competitors analysis

Strengths and weaknesses of venture

Marketing objectives and goals

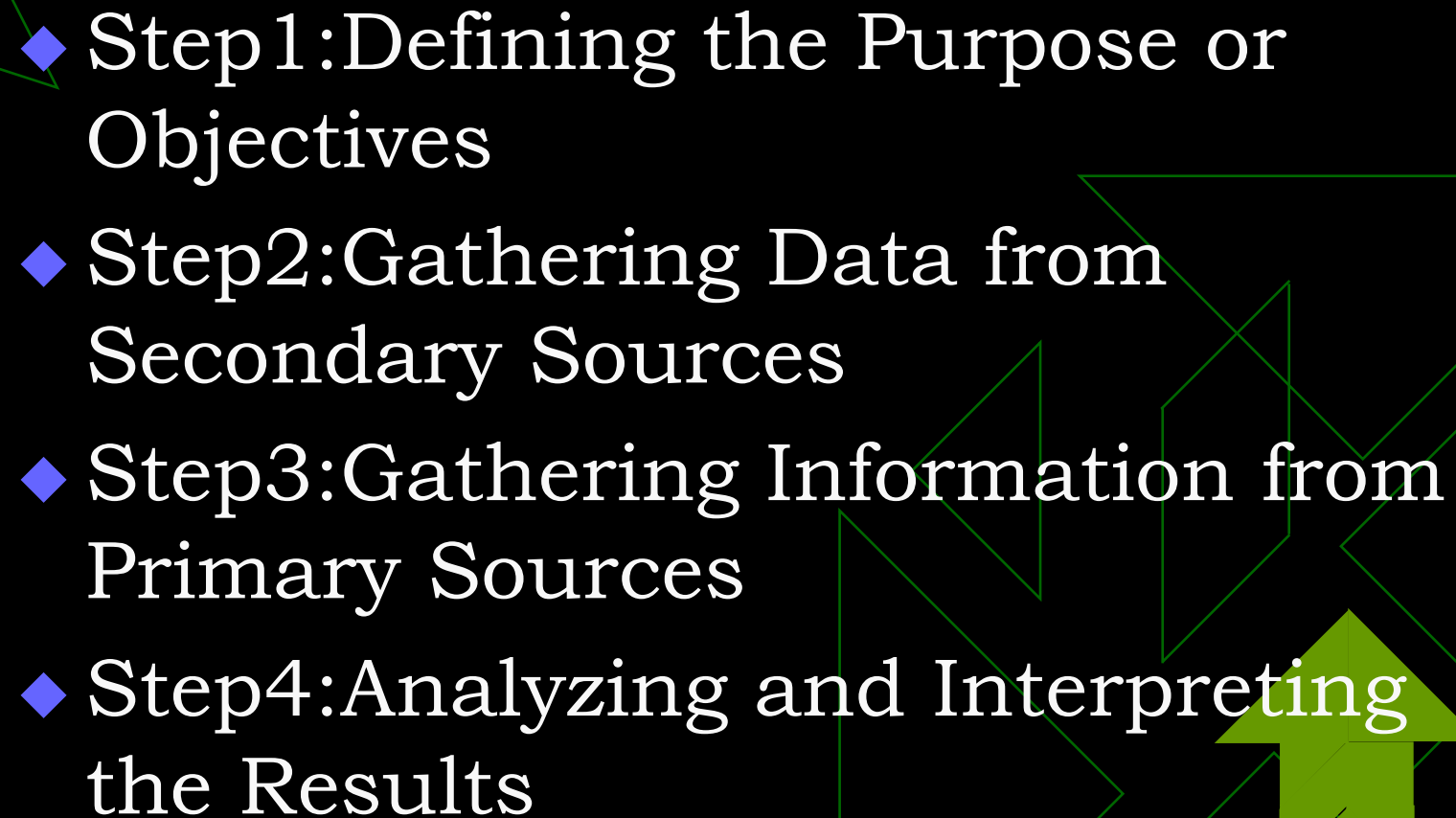
Marketing strategy and action programs

Budgets

Controls



Market Research for the New Venture

- ◆ Step 1: Defining the Purpose or Objectives
 - ◆ Step 2: Gathering Data from Secondary Sources
 - ◆ Step 3: Gathering Information from Primary Sources
 - ◆ Step 4: Analyzing and Interpreting the Results
- 

Steps in Preparing the Marketing Plan

- ◆ Defining the Business Situation
- ◆ Defining the Target Market/Opportunities and Treats
- ◆ Considering Strengths and Weaknesses
- ◆ Establishing Goals and Objectives
- ◆ Defining Marketing Strategy and Action Programs

Financial plan

- A. Pro forma income statement
- B. Cash flow projections
- C. Pro forma balance sheet
- D. Break-even analysis
- E. Sources and applications of funds



Financials

- ◆ Should tell you how much money you need to reach your milestones
- ◆ Should justify why this is a good business/investment
- ◆ Should allow you to do sensitivity analysis and ask “what if I am a quarter ahead or behind?”
- ◆ Capitalization chart, 5 years of income statements, balance sheets, cash flows
- ◆ Should be able to show why each round of financing is a good investment



What about accountants

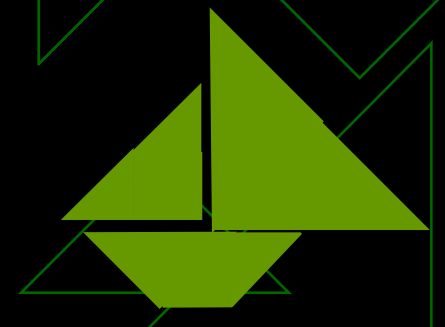
- ◆ Boring, but necessary
- ◆ Investors will insist
- ◆ A good one will save your life
- ◆ Help you figure out how viable your business really is
- ◆ They are good at bad news that you need to hear
- ◆ Good ones set up systems and routines
- ◆ They will present the numbers in any way that you find useful (YTD, YTY, variances, stagger...)
- ◆ Will keep you from mistakes that could cost you millions later down the road (pooling, etc.)

What can an attorney do for me?

- ◆ Help incorporating & setting up a basic business structure
- ◆ Partnerships vs. corporations vs. etc.
- ◆ Equity issues
- ◆ Introductions to potential investors/corporate partners
- ◆ Give you a lay of the land
- ◆ Give you credibility; good firms don't take all comers
- ◆ Good attorneys have been to this movie before
- ◆ Help you avoid basic mistakes and keep you out of trouble
- ◆ Many other things, but you have to use them wisely

ENTREPRENEURIAL “RULES” TO LIVE BY

- ◆ Create, innovate, activate.
- ◆ Always be on the lookout for new opportunities.
- ◆ Keep it simple.
- ◆ Try it, fix it, do it.
- ◆ Shoot for the top
- ◆ Don't be ashamed to start small.
- ◆ Don't fear failure; learn from it.
- ◆ Never give up.
- ◆ Go for it.



TODAY'S ENTREPRENEUR

