



**Universität
Zürich** UZH

Department of Business Administration - Chair for Entrepreneurship

A Primer in Entrepreneurship

Prof. Dr. Ulrich Kaiser

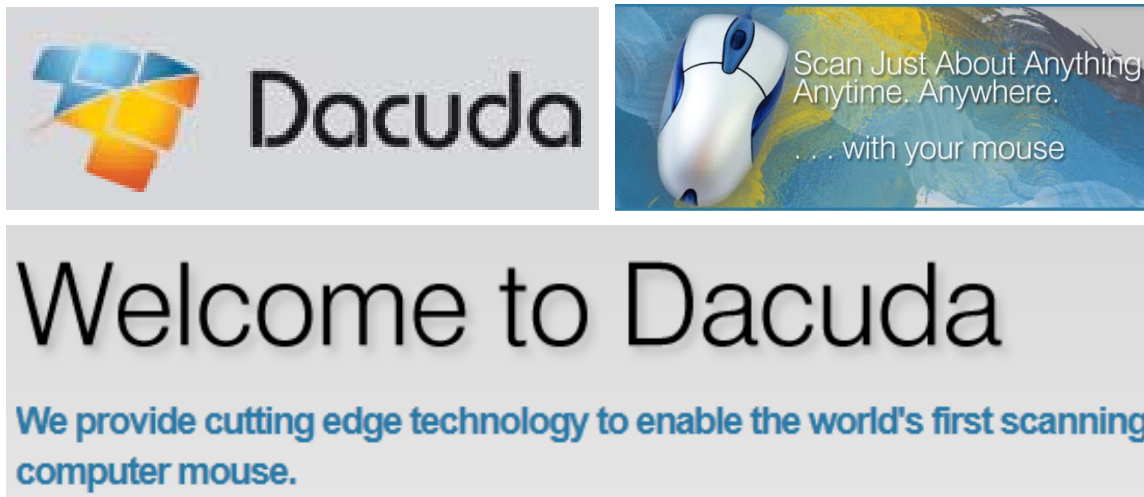
Chair of Entrepreneurship

Universität Zürich

Fall 2011



About Entrepreneurship – An Example



The founding team met during an event organized by Venture Challenge and came up with the idea to install a tiny camera into a computing mouse in order to turn it into a scanning device and increase its functionality.

The company “Dacuda” has been founded in 2008 and has counted 13 people in 2010. The company’s product is said to have a great chance to become the standard configuration of the prospective computing mouse.

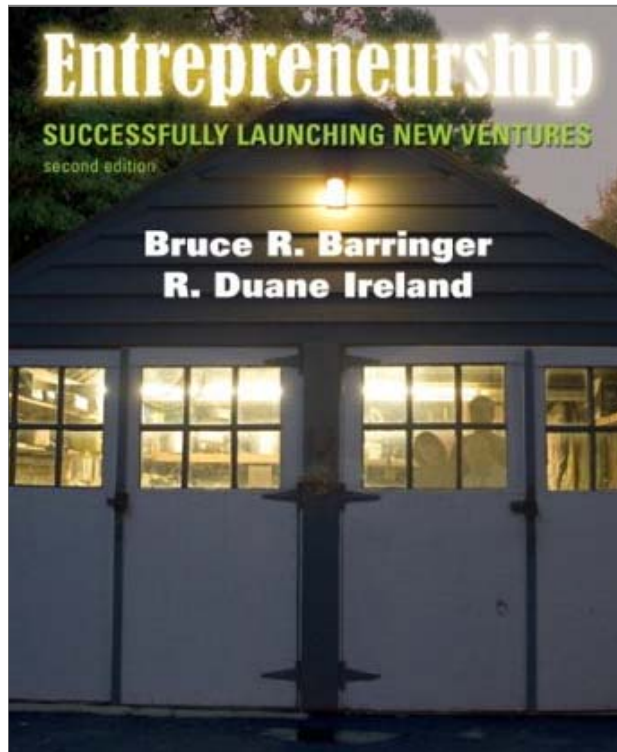
Source: <http://www.dacuda.com/>

http://www.dacuda.com/files/press_releases/101020_Press_Release_Dacuda_Innovationspreis_IDEE-SUISSE.pdf



Course Objective

The course provides an introduction to the process of turning ideas into business.



The course objective is to endow students with the skills to:

- ➔ evaluate potential start-up opportunities for personal involvement;
- ➔ turn an idea into business;
- ➔ finance growth.

Required Readings

Barringer, B. and D., Ireland (2008): Entrepreneurship - Successfully Launching New Ventures, Pearsons Prentice-Hall.



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A Primer in Entrepreneurship

Part I

Lecture 1

An Introduction to Entrepreneurship

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Agenda

1. Introduction to Entrepreneurship

- 1.1 What is Entrepreneurship ?
- 1.2 Who is an Entrepreneur ?
- 1.3 Why become an Entrepreneur ?
- 1.4 Types of Start Up Firms
- 1.5 Myths about Entrepreneurs

2. Entrepreneurship's Importance

3. The Entrepreneurial Process





Questions

- ? What are the characteristics of entrepreneurs and entrepreneurial firms ?
- ? What influences the decision to become an entrepreneur ?
- ? Why is entrepreneurship important ?

...to be answered in today's lecture.



1. Introduction to Entrepreneurship

	
entre prendre	between to take

Entrepreneur people who *take on the risk* between buyers and sellers or people who *undertake* a task such as starting a new venture

Entrepreneurship process by which individuals pursue opportunities without regard to resources they currently control



1.1 What is Entrepreneurship ?

Inventors and entrepreneurs differ from each other.

Inventor



An inventor creates something new

Entrepreneur



An entrepreneur assembles and then integrates all resources needed to transform the invention into a valuable business



1.1 What is Entrepreneurship ?

Corporate Entrepreneurship

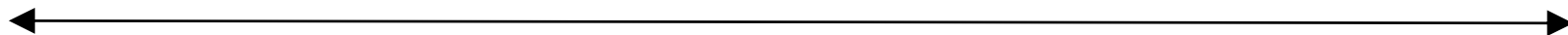
practiced by established firms with an orientation to behave entrepreneurially

Entrepreneurial Intensity

describes the position of a firm on a continuum from highly conservative to highly entrepreneurial

Conservative Firm

Entrepreneurial Firm



Take a more “wait and see” posture

Proactive

Less innovative

Innovative

Risk-averse

Risk-taking



1.1 What is Entrepreneurship ?

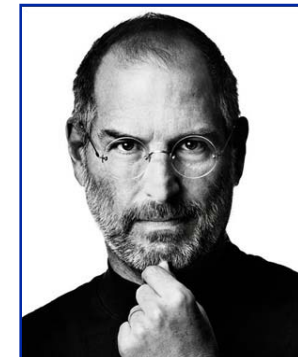
Apple Inc. is a textbook example of an entrepreneurial firm.



© 2011 Apple Inc.

“
Innovation is the distinction
between a leader and a follower.”

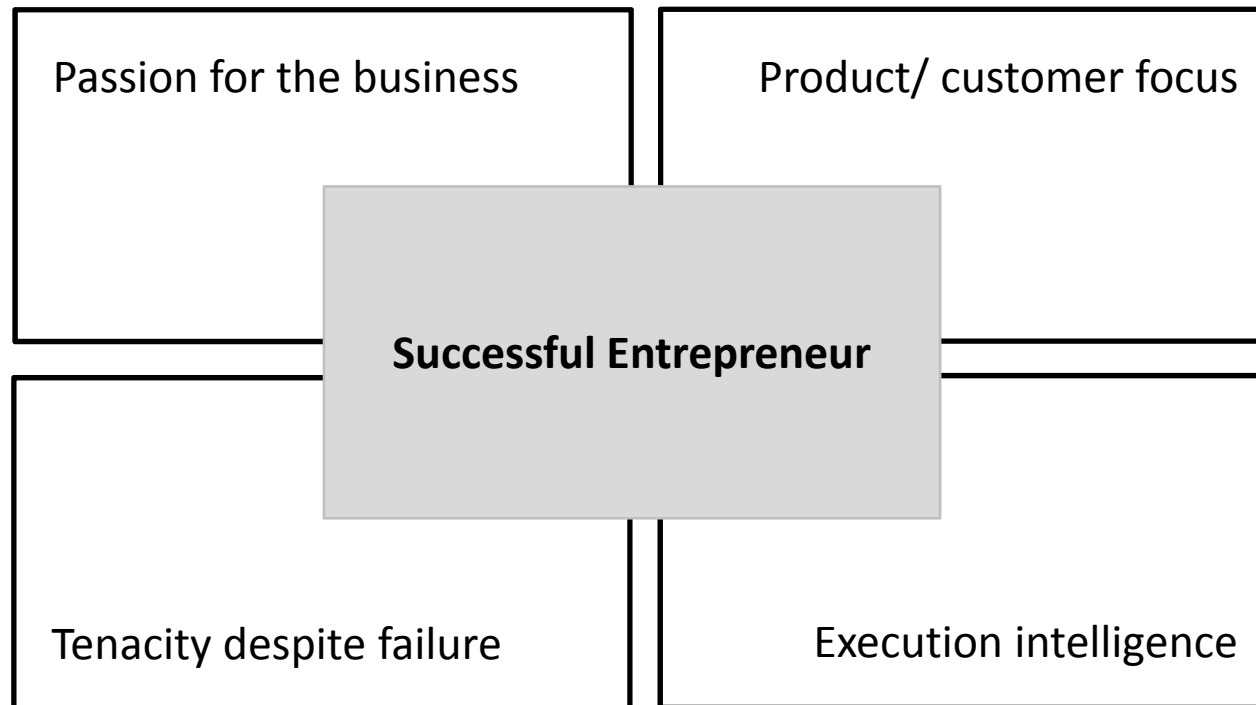
Steve Jobs, Co-founder and CEO Apple Inc.





1.2 Who is an Entrepreneur ?

There are four primary characteristics of a successful entrepreneur.



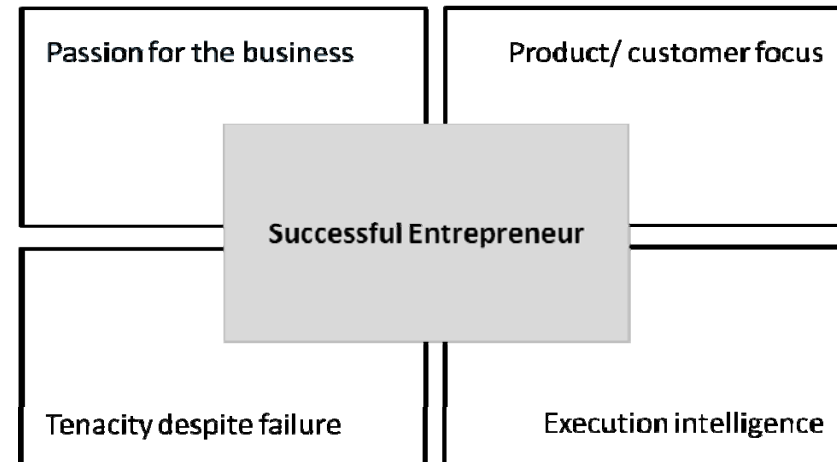
© 2008 Prentice Hall



1.2 Who is an Entrepreneur ?

The number one characteristic shared by successful entrepreneurs:
passion for their business.

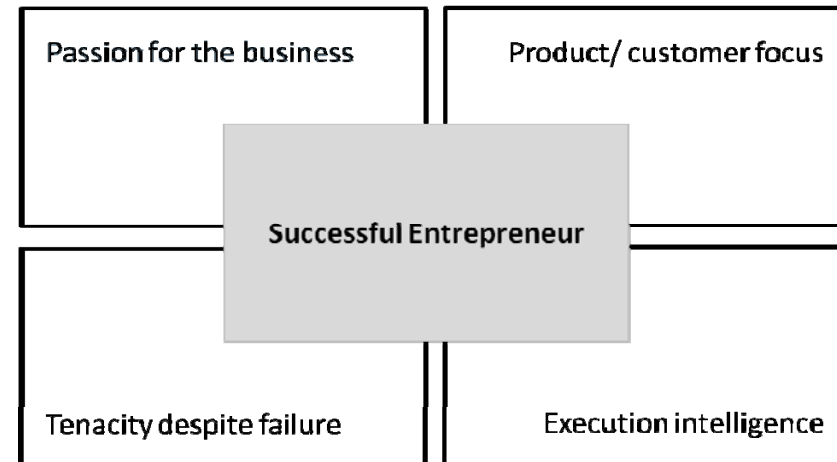
The passion for their business stems from the entrepreneur's belief that the business will positively influence people's lives.





1.2 Who is an Entrepreneur ?

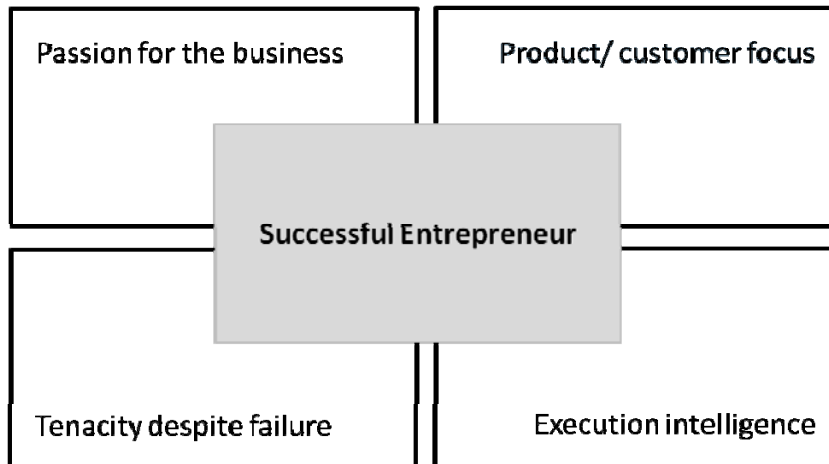
Steve Job's emphasizes the importance of passion for the business' success.





1.2 Who is an Entrepreneur ?

Successful entrepreneurs focus on the two very important elements - products and customers .



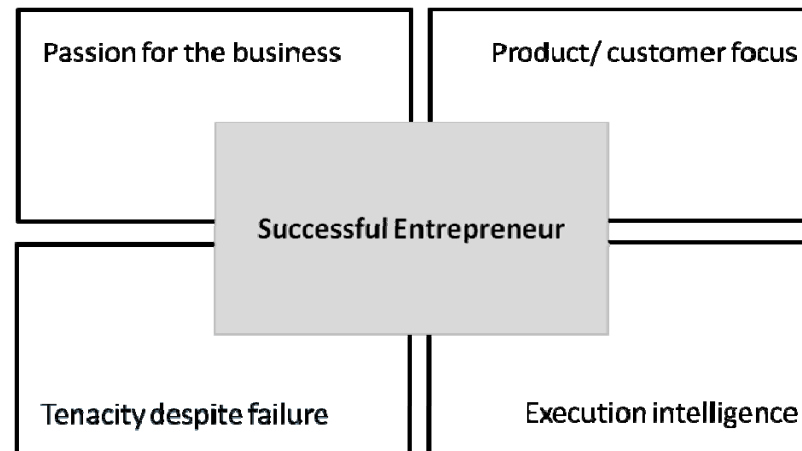
Keen focus on products and customers stems from the fact that most successful entrepreneurs are, at heart, craftspeople.



1.2 Who is an Entrepreneur ?

Since the failure rate associated with entrepreneurs' effort to try something new is naturally high, tenacity is very important.

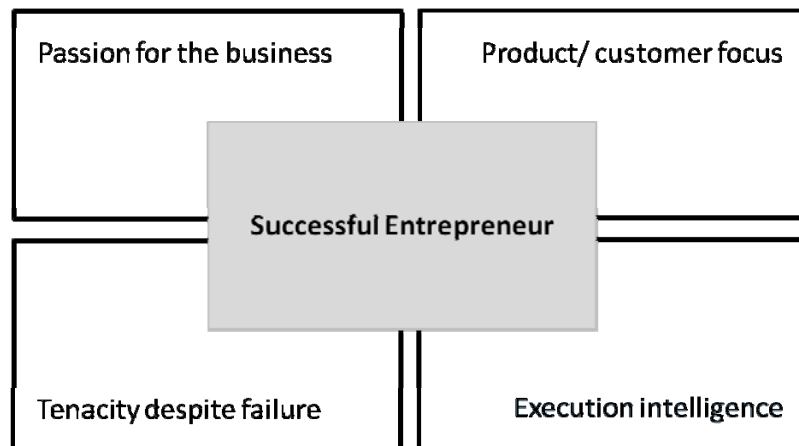
Developing a new business may require experimentation before success is attained; setbacks and failures are inevitably; the litmus test for entrepreneurs is the ability to persevere through setbacks and failures.





1.2 Who is an Entrepreneur ?

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



The ability to effectively execute a business idea means

- developing a business model
- putting together a new venture team,
- raising money,
- establishing partnerships,
- managing finances,
- leading and motivating employees,
- translating thought, creativity, and imagination into action and measurable results




1.2 Who is an Entrepreneur ?

Demographics of Entrepreneurs are changing.



more

- women
- immigrants
- youngsters
- elderly → corporate downsizing
→ desire among older workers for more personal fulfillment
→ need to earn additional income

	Total	Manufacturing		Construc- tion	Services	
		Total	High tech		Total	BRS
Share female (in %)	21.6	19.1	24.6	9.7	23	18.1

Source: Marmet (2006)



1.3 Why become an Entrepreneur ?

There are three primary reasons to become an entrepreneur.

1.

Be my own boss

Either people have the long-term ambition to own their own firm or they have been frustrated by working in traditional jobs.

2.

Pursue 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

People are looking forward to the financial rewards; typically this reason is secondary to the first two (and often fails to live up to its hype).



1.3 Why become an Entrepreneur ?

	Total	Manufacturing		Con- struc- tion	Services	
		Total	High-tech		Total	BRS
Independence	76.7	70.2	61.1	65.9	78.5	81.5
Self-realization	59.4	57.5	48.6	57	59.9	60.9
Realization of own ideas from						
• <i>Wage-work</i>	53.6	51.4	52.4	41.6	55.1	60.8
• <i>University research</i>	3.3	1.6	5.9	0	3.8	4.2
Higher income and wealth	18.1	8.6	13.5	18.8	18.9	19.6
Market gap identified	36.4	35.7	54.1	23	38	40
To lead people	10.2	7.3	8.6	15.9	9.9	8.5
Dissatisfaction in previous employment	25.9	25.8	29.2	26.1	25.9	26
Unemployment	14.4	22.5	23.2	16.4	13.4	11.7
More flexible work sched	34.1	23	18.9	25.4	36.2	40.2
Better work/life balance	20.4	13	9.7	16.5	21.5	23.5
Gain in prestige	6.7	8.3	15.1	5.8	6.6	6.6
Family tradition	2.9	3.9	8.6	3.5	2.8	1.9

Source: Marmet (2006)



1.4 Types of Start Up Firms

There are three types of start-up firms.

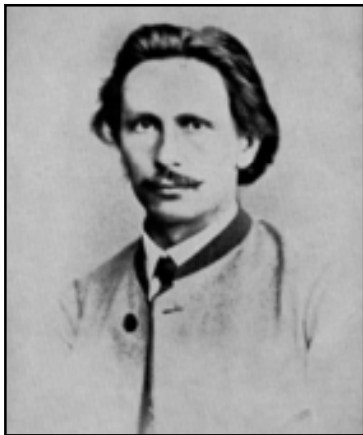
	salary-substitute firms	lifestyle firms	entrepreneurial firms
definition	Small firms that afford their owner or owners a similar level of income to what they would earn in a conventional job	Firms that provide their owner or owners the opportunity to pursue a particular lifestyle and earn a living while doing so.	Firms that bring new products and services to market by creating and seizing opportunities
example	Dry cleaners, convenience stores, restaurants, accounting firms, retail stores, hairstyling salons	Ski instructors, golf pros, and tour guides	Google, eBay and Starbucks



1.5 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.



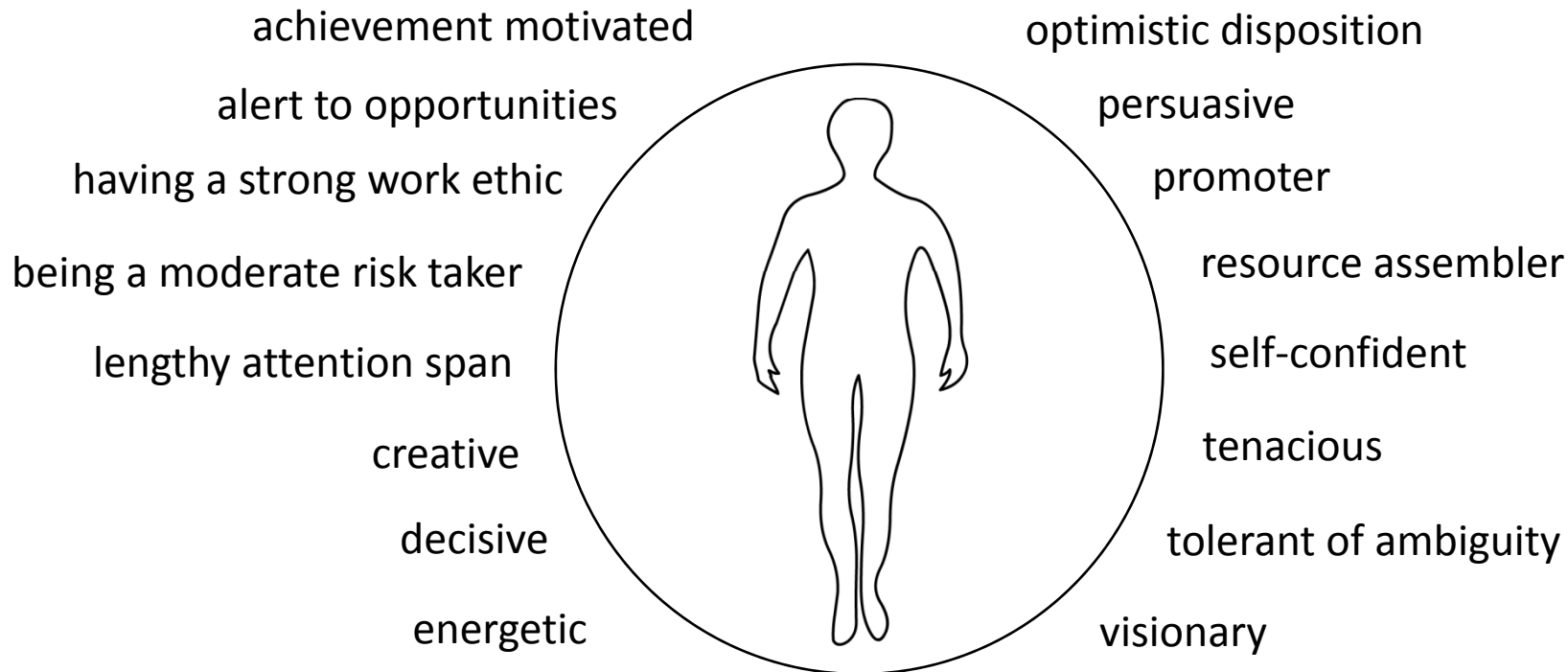
Carl Friedrich Benz - a German engineer and pioneer of the automotive industry - was born in 1844 to an unmarried mother (Josephine Wailend). His father was Johann Georg Benz - an Engine Driver.

Carl Friedrich Benz



1.5 Myths about Entrepreneurs

No one is “born” to be an entrepreneur, but there are common personality traits and characteristics of successful entrepreneurs.





1.5 Myths about Entrepreneurs

Myth 2 : Entrepreneurs are gamblers.

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





1.5 Myths about Entrepreneurs

Myth 3 : Entrepreneurs are motivated primarily by money.

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






1.5 Myths about Entrepreneurs

Myth 4 : Entrepreneurs should be young and energetic.

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.

More often than not, older, rather than younger, entrepreneurs have the qualities that investors are looking for.

	Total	Manufacturing		Construc- tion	Services	
		Total	High tech		Total	BRS
Average age	39.4	40.1	42.9	38.6	39.5	39.7

Source: Marmet (2006)



2 Entrepreneurship's Importance

Entrepreneurship is important for the strength and stability of the economy.

Innovation Small entrepreneurial firms are responsible for 55 percent of all US innovations. These innovations help working more efficiently and effectively.


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.

Globalization Today more than 97 percent of all United States exporters are small businesses with fewer than 500 employees.



2 Entrepreneurship's Importance

Entrepreneurship is important for the strength and stability of the economy.

	Total	Manufacturing		Construc- tion	Services	
		Total	High tech		Total	BRS
Umfrage 2000 (N=1625)						
Export y/n	25.6	25.3	51.4	4.7	27.9	33.1
Share (given export)	39.5	43.9	43.8	42	39.1	37.8

Source: Marmet (2006)



2 Entrepreneurship's Importance

Innovations of entrepreneurial firms such as new products and services ...

- ... make lives easier,
- ... enhance productivity at work,
- ... improve our health,
- ... entertain us.



Many of these products and services were brought to market by entrepreneurial firms!



2 Entrepreneurship's Importance

But new innovations may create as well moral and ethical issues that societies are forced to grapple with.

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.



2 Entrepreneurship's Importance

Newsweek, May,27th, 2010; <http://www.newsweek.com/blogs/techtonic-shifts/2010/05/26/facebook-friend-foe-or-frenemy-.html>

facebook Friend, Foe, or Frenemy?

Mark Zuckerberg and company may be technological whizzes. But they've got a lot to learn about customer and public relations.

Zuckerberg pretends to believe that the biggest concern users have is how complicated Facebook's privacy controls are. But the real problem isn't the complexity of Facebook's privacy controls. The problem is the privacy policy itself.

Washington Post, May,24th, 2010; <http://www.washingtonpost.com/wp-dyn/content/article/2010/05/23/AR2010052303828.html>

Mark Zuckerberg answers privacy concerns

We have also heard that some people don't understand how their personal information is used and worry that it is shared in ways they don't want. I'd like to clear that up now. Many people choose to make some of their information visible to everyone so people they know can find them on Facebook. We already offer controls to limit the visibility of that information and we intend to make them even stronger.



2 Entrepreneurship's Importance

Entrepreneurial firms have a positive impact on the effectiveness of larger firms.

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

Some entrepreneurial firms are original equipment manufacturers and supply large firms.



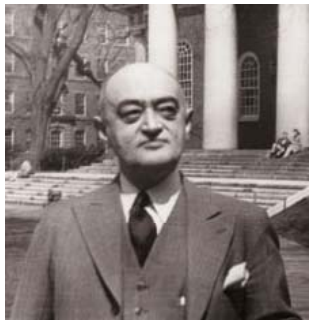
Many exciting new products, such as DVD players, digital cameras, and improved prescription drugs, are not solely the result of the efforts of larger companies with strong brand names.

These products were produced with the cutting-edge component parts or research and development provided by entrepreneurial firms.



2 Entrepreneurship's Importance

Being agents of innovation entrepreneurs are the key driver of economic progress.



Schumpeter's two greatest insights were that **innovation is the driving force** not only of capitalism but also **of economic progress** in general, and that **entrepreneurs are the agents of innovation**. Entrepreneurs are possessed by “the dream and the will to found a private kingdom”. But they are confronted with all sorts of obstacles. **Innovation is hard to produce and harder to sustain**: all successful businessmen stand on ground that is “crumbling beneath their feet”. And of course it produces losers as well as winners.

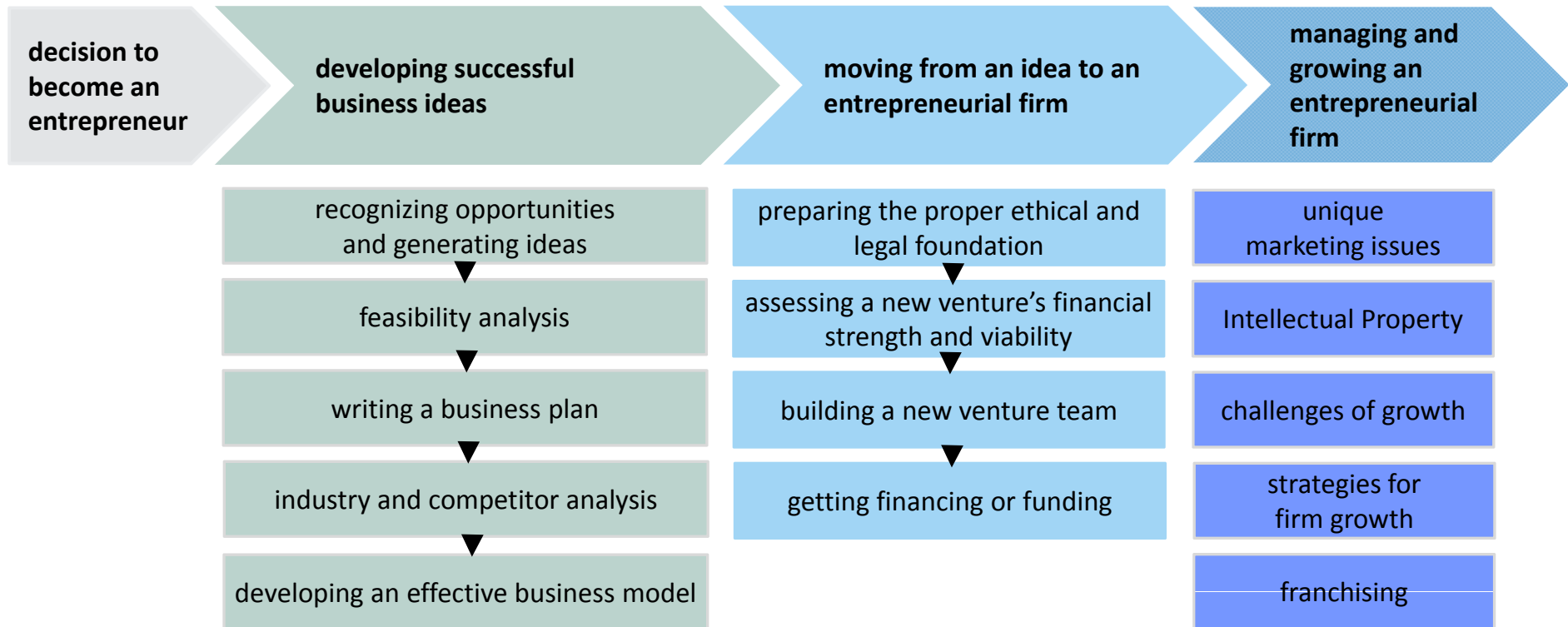
The Economist, April, 26th, 2007; <http://www.economist.com/node/9070610>

How are successful business ideas developed and turned into a success ?



3 The Entrepreneurial Process

Having decided to become an entrepreneur, a successful business idea has to be developed which can eventually be turned into reality.





Do you know the answer ?



What are the characteristics of entrepreneurs and entrepreneurial firms ?



What influences the decision to become an entrepreneur ?



Why is entrepreneurship important ?

...test yourself.



References

Barringer, B. and D., Ireland (2008): Entrepreneurship - Successfully Launching New Ventures, Pearsons Prentice-Hall.

Marmet, D. (2006), Wann haben junge Unternehmen Erfolg? Eine empirische Analyse anhand einer schweizerischen Gründungskohorte; Dissertation der Wirtschaftswissenschaftlichen Fakultät der Universität Zürich.



Outlook

