

New Ventures 1 BUSAD 511 Course Notes

Chuck Thomas
2014

Notes as of April 30, 2014

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Opening Clip

- The Richter Scales: Here Comes Another Bubble
 - http://www.youtube.com/watch?v=I6IQ_FOCE6I
 - What is the message of this clip?
 - Does it mean something to you?
 - Is it all high-tech or would this apply to banking, pharma, housing, autos, etc?
 - Crisis on Wall Street - Parody

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Who am I?

- Introduction: Why am I teaching this course?
- Overview of entre- and intra-preneurial experiences
- My current work
- Office hours, availability, and contact

Overview of experiences

Year	Company	Status	What's New?
1964	Research Analysis	Empl	Tech concept
1967	Dial Data	Entre / Empl	Office startup
1968	Info. Systems Corp	Entre / Founder	Division startup
1970	Computer Sciences	Intra / Empl	Division startup
1972	DataCorp (Cigna)	Intra / Empl	Subsidiary startup
1974	Concept Systems	Entre / Founder	Company startup
1989	Apris	Entre / Founder	Company startup
1994	ICON Solutions	Entre / Founder	Company merger
1998	Aston Brooke	Entre / Empl	Reshape company
1999	IBM Global Services	Intra / Empl	Business unit s/u
2000	TargetTV	JV / Founder	Company startup
2006	Lyrio	Entre / Founder	Company/Strategy
2008	Chuck Thomas, LLC	Entre / Founder	Consultancy

Who are we?

- Who **are** you?
 - Your name, degree, school, current major
 - Place of work & what do you do there?
 - Your entrepreneurial (intrapreneurial) aspirations and accomplishments?
 - What do you expect from the course / why are you taking this course?
 - One interesting factoid that would make you an interesting team member
 - Be brief but informative: there are **a lot** of us



- What is important to you? What matters?
Who **are** you... really?
- Are you an Entrepreneur? Intrapreneur?
Interested in become one?
- You are invited to disagree with me – debate a point; your point of view is valued
- I tell stories to make a point... much like textbooks do...
 - Some are personal experiences. These should be viewed as “mini-Case Studies”

Our guest speakers

- Our guests are distinguished achievers, thinkers, and doers
- Guests bring their unique experiences to us
- Guests also bring:
 - The chance to interact w/ entra- & intra-preneurs
 - The chance to network
 - A variety of points of view
 - Perhaps some opportunities
 - ***Exposure to important resources***

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Where are the “larger” we?

As of 10/22/2013

- The median US income is about \$58,700, or about \$75,000 (pre-tax) for a family of four
 - About 20% greater than 1980 (From NASDAQ, July, 2013)
 - But the same as it was in 2000!
- The median US net worth is \$38,768, 1/5 that of Australia, and is less than it was 20 years ago (From Credit Suisse, October, 2012)
- What do we need to do to recover the economic vitality we (the US) enjoyed for the fifty years of the last half of the 20th century?

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The Current Situation

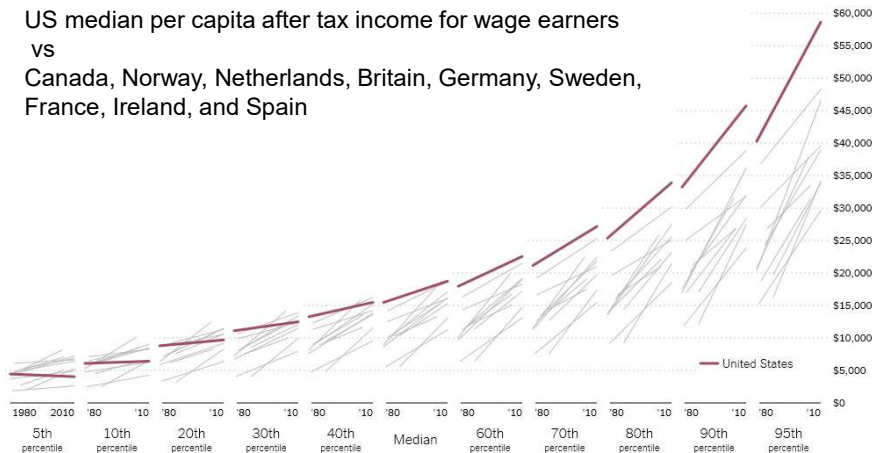
- Decline in GDP growth rate, jobs, market values, home values (see next slide)
- Bank failures, investment house failures, auto & other basic industry failures
- Massive long term debt increases
- Bailouts and non-bailouts
- Government interventions and regulations
- What does it mean to **you**? ★ (discuss)
- What does it mean to the entrepreneur?

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Median Income Comparisons

US median per capita after tax income for wage earners
vs
Canada, Norway, Netherlands, Britain, Germany, Sweden,
France, Ireland, and Spain



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New Ventures 1 – Class 1 - Introduction

Agenda

- Class 1: The who & what of entrepreneurship
- Class 2: Creativity & innovation
- Class 3: Finding opportunity
- Class 4: Planning, business models, testing the concept
- Class 5: Industry & market analysis; brand strategy
- Class 6: Intellectual property & technology issues
- Class 7: Organization analysis & people; leadership
- Class 8: Financial analysis
- Class 9: Interview presentations
- Class 10: Start-up strategy, forms of org, business plans
- Class 11: Organization, ethics & people; building & running the venture
- Class 12: Finding resources
- Class 13: Business Plan presentations

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What this course entails:

1. This is about *expanding your thinking* to be more entrepreneurial and innovative
2. I don't teach finance, organization, marketing, etc, but what is important about them, *thinking entrepreneurially*
3. I sometimes talk in stories and from my personal experiences – I am an entrepreneur, not an academic
4. Posted readings, videos, etc, are to encourage *a diversity of views about the subject areas*

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Class 1

- Review of the course syllabus and my expectations
- Review of the course schedule
- Who are we and what are our entrepreneurial interests and objectives?
- What is entrepreneurship? Who does new ventures? What is intrapreneurship?
 - The Entrepreneurial Mindset

Syllabus review & my expectations

- Course description
- Learning outcomes
- Measurement
- Requirements
 - Written (*team*) & oral (*individual*) business plan
 - Written & oral entrepreneur interview
 - Class participation
- Texts & Materials

Class 1 – Admin notes

- Syllabus (on ANGEL)
- First course in the New Ventures and Entrepreneurial Studies (NVES) Program
 - Intro to issues involved in developing new ventures either independently (Entre...) or within an existing organization (Intra...)
- It is a survey course (lots of topics, skimmed)
 - Not covered in depth: legal, financial & operational issues (NV2 BUSAD 522)

Individual and team work

- Team participation required; team shares a grade (40% of your grade)
- Team work plan is first team assignment
 - Teams formed in Class 2
 - Work Plan due noon of day of Class 3
 - You may use the example Work Plan on Angel in any way useful to your team

Learning outcomes

1. Recognize E behavior in new/existing firms
2. Be familiar with new venture concepts/terms
3. Know how to generate/evaluate NV ideas
4. Understand NV process for both independent and corporate ventures
5. Have experience in building/working with teams to achieve common goals
6. Improve skills needed for NVs, including presentation, negotiation, interviewing, & self-awareness skills

Measurement of outcomes

• Team	
– Written Business Plan	30%
– Business Plan Oral Pitch	10%
• Individual	
– Individual contributions to the Team	10%
– Class participation (classroom / ANGEL)	20%
– Entre/Intrapreneur interview paper	20%
– Entre/Intrapreneur interview presentation	10%
Total	100%

Requirements

- Written business plan (team) –
 - Due Class 14 (posted by noon that day)
- Oral pitch (team) – due Class 14
 - ≈ 20 minutes plus 1-3 minute Q/A's
- Individual contributions to the team – assessment process
- Class participation
- Entre/Intra interview – written analysis (5-7 pages)
 - Due Class 9 (posted by noon that day)
- Interview presentation – 6- 9 minutes + Q/A's

Note: 9 minutes x 13 students ≈ 2 hrs

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A Business Plan Opportunity

- Your team can potentially win a **Musser Grant** for your Business Plan
 - Based upon the vision, innovation, potential for growth and success, quality of the plan, and the overall passion and commitment of the team
- Fall 2012 class had 24 students and 6 teams
 - Two teams (8 students) received **Musser Grants**
 - The teams are actively creating their businesses
- Even without this award, your plan can position you to pursue your dreams

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Famous Quotes About Plans

1. Winston Churchill:
Plans are of little importance, but planning is essential.
2. Dwight D. Eisenhower:
Plans are nothing; planning is everything.
3. Helmuth von Moltke the Elder*:
No battle plan survives contact with the enemy.
4. George S. Patton:
A good plan, violently executed now, is better than a perfect plan next week.
5. Sun Tsu:
Tactics without strategy is the noise before defeat.

* Stated in 1800. The chief of staff of the [Prussian Army](#) for thirty years, he is regarded as one of the great strategists of the latter 19th century, and the creator of a new, more modern method of directing armies in the field.

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Required materials

- Text: Allen, Kathleen R., “Launching New Ventures”, Sixth Edition, Houghton Mifflin, New York
 - Or Cengage Learning – Hardcopy or Online
- Readings on ANGEL & Internet & Library
 - A good book I use a lot, and the classic “E” text:
Timmons, Jeffrey A. & Spinelli, Stephen, *New Venture Creation: Entrepreneurship for the 21st Century*, 6th Edition. McGraw Hill-Irwin, 2003
 - Another book I use a lot:
Cagan, Vogel “*Creating Breakthrough Products*”²²

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Other good reading...

- Peter Drucker: The Discipline of Innovation. Harvard Business Review 1998 (reprint).
- Michael Porter: Note on the Structural Analysis of Industries. Harvard Business School, 1975.
- Jeffry Timmons: Opportunity Recognition. Excerpted from Timmons: New Venture Creation, 4th Ed., 1994.
- Amar Bhidé: Analyzing New Ventures. Harvard Business School, 1992.
- Jeffry Timmons, Securities Online. Business Case, excerpted from Timmons: New Venture Creation, 4th Ed., 1994.
- Stevenson, Howard H., Michael J. Roberts, and H. Irving Grousbeck (1994), *New Business Ventures and the Entrepreneur*, 4th Ed. Burr Ridge, IL: Irwin.

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An Entrepreneur's Story

- Follow the tale of one entrepreneur –
 - Actually, the significance of other entrepreneurs to his story

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The Preamble to the Story

- Intel was founded in 1968 by Robert Noyce and Gordon Moore
 - Both came from Fairchild Semiconductor
- First DRAM chip (Intel 1103) in 1971, and then the first computer on a chip (Intel 4004), also in 1971
- But this story is not about Intel

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- MITS (Micro Instrumentation & Telemetry Systems) was founded by Forrest Mims & Ed Roberts in Albuquerque, NM in 1968
 - They made calculators and instrumentation
- Close to bankruptcy in 1973, they developed the Altair 8800 kit, based on the new Intel 8080 microprocessor



- It was featured on the cover of Popular Electronics magazine
- It was the beginning of the microcomputer industry

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New Ventures 1 – Class 1 - Introduction

- They briefly employed underclass dropouts to develop a “BASIC”* interpreter – Bill Gates (Harvard) and Paul Allen (Washington)
- This story is not about the MITS Altair 8800
- You can now guess what the story is about

* Aside: BASIC is a computer language developed by John Kemeny & Tom Kurtz at Dartmouth College in 1963. In 1968, Kemeny was an advisor to the USNA in Annapolis, MD, and in 1969 your instructor taught the first computer programming course at the Naval Academy, using a book I wrote for the occasion.

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How Bill Gates Emerged

- IBM’s Don Estridge wanted to build a “personal computer”, and with a team of 14 people began in 1980 in Boca Raton, FL
- The computer needed software, so IBM called Bill Gates and he suggested they talk with Gary Kidall of Digital Research, which wrote “CP/M” for the 8080
- Kidall refused to sign a non-disclosure, so IBM went back to Gates

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New Ventures 1 – Class 1 - Introduction

- IBM then contracted with Gates' "Micro-Soft"* to produce an operating system for their PC
- Gates went across town to Tim Paterson, whose Seattle Computer Products wrote "Quick and Dirty DOS" or "QDOS" for the new Intel 8086
- Not telling Paterson of the IBM deal, Gates bought the rights to QDOS for \$50,000
- Gates negotiated with IBM to keep the rights to his "MS-DOS" and license copies to IBM

* Later, "Microsoft Corporation"

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Forbes' World's Richest People

1. Carlos Slim Helú
2. William Gates ← \$66,000,000,000+
As of Sep, 2012
Co-founders of Microsoft
48. Paul Allen ← \$16,000,000,000+

Just Gates' and Allen's net worth is greater than the annual GDP of more than 100 nations. E.g., greater than Lebanon, Costa Rica, Iceland, Georgia, and is approximately equal to that of Sri Lanka!

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What is the point of this story?

Note: I use stories to make points and set directions; some are of personal experiences

Very successful companies are started by...

1. people seemingly successfully employed
2. people still in school
3. people without significant personal resources
4. people with a vision of the future
5. people who innovate at any stage of the development of the company
6. people who haven't succeeded in their initial attempts

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Class 1

- You should have read the materials posted to or linked to in Angel Lessons – Class 1 folder & Allen Chapters 1 & 2 – **prior to this class**
- In general, we don't directly review the assigned readings, but will **discuss them** and **expand the topic** and **explore different views** and approaches
- Be prepared for the evening's topic

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Allen Chapter 1

- Small Business: An Overview
- **Video Clip:** Guy Kawasaki – Make Meaning

Tonight's 3 Key Points...

1. In chaos, there is opportunity...
This is the subject of Class 3
2. Lack of resources is not an impediment
We will refer to “the resource line” throughout the course & especially in Class 12
3. Live your vision
Dream it, think it, plan it, do it, and don't diminish it

What is entrepreneurship?

- The entrepreneur revolution
 - From 1980-2008, Fortune 500 companies lost more than 10 million jobs;
 - **In 1 year alone small businesses created 1.6 million new jobs**
 - In 2008, 5 million jobs were lost; since then only 1 million have been created (thru mid 2014)
 - 600,000 new businesses created per year for over a decade prior to the current recession
 - Small business (<500 employees) accounts for more than 51% of private sector GDP
 - More than the creation of a business; seeking opportunity, taking risks, & having the tenacity to push ideas into reality

The current (as of 4/30/14) rate of US unemployment is 6.7%, down from 10.0%

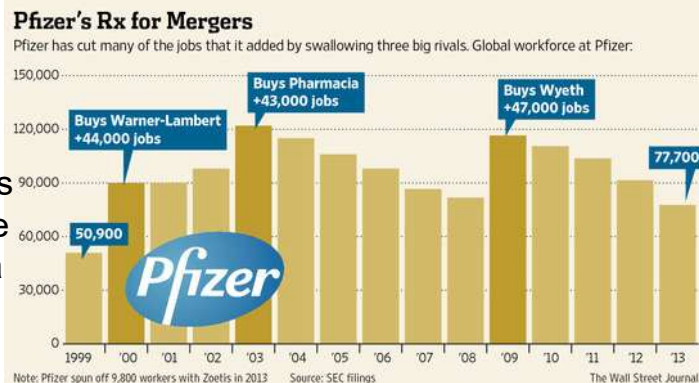
Note: from 1964-2013, the average monthly unemployment rate was 7.6%

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Large Companies Reduce Jobs; Entrepreneurs Create Jobs

- Example: From 1991, Pfizer bought 3 companies with 134,000 employees (plus many other acquisitions)
- Today, they have just 26,800 more than in 1991
- Since 2005, Pfizer has eliminated over 56,000 jobs – and is pursuing the AstraZenica 51,700 jobs



See: WSJ, 4/30/14 - In Drug Mergers, There's One Sure Bet: The Layoffs

Innovation

- Since WW II small entrepreneurial firms:
 - Responsible for half of all innovation
 - Credited with 95 percent of all radical innovation
- New Industries launched by the e-Generation:
 - Personal computers
 - PC software
 - Biotechnology
 - Wireless comm/handhelds
 - Healthy living products
 - Social networking
 - Cellular phone services
 - CD-Rom
 - Internet publishing
 - Internet shopping
 - Virtual imaging
 - Electronic commerce

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US Businesses

- 18 million businesses in the US today
 - < 30,000 are “large” – **99.9% are small!**
(See next page chart)
 - 3.9% compound growth rate in the # of firms
 - ½ of startups have 5-7 years duration (as opposed to myths)
 - Small businesses provide about 75% of all net new jobs

You can review the Small Business Administration at <http://www.sba.gov> .

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New Ventures 1 – Class 1 - Introduction

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From DMDataBases.com (6/7/13):

EMPLOYEES	QNTY	% OF TOTAL	CUMULATIVE
10,000+	1,811	0.01%	100.00%
5,000-9,999	1,707	0.01%	99.99%
2,500-4,999	4,180	0.02%	99.98%
1,000-2,499	7,158	0.04%	99.96%
500-999	15,811	0.09%	99.92%
250-499	37,034	0.20%	99.83%
100-249	162,103	0.89%	99.63%
50-99	297,156	1.63%	98.74%
25-49	843,158	4.63%	97.11%
10-24	1,339,184	7.36%	92.47%
5-9	2,100,398	11.54%	85.12%
2-4	7,580,324	41.64%	73.58%
1	<u>5,814,654</u>	<u>31.94%</u>	31.94%
	18,204,679	100.00%	

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Bureau of Labor Statistics

Number of Employees	% of Workers	% of Companies
1 – 9	12	70
10 – 49	23	23
50 – 249	28	5
250 – 999	18	1
1,000 – over	<u>19</u>	<1
	100	100

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Mega-Entrepreneurs

- Starting in their early 20s or before:
 - Microsoft – Bill Gates & Paul Allen
 - Dell Computers – Michael Dell
 - Apple Computer – Steve Jobs & Steve Wozniak
 - Federal Express – Fred Smith
 - Amazon – Jeff Bezos
 - Nike – Phil Knight
 - Google – Sergey Brin & Larry Page
 - Oracle – Larry Ellison
 - Facebook – Mark Zuckerberg
 - Under Armour – Kevin Plank

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Gazelles & Turtles

Note: later, in Class 5 (Opportunities), we may talk of Elephants, Mice, and Gazelles

- Gazelles (20% growth/year for 5 years)
 - Myths
 - High tech (only 47% are, many retail/distr)
 - Get VC funding (only 5,000/year of 350,000 gazelles)
 - Are young (1/5 are companies over 30 years old)
 - Are small (all sizes, re: Cisco)
 - Are national or internet (many are not)
 - 55% of innovations come from new/small entities
 - Innovation leaders
 - 95% of radical innovations come from new/small
 - 2 times the product innovations as large firms

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Defining “entrepreneurship”

- First, what is an opportunity? One dictionary definition
 - A good opportunity must meet two conditions:
 1. It must represent a future state that is desirable
 2. It must be achievable
- Entrepreneurship is a mindset that is:
 - Opportunity-focused
 - Risk taking
 - Innovative
 - Growth-oriented
- We will devote Class 3 to examining opportunities

Opportunity: “A favorable or advantageous circumstance or combination of circumstances”

Some of following discussion is based on Stevenson, Roberts, Grousbeck, Bhide, “New Business Ventures and the Entrepreneur” © Copyright 2003-2014, Chuck Thomas

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First, a word about Entrepreneurs vs Managers

- In the sense of *this course*, entrepreneurship has two essential components:
- 1. **Innovation**
- 2. **Growth** !
- Without them, one may be a small business owner and manager without being an “entrepreneur”
 - Not a bad thing, just not a job creator, not an economy builder

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George Bernard Shaw*

- Reasonable people adapt themselves to the world
- Unreasonable people attempt to adapt the world to themselves
- Therefore, all progress depends on unreasonable people

* (26 July 1856 – 2 November 1950) was an Irish playwright and a co-founder of the London School of Economics. He was the only person to have been awarded both a Nobel Prize in Literature (1925) and an Oscar (1938), for his contributions to literature and for his work on the film *Pygmalion*.

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Defining “Entrepreneurship”

- Stevenson points out two schools:
 1. **Functional approach**, focuses on the role of entrepreneurship in the economy
 - E.g., process, market, product, factor & org innovation
 2. **Personal characteristics of entrepreneurs**
 - E.g., psych & social sources: Kent’s “supply side entrepreneurship”; common characteristics
- Is either approach is sound?
 - Is it a Behavioral Phenomenon?

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relentless One definition

- ***“The pursuit of opportunity without regard to resources currently controlled”***

Harvard's (Stevenson) definition – without the HBS \$95,100 2016 tuition/total cost
{ From the hbs.edu website MBA student budget planning page }

- Six critical dimensions of business practices:
 1. Strategic orientation
 2. The commitment to opportunity
 3. The resource commitment process
 4. The concept of control over resources
 5. The concept of management
 6. Compensation policy

See following slides...

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Range of behavior

← **Spectrum of managerial behavior** →

Entrepreneurs **Administrators**

- Entrepreneur, who has confidence to seize opportunity regardless of resources controlled
- Administrator, who emphasizes the efficient utilization of existing resources

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1. Strategic orientation

- Entrepreneur: Opportunity driven
- Administrator: Resource driven
- Stevenson: Administrator's approach: recognize the need to examine the environment for opportunities, but still constrained by a focus on resources
- This view (Administrator), Stevenson says, has led to a traditional view that Entrepreneur is led by innovation, but he says E is not necessarily interested in breaking new ground, but can also mix old ideas to look for Opportunity where the resources are

2. The commitment to opportunity

- Entrepreneur: acts quickly to chase an opportunity
- Administrator: Move so slowly that they appear to be stationary
- Pressures toward Entrepreneurial end of spectrum:
 - First action: first claim to customers, employees, fin. Resources
 - Short decision windows: High costs of late entry
 - Risk mgmt: resources can be rapidly committed or withdrawn
 - Limited decision constituencies
- Pressures toward Administrator end of spectrum:
 - Multiple decision constituencies
 - Compromise to reach consensus
 - Risk reduction
 - Management of fit: only those projects that "fit" existing resources

3. The resource commitment process

- Entrepreneur will bootstrap the pursuit of an opportunity
 - Attempts to maximize value by minimizing risk, thereby accepting more risk
 - Multi-staged commitment with minimal exposure at each stage
- Administrator will front-end load resources
 - Applies careful analysis and large scale commitment of resources upon the decision to act
 - Single stage of commitment upon decision
- Entrepreneur management requires that you learn to do a little more with a little less

4. The concept of control over resources

- Entrepreneur's use other people's resources well; they don't need to own it, just to use it
 - The stereotype of an E who is exploitive comes from this
 - Increase resource specialization
 - Risk inherent in any new venture
 - Inflexibility of permanent commitment of resources
- Administrator: ownership of required resources
 - Efficiency measures
 - Inertia & cost of change
 - Coordination; power, status

5. The concept of management

- Entrepreneur: finger on the pulse; daily contact with all principal actors
 - Flexibility
 - Desire for independence
- Administrator: delegation of authority; structure
 - Need for clearly defined authority & responsibility
- Consider hierarchy:
 - Entrepreneur: flat with multiple informal networks
 - Administrator: Formalized hierarchy

6. Compensation policy

- Entrepreneurial firms:
 - Focused on creation & harvesting of value
 - E.G. **“Wealth” versus “Income”**
 - Investors & founders: invested cash & want cash out
 - Compensation is based on performance
- Administrative firms:
 - Focused on maximizing and distributing value
 - Protection of position & security
 - Compensation based on individual responsibility

By the way...

What is Social Entrepreneurship?

See J. Gregory Dees, “The Meaning of Social Entrepreneurship”,
Fuqua School of Business, Duke University, 2006.

{The Dees article is located in the Class 11 folder}

Dees says: Social entrepreneurs play the role of
change agents in the social sector by:

- Adopting a mission to create and sustain social value (not just private value)
- Recognizing and relentlessly pursuing new opportunities to serve that mission
- Engaging in a process of continuous innovation, adaptation, and learning
- Acting boldly without being limited by resources currently in hand
- Exhibiting heightened accountability to the constituencies served and for the outcomes created

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Who is an entrepreneur?

- Entrepreneur: an evolving concept
- Those who recognize opportunity where others see chaos or confusion
- Agents of change; provide innovative ideas for business & help them grow & prosper
- The “pioneership” on the frontier of business
- How do **you** define Entrepreneurship?

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The two essentials:

1. Vision
See the big picture & visualize the end result
2. Passion
Oxford Dictionary: “Barely controllable emotion”

Limbo

- Let's say you entered a Limbo contest and the bar was set at 5'
 - You could easily achieve that goal
 - What have you actually accomplished?

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The Impossible Dream

Don Quixote - Man from La Mancha

Lyrics: Joe Darion

To dream the impossible dream,	And I know, if I'll only be true
To fight the unbeatable foe,	To this glorious quest,
To bear with unbearable sorrow	That my heart will lie peaceful and calm
To run where the brave dare not go;	When I'm laid to my rest.

To right the unrightable wrong.	And the world will be better for this,
To love, pure and chaste, from afar,	That one man, scorned and covered
To try, when your arms are too weary,	with scars,
To reach the unreachable star!	Still strove, with his last ounce of
	courage,

This is my quest, to follow that star, To reach the unreachable stars!
No matter how hopeless, no matter how far,
To fight for the right without question or pause,
To be willing to march into hell for a heavenly cause!

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Aim High!

- We have been trained from birth to take the easy road; to set goals that we can achieve
- Aim high! **Your reach should exceed your grasp** – only this way will you grow
- Your sense of accomplishment will be much greater
- It is not reaching the goal that is satisfying; it is the journey that is the reward

Re: Your Interview of an Entrepreneur

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Primary Characteristics of Entrepreneurial Ventures

1. Innovative
 2. Value-Creating
 3. Growth-Oriented
- !
- These are key characteristics to differentiate entrepreneurial from managerial efforts

Myths of entrepreneurs

1. Doers, not thinkers
2. Born, not made
3. Always inventors
4. Academic & social misfits
5. Must fit the “profile”
6. All you need is money or luck to be one
7. Are extreme risk takers

Some people...

- **Make** things happen
- **Watch** things happen
- **Wonder** what's happening

- Which are **you**?

Views of Entrepreneurship

- Peter Drucker
“Monomaniac with a mission”
- Gifford Pinchot
“Dreamers who do”
- French literal derivation
“In-between taker”

Approaches to entrepreneurship

- The **macro** view – broad array of factors that relate to success or failure (external control)
 - The environmental school of thought (social/econ factors)
 - The financial/capital school of thought (vital part)
 - The displacement school of thought (only if displaced)
- The **micro** view – ability to direct the outcome of each major influence (internal control)
 - The entrepreneurial trait school (achievement, creativity)
 - The venture opportunity school (“prep+luck=opportunity”)
 - The strategic formulation school (planning: unique mkts₆₆)

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Entrepreneurship processes

Many definitions of entrepreneurship , no consensus in academics

- Schumpeter: Wealth creation by innovation in product or service, way of organizing raw materials, markets, production processes
- Kirzner: Ability to perceive new opportunities
- Stevenson: Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities
- Timmons: Entrepreneurship is a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced

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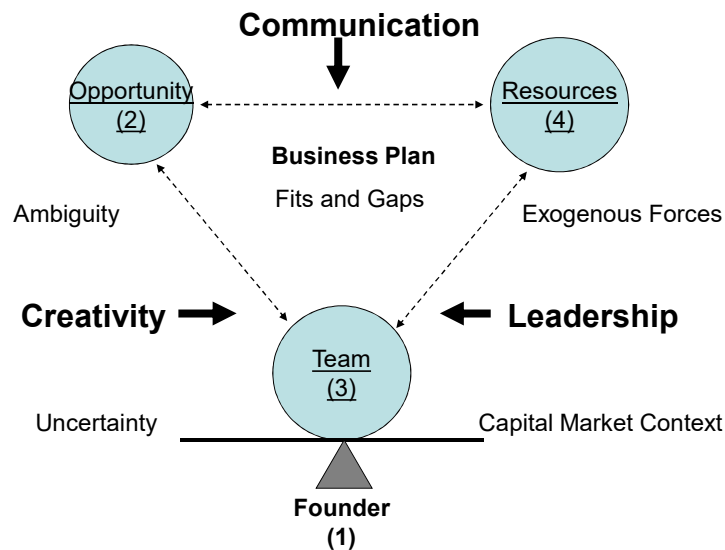
Process approaches

- The integrative approach
 - 3 factors: inputs, outputs & intensity
- Entrepreneurial assessment approach
 - Focus on the entrepreneur, venture & environment
 - Assessments made qualitatively, strategically, and ethically
- Multidimensional approach
 - Emphasizes the individual, the environment, the organization, and the venture process
 - Moves entrepreneurship from a segmented school of thought to a dynamic interactive process approach

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Timmons model of the E process



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Timmons model interpreted

- The process starts with opportunity, not strategy, resources or planning
- Opportunity recognition results from creativity, which is shared by the entrepreneur and the team
- Creativity results from the collision between academic learning and real world practice
- Value creation results from integration of opportunity and efficient use of resources
- Combination of people, opportunity, and resources coming together at a particular time may determine the chance for success

Entre- & Intrapreneurship

{ Instructor's Personal Examples }

- Entrepreneurial Example – CSI
 - Strengths / Weaknesses
 - What To Do / Not Do
- Intrapreneurial Example – TargetTV
 - Strengths / Weaknesses
 - What To Do / Not Do
- Summary: Differences / Similarities

Entrepreneurial example – CSI

- Startup
 - Three Product Areas
 - Largest Retail Industry Vertical S/W Company
 - Several Rounds of Venture Investment
 - Company Sold to Investors After 16 Years
- Strengths / Weaknesses
- What To Do / Not Do

Intrapreneurship

- Need: continuous innovation
- To succeed, companies need:
 - Atmosphere & vision
 - Orientation to the market
 - Small, flat organizations
 - Multiple approaches
 - Interactive learning
 - Skunk works
- 2 major phenomena:
 - New venture creation within a large org.
 - Transformation of orgs thru strategic renewal

What is an intrapreneur?

- Gifford Pinchot, “Intrapreneuring”, 1987
 - “Dreamers who do”
 - Not an inventor – who sees what a customer may need, but doesn’t clearly see how to get there from here
 - Not a promoter – who can convince people, but lacks the intrapreneur’s follow-through
- Has the creativity to innovate and/or recognize its value, the vision of what it can become and a plan of how to get there, the drive to overcome obstacles, and the pure endurance to see it through

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Informal routes to innovation*

Institutional traps:

- Change isn’t obvious
- We repeat our successes
- Failure is punished
- We trust our peers
- We like consensus

Informal processes:

- Side projects
- Communities of interest
- Ad hoc

Key method:

- Stealth & Trickery

* Clayton Christensen, The Innovator’s Dilemma

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Stealth and trickery

- Choose wisely, but never throw anything out
- Stay under the radar
- Be flexible
- Change the context
- Understand people
- Feed the baby
- Beg, borrow & req.
- Don't expect credit
- Create success; make it a fait accompli
- Official support doesn't equal crossing the goal line
- Disturbing the comfortable
- Smile
- Leave crumbs
- Decide when to look smart
- Dodge the difficult
- Become irresistible
- Leave people hungry for more

What to do

- Do anything to move the idea forward
- It is easier to ask forgiveness than for permission
- Come to work each day willing to be fired
- Work underground as long as you can

Use your passion to lead and to motivate

Intrapreneurial example – TargetTV

- Startup in late 1999
 - Joint Venture of Comcast & QVC (Liberty Media)
 - Bought by Comcast on 1/1/05
 - Stealth Development
 - Emerging Commercialization Underway
- Strengths / Weaknesses
- What To Do / Not Do

Summary: differences / similarities

- Entre-
 - Independence – which means self reliance
 - The never-ending hunt for cash
 - Generally means a slower ride to a lower place
- Intra-
 - Availability of resources – which means dependence
 - Politics and intrigue
 - Could result in a smaller slice of a bigger pie

The entrepreneurial perspective

- Perspective in individuals
- ***Who are Entrepreneurs?***
 - Driven by intense commitment
 - Determined perseverance
 - Hard work
 - Optimists
 - Strive for integrity
 - Driven to excel; failure is a tool for learning
 - Self confidence
- ***McGrath's The Entrepreneurial Mindset***

McGrath's mindset- some keys

- What does she mean by...
 1. The habitual entrepreneur?
 2. Uncertainty can be used to your benefit?
 3. Solutions that are "roughly right"?
 4. Adaptive execution?

(refer to McGrath's book: The Entrepreneurial Mindset)

McGrath's Entrepreneurial Mindset

Defining characteristics of the mindset:

- Habitual entrepreneurs have made careers out of starting businesses, some working within existing businesses and some in independent start-ups. They have in common finely honed skills in forging opportunity from uncertainty.

 1. They passionately seek new opportunities (we'll talk about Business Models a week from today)
 2. They pursue opportunities with enormous discipline
 3. They pursue only the best opportunities...
 4. They focus on adaptive execution
 5. They engage the energies of everyone in their domain

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Sources of research for E's

- You will be interviewing an E as an important part of this course. Interview paper & presentation due the day of Class 9

- Publications
- Direct observation of practicing Entre's
- Speeches, presentations, ... by Entre's

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Common characteristics of E's

- 21st Century top ten characteristics:
 1. Recognize & take advantage of opportunities
 2. Resourceful
 3. Creative
 4. Visionary
 5. Independent thinker
 6. Hard worker
 7. Optimistic
 8. Innovator
 9. Risk taker
 10. Leader

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The dark side of E's

- The confrontation with risk...
 - Financial risk
 - Career risk
 - Family & social risk
 - Psychic risk
- Stress
 - Sources of stress
 - Coping mechanisms

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Entrepreneurial ego

- The need to control
- Sense of distrust
- Overriding desire for success
- Unrealistic optimism

Motivation

- What are the principal motivating factors of entrepreneurs?
 - They don't want to work for someone else?
 - They want independence?
 - They are driven to achieve?
 - Wealth?
 - Business goals?
 - Success?
 - What do you think?

Are you *Alice* or are you *Dorothy*?

- Alice & Cheshire Cat conversation:
 - Alice – “Tell me Sir which way to go from here”
 - Cat – “That depends are where you want to get to”
 - Alice – “I don’t really care where”
 - Cat – “Then it doesn’t matter which way you go”
- Dorothy on the Yellow Brick Road
 - She had a definitive direction to follow (YB road)
 - Gathered resources along the way (tin man, lion, scarecrow)
- Who is the entrepreneur?

Alice: No particular direction

Dorothy: Knows where she is going

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Next class

- Angel Lessons – Class 2 folder
 - Allen Ch 3 – Recognizing & Creating Opportunity
 - Angel Readings
- Team Participation
 - Form teams and begin team coordination
 - Think about your teams; begin to network

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