

Social Entrepreneurship (SE)

Topic 7. Growing Pains

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What Explains this Growth?

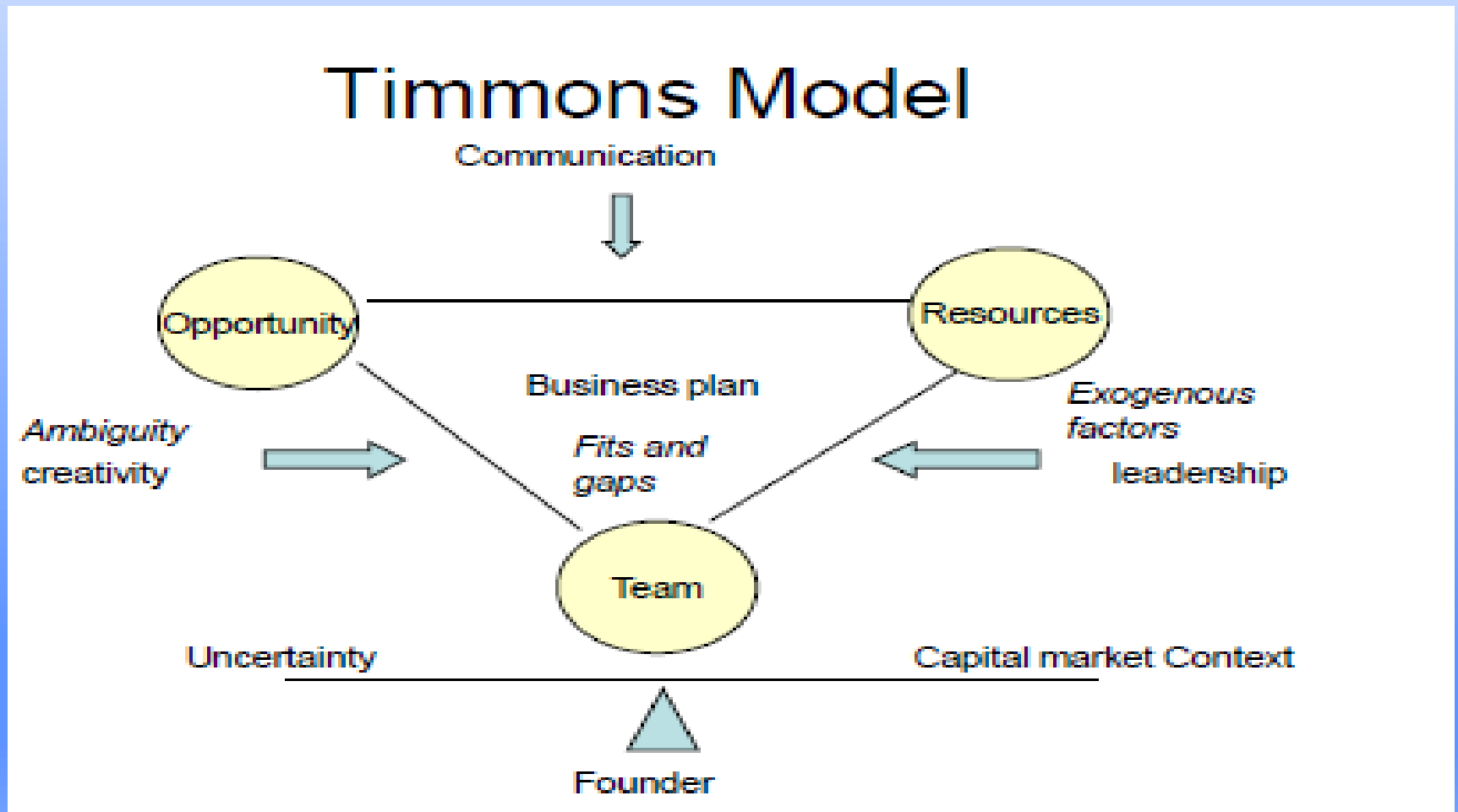
- Structural shift from manufacturing (large firm dominated) to services (small firm dominated)
- Growth in personal, flexible, tailor-made services
- Restructuring by large firms – focus on core activities, sub-contract non-core activities
- Technological change
 - Scientific discoveries exploited by small firms
 - Production and IT technologies have reduced the role of economies of scale
 - Low cost and access to communications technology ('the great equaliser'): access to information, distribution ('the long tail')

Growth Continued

- Importance of human capital rather than financial capital as the basis for competitiveness
- Consumer choice – reaction against mass produced products and services: individualism, demand for authenticity, natural products (e.g. real ale beer) – growth in market niches
- Deregulation of markets: e.g. in airlines, telecoms, media
- Personal choice – ‘rebellion’, reaction against working in large impersonal organisations, want to control own destiny
- Availability of finance – venture capital
- Availability of support, advice and education

- How do they do it?

Timmon's (2007) Model



An Enterprise Needs

- According to Timmons & Spinelli (2007);
 - Opportunity
 - Lead Entrepreneur & A Team
 - Resource Parsimony & Creative Use of Resources
 - Fit & Balance
 - Integrated & Holistic
 - Sustainable

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



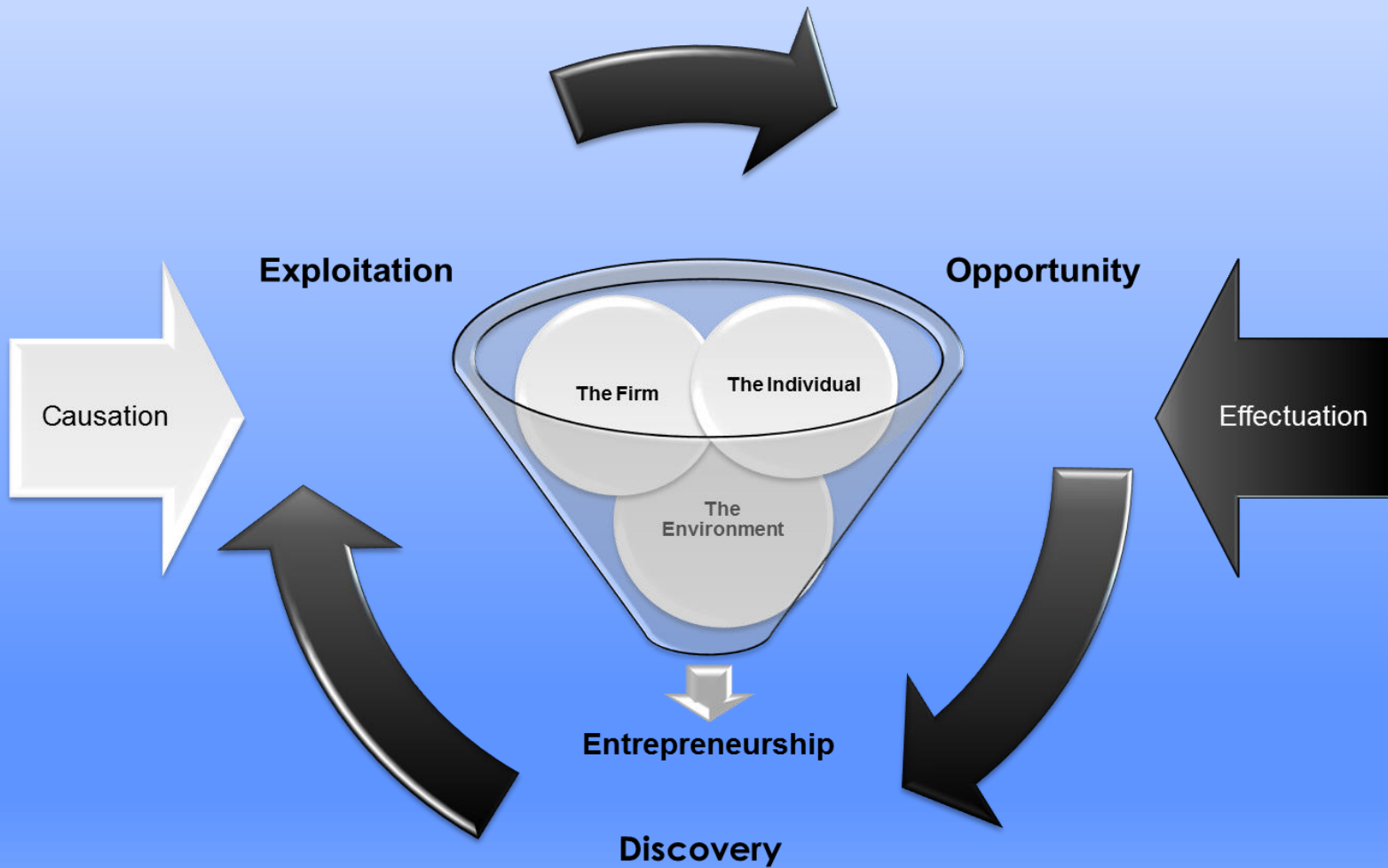
On The Other

- 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

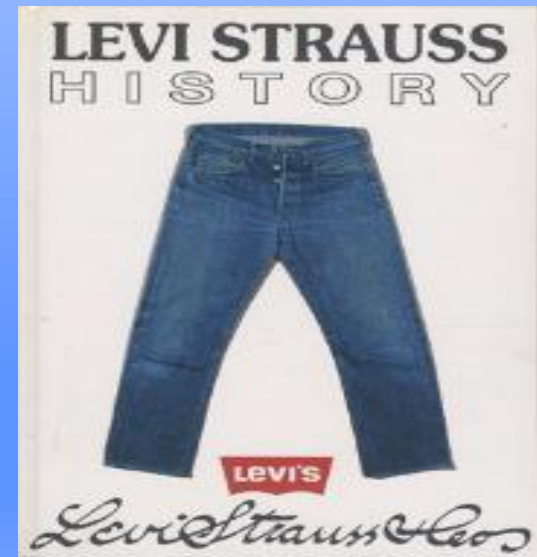
- Any Problems are Big Opportunities.
- No Problems, No Solutions, & No Reasons for Firms to Exist.
- No One Pays You to Solve a Non-existent Problem (*Vinod Khosla, Sun Microsystems*)

Example (1): Rise of Levi's

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



- Solution:
 - First Pair of Jeans



- The Point of Pain: A Direct Solution

<http://kck.st/LEbznj>

What is Your Opportunity for the Pizza Business?

Customer Points of Pain

Pizza Arrives Late

Pizza Arrives Cold

Phone Takes too Long to be Answered

Order Taken is Incomprehensible

Pizza Tastes of the Packaging

Owner Challenges

What is Your Opportunity for the Pizza Business?

Customer Points of Pain

Pizza Arrives Late

Pizza Arrives Cold

Phone Takes Forever to be Answered

Order Taken is Incomprehensible

Pizza Tastes of the Packaging

Challenges

Location is Bad, Rent is High

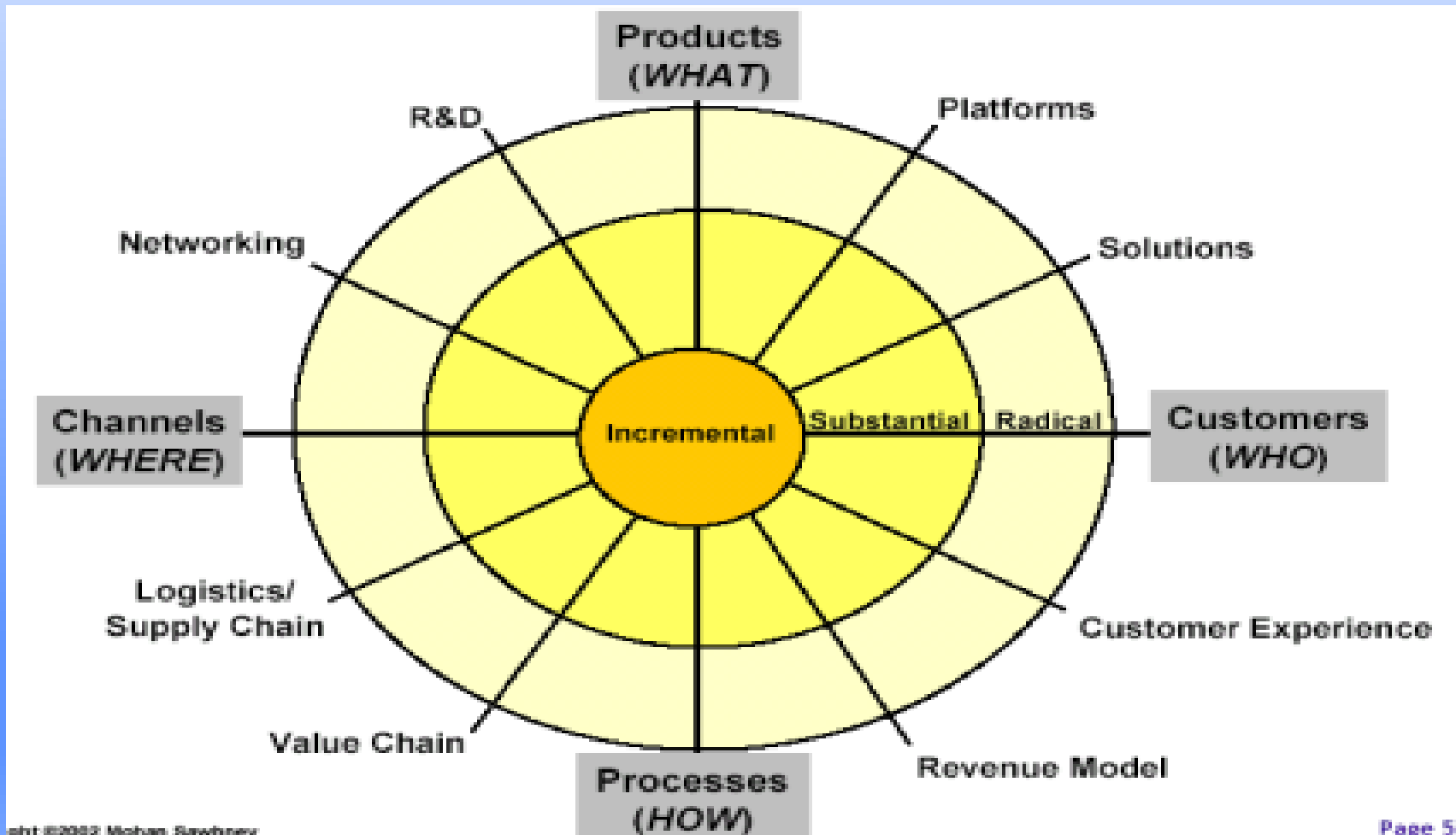
Bad Management

Labour is Expensive & Unreliable

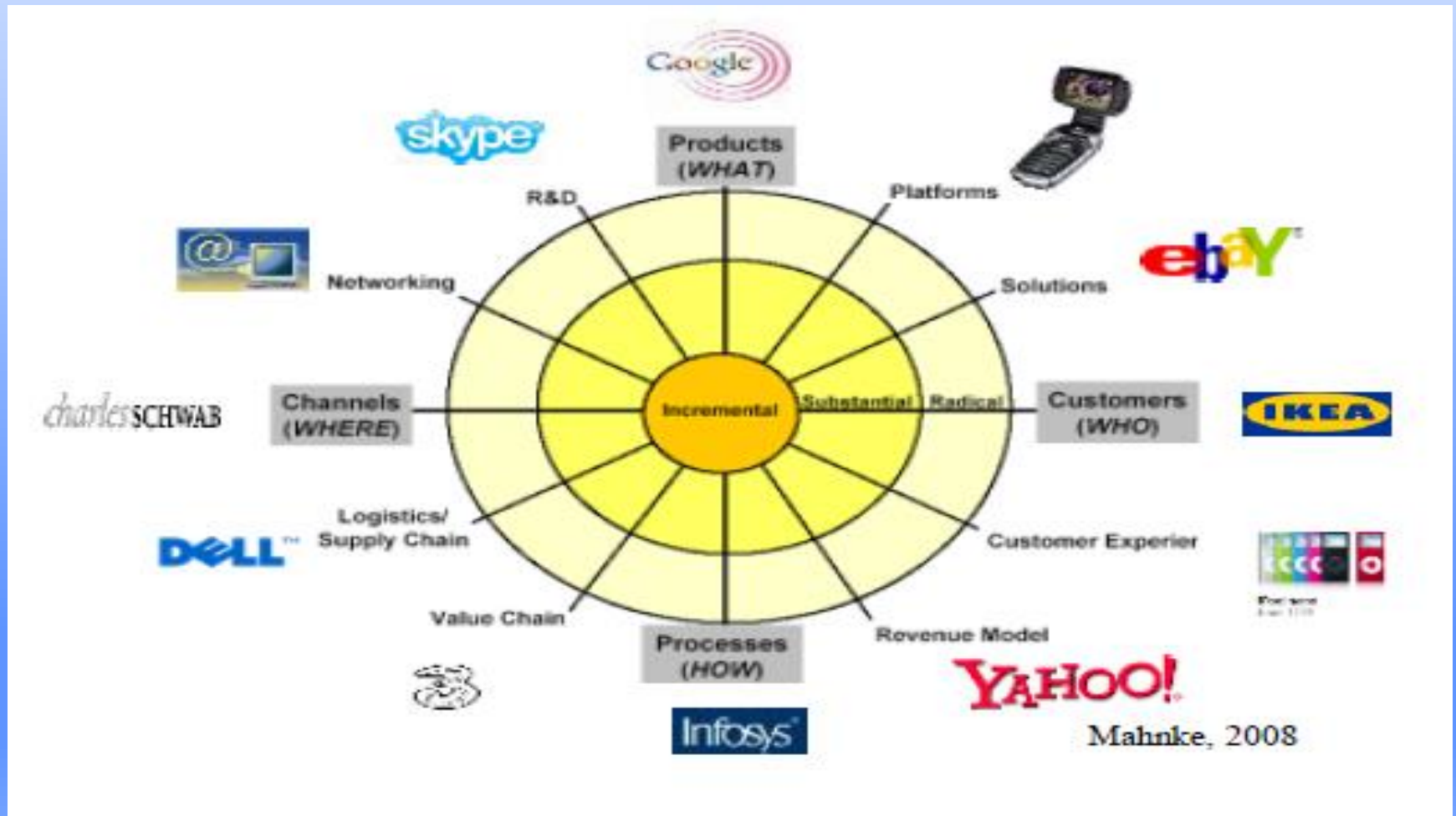
It is Difficult to Schedule Baking with Deliveries

Packaging is Made with Low Quality of Paper

Locating a Business Idea



Searching for Business Opportunity in a 360 Degree Space



Locating Business Ideas

- **Products:** Create Entirely New Products or New Services
- **Solutions:** Solve “End-to-end” Problems for Customers
- **Customers:** Find New Customer Segments or Unmet Needs
- **Customer Experience:** Change How Customers Interact With You
- **Revenue Model:** Change How You Get Paid
- **Processes:** Innovate on Operating Processes
- **Value Chain:** Change Position or Scope of Participation
- **Logistics/Supply Chain:** Change the Way You Source & Ship
- **Channels:** Change How you Go To Market with your Products
- **R&D:** Create New Technologies, Materials, Products or Processes

There are Other Techniques to Screen Your Idea....

How can we evaluate the opportunity? Screening

Quick Screen

- Market & margin
- Competitive advantage
- Value Creation & realisation
- Overall potential



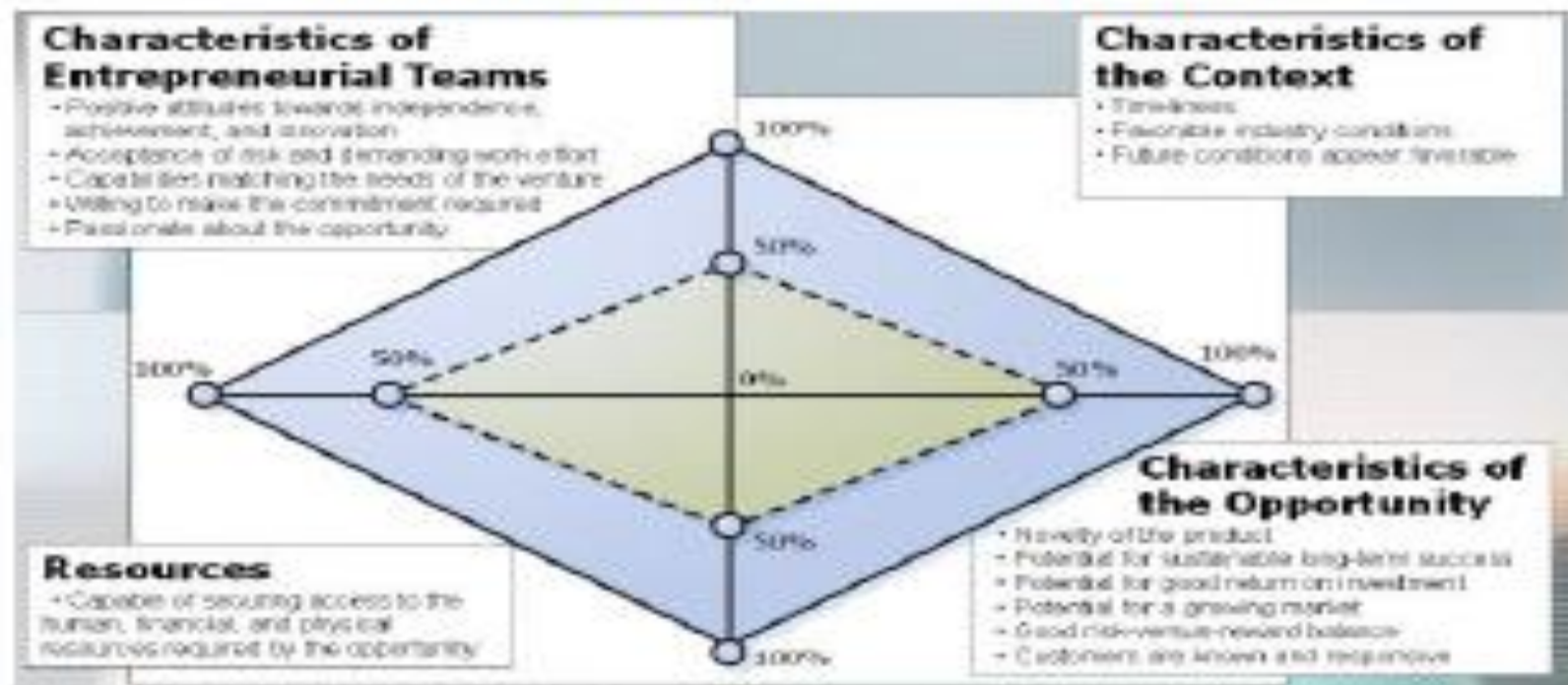
Even quicker screen!

- Industry & market
- Economics
- Harvest Issues
- Competitive Advantage Issues
- Management Team
- Fatal Flaws
- Personal Criteria
- Strategy differentiation

Screening

- Systematic approach but avoid the paralysis with analysis approach.
- Should screening be the same for every business or change depending on the context?- Service company's think that ideas should be generated as required rather than an ongoing basis but still use financial, marketing, management, strategy and resource implications (Kelley & Storey 1999)
- Hard and fast rules presented by writers.

Evaluation of business opportunities



Technology Venture, Dorf and Byers, 2008

Types of Entrepreneurship

Salesman entrepreneur:

- These individuals possess skills to interact with people and have very good soft side of the management aspects.
- These people are typified for having the feelings of the consumers' needs and wants.
- They usually use the soft sales approach whilst pursuing the growth of their ventures.
- They have enormous talent for connecting with people and spend most of their time in marketing their products/services and permit other people to manage their businesses.
- These individuals therefore devote their time to understand who and how are the consumers in the market.
- They develop a proper vision for marketing and sales practices to reach wider consumer groups. (Carsrud & Brannback, 2007).

Types of Entrepreneurship

Technology entrepreneur:

- Individuals belong to this category, are generally idea developers.
- These individuals often possess great ideas
- They have the capabilities to develop innovative processes and invent novel products or services for niche markets.
- As these individuals possess qualities to create several ideas they have a good analytical intelligence and take calculated risks in their ventures
- Although these individuals possess good analytical intelligence to make way through several situations, however, at times their missions can become a bit idealistic. (Carsrud & Brannback, 2007).

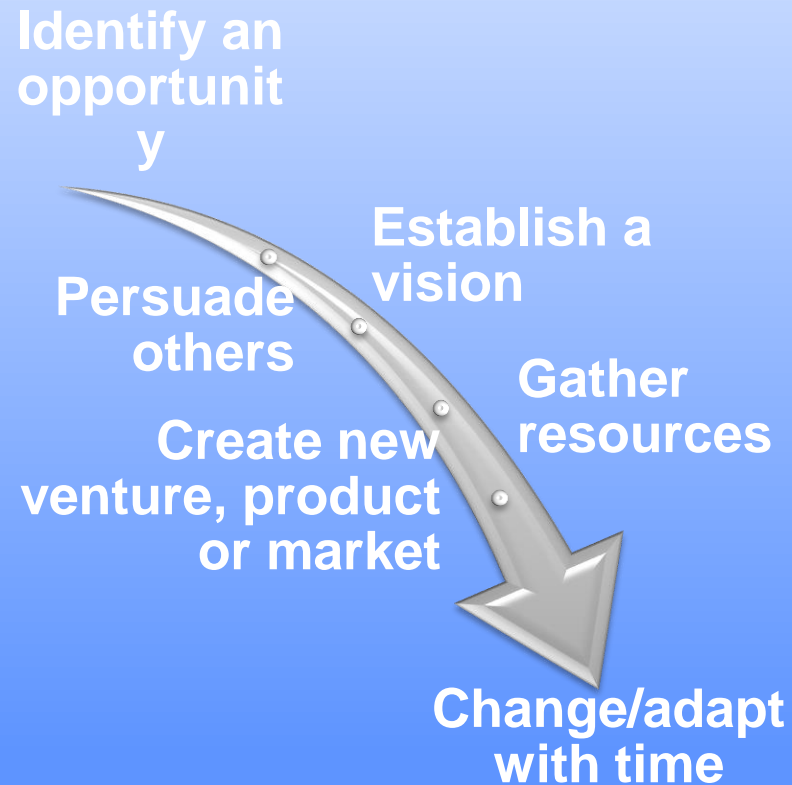
Types of Entrepreneurship

Manager:

- These types of individuals possess the qualities of taking charge of the missions.
- Individuals belonging to this type of entrepreneurship are very competitive by nature but not as co-operative as one would expect in a team work.
- They are usually found to take positions of high authority, such as external investors or sometimes act as board of directors.
- They prefer to work in larger organisations than small entrepreneurial businesses.
- They seek comfort in making effective marketing strategies, but not necessary selling products or services.
- Their ways to sell are different, they employ logic and carefully thought persuasions, as mechanisms to sell their ideas.
- They have rich experiences, strong management skills and possess strength in managing existing businesses (Carsrud & Brannback, 2007).

Entrepreneurship Process

The process of entrepreneurship can be observed through the six-stage process:



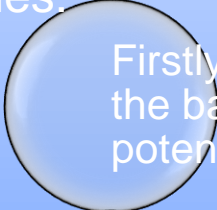
Entrepreneurship opportunities

Entrepreneurship offers several opportunities and some of those opportunities are:

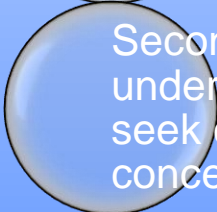
- (a) expansion of entrepreneurial activities through the advent of the internet and the explosion of e-commerce on a global scale.
- (b) Integration in social and political fabrics in several emerging economies.
- (c) increasing economic situations in middle income house-holds in several economies.
- (d) increase in cross-border engagements and market entry mechanisms such as strategic alliances, subsidiaries, joint ventures etc.
- (e) evolving trends in channel structures among the developed world.
- (f) increased engagements in global markets concerning social responsibility and ethics (Ramachandran & Gokila, 2012).

Entrepreneurship avenues

Contemporary markets offers several avenues for entrepreneurial activities:



Firstly, entrepreneurs can seek information to understand the balance of trade relationships between the exports in potential markets and the merchandising imports.



Secondly, entrepreneurs can conduct extensive research to understand the political aspects of the global economy to seek other outlines for strategic and operational aspects concerning barriers to enter a market.



Thirdly, entrepreneurs can understand the developments of any domestic market of a country and comprehend how these nations protect their industry by establishing tariffs, quotas, boycotts, non-tariff, monetary and market barriers (Ramachandran & Gokila, 2012).

Entrepreneurship challenges

Although entrepreneurship activities are beneficial, however they come with certain challenges. Some of those challenges are mentioned herewith:

- Knowledge gap between the developed, emerging, frontier and under developed markets for conducting business
- Difference in accounting systems in several countries
- Variable rates of return
- Non-convertibility of the currencies
- Communication gaps
- Language barriers

Source: Adapted from Ramachandran & Gokila (2012).

Entrepreneurship challenges

In addition, to the previously mentioned challenges, there are also some other challenges commonly found in entrepreneurship

- Political unrest and legal concerns
- Cultural differences
- Discrepancies in the use of technology
- Complexity in the markets
- Supply chain concerns
- Lack of specific infrastructure in some countries or regions
- Financial markets and their volatility

Source: Adapted from Ramachandran & Gokila (2012).

True Entrepreneurial, Creative & Innovative Acts

- Dare To Dream!!!
- Be Creative... Do Things Which Others Refuse! No Compromise Between Dream & Capabilities
- The New Ones Can Start from the Forgotten Old Ones Stop & Look Around

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