CHAPTER **1**

Introduction to Entrepreneurship

LEARNING OBJECTIVES

By the end of this chapter you will be able to understand:

1. The idea of entrepreneurship as creating value from ideas.
2. The idea that innovation is enabled by entrepreneurs.
3. The motivations behind being an entrepreneur.
4. The characteristics associated with being an entrepreneur.
5. The process through which entrepreneurs make innovation happen.

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- Innovation is about growth, about recognizing opportunities for doing something new, and implementing those ideas to create some kind of value. It could be business growth; it could be social change. But at its heart is the creative human spirit, the urge to make change in our environment.
- Innovation is also a survival imperative. If an organization doesn't change what it offers the world and the ways in which it creates and delivers its offerings, it may well be in trouble. Innovation contributes to competitive success in many different ways; it's a *strategic* resource to getting the organization where it is trying to go, be it delivering shareholder value for private sector firms, providing better public services, or enabling the start-up and growth of new enterprises.
- Innovation doesn't just happen; it is driven by *entrepreneurship*. This powerful mixture of energy, vision, passion, commitment, judgment, and risk-taking provides the motive power behind the innovation process. It's the same whether we are talking about a solo start-up venture or a key group within an established organization trying to renew its products or services.
- Innovation doesn't happen simply because we hope it will. It's a complex process which carries risks and needs careful and systematic *management*. Innovation isn't a single event, like the light bulb going off above a cartoon character's head. It's an extended process of picking up on ideas for change and turning them into effective reality. The core entrepreneurial process involves four steps:
    - recognizing opportunities
    - finding resources
    - developing the venture
    - capturing value

The challenge comes in doing this in an organized fashion and in being able to repeat the trick.

- This core process doesn't take place in a vacuum. We also know that it is strongly influenced by many factors. In particular, innovation needs:
    - clear strategic leadership and direction, plus the commitment of resources to make this happen

- an innovative organization in which the structure and climate enables people to deploy their creativity and share their knowledge to bring about change
- proactive links across boundaries inside the organization and to the many external agencies who can play a part in the innovation process (suppliers, customers, sources of finance, skilled resources and of knowledge, etc.)

ACTIVITY 1 | Pictures of Entrepreneurs

Imagine an entrepreneur – picture him/her – and then write a short piece describing who they are, what they're doing, why they're doing it, etc.

ACTIVITY 2 | Defining Entrepreneurship

Google the word "entrepreneurship" and try to synthesize a working definition from at least 10 sources – get a sense of common themes across different definitions. Write your own working definition and be prepared to adjust it as you read on.

ACTIVITY 3 | Exploring Entrepreneurship

Find an example of an entrepreneur and his/her venture and try to reverse engineer what happened, why, who they are, what they changed, etc. Useful starting points might be some TED talks and certain biographies/autobiographies (e.g. James Dyson, *Against the Odds)*. Some movies like *Steve Jobs* and *The Social Network* also provide helpful clues.

You could also use one of the case studies suggested in Table 1.1 of the ebook.

ACTIVITY 4 | Why Do It?

Find an example of an entrepreneur and his/her venture and try to reverse engineer their motivation. Why do you think they started it? You could use some of your ideas from activity 3 to build on.

ACTIVITY 5 | Types of Entrepreneurship

Try to think of examples of entrepreneurs who have worked outside the commercial space. Perhaps they are in the humanitarian sector? Or in public services? Or working in the community? Make a list of examples of social and not-for-profit entrepreneurship where the challenge has been to try and create social value from ideas.

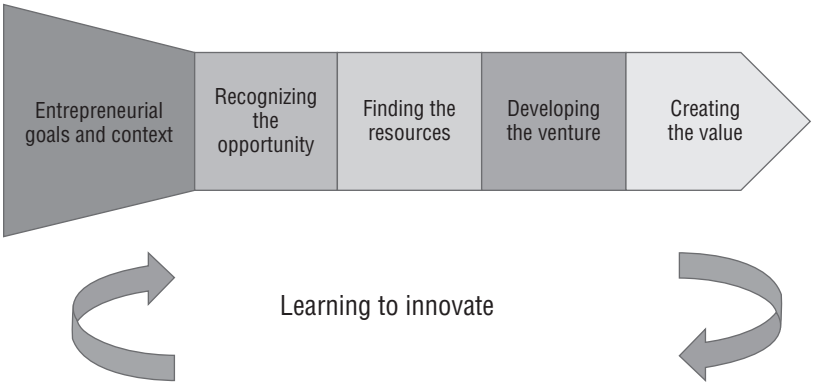
ACTIVITY 6 | Barriers

Think about an idea you might have had for doing something new/changing something. Reflect on what stops you from putting that idea into practice – could you be an entrepreneur?

Make a list of the barriers you see – maybe you feel you lack the skills, maybe the risk scares you, maybe it's not something you feel passionate enough about. Perhaps the need to find and organize resources to make it happen puts you off? Or you're not sure about convincing others? Whatever the reasons, take a few minutes to think about barriers stopping someone from becoming an entrepreneur.

ACTIVITY 7 | Mapping the Entrepreneurial Journey

Find an example of an innovation and try to map the journey using the model of the entrepreneurial process.



A core model of the entrepreneurial process

How did they identify opportunities? Find resources? Develop the venture? Capture value? And what influenced the process in terms of strategy, organization, and linkages?

ACTIVITY 8 | The Entrepreneur's Storyboard

Watch/read through the description of the Storyboard again (chapter 1, section 1.7 of the text). Now try to do a version of your own using the following prompts, exploring the "story" around a new venture idea you come up with.

Write notes, sketches, anything which helps you capture your initial thoughts. The beauty of the Storyboard is that you can share it with others, and you can revise and modify it as you go along.

So - what's your big idea?

Who is it for? And why do they want your idea?

As soon as you start thinking about who it is for, you have your first characters in the story. Think about them, who they are, what they do, and why they will value your new thing.

How can it be made attractive to your new characters? Bring it to life not just as your dream but as something which they might find valuable.

Why is your idea better than someone else's? Why will your characters choose it rather than something else? Think about them, how it fits with their lifestyle, and why it would matter to them.

Why would they pay for it and how much?

How can you reach them – where do they meet you and your idea? Do they come to the market square and find you and your idea at a stall? Do they go online and find it via the internet? Do they learn about it from friends and come knocking at your door? Do you have a shop? What does it look like? Bring the different ways to life, develop the sketches of how they encounter you and your idea.

Who else might be interested? How can you expand your market? Maybe they are all versions of the same person, maybe there are different characters who find you through different channels.

Now step back for a moment and look at what you've been doing. You've begun to tell a story – it looks like an early sketch or draft of a film script or a piece of theatre, maybe the outline of a novel. Try telling it as a story out loud, or even better, to someone else. As you tell it, go back and fill in more detail.

What's involved in making your idea real so that your user can value it and buy it? What things have to happen to bring it to life?

Who else do you need to help you make your idea happen? What do they bring to the party? How do you connect with them? Why would they help you?

The story is beginning to take shape – you now have a cast of characters and a core story about creating and delivering value through your idea. Try telling it again as a chronological sequence – what has to happen in order for the next thing to happen, and the next? How does the story develop? Maybe it's a sequence or maybe it's two parallel streams, one about creating the idea whilst the other is simultaneously exploring the market side?

What resources do you need to make all of this happen? Time, energy, money, special knowledge, etc.? Think of them as characters of a different sort – and position them first of all on the left hand side, waiting in the wings to come on stage.

And when do you need them, what has to be there from the start, what comes into play as you start to develop the idea? How do the resources flow to support the creation and delivery of the idea?

And where do they come from? Who's got the money, the time, the special knowledge – and how will you get hold of it? Create a cast of characters on this side of the story.

How will you manage to pay for all of this? How can you ensure that the money coming in from your market at least balances the money you'll have to spend to make your venture happen? Where do the revenues come from? And when do they start to flow?

Now tell the story again, this time focusing on trying to keep the balance between the income and the outflow of resources. If this flow doesn't at least balance, you're in trouble – your idea is going to cost more than it brings in and pretty soon you'll run out of resources. How can you increase the number of characters or their timing to keep this balance? Could you reduce some of the costs?

You've now got the very basic outline of a story – a storyboard, a picture of how the themes will develop, and the movement of different characters and scenery. Now start to run the story as if it were a movie, looking for the flow and watching what happens over time as it develops. Imagine – on your own and then try telling it to and with others – how it plays out. What happens?

Enter the unexpected?

What happens when external things come into the picture, things you hadn't originally thought about. What if there is a new competitor who comes along and copies your idea? How could you tell the story to make sure that doesn't spoil your happy ending? Can you protect your idea in some way? Or can you make your relationships with your customers so personal that someone else trying to muscle in isn't trusted?

What if... the costs of some of your materials go up suddenly? Or a key resource or person disappears from the story? Try and imagine a whole set of "what if...?" scenarios and think about how you would change the story to make sure they didn't spoil the happy ending.

Of course, it's not just bad things that can happen "out there" – there are also positive things. What if a large company comes along and likes your product so much they ask to buy it from you or to license it from you? What if the government passes a new law and suddenly everyone needs the thing you're selling to help them comply? What if your YouTube advertising video goes viral?

Like any story it can develop in many ways. It makes sense early on to sketch it out as a draft and run it a few times, finding out where it needs strengthening, where it isn't clear. The happy ending is when you are able to use your idea to create value and enough revenues flow to help you maintain and develop – maybe building on the idea, maybe launching a new one.

DISCUSSION AND REFLECTION QUESTIONS

1. Is innovation (what entrepreneurs do) manageable or just a random gambling activity where you sometimes get lucky? If it is manageable, how can we organize and manage it – what general principles could we use?

2. "Build a better mousetrap and the world will beat a path to your door!" Will it? What are the limitations of seeing innovation simply as coming up with bright ideas? Illustrate your answer with examples drawn from manufacturing and services.

3. What are the key stages involved in the entrepreneurship process? What are the characteristic sets of activities which take place at each stage? How could such a process look for starting up:
   - **a.** a fast food restaurant?
   - **b.** an electronic test equipment maker?
   - **c.** a community arts center?
   - **d.** a new app for personal healthcare?
   - **e.** a new entrant biotechnology firm?

4. Fred Bloggs was a bright, young PhD scientist with a patent on a new algorithm for monitoring brain-wave activity and predicting the early onset of a stroke. He was convinced of the value of his idea and took it to market having sold his car, borrowed money from family and friends, and taken out a large loan. He went bankrupt despite having a demonstration version which doctors he showed it to were impressed by. Why might his failure be linked to having a partial model of how innovation works – and how could he avoid making the same mistake in the future?

5. Does innovation and entrepreneurship matter for public services? Using examples, indicate how and where it can be an important strategic issue.

6. You are a newly appointed director for a small charity which supports homeless people. How could innovation improve the ways in which your charity operates?

7. Innovation is about big leaps forward, eureka moments and radical breakthroughs – or is it? Using examples from manufacturing and services, make a case for the importance of incremental innovation.