



Chapter 1

Introduction to Entrepreneurship

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Chapter Objectives

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1. Explain entrepreneurship and discuss its importance.
2. Describe corporate entrepreneurship and its use in established firms.
3. Discuss three main reasons people decide to become entrepreneurs.
4. Identify four main characteristics of successful entrepreneurs.
5. Explain five common myths regarding entrepreneurship.

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Chapter Objectives

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6. Explain how entrepreneurial firms differ from salary-substitute and lifestyle firms.
7. Discuss the changing demographics of entrepreneurs in the United States.
8. Discuss the impact of entrepreneurial firms on economies and societies.
9. Identify ways in which large firms benefit from the presence of smaller entrepreneurial firms.
10. Explain the entrepreneurial process.

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Introduction to Entrepreneurship

There is tremendous interest in entrepreneurship in the U.S. and around the world.

According to the 2010 GEM study, 7.6% of Americans are actively engaged in starting a business or are the owner/manager of a business that is less than three years old.

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Indications of Increased Interest in Entrepreneurship

- Books
 - Amazon.com lists over 35,600 books dealing with entrepreneurship and 62,700 focused on small business.
- College Courses
 - In 1985, there were about 250 entrepreneurship courses offered across all colleges in the United States.
 - Today, more than 2,000 colleges and universities in the United States (which is about two-thirds of the total) offer at least one course in entrepreneurship.

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What is Entrepreneurship?

- Academic Definition (Stevenson & Jarillo)
 - Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control.
- Venture Capitalist (Fred Wilson)
 - Entrepreneurship is the art of turning an idea into a business.
- Explanation of What Entrepreneurs Do
 - Entrepreneurs assemble and then integrate all the resources needed – the money, the people, the business model, the strategy – to transform an invention or an idea into a viable business.

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Corporate Entrepreneurship

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- **Corporate Entrepreneurship**
 - Is the conceptualization of entrepreneurship at the firm level.
 - All firms fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial.
 - The position of a firm on this continuum is referred to as its entrepreneurial intensity.

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Corporate Entrepreneurship

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Entrepreneurial Firms	Conservative Firms
<ul style="list-style-type: none"> • Proactive • Innovative • Risk taking 	<ul style="list-style-type: none"> • Take a more “wait and see” posture • Less innovative • Risk averse

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Why Become an Entrepreneur?

The three primary reasons that people become entrepreneurs and start their own firms



Desire to be their own boss

Desire to pursue their own ideas

Financial rewards

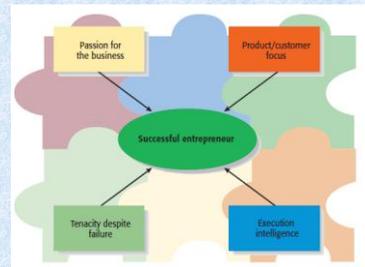
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Characteristics of Successful Entrepreneurs

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Four Primary Characteristics



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Characteristics of Successful Entrepreneurs

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- **Passion for the Business**
 - The number one characteristic shared by successful entrepreneurs is a passion for the business.
 - This passion typically stems from the entrepreneur’s belief that the business will positively influence people’s lives.
- **Product/Customer Focus**
 - A second defining characteristic of successful entrepreneurs is a product/customer focus.
 - An entrepreneur’s keen focus on products and customers typically stems from the fact that most entrepreneurs are, at heart, craftspeople.

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Characteristics of Successful Entrepreneurs

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- **Tenacity Despite Failure**
 - Because entrepreneurs are typically trying something new, the failure rate is naturally high.
 - A defining characteristic for successful entrepreneurs is their ability to persevere through setbacks and failures.
- **Execution Intelligence**
 - The ability to fashion a solid business idea into a viable business is a key characteristic of successful entrepreneurs.

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Common Myths About Entrepreneurs

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- **Myth 1: Entrepreneurs Are Born, Not Made**
 - This myth is based on the mistaken belief that some people are genetically predisposed to be entrepreneurs.
 - The consensus of many studies is that no one is “born” to be an entrepreneur; everyone has the potential to become one.
 - Whether someone does or doesn’t become an entrepreneur is a function of their environment, life experiences, and personal choices.

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Common Myths About Entrepreneurs

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

- | | |
|---|---|
| <ul style="list-style-type: none">• A moderate risk taker• A networker• Achievement motivated• Alert to opportunities• Creative• Decisive• Energetic• Has a strong work ethic• Lengthy attention span | <ul style="list-style-type: none">• Optimistic disposition• Persuasive• Promoter• Resource assembler/leverager• Self-confident• Self-starter• Tenacious• Tolerant of ambiguity• Visionary |
|---|---|

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Common Myths About Entrepreneurs

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- **Myth 2: Entrepreneurs Are Gamblers**
 - Most entrepreneurs are moderate risk takers.
 - The idea that entrepreneurs are gamblers originates from two sources:
 - Entrepreneurs typically have jobs that are less structured, and so they face a more uncertain set of possibilities than people in traditional jobs.
 - Many entrepreneurs have a strong need to achieve and set challenging goals, a behavior that is often equated with risk taking.

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Common Myths About Entrepreneurs

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- **Myth 3: Entrepreneurs Are Motivated Primarily by Money**
 - While it is naïve to think that entrepreneurs don’t seek financial rewards, money is rarely the reason entrepreneurs start new firms.
 - In fact, some entrepreneurs warn that the pursuit of money can be distracting.

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Common Myths About Entrepreneurs

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- **Myth 4: Entrepreneurs Should Be Young and Energetic**
 - Entrepreneurial activity is fairly easily spread out over age ranges.
 - While it is important to be energetic, investors often cite the strength of the entrepreneur as their most important criteria in making investment decisions.
 - What makes an entrepreneur “strong” in the eyes of an investor is experience, maturity, a solid reputation, and a track record of success.
 - These criteria favor older rather than younger entrepreneurs.

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Types of Start-Up Firms



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Changing Demographics of Entrepreneurs

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Women Entrepreneurs

- There were 6.2 million women-owned businesses in 2002 (the most recent statistics available)
- This number was up 20% from 1997.
- There are a growing number of organizations that support and advocate for women-owned businesses.

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Changing Demographics of Entrepreneurs

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Minority Entrepreneurs

- There has been a substantial increase in minority entrepreneurs in the U.S. from 1996 to 2010.
- The biggest jump has come in Latino entrepreneurs, which increased from 11% to 23% from 1996 to 2010.

Senior Entrepreneurs

- The percentage of U.S. entrepreneurs who are seniors jumped from 15% to 23% from 1996 to 2010.
- The increase is attributed to corporate downsizing, a desire among older workers for more fulfillment in their lives, a need for additional income, and similar factors.

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Changing Demographics of Entrepreneurs

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Young Entrepreneurs

- Interest among young people in entrepreneurial careers is high.
- According to a Harris Interactive survey, 40% of people eight to 21 years old said they'd like to start their own business someday.
- A total of 59% of the 8- to 21- year olds said they know someone who has started their own business.

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Economic Impact of Entrepreneurial Firms

- **Innovation**
 - Is the process of creating something new, which is central to the entrepreneurial process.
 - Several studies have found that small businesses outperform their larger counterparts in terms of obtaining patents.
- **Job Creation**
 - Small businesses are the creators of most new jobs in the U.S., and employ half of all private sector employees.
 - According to a Kauffman Foundation survey, 92% of Americans say entrepreneurs are critically important to job creation.

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Entrepreneurial Firms' Impact on Society and Larger Firms

- **Impact on Society**
 - The innovations of entrepreneurial firms have a dramatic impact on society.
 - Think of all the new products and services that make our lives easier, enhance our productivity at work, improve our health, and entertain us in new ways.
- **Impact on Larger Firms**
 - Many entrepreneurial firms have built their entire business models around producing products and services that help larger firms become more efficient and effective.

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The Entrepreneurial Process

The Entrepreneurial Process Consists of Four Steps

Step 1: Deciding to become an entrepreneur.

Step 2: Developing successful business ideas.

Step 3: Moving from an idea to an entrepreneurial firm.

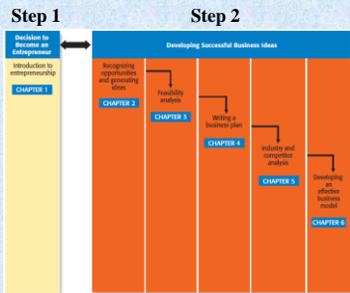
Step 4: Managing and growing the entrepreneurial firm.

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Steps in the Entrepreneurial Process

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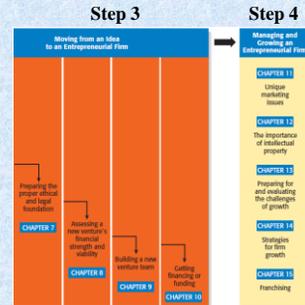


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Steps in the Entrepreneurial Process

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