Entrepreneurship and New Venture Creation

Dr. Omaima Hatem     June 2018
Course Description and Objectives

The aim of the course is:

➢ To enhance participants’ understanding of the role of the entrepreneur in the new venture creation process

➢ To develop their capabilities to recognise, assess and articulate new venture opportunities

➢ To gain insights into resources required to underpin venture development and growth and how to access these resources; to assess longer term strategic options for growth and for “harvesting” the venture.

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The Entrepreneurial Challenge

➢ The course also seeks to develop a greater awareness of personal goals, motivations, strengths and limitations in the context of venture creation and growth, particularly in the context of forming new ventures or joining a new young venture.

➢ The course provides opportunities for students to learn from each other, from practitioners in the field and from the latest theories/concepts on the topic.

➢ The course will require students to work in groups to create a coherent and viable business concept which will be presented to an external panel in the last class session.
Course Text Books


Recommended Readings
John Mullins (2010), New Business Road Test; FT Press
George & Bock (2009), Inventing Entrepreneurs; Pearson

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Course Structure

The course is divided into Five Modules:

➢ Decision to become an Entrepreneur
➢ The Business Idea: Opportunity recognition
➢ Industry and Competitor analysis, developing an effective business model
➢ Operationalising and resourcing the business; accessing support
➢ Finalising the plan and pitching it to potential investors

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What is Entrepreneurship

What is Entrepreneurship?

Historical Development
Different Definitions

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Historical Development of Entrepreneurship

- Peter Drucker: Innovation and Entrepreneurship (1986)
- Israel Kizner: Competition and Entrepreneurship (1973)
- Harvey Leibenstein: Entrepreneurship and Development (1968)
- Frank Knight: Risk, Uncertainty and Profit (1961)
- Joseph Schumpeter: The Theory of Economic Development (1934)
- Jean-Baptiste Say: A Treatise on Political Economy (1803)
- Richard Cantillon: Essai sur la nature du commerce en général (1755)
An entrepreneur is a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of enterprise.
Jean- Batiste Say, (1803)

An entrepreneur is an economic agent who unites all means of production: land of one, the labour of another and the capital of yet another and thus produces a product.

By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit.

He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.
Joseph Schumpeter, (1934)

Entrepreneurs are:

➢ Innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new services.

Creative destruction is:

➢ A theory of economic innovation and business cycles; Capitalist economic development arises out of the destruction of some prior economies, in order to clear the ground for the creation of new wealth
Other Definitions

Peter Drucker, (1964): An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.

Kilby, (1971): Emphasizes the role of an imitator entrepreneur who does not innovate but imitates technologies innovated by others. Are very important in developing economies.

Albert Shapero, (1975): Entrepreneurs take initiative, accept risk of failure and have an internal locus of control.

G. Pinchot, (1983): Intrapreneur is an entrepreneur within an already established organization.
Definitions of Entrepreneurship

Business Dictionary

The capacity and willingness to undertake conception, organization, and management of a productive venture with all attendant risks, while seeking profit as a reward.

Entrepreneurial spirit is characterized by innovation and risk-taking, and an essential component of a nation's ability to succeed in an ever changing and more competitive global marketplace.

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Entrepreneurship is more than simply “starting a business.” The definition of entrepreneurship is a process through which individuals identify opportunities, allocate resources, and create value. This creation of value is often through the identification of unmet needs or through the identification of opportunities for change.

Entrepreneurs see “problems” as “opportunities,” then take action to identify the solutions to those problems and the customers who will pay to have those problems solved.

- Entrepreneurship is the act of being an entrepreneur or "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity.

- The most obvious form of entrepreneurship is that of starting new businesses (referred as Start-up Company)
“Entrepreneurship is the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.”

So, entrepreneurship involves sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit opportunities.
Entrepreneurial Process

Shane & Venkataraman, (2000):
It is the discovery, enactment, evaluation, and exploitation of opportunities, to create future goods and services.

Barringer & Ireland, (2012)
Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control.
Your Idea Napkin

1. Who are you?

2. What are you offering?

3. Who are you offering it to?

4. Why do they care?

5. What are your core competencies?

name: ____________________

idea: ____________________

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Reasons to become entrepreneurs

The three primary reasons that people decide to become entrepreneurs and start their own firms are as follows:

➢ to be their own boss,
➢ to pursue their own ideas, and
➢ to realize financial rewards.
Enterprising and Entrepreneurial

For human beings to be enterprising:
They have to be creative, adaptable, capable of extracting value from resources available

To be entrepreneurial:
You have to be enterprising in the context of business, new ventures (profit or not for profit), adding value to existing organisations

Many people lack the motivation and drive to be entrepreneurial

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Are entrepreneurs special?

Qualities and behaviours have been identified that are thought to be more dominant amongst entrepreneurs- but research is inconclusive

- creativity
- need for autonomy
- self belief and confidence (self efficacy)
- risk taking
- need for achievement
- hard work, thrift, the ability sacrifice (delayed gratification)
- proactiveness and action orientation- not just dreamers
Successful Entrepreneurs

Four Main Characteristics of Successful Entrepreneurs:

➢ Passion for their Business
  (John Wood/Room to Read & Left Microsoft)

➢ Product/Customer Focus
  (Steve Jobs/Apple)

➢ Tenacity despite Failure
  (Barley & Birch/ Organic Clothing)

➢ Execution Intelligence
  (Amazon/Jeff Bezos: Ideas are easy, it is execution that’s hard)
“Design is a funny word. Some people think design means how it looks. But of course, if you dig deeper, it’s really how it works. The design of the Mac wasn’t what it looked like, although that was part of it. Primarily, it was how it worked. To design something really well, you have to get it. It takes a passionate commitment to really thoroughly understand something, chew it up, not just quickly swallow it. Most people don’t take the time to do that.”
Fraser Doherty: Super Jam

Super Jam
The five most common myths regarding entrepreneurship are:

Entrepreneurs are:
- born, not made;
- gamblers;
- motivated primarily by money;
- should be young and energetic;
- love the spotlight.
World’s richest entrepreneurs display many of these qualities in abundance

BUT were they born with them?

Some debate on this: but consensus is that they can be and the qualities, even if born with, can be developed and enhanced.

(Not everyone can be a Roger Federer, but most people can be taught to play tennis well, and even Roger needs extensive coaching to reach and stay at the top).

You need to start somewhere......Hence this course.

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E/P as Business Creation: Personal Goals and Development

This course seeks to develop:
Awareness of the personal career implications of new venture creation

➢ About 6-10% of business school graduates seriously consider starting a business within 5 years of leaving University
➢ A significant proportion will be tempted or forced to start a business later in life
➢ A large proportion of managers will be called upon at some time to act entrepreneurially, to establish new lines of business within the organisations they work for

Basic skills of how to approach new venture creation
Objective: Acquiring Skills and Understanding for New Venture Creation

Understanding of the new venture creation process

➢ How to recognise, assess and articulate new venture opportunities
➢ How to access and apply the resources required to underpin venture development and growth
➢ How to develop a business plan for selling your idea to potential investors
Basic elements of Course

Introduction followed by two sessions on each of three key stages of the new venture creation process:

➢ The idea, feasibility and market analysis
➢ Industry and competitor analysis
➢ Operational issues and resourcing the business

Sessions inform parallel development of a group business Plan

The plan will be pitched to a panel of “Dragons”, during the last two sessions
Theme One: Opportunity recognition & evaluation

The Business Idea:
Opportunity recognition and evaluation
B&I Chapters 2 and 3; Burns Chapters 5 and 6

Students prepare own business idea in their own time

Students report on their business ideas and how they have evaluated them so far - Group discussions

Finalisation of group teams and students, evaluation of individual ideas, students choose which idea to pursue as a group.

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Theme Two

Theme Two: Industry and Competitor analysis, developing an effective business model
B&I Chapters 5, 6 and 11 & Burns Chapter 7 and 11

Student report on how they have developed a viable business model, and discuss their industry, market and competitor analyses

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Theme Three:
Operationalising and resourcing the business, accessing support
B&I Part 3 & Burns Chapter 7, 9 and 10

Students report and discuss operational and financial plans.
Theme Four

Finalising the plan and pitching it to potential investors.

Guest lectures: Young entrepreneurs and Well Established Innovators will join the program in the various modules.
How entrepreneurial are you?

There are a number of enterprise tendency tests designed to establish how entrepreneurial or enterprising you are. One version that was very popular in the 1980s and 1990s was the GET test – (General Enterprising Tendency) developed by Dr Sally Caird at Durham University.

This is displayed and fully described in the following website: http://get2test/test/index.htm

**Testing Enterprising Tendency In Occupational Groups.** Full Text Available By: Caird, Sally. British Journal of Management, Dec91, Vol. 2 Issue 4, p177, 10p, 3 charts; (AN 4526675) Full paper is available in the Library as a PDF in Business Source Premier.
Definition:
It is the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services.

*Discovery*: refers to finding innovative opportunities
*Enactment*: means to proactively put opportunities into use acquiring a competitive advantage.
*Evaluation*: is required to interpret the actions taken developing experience and knowledge.
*Exploitation*: refers to the future development of the opportunity

Across Border: referring to the Internationalization Process

Emerging Market Examples: BRIC and Next Eleven
Strategic Entrepreneurship

Hitt, Ireland and Zahra, (2000) defined Strategic Entrepreneurship as:

“A process that facilitates firm efforts to identify opportunities with the highest potential to lead to value creation, through the entrepreneurial component and then to exploit them through measured strategic actions, based on their resource base.”
Strategic Entrepreneurship

Inputs
- Environmental Factors
- Organizational Resources
- Individual Resources

Processes
- Resource Orchestration
- Creating Value for Customers
  Competitive Advantage

Outputs
- Creating Wealth and Other Benefits
  Societal Benefits
- Organizational Benefits
- Individual Benefits

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Entrepreneurial Process Elements

The four distinct elements of the entrepreneurial process are:

➢ Deciding to become an entrepreneur,
➢ Developing successful business ideas,
➢ Moving from an idea to establishing an entrepreneurial firm,
➢ Managing and growing an entrepreneurial firm.

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The Business Model Canvas
The 9 Building Blocks

<table>
<thead>
<tr>
<th>Key Partners (KP)</th>
<th>Key Activities (KA)</th>
<th>Value Proposition (VP)</th>
<th>Customer Relationships (CR)</th>
<th>Customer Segments (CS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimization &amp; economy of scale</td>
<td>Production</td>
<td>Newness</td>
<td>Dedicated personal assistant</td>
<td>Mass market</td>
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<tr>
<td>Reduction of risk and uncertainty</td>
<td>Problem Solving</td>
<td>Performance</td>
<td>Self-service</td>
<td>Niche market</td>
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<tr>
<td>Acquisition of particular resources and activities</td>
<td>Platform/network</td>
<td>Customization</td>
<td>Automated services</td>
<td>Segmented</td>
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<tr>
<td>“Are there people or organizations you can partner with who can provide you with key resources or key activities that enable you to create value?”</td>
<td>“What activities do you need to perform in order to create value for your customers?”</td>
<td>“Get the job done”</td>
<td>Communities</td>
<td>Diversified</td>
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<td></td>
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<td>Design</td>
<td>Co-creation</td>
<td>Multi-sided market</td>
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<td>Brand/status</td>
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<td>Price</td>
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<td>Cost reduction</td>
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<td>Risk reduction</td>
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<td>Accessibility</td>
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<td>Convenience/ usability</td>
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<td>Key Resources (KR)</td>
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<td>How do you get, keep, and grow your customers?</td>
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<tr>
<td>Physical</td>
<td>“What are you selling?”</td>
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<td>Intellectual</td>
<td>“Why do your customers care?”</td>
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<td>Human</td>
<td>“What’s the value you’re creating?”</td>
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<td>Financial</td>
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<td>“What resources do you need in order to create value for your customers?”</td>
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<td>“How do you deliver value to your customers?”</td>
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<thead>
<tr>
<th>Channels (CH)</th>
<th>Customer Segments (CS)</th>
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<tr>
<td>Phases:</td>
<td></td>
</tr>
<tr>
<td>1. Awareness of P/S</td>
<td>Mass market</td>
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<td>2. Evaluation of VP</td>
<td>Niche market</td>
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<td>3. Purchase P/S</td>
<td>Segmented</td>
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<td>4. Delivery of VP</td>
<td>Diversified</td>
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<td>5. After sales support</td>
<td>Multi-sided market</td>
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<tr>
<th>Cost Structure (C$)</th>
<th>Revenue Streams (R$)</th>
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<td>Fixed costs</td>
<td>Sales</td>
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<td>Variable costs</td>
<td>Usage fees</td>
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<tr>
<td>Economies of scale</td>
<td>Subscription fees</td>
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<tr>
<td>Economies of scope</td>
<td>Lending/ Renting/ Leasing</td>
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<tr>
<td>“How much does it cost to maintain all of the pieces in this model?”</td>
<td>Licensing</td>
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Adapted from Business Model Generation by Alexander Osterwalder & Yves Pigneur

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Entrepreneurship in Egypt

• Research And Publications:

• High growth and rapid internationalisation of firms from emerging markets: the case of the Middle East and North Africa (MENA) region

• State and Entrepreneurs in Egypt : Economic Development since 1805
Entrepreneurship in Egypt

• The challenge of becoming a successful entrepreneur in a hostile context: the example of Mohamed Ibrahim, the founder of MSI and Celtel

• Research handbook on entrepreneurship and leadership: Distributed Entrepreneurial Leadership in the MENA region

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