Entrepreneurship - Theory Process Practice 12th edition Kuratko Solutions Manual

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Instructor Manual

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Purpose and Perspective of the Chapter

This chapter concentrates on entrepreneurs and entrepreneurial ventures where the entrepreneur's principal objectives are innovation, profitability, and growth. Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions.

Essential ingredients include the willingness to take calculated risks—in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion.

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Chapter Objectives

The following objectives are addressed in this chapter:

1.1. Identify the major types of entrepreneurial ventures
1.2. Examine the historical development of entrepreneurship
1.3. Summarize the myths of entrepreneurship
1.4. Define the major schools of entrepreneurial thought
1.5. Explain the process and framework approaches to the study of entrepreneurship
1.6. Paraphrase a comprehensive definition of entrepreneurship
1.7. Examine the entrepreneurial revolution taking place today
1.8. Illustrate today's entrepreneurial environment
1.9. Outline the trends in entrepreneurship research
1.10. Examine the future trajectory of entrepreneurship
1.11. Define the key concepts in entrepreneurship

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Complete List of Chapter Activities and Assessments

The following table organizes activities and assessments by objective, so that you can see how all this content relates to objectives and make decisions about which content you would like to emphasize in your class based on your objectives. For additional guidance, refer to the Teaching Online Guide.

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Chapter Objective	Activity/Assessment	Source (i.e., PPT slide, Workbook)	Duration	Certification Standard
LO1.1	Identify the major types of entrepreneurial ventures	Page 3 *(of text)*	5 minutes	
LO1.2	Examine the historical development of entrepreneurship	Page 5 *(of text)*	5 minutes	
LO1.3	Summarize the myths of entrepreneurship	Page 6 *(of text)*	5 minutes	
LO1.3	Group Activity 1-1	Slide 14 of PPT	5 minutes	
LO1.4	Define the major schools of entrepreneurial thought	Page 9 *(of text)*	5 minutes	
LO1.4	Discussion Activity	Slide 21 of PPT	5 minutes	
LO1.5	Explain the process and framework approaches to the study of entrepreneurship	Page 11 *(of text)*	5 minutes	
LO1.6	Paraphrase a comprehensive definition of entrepreneurship	Page 4 *(of text)*	5 minutes	
LO1.7	Examine the entrepreneurial revolution taking place today	Page 13 *(of text)*	5 minutes	
LO1.7	Group Activity 1-2	Slide 32 of PPT	5 minutes	
LO1.8	Illustrate today's entrepreneurial environment	Page 16 *(of text)*	5 minutes	
LO1.9	Outline the trends in entrepreneurship research	Page 18 *(of text)*	5 minutes	
LO1.10	Examine the future trajectory of entrepreneurship	Page 19 *(of text)*	5 minutes	
LO1.11	Define the key concepts in entrepreneurship	Page 20 *(of text)*	5 minutes	

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KEY TERMS

Better widget strategies: Innovation that encompasses new or existing markets.

Corridor principle: States that with every venture launched, new and unintended opportunities arise.

Decacorn: A firm with a $10 billion market value.

Displacement school of thought: A school of entrepreneurial thought that focuses on group phenomena, such as the political, cultural, and economic environments.

Dynamic states model: A network of relationships and systems that convert opportunity tension into value for a venture's customers, generating new resources that maintain the dynamic state.

Entrepreneur: An innovator or developer who recognizes and seizes opportunities; converts these opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts.

Entrepreneurial discipline: Entrepreneurship is based on the same principles, whether the entrepreneur is an existing large institution or an individual starting their new venture single-handed.

Entrepreneurial leadership: An entrepreneur's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization.

Entrepreneurial mindset: All the characteristics and elements that compose the entrepreneurial potential in every individual.

Entrepreneurial Revolution: The tremendous increase in entrepreneurial business and entrepreneurial thinking that has developed during the past 20 years. This revolution will be as powerful to the twenty-first century as the Industrial Revolution was to the twentieth century (if not more!).

Entrepreneurial trait school of thought: A school of entrepreneurial thought that focuses on identifying traits that appear common to successful entrepreneurs.

Entrepreneurship: A dynamic process of vision, change, and creation. It requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks—in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the

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fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion.

Environmental school of thought: A school of entrepreneurial thought that focuses on the external factors and forces—values, mores, and institutions—that surround a potential entrepreneur's lifestyle.

External locus of control: A point of view in which external processes are sometimes beyond the control of the individual entrepreneur.

Financial/capital school of thought: A school of entrepreneurial thought that focuses on the ways entrepreneurs seek seed capital and growth funds.

Framework of frameworks: Allows for the entrepreneurship theory to move forward identifying the static and dynamic elements of new theories, typologies, or frameworks.

Gazelle: A business establishment with at least 20 percent sales growth every year, starting with a base of at least $100,000.

Great chef strategies: The skills or special talents of one or more individuals around whom a venture is built.

Hectacorn: A firm with a $100 billion market value.

Internal locus of control: The viewpoint in which the potential entrepreneur has the ability or control to direct or adjust the outcome of each major influence.

Macro view of entrepreneurship: A broad array of factors that relate to success or failure in contemporary entrepreneurial ventures.

Managed growth venture: A venture with a workable business model that seeks stable growth over time with occasional launches of new products and a steady expansion of facilities to establish a strong local or regional brand.

Micro view of entrepreneurship: Examines the factors specific to entrepreneurship and part of the internal locus of control.

Mountain gap strategies: Identifying major market segments as well as interstice (in-between) markets that arise from larger markets.

Strategic formulation school of thought: A school of entrepreneurial thought that focuses on the planning process used in successful venture formulation.

Unicorn: A start-up with a $1 billion market value.

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Venture opportunity school of thought: A school of entrepreneurial thought that focuses on the search for idea sources, on concept development, and on implementation of venture opportunities.

Water well strategies: The ability to gather or harness special resources (land, labor, capital, and raw materials) over the long term.

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WHAT'S NEW IN THIS CHAPTER

The following elements are improvements in this chapter from the previous edition:

- New section added as: 1-2 Entrepreneurs: A Typology of Distinctive Journeys
- New section added as: 1-9 The Future Trajectory of Entrepreneurship: The Entrepreneurial Mindset

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CHAPTER OUTLINE

In the outline below, each element includes references (in parentheses) to related content. "CH. ##" refers to the chapter objective; "PPT Slide #" refers to the slide number in the PowerPoint deck for this chapter (provided in the PowerPoint section of the Instructor Resource Center). Introduce the chapter and use the Icebreaker in the PPT if desired. Review learning objectives for Chapter 1. (PPT Slide 3).

I. Entrepreneurs—Breakthrough Innovators (01.01, PPT Slide 4)
   a. Individuals recognize opportunities where others see chaos or confusion. They are compared to Olympic athletes, symphony conductors, and top-gun pilots. Entrepreneurs are the heroes of today's marketplace as they start companies and create jobs at a breathtaking pace. The passion and drive of entrepreneurs move the world of business forward as they challenge the unknown and continuously create breakthroughs for the future.

II. Entrepreneurs: A Typology of Distinctive Journeys (01.01, PPT Slide 5)
   a. The terms *entrepreneur* and *small-business owner* are used interchangeably, but there are differences.
   b. Entrepreneurial ventures are those for which the entrepreneur's principal objectives are innovation, profitability, and growth. All this diversity substantiates the need for creating a typology of entrepreneurial firms so that there is an appreciation for the various

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forms that a venture can take as well as the unique journey experienced by the entrepreneur.

c. Morris and Kuratko created a typology consisting of four major types of ventures.
    a. Survival ventures
    b. Lifestyle ventures
    c. Managed growth ventures
    d. Aggressive growth ventures

d. This typology allows for an inclusive approach to entrepreneurship.

III. Entrepreneurship: A Mindset (PPT Slide 7)

a. Entrepreneurship is more than the mere creation of business. A special perspective permeates entrepreneurs: seeking opportunities, taking risks beyond security, and having the tenacity to push an idea through to reality.

b. It is a mindset that has revolutionized the way business is conducted at every level and in every country: inside or outside an organization, in for-profit or not-for-profit enterprises, and in business or nonbusiness activities.

IV. The Evolution of Entrepreneurship (01.04 and 01.02, PPT Slide 9)

a. Entrepreneurship is from the French *entreprendre*, meaning “to undertake.” An entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts.

b. Characteristics of entrepreneurs:
- Personal initiative
- The ability to consolidate resources
- Management skills
- A desire for autonomy
- Risk taking
- Aggressiveness
- Competitiveness
- Goal-oriented behavior
- Confidence
- Opportunistic behavior
- Intuitiveness
- Reality-based action
- The ability to learn from mistakes
- The ability to employ human relations skills

c. Historical developments in entrepreneurship:

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- No single definition of entrepreneur exists.
- Recognition of entrepreneurs dates back to eighteenth-century France.
- Until 1950, the majority of definitions and references came from economists.
- Over the decades, writers have continued to modify the definition.
- Robert C. Ronstadt said, "Entrepreneurship is the dynamic process of creating incremental wealth."
- In the twentieth century, the word *entrepreneur* became closely linked with free enterprise and capitalism.
- Entrepreneurs serve as agents for change; provide creative, innovative ideas for business enterprise; and help businesses grow and become profitable.
- In the twenty-first century, entrepreneurs are considered heroes of free enterprise.
- Many people now regard entrepreneurship as "pioneership" on the frontier of business.

d. An integrated definition of entrepreneurship recognizes entrepreneurship as a dynamic process of vision, change, and creation. Here is the integrated definition.

- Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion toward the creation and implementation of innovative ideas and creative solutions. Essential ingredients include the willingness to take calculated risks—in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion.

V. Avoiding Folklore: The Myths of Entrepreneurship (01.03, PPT Slide 12)

a. Many myths have arisen about entrepreneurship largely because of a lack of research on this subject.

b. Myth 1: Entrepreneurs Are Doers, Not Thinkers: Entrepreneurs have a tendency toward action, but they are also thinkers. Emphasis today is on the creation of clear and complete business plans.

c. Myth 2: Entrepreneurs Are Born, Not Made: Traits include aggressiveness, initiative, drive, a willingness to take risks, analytical ability, and skill in human relations. Entrepreneurship has models, processes, and case studies that allow traits to be acquired.

d. Myth 3: Entrepreneurs Are Always Tech Ventures: This idea is a result of misunderstanding and tunnel vision. Many inventors or innovators are

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also entrepreneurs. Numerous entrepreneurs encompass all sorts of innovative activities.

e. Myth 4: Entrepreneurs Are Academic and Social Misfits: This myth results from people who have started successful enterprises after dropping out of school or quitting a job. Historically, education and social organizations have not recognized entrepreneurship. The entrepreneur, no longer a misfit, is now viewed as a professional.
f. Myth 5: Entrepreneurs Must Fit the Profile: Many books and articles have presented checklists of characteristics of the successful entrepreneur. The environment, the venture itself, and the entrepreneur have interactive effects, which result in many different types of profiles.
g. Myth 6: All Entrepreneurs Need Is Money: That a venture needs capital to survive is true. A large number of business failures occur because of lack of adequate financing. Failure due to lack of financing indicates other problems:
    - Managerial incompetence
    - Lack of financial understanding
    - Poor investments
    - Poor planning
h. Myth 7: All Entrepreneurs Need Is an Idea: While having adequate financing is necessary for a business, lacking that financing may be a sign of other issues.
    - Managerial incompetence
    - Lack of financial understanding
    - Poor investments
    - Poor planning
i. Myth 8: Entrepreneurship Is Unstructured and Chaotic: Entrepreneurs are sometimes thought of as gunslingers who are assumed to be disorganized and unstructured, leaving it to others to keep things on track. Heavily involved in all facets of their ventures, they tend to have a system to keep things straight and maintain priorities, which may seem strange to casual observers but works for them.
j. Myth 9: Most Entrepreneurial Initiatives Fail: Many entrepreneurs suffer a number of failures before they are successful. Failure can teach many lessons to those willing to learn and often leads to future success. The corridor principle states that with every venture launched, new and unintended opportunities often arise. The “high failure rate” is misleading, according to researcher Bruce Kirchhoff.
k. Myth 10: Entrepreneurs Are Extreme Risk Takers: The concept of risk is a major element in the entrepreneurial process. The public’s perception of the risk most entrepreneurs assume is distorted. It may appear that

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an entrepreneur is "gambling" on a wild chance, but the entrepreneur is usually working on a moderate or "calculated" risk.

l. Myth 11: The Unicorn Fallacy: While there is an infatuation with those new firms that grow quickly and to huge valuations, the number that rise to the level of a unicorn is still small, compared to the millions of start-up ventures each year. Most entrepreneurial ventures will not rise to that level.

m. Myth 12: Entrepreneurship Education Is Not Needed: There is a popular belief that entrepreneurs should simply go out and "do it." However, entrepreneurial education is hugely important. Those who study entrepreneurship enhance their own skills for a start-up and improve the entrepreneurial mindset.

n. Group Activity 1-1: 30 minutes total. (PPT Slide 14).
Divide class into groups of two or three. Each group should select a different myth of entrepreneurship. Then look to find an example consistent with the myth and an example that refutes the myth. Share your examples and insights with the class.

VI. Approaches to Entrepreneurship (01.04 and 01.05, PPT Slide 16)

a. The study of entrepreneurship has developed over 40 years, leading to theories. A theory of entrepreneurship is a verifiable and logically coherent formation of relationships, or underlying principles, that either explain entrepreneurship, predict entrepreneurial activity, or provide guidance.

b. Schools-of-Thought Approaches to Entrepreneurship: A school of thought divides entrepreneurship into specific activities. Two major views are presented here, each with three distinct schools of thought.

c. The Macro View
Presents a broad array of factors that relate to success or failure in contemporary entrepreneurial ventures. Exhibits a strong external locus of control point of view. Three schools of entrepreneurial thought take the macro view.

i. The Environmental School of Thought: Deals with the external factors that affect a potential entrepreneur's lifestyle. Focuses on institutions, values, and morals. Recognizes that friends and family can influence the desire to become an entrepreneur.

ii. The Financial/Capital School of Thought: Deals with the search for seed capital and growth capital. Views the entire entrepreneurial venture from a financial management standpoint.

iii. The Displacement School of Thought: Holds that the group hinders a person from advancing or eliminates certain factors needed to advance; consequently, the individual is projected into entrepreneurship in order to succeed. Frustrated individuals are

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propelled into entrepreneurial pursuits. Three major types of displacement include:

- Political displacement: Deals with government's policies and regulations
- Cultural displacement: Deals with social groups precluded from professional fields
- Economic displacement: Deals with economic variations of recession and depression

d. The Micro View
Exhibits an internal locus of control point of view. Three schools of entrepreneurial thought take the micro view.

i. The Entrepreneurial Trait School of Thought: Studies successful entrepreneurs who tend to exhibit similar characteristics. Four factors usually exhibited by successful entrepreneurs include:
- Achievement
- Creativity
- Determination
- Technological knowledge

Deals with the family development idea that focuses on the nurturing and support that exists within the home atmosphere of an entrepreneurial family.

ii. The Venture Opportunity School of Thought: Emphasizes the search for sources of ideas, the development of concepts, and the implementation of venture opportunities. Views creativity and market awareness as essentials. Deals with the ability to recognize new ideas and opportunities and to implement the necessary steps of action. Preparation meeting opportunity equals "luck."

iii. The Strategic Formulation School of Thought: Emphasizes the planning process in successful venture development. Four major factors in considering the strategic formulation include:
- Unique markets—mountain gap strategies
- Unique people—great chef strategies
- Unique products—better widget strategies
- Unique resources—water well strategies

e. **Discussion Activity: 30 minutes total. (PPT Slide 21)** Which of the following do you think creates the most entrepreneurial opportunities? Why?
- Unique markets—mountain gap strategies
- Unique people—great chef strategies

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- Unique products—better widget strategies
- Unique resources—water well strategies

f. Schools of Entrepreneurial Thought: A Summary
Knowledge and research are available in its embryonic stage. The field of entrepreneurship uses a number of theories in its growth and development.

g. Process Approaches to Entrepreneurship: Another way to examine the activities involved in entrepreneurship is through a process approach. We consider two of the more traditional process approaches here.

i. An Integrative Approach: Focuses on and includes three factors: inputs, outputs, and entrepreneurial intensity.
- Built around the concepts of inputs to the entrepreneurial process and outcomes from the entrepreneurial process. Inputs include environmental opportunities, the individual entrepreneur, the business concept, the organizational context, and financial and nonfinancial resources.
- Outputs include ventures, value creation, new products and processes, new technologies, profit, jobs, and economic growth.
- Entrepreneurial intensity is the number of entrepreneurial events and how entrepreneurial the events are.

ii. Dynamic States Approach: Network of relationships (the dynamic state) converts opportunity tension into value, generating new resources that maintain the dynamic state.

iii. A Framework-of-Frameworks Approach: Theories or frameworks based on combinations offer a more dynamic view of the phenomenon of entrepreneurship.
- Similar to the “multiple lens” approach that characterizes general management, the theories based on combinations can delve into some of the particular aspects of entrepreneurship with greater granularity.
- A sizeable body of research has developed that supports the individual frameworks through the schools of thought or through process models, but the integration of previously disparate aspects of entrepreneurship may be particularly valuable to advancing the field of entrepreneurship.

VII. The Entrepreneurial Revolution: A Global Phenomenon (01.07, PPT Slide 28)

a. Entrepreneurship is the symbol of business tenacity and achievement. Entrepreneurs were the pioneers of today’s business success.

b. According to Global Entrepreneurship Monitor (GEM) data:
- 582 million people were involved in early-stage entrepreneurial activity.

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- 63 million people expected to hire at least five employees over the next five years and 27 million of these individuals anticipated hiring 20 or more employees in the same time period.
- Entrepreneurship and the entrepreneurial mindset contribute to increased job growth across the globe.
- In a post-pandemic world, entrepreneurs will continue to be critical contributors to economic growth.

c. BNP Paribas Entrepreneur Report
- Millennipreneurs—under the age of 35 and define professional success in terms of positive social or environmental impact.
- Ultrapreneurs—focus on environmental and social concerns.
- Serialpreneurs—have established four or more operating companies.
- Boomerpreneurs—aged 55 years or older and more convinced than younger generations that their business has had a positive social impact.

d. The Impact of Entrepreneurial Ventures in the United States
- During the last 10 years, over 600,000 new businesses were started per year.
- The United States consistently exhibits one of the highest entrepreneurship rates in the developed world.
- The COVID-19 pandemic hit smaller firms especially hard with the number of active business owners in the United States falling by 3.3 million, or 22 percent.
- In 2021, entrepreneurs applying for new business applications was at the fastest rate since 2007.
- Fifty-five percent of adults have started at least one business in their lifetime.
- There were nearly 13 million women-owned businesses in the United States as of 2021.
- Thirty-five percent of Black business owners are women, compared with 27 percent of all business owners. Black women own 2.7 million businesses.
- Latina or Hispanic women own 2.3 million businesses.
- The number of Latino business owners grew 34 percent, outpacing the 1 percent growth among all business owners.
- Eighty-six percent of White entrepreneurs started new businesses out of opportunity rather than necessity in 2018.
- The United States is a culture that supports risk-taking and risk-seeking opportunities.
- The United States is home to a high percentage of individuals with professional, technological, or business degrees.

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e. **Group Activity 1-2: 30 minutes total. (PPT Slide 32)** The COVID-19 pandemic created and destroyed small businesses. Working in groups of two or three, find examples of small businesses that did well in the pandemic. Why? Share what you found with the class.

f. The Growth of Gazelles, Unicorns, and Decacorns: New and smaller firms create the most jobs in the U.S. economy.
   i. Gazelles: The fastest growing firms are those with at least 20 percent sales growth every year (for 5 years), starting with a base of at least $100,000 and a median growth of 450 percent. The top performing 1 percent of all businesses account for 10 percent of net new jobs.
   ii. Unicorns: Disruptive technologies like smartphones, inexpensive sensors, and cloud computing are driving the creation of numerous billion-dollar start-ups. These corporate ventures have been labeled unicorns. In 2023, 1,191 start-ups were unicorns.
   iii. Decacorns: Firms such as Facebook, Uber, and Airbnb have achieved $10 billion valuations and are referred to as decacorns.
   iv. A hectacorn is valued at $100 billion or more.

g. Legacy of Entrepreneurial Firms
   i. Fostering and promoting entrepreneurial activity has been, and will continue to be, an economic solution for recessions, downturns, and challenges.
   ii. While large existing companies have been transforming themselves, having learned to become more entrepreneurial, new entrepreneurial companies have been blossoming.
   iii. Many entrepreneurial firms have been founded by women, minorities, and immigrants with footholds in every sector of the economy and in every part of the country.
   iv. Entrepreneurial firms make two indispensable contributions to the U.S. economy. First, they are an integral part of the renewal process that pervades and defines market economies. Second, entrepreneurial firms are the essential mechanism by which millions enter the economic and social mainstream of American society.

VIII. Twenty-First-Century Trends in Entrepreneurship Research (01.09, PPT Slide 39)

a. The major themes that characterize recent research about entrepreneurs and new-venture creation are as follows:
   - Venture financing—venture capital, angel investors, and innovative financing techniques

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- Corporate entrepreneurship—entrepreneurial actions within large organizations
- Social entrepreneurship
- Entrepreneurial cognition—the psychological aspects of the entrepreneurial process
- Women and minority entrepreneurs—have emerged in greater numbers
- The global entrepreneurial movement
- Family businesses
- Entrepreneurial education—the number of schools teaching a course in entrepreneurship has grown from as few as a dozen 40 years ago to more than 3,000 at this time

IX. The Future Trajectory of Entrepreneurship: The Entrepreneurial Mindset (01.10, PPT Slide 42)

A reassessment of the basic issues surrounding entrepreneurship education results in six trajectories:

- Trajectory 1: Why teach entrepreneurship—a shared conceptualization can establish a clear purpose for the effort.
- Trajectory 2: What is taught in entrepreneurship—business basics, core entrepreneurial content, and the entrepreneurial mindset.
- Trajectory 3: How entrepreneurship is taught—students should build experience portfolios including idea diaries, elevator pitches, business models, interviews with entrepreneurs, study abroad experiences, etc.
- Trajectory 4: Organizing entrepreneurship—a structural base with consistent leadership and authority.
- Trajectory 5: Outcomes of teaching entrepreneurship—emphasis on competency mastery.
- Trajectory 6: Leadership of entrepreneurship programs—leaders of entrepreneurship programs must self-identify as *academic entrepreneurs* so that the entrepreneurial mindset conveyed to students becomes ingrained in how faculty and staff approach the academic environment.

X. Key Entrepreneurship Concepts (01.11, PPT Slide 43)

a. Entrepreneurship—a dynamic process of vision, change, and creation requiring an application of energy and passion toward the creation and implementation of new ideas and creative solutions.
b. Entrepreneur—an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; and assumes the risks of the competitive marketplace to implement these ideas.
c. Entrepreneurial Discipline—an entrepreneur demonstrates discipline and the techniques and principles will continue to drive the entrepreneurial economy in the twenty-first century.

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d. Entrepreneurial Leadership—an entrepreneur who represents the ultimate source of economic dynamism and empowerment and is transformative at the societal, organizational, and individual levels.

SUGGESTED ANSWERS FOR REVIEW AND DISCUSSION QUESTIONS (END-OF-CHAPTER)

1. **Briefly describe the evolution of the term *entrepreneurship*.**

   The word *entrepreneur* is derived from the French *entreprendre*, meaning "to undertake." No single definition of the word exists at present. The recognition of entrepreneurs dates back to eighteenth-century France when economist Richard Cantillon associated the "risk bearing" activity in the economy with the entrepreneur. In England, during the same period, the Industrial Revolution was evolving, with the entrepreneur playing a visible role in risk taking and the transformation of resources. Until the 1950s, the majority of definitions and references to entrepreneurship had come from economists. In the twentieth century, the word became synonymous or at least closely linked with free enterprise and capitalism. In the twenty-first century, entrepreneurs are now considered the heroes of free enterprise.

2. **Explain the typology of entrepreneur's distinctive journeys.**

   While all ventures represent change, they do not necessarily have to be disruptive, highly innovative, or scalable. There are four major types of ventures: survival ventures, lifestyle ventures, managed growth ventures, and aggressive growth ventures.

3. **What are the elements of the entrepreneurial mindset?**

   The triad of entrepreneurial mindset includes: The Cognitive Aspect (Thinking), The Behavioral Aspect (Acting), and The Emotional Aspect (Feeling).

4. **What are the 12 myths associated with entrepreneurship? Debunk each.**

   Entrepreneurs are doers, not thinkers.

   They are often very methodical people who plan their moves carefully. Today, the emphasis is on the creation of clear, complete business plans.

   Entrepreneurs are born, not made.

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The recognition of entrepreneurship as a discipline has helped to dispel this myth. Like all disciplines, entrepreneurship has models, processes, and case studies that allow the topic to be studied and the traits acquired.

Entrepreneurs are always in tech ventures.

There are numerous entrepreneurs who encompass all sorts of profit-seeking activity. For example, Ray Kroc did not invent the fast-food franchise, but his innovative ideas made McDonald's the largest fast-food enterprise in the world.

Entrepreneurs are academic and social misfits.

Today, the entrepreneur is considered a hero—socially, economically, and academically. No longer a misfit, the entrepreneur is now viewed as a professional.

Entrepreneurs must fit the profile.

Many books and articles have presented checklists of characteristics of the successful entrepreneur. These lists were neither validated nor complete. Today, we realize that a standard entrepreneurial profile is hard to compile. The environment, the venture itself, and the entrepreneur have interactive effects, which result in many different types of profiles.

All entrepreneurs need is money.

Having money is not a bulwark against failure. Failure due to a lack of proper financing is often an indicator of other problems.

All entrepreneurs need is an idea.

"Luck happens when preparation meets opportunity" is an equally appropriate adage. Prepared entrepreneurs who seize the opportunity when it arises often appear to be lucky.

Entrepreneurship is unstructured and chaotic.

There is a tendency to think of entrepreneurs as gunslingers—as people who shoot from the hip and ask questions later. They are assumed to be disorganized and unstructured. The reality is that they are typically well-organized, in order to get done all the duties and responsibilities inherent in building and running a business.

Most entrepreneurial initiatives fail.

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It is true that many entrepreneurs suffer a number of failures before they are successful. They follow the adage "If at first you don't succeed, try, try again." In fact, failure can teach many lessons to those willing to learn, and often it leads to future successes.

Entrepreneurs are extreme risk takers.

The concept of risk is a major element in the entrepreneurship process. However, the public's perception of the risk assumed by most entrepreneurs is distorted. While it may appear that an entrepreneur is gambling on a wild chance, the fact is that the entrepreneur is usually working on a moderate or "calculated" risk.

The unicorn fallacy.

This is the concept that most new businesses generate huge growth. Really, those small businesses that become unicorns are few compared with the millions of new businesses.

Entrepreneurship education is not needed.

The entrepreneurial mindset is one that can be learned and developed by studying entrepreneurship.

5. **What is the macro view of entrepreneurship?**

   The macro view of entrepreneurship presents a broad array of factors that relate to success or failure in contemporary entrepreneurial ventures. This array includes external processes that are sometimes beyond the individual's control.

6. **What are the schools of thought that use the macro view of entrepreneurship?**

   The environment school of thought, the financial/capital school of thought, and the displacement school of thought.

7. **What is the micro view of entrepreneurship?**

   The micro view of entrepreneurship examines the factors that are specific to entrepreneurship and are part of the "internal" locus of control.

8. **What are the schools of thought that use the micro view of entrepreneurship?**

   The entrepreneurial trait school of thought, the venture opportunity school of thought, and the strategic formulation school of thought.

9. **What are the three specific types of displacement?**

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Political displacement, cultural displacement, and economic displacement.

10. **In the strategic formulation school of thought, what are the four types of strategies involved with unique elements? Give an illustration of each.**

    Unique markets—example: College campus businesses would tend to market products that college people want and need.

    Unique people—example: If you were going to open a car repair shop, you need to know how to repair cars.

    Unique products—example: Coke differs from Pepsi.

    Unique resources—example: Middle-easterners have the ability to produce more oil products.

11. **What is the process approach to entrepreneurship? In your answer, describe the dynamic states approach.**

    The process approach to entrepreneurship is a way to examine the activities involved in entrepreneurship by using either a "dynamics states" approach or a "multidimensional approach." Both of these methods attempt to describe the entrepreneurial process as a consolidation of diverse factors.

    The dynamic states approach focuses on the dependences of ventures on their environment for survival. The model incorporates an array of individual, organizational, and environmental elements and suggests that smaller and newer firms have more flexibility in making ongoing changes to satisfy current and anticipated demands of their market.

12. **Describe the framework-of-frameworks approach to entrepreneurship.**

    Much like the "multiple lens" approach that characterizes general management, the theories based on combinations can delve into some of the particular aspects of entrepreneurship with greater granularity.

13. **Explain the predominance of new ventures in the economy.**

    During the past 10 years, over 600,000 new businesses were incorporated per year. Newer entrepreneurial companies—some of which did not exist 20 years ago—have collectively created millions of new jobs during the past decade. Among many notable examples, consider Facebook, Twitter, Google, BlackBerry, and YouTube.

14. **Define a *gazelle, unicorn, decacorn, and hectacorn* and discuss its importance.**

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A gazelle is a fast-growing firm with at least 20 percent sales growth every year for 5 years, starting with a base of $100,000. In contrast to the continual downsizing of major corporations, gazelles provided 5 million new jobs and brought net employment growth to 4.2 million jobs.

A unicorn surpasses $1 billion level. A decacorn surpasses $10 billion, and a hectacorn has more than $100 billion values.

15. **Identify three of the future trajectories of the entrepreneurial mindset and discuss their implications.**

Trajectory 1: Why Teach Entrepreneurship: A Clear Purpose—Building on a shared conceptualization can establish a clear purpose for the effort, enhance communication and collaboration across disciplines, and reduce any confusion experienced by different stakeholders.

Trajectory 2: What Is Taught in Entrepreneurship: The Content—In the content of modern entrepreneurship program, it would seem the emphasis might take three forms (or some combination of these forms): (1) business basics in a new venture management context, (2) core entrepreneurial content, and (3) the entrepreneurial mindset.

Trajectory 3: How Entrepreneurship Is Taught: The Delivery Mechanism—For their part, students will increasingly be expected to build experience portfolios as they progress through their studies in entrepreneurship. Hence, on completion of a minor, major, certificate, or other program in entrepreneurship, the student might submit a portfolio summary that includes their work on idea diaries, elevator pitches, business models, small-business consulting reports, interviews with entrepreneurs, entrepreneurial audits, study abroad experiences, and so on.

Additional Discussion Questions

The following are discussion questions that do not appear in the text, PPTs, or courseware (if courseware exists)—they are for you to use as you wish. You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. Are successful entrepreneurs born or made?
2. Entrepreneurs with excellent leadership skills are even more successful than those without the ability to lead. Do you agree or disagree?

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3. Discuss entrepreneurs as risk takers. What skills are required (if any) to operate within levels of risk taking (e.g., accept, avoid, mitigate, exploit, etc.).

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Additional Activities and Assignments

The following are activities and assignments developed by Cengage but not included in the text, PPTs, or courseware (if courseware exists)—they are for you to use if you wish.

Short Case

GAZELLE ... OR TURTLE?

Summit Software, Inc., recently celebrated its fifth year of business. Jim Mueller, the proprietor, started the software manufacturing and distribution company when he was still working as a professor at the local college, but now he enjoys being in the fast-paced technology industry. Growth and expansion were easy for Jim, thanks to his knowledge, his contacts, and the pool of readily available workers from which to choose. The company that originated in his den now occupies a nice space close to downtown.

Going into the sixth year, Jim continues to serve the same target market with customer support and lengthy projects. He acknowledges that technological advancements and new clientele are in the immediate future. All of the current and forecasted work leaves Jim and his three employees with little time to spend on administrative duties—let alone new accounts. Jim also realizes that the company needs its own upgrades to continue its rate of success and to stay competitive. Looking at Summit's financials and the amount of work necessary to maintain the business, he's not sure where to go from here. Following is a snapshot of Jim's annual sales since inception:

Year 1 $112,000
Year 2 $195,000
Year 3 $250,000
Year 4 $335,000
Year 5 $487,000

QUESTIONS

1. Is Summit Software, Inc., a gazelle? Support your answer.
2. What problems may Jim face by owning such a fast-growing business?

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3. Are gazelles more important to the economy than traditional growth businesses? Why or why not?

Reflection Exercise: *MOBILE ENTREPRENEURIAL OPPORTUNITIES*

Examine the following categories of entrepreneurial opportunities that promise to be strong in the coming years. Which one would you consider pursuing and why?

M-Commerce—Embracing "m-commerce" in huge numbers, there are more than 3.7 billion users of the mobile web. This means if you sell stuff, whether online or in a physical location, your website must be mobile-ready. Eighty-one percent of smartphone owners search from their phones at home, 80 percent shop from their phones, 68 percent visited a business in person or went to its website after searching from their phones, and over half actually buy something. By 2020, global ecommerce sales are expected to reach $4.058 trillion, representing 15 percent of total retail sales.

Apps—Another opportunity born from mobility is the hundreds of thousands of apps that have been created for mobile devices such as the iPhone and the iPad. Global mobile app revenue is projected to reach $188.9 billion by 2020. In many cases, those apps are produced by entrepreneurial developers for smartphones and tablet computers.

Gamification—"Gamification" first took off in 2007, and it has proved to be recession proof. Research predicts that gamification will be widespread by 2020. Gamification's goals are to increase customer engagement, change behaviors, and stimulate innovation by employing game mechanics in nongame environments. Some research believes that gamification could become as important as Facebook, eBay, or Amazon. The opportunities for businesses are great—from having more engaged customers to crowdsourcing innovation or improving employee performance.

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ADDITIONAL RESOURCES

CENGAGE VIDEO RESOURCES

- Refer to MindTap Video Resources

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