

CHAPTER 1

UNDERSTANDING ENTREPRENEURSHIP

Author's Note

This chapter sets the stage for the course by explaining the role of the entrepreneur in a changing world market. It explores the nature of entrepreneurs and entrepreneurship and attempts to dispel some long-held myths about who entrepreneurs are. It also deals with the business formation process and how to distinguish entrepreneurial ventures from small businesses. It concludes with a discussion of corporate venturing and a brief history of the entrepreneurial revolution.

Research has never proven that there are specific traits uniquely characteristic of entrepreneurs, not even my personal view that it takes passion to be an entrepreneur. The fact is that in any field or endeavor similar characteristics apply—passion, perseverance, creativity and so forth—whether you're an artist or an entrepreneur. However, entrepreneurs do have a skill set or set of behaviors that gives them the ability to recognize an opportunity and pull together the resources necessary to commercialize that opportunity and create value. This skill set can be taught. This chapter will give students a good sense of what those entrepreneurial skills are and how they can apply the entrepreneurial mindset in their lives.

Learning Objectives

This chapter will give students an understanding of:

- The new environment in which entrepreneurs operate
- The nature of entrepreneurs: attitudes and behaviors
- The nature of new ventures
- A brief history of the entrepreneurial revolution
- Some research on the entrepreneurial phenomenon
- An understanding of the organization of the book

Supplementary Lecture Material

What It Takes to Be an Entrepreneur Today

Whether you're starting as an independent entrepreneur or as an entrepreneur inside a large corporation, you need to see yourself as an entrepreneur. In other words, entrepreneurship is a mindset and an attitude combined with a skill set and the tools to make a new venture happen.

Entrepreneurs deal with process, timing, customers, and information. Entrepreneurship is an iterative process that is really never complete and often bounces the entrepreneur back and forth between success and failure. Therefore, entrepreneurs sense and respond their way through start-up.

Timing is everything. While speed is critical in today's environment, doing the right thing at the right time is what determines success. Entrepreneurs' sense and response ability often makes their timing intuitive. That can be a good thing and a not-so-good thing. In the article cited for this lecture material, the authors use Streamline.com, a Massachusetts online shopping service, as an example of

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knowing the business at the intuitive level. In point of fact, Streamline.com, Tim DeMello's company, is out of business—another victim of the dot com bust and bad timing.

The customer is the heart of the business. You have to satisfy customers to survive and grow. Entrepreneurs identify customers before they ever design and build a product or service. Then they use those customers to test the feasibility of their business concept.

Industry knowledge is critical to a successful start-up. Gathering industry intelligence, processing it, and connecting it should be regular activities for an entrepreneur.

Source: Jeffrey C. Shuman, Janice M. Twombly and David I. Rottenberg, "What Does It Take to Be an Entrepreneur? Startup Journal," The Wall Street Journal, accessed June 15, 2002.

Films to Rent

A Brief History of Swatch

This is the story of how Nicholas Hayek, a Lebanese entrepreneur, gave life to the Swiss watch industry with his highly successful Swatch wrist-watches.

www.films.com

Item: **BVL7420**

Format: **VHS**

List Price: **\$99.95**

Rental Price: **\$75.00**

Mark McCormack: Portrait of an Entrepreneur

This film looks at the life of Mark McCormack, author of *What They Don't Teach You at Harvard Business School* and founder of IMG, which represents major sports and entertainment figures.

Item: **BVL6818**

Format: **VHS**

List Price: **\$149.95**

Rental Price: **\$75.00**

Cases Relevant to This Chapter

Mrs. Gooch's

Overnite Express

Beanos Ice Cream Shoppe

Earthlink.net: The Journey to Recognizing an Opportunity

Alcoholes de Centroamerica, S.A. de C.V.

Answers to Issues to Consider

1. *Why is it so difficult to assign “typical” characteristics to entrepreneurs in order to describe them?*

It is difficult because many of the characteristics normally encountered in entrepreneurs also exist in some managers and in others who seek to do innovative things in their fields. There are no characteristics unique to entrepreneurs.

2. *What impact does the environment have on your ability to start a business?*

Since the environment includes all those factors except the entrepreneur’s personal background, it has a significant impact on the entrepreneur’s ability to start a business. This impact will vary by industry and may include such things as regulations, a competitive environment, complexity, industry hostility, and so forth.

3. *What are the steps you should take to prepare yourself for entrepreneurship?*

Most entrepreneurs have the intense desire—the passion—to start a business long before they know what the business will be. Improving one’s creativity, business knowledge, critical thinking, and values assessment skills will help students prepare to become an entrepreneur.

4. *Choose a typical “small business” in your community and discuss how you could turn that business into an entrepreneurial venture.*

Have students focus on how to innovate in all areas of the business (distribution, product/service, operations, etc.), how to grow the business, and how to create value.

5. *Which of the trends for the next decade do you believe hold the most promise for business opportunity and why.*

You might consider turning this question into a debate with students taking opposing sides on a particular trend.

Suggestions for Experiencing Entrepreneurship

1. *Interview an entrepreneur in an industry or business that interests you. Focus on how and why this entrepreneur started his or her business. Based on your reading of the chapter, what type of entrepreneur is this?*

Students will have a natural tendency to want to focus on the business, so you will have to help them understand that the business resulted from the nature of the entrepreneur and how that entrepreneur recognized opportunity. Ask the students to investigate the entrepreneur’s motivations, networking efforts, and decision strategy.

2. *Visit an entrepreneurial venture and a small business. Compare and contrast them in terms of the distinctions discussed in the chapter. Which type of business is more suited to your personality and your goals?*

For this exercise to have the most value for students, it’s important that they pick two businesses in an industry in which they’re interested. This way they can more easily see that they can do something in which they have an interest in two distinctly different ways.