

Strategic Research and Development Management

Lecture 3: Devising competitive portfolios

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Historical Views from Economics

- Economics tends to marginalize the entrepreneur
- Cantillon and Say (from the perspective of an agrarian economy) – someone who makes buying and selling decisions and in so doing is the bearer of risk
- ‘Austrian school’: Kirzner – an ‘alert’ middleman who spots opportunities to facilitate exchange (arbitrage)
- Schumpeter: an innovator – the entrepreneur brings change through the introduction of new technological processes or products
- Knight: someone who undertakes risk, with profit being the reward for bearing uncertainty
- Shackle: emphasises the role of creativity in the entrepreneurial process
- Casson: someone with the skills to organise or reallocate resources

Economic Theories of Entrepreneurship

Risk Taker –
Richard
Cantillon, 1755

Capitalist –
Adam Smith,
1776, David
Ricardo, 1871

Technological
Knowledge –
Jeremy
Bentham,
1838

Risk Taker &
Innovator –
Von Thunen,
1850

Economic
Change –
Carl Menger,
1871

Capitalist –
Amasa Walker,
1866, Francis
A. Walker,
1887

Novel
Resource
Combination
– Alfred
Marshall,
1920

Risk Taker &
Uncertainty
Avoidance –
Frank Knight,
1921

Innovator –
Joseph
Schumpeter,
1952

Alertness –
Israel
Kirzner,
1973

Definitions continued

- Note: None of These Definitions Sees the Entrepreneur as the Creator of a Business
- Contemporary Definitions:
 - Distinguish Between 'Enterprise' & 'Entrepreneurship'
- Enterprise:
 - Using Skills Such as Initiative, Independence, Creativity, Problem-solving, Identifying & Working on Opportunities, Leadership & Acting Resourcefully to Apply Creative Ideas & Innovations to Practical Situations to Effect Change

- Which Entrepreneurs Can You Name?

The Paradoxes of Enterprise



On The One Hand

- Enterprise Requires Thought & Preparation
- To Make Money
- An Opportunity with Little or No Potential
- To Create & Build Wealth
- To Succeed



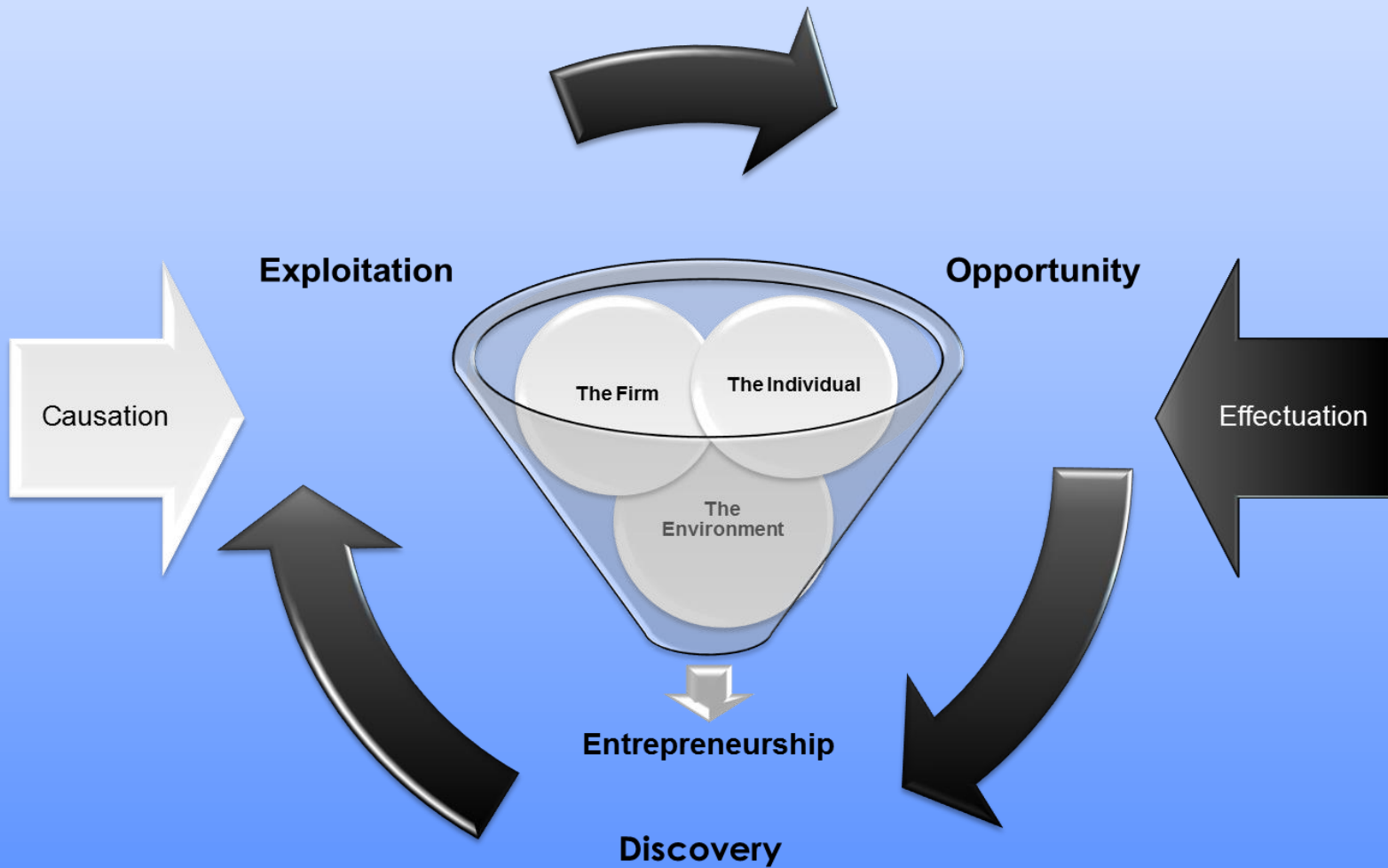
On The Other

- It Is An Unplanned Event
- You Have To Loose Money
- Can Be An Enormous Opportunity
- You Must First Relinquish Wealth
- You Must Experience Failure

Planned or Unplanned?



The Entrepreneurial Process



So...

- Do Ideas = Opportunities?
- Do Problems = Opportunities?
- Reality - An Idea is Only an Opportunity when It:
 - Adds Value to Consumer
 - It Solves a Problem
 - It Can Make Some Money (Communicate Some Value to Other Stakeholders)
 - It is a Good “Fit” with the Entrepreneurial Team
- Timmons & Spinelli (2007)

Ideas Can Start with Solving Problems

- Solving “Points of Pain”:
 - To Notice Inefficiency, Inconveniences, & Other Forms of “Points of Pain” & Use these to Build New Business Opportunities

Ideas Start With Solving Problems

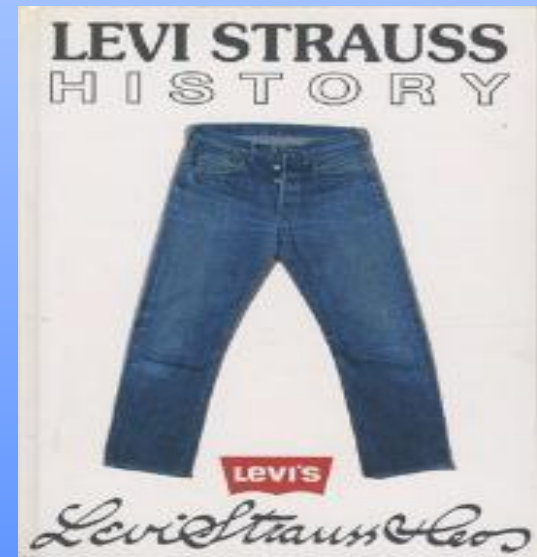
- Any Problems are Big Opportunities.
- No Problems, No Solutions, & No Reasons for Firms to Exist.
- No One Pays You to Solve a Non-existent Problem (*Vinod Khosla, Sun Microsystems*)

Example (1): Rise of Levi's

- Problem:
 - Working Clothes for Mining Workers do Not Last



- Solution:
 - First Pair of Jeans



Reading

Fillis, I. (2002) An Andalusian Dog or a Rising Star? Creativity and the Marketing/Entrepreneurship Interface. *Journal of Marketing Research*, 18(1), 379-395.

Bygrave, W.D. (1989) The entrepreneurship paradigm (1): a philosophical look at its research methodologies, *Entrepreneurship Theory and Practice*, 14(1), 1-26.