A primer in Entrepreneurship
Chapter 1: Introduction to Entrepreneurship

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Chapter 1: Introduction to Entrepreneurship

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I. Introduction to Entrepreneurship

A. What is Entrepreneurship?

1. “Entrepreneur” derives from the French words *entre*, meaning “between,” and *prendre*, meaning “to take”

2. 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

3. Inventors and entrepreneurs differ from one another:
   a. Inventor creates something new
   b. Entrepreneur assembles and then integrates all resources needed to transform the invention into a viable business.

4. Entrepreneurship: process by which individuals pursue opportunities without regard to resources they currently control
I. Introduction to Entrepreneurship

A. What is Entrepreneurship?

5. Established firms with an orientation to behave entrepreneurially practice corporate entrepreneurship

a. All firms in continuum from highly conservative to highly entrepreneurial; position: “entrepreneurial intensity”

b. Entrepreneurial firms are proactive innovators and not risk-averse

c. Conservative firms take a more “wait and see” posture, are less innovative, and are risk-averse
I. Introduction to Entrepreneurship

A. What is Entrepreneurship?

<table>
<thead>
<tr>
<th>Entrepreneurial Firms</th>
<th>Conservative Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Proactive</td>
<td>▪ Take a more “wait and see” posture</td>
</tr>
<tr>
<td>▪ Innovative</td>
<td>▪ Less innovative</td>
</tr>
<tr>
<td>▪ Risk taking</td>
<td>▪ Risk-averse</td>
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</tbody>
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I. Introduction to Entrepreneurship

B. Why become an Entrepreneur?

Three primary reasons:

1. Be my own boss
2. Pursue own ideas
3. Realize financial goals
I. Introduction to Entrepreneurship

B. Why become an Entrepreneur?

Three primary reasons:

1. **Be my own boss**: either long-term ambition to own their own firm or have been frustrated by working in traditional jobs

2. **Pursue their own ideas**: some people are naturally alert, and when they recognize ideas for new products or services, they have a desire to see those ideas realized

3. **Realize financial goals**: financial rewards; typically secondary to the first two (and often fails to live up to its hype)
I. Introduction to Entrepreneurship

B. Why become an Entrepreneur in Switzerland?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Total</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
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<tr>
<td></td>
<td>Total</td>
<td>High-tech</td>
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<td>Independence</td>
<td>76.7</td>
<td>70.2</td>
<td>61.1</td>
<td>65.9</td>
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<tr>
<td>Self-realization</td>
<td>59.4</td>
<td>57.5</td>
<td>48.6</td>
<td>57.0</td>
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<tr>
<td>Realization of own ideas from</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>• Wage-workers</td>
<td></td>
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<tr>
<td>• University</td>
<td>6.7</td>
<td></td>
<td></td>
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<tr>
<td>Higher income and wealth</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Market gap identified</td>
<td>10.2</td>
<td>7.3</td>
<td>8.6</td>
<td>15.9</td>
</tr>
<tr>
<td>To lead people</td>
<td>25.9</td>
<td>25.8</td>
<td>29.2</td>
<td>26.1</td>
</tr>
<tr>
<td>Dissatisfaction in previous employment</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Unemployment</td>
<td>14.4</td>
<td>22.5</td>
<td>23.2</td>
<td>16.4</td>
</tr>
<tr>
<td>More flexible work schedule</td>
<td>34.1</td>
<td>23</td>
<td>18.9</td>
<td>25.4</td>
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<tr>
<td>Better work/life balance</td>
<td>20.4</td>
<td>13</td>
<td>9.7</td>
<td>16.5</td>
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<tr>
<td>Gain in prestige</td>
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<td>8.3</td>
<td>15.1</td>
<td>5.8</td>
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<tr>
<td>Family tradition</td>
<td>2.9</td>
<td>3.9</td>
<td>8.6</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Why does “family tradition” rank so low?

Source: Maret (2006)
I. Introduction to Entrepreneurship

C. Characteristics of Successful Entrepreneurs

1. Passion for the Business

The number one characteristic shared by successful entrepreneurs: passion for their business; stems from the entrepreneur’s belief that the business will positively influence people’s lives.

2. Product/Customer Focus

Keen focus on products and customers stems from the fact that most successful entrepreneurs are, at heart, craftspeople.
I. Introduction to Entrepreneurship

C. Characteristics of Successful Entrepreneurs

3. Tenacity Despite Failure
   a. Because of the inherent uncertainty associated with trying new, the failure rate associated with entrepreneurs is naturally high.
   b. Developing a new business may require experimentation before success is attained; setbacks and failures are inevitable, especially if they concern the future.

   Predictions are hard to make – especially if they concern the future.

   *Kurt Tucholsky*
I. Introduction to Entrepreneurship

C. Characteristics of Successful Entrepreneurs

4. Execution Intelligence

a. The ability to fashion a solid business idea into a viable business is a key characteristic of successful entrepreneurs

b. The ability to effectively execute a business idea means

i. developing a business model
ii. putting together a new venture team
iii. raising money
iv. establishing partnerships
v. managing finances
vi. leading and motivating employees,
vii. translating thought, creativity, and imagination into action and measurable results
I. Introduction to Entrepreneurship

C. Characteristics of Successful Entrepreneurs

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I. Introduction to Entrepreneurship

D. Common Myths about Entrepreneurs

Myth 1: Entrepreneurs are born, not made.

This myth is based on the mistaken belief that some people are genetically predisposed to be an entrepreneur.
I. Introduction to Entrepreneurship

D. Common Myths about Entrepreneurs

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

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

- Optimistic disposition
- Persuasive
- Promoter
- Resource assembler
- Self-confident
- Tenacious
- Tolerant of ambiguity
- Visionary
I. Introduction to Entrepreneurship

D. Common Myths about Entrepreneurs

Myth 2: Entrepreneurs are gamblers

Entrepreneurs are usually moderate risk takers, as are most people.

Myth 3: Entrepreneurs are motivated primarily by money

Entrepreneurs do seek financial rewards; money is rarely the primary reason entrepreneurs start new firms.
I. Introduction to Entrepreneurship

D. Common Myths about Entrepreneurs

Myth 4: Entrepreneurs should be young and energetic

a. While it is important to be energetic, investors often cite the strength of the entrepreneur (in terms of business experience, skill and talent) as their most important criterion in the decision to fund new ventures.

b. More often than not, older, rather than younger, entrepreneurs have the qualities that investors are looking for.
I. Introduction to Entrepreneurship

D. Common Myths about Entrepreneurs

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<th></th>
<th>Total</th>
<th>Manufacturing</th>
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<th>Services</th>
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<td></td>
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<tr>
<td>Average age</td>
<td>39.4</td>
<td>40.1</td>
<td>42.9</td>
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<td></td>
<td></td>
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<td>38.6</td>
<td>39.5</td>
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<td>39.7</td>
</tr>
</tbody>
</table>

Source: Marmet (2006)
I. Introduction to Entrepreneurship

E. Types of Start-Up Firms

1. Salary-substitute firms:
   Small firms that afford their owner or owners a similar level of income to what they would earn in a conventional job.
   Examples: Dry cleaners, convenience stores, restaurants, accounting firms, retail stores, and hairstyling salons

2. Lifestyle firms:
   Provide their owner or owners the opportunity to pursue a particular lifestyle and earn a living while doing so.
   Examples: Ski instructors, golf pros, and tour guides
I. Introduction to Entrepreneurship

E. Types of Start-Up Firms

3. Entrepreneurial firms:

Bring new products and services to market by creating and seizing opportunities

Examples: Google, eBay and Starbucks are well-known, highly successful examples of entrepreneurial firms
I. Introduction to Entrepreneurship

E. Types of Start-Up Firms

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.

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II. Changing Demographics of Entrepreneurs

A. Female Entrepreneurs

1. There were 6.5 million women-owned businesses in 2002, the most recent year the U.S. Census Bureau collected business ownership data. That number is up 20 percent from 1997.

2. Although historically, women-owned firms have primarily been in health-care and professional services, that emphasis is changing. Between 1997 and 2002, the fastest-growing areas of women-owned firms were construction (30 percent increase), agricultural services (24 percent increase), transportation (20 percent increase), communications (20 percent increase), and public utilities (20 percent increase).
II. Changing Demographics of Entrepreneurs

A. Female Entrepreneurs

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>High tech</td>
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<tr>
<td>Share female (in %)</td>
<td>21.6</td>
<td>19.1</td>
<td>24.6</td>
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<tr>
<td></td>
<td></td>
<td>23</td>
<td>18.1</td>
<td>BRS</td>
</tr>
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</table>

Source: Marmet (2006)
II. Changing Demographics of Entrepreneurs

B. Minority Entrepreneurs

1. There were 1.3 million African-American-owned firms in 2002, up 45 percent from 1997.

2. There were 1.6 million Hispanic-owned businesses in 2002, up 31 percent from 1997.

3. There were 1.1 million Asian-owned businesses in 2002, up 24 percent from 1995.

4. There were 206,125 Native-American-owned businesses in 2002.

5. While the majority of minority-owned businesses are in service industries, there are many examples of minority-owned firms in all sectors of the U.S. economy.
II. Changing Demographics of Entrepreneurs

B. Minority Entrepreneurs

Not sure about Switzerland, but there is evidence from any other countries that minorities have a high propensity to become self-employed.

Why’s that?
II. Changing Demographics of Entrepreneurs

C. Senior Entrepreneurs

1. Strong evidence to suggest that the number of older people choosing entrepreneurial careers is increasing rapidly

2. Increase due to:
   - corporate downsizing
   - desire among older workers for more personal fulfillment
   - need to earn additional income
II. Changing Demographics of Entrepreneurs

D. Young Entrepreneurs

1. Interest in entrepreneurship among young people is growing; 7 out of 10 high school students want to start their own companies in the US

2. High interest in entrepreneurship education is at an all-time high
III. Entrepreneurship’s Importance

A. Economic Impact of Entrepreneurial Firms

1. Why entrepreneurship is important for the strength and stability of the economy:

a. Innovation: small entrepreneurial firms are responsible for 55 percent of all US innovations; these innovations help working more efficiently and effectively

b. Job creation: economic activity has moved increasingly in the direction of smaller entrepreneurial firms; possibly because of the ability to innovate and focus on specialized tasks

c. Globalization: today, more than 97 percent of all United States exporters are small businesses with fewer than 500 employees
III. Entrepreneurship’s Importance

A. Economic Impact of Entrepreneurial Firms

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Manufacturing Total</th>
<th>Manufacturing High tech</th>
<th>Construction</th>
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<th>Services BRS</th>
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<tr>
<td>Umfrage 2000 (N=1625)</td>
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<tr>
<td>Export y/n</td>
<td>25.6</td>
<td>25.3</td>
<td>51.4</td>
<td>4.7</td>
<td>27.9</td>
<td>33.1</td>
</tr>
<tr>
<td>Share (given export)</td>
<td>39.5</td>
<td>43.9</td>
<td>43.8</td>
<td>42</td>
<td>39.1</td>
<td>37.8</td>
</tr>
</tbody>
</table>

Source: Marmet (2006)
III. Entrepreneurship’s Importance

B. Entrepreneurial Firms’ Impact on Society

1. Innovations of entrepreneurial firms have dramatic impact on society; new products and services that make lives easier, enhance our productivity at work, improve our health, and entertain us.

Many of these products and services were brought to market by entrepreneurial firms!
III. Entrepreneurship’s Importance

B. Entrepreneurial Firms’ Impact on Society

2. New innovations do create moral and ethical issues that societies are forced to grapple with

Example: bar-code scanner technology and the Internet have made it easier for companies to track the purchasing behavior of their customers, but this raises privacy concerns

...even more so for services like http://de-de.facebook.com/
III. Entrepreneurship’s Importance

C. Entrepreneurial Firms’ Impact on Larger Firms

1. Entrepreneurial firms have a positive impact on the effectiveness of larger firms:
   Some entrepreneurial firms are original equipment manufacturers and supply it to large firms
   Consequence:
   - Many exciting new products, such as DVD players, digital cameras, and improved prescription drugs, are not solely the result of the efforts of larger companies with strong brand names
   - These products were produced with the cutting-edge component parts or research and development provided by entrepreneurial firms

   Evidence shows that many entrepreneurial firms have built their entire business models around producing products and services that help larger firms be more efficient or effective
Chapter 1: Introduction to Entrepreneurship

Reference