

ENTREPRENEURIAL MANAGEMENT – LECTURE 1

CHAPTER 1 – THE ENTREPRENEURIAL LIFE

LESSON 1

THE ENTREPRENEURIAL LIFE

Learning Objective 1 – Small Business and Entrepreneurial Opportunity: The Same or Difference?

What is a Small Business?

What does the term "little business" mean? A neighborhood café or bakery is unmistakably a small business, whereas Toyota is unmistakably a large one. However, small firms vary significantly in terms of size, development potential, organizational structure, and frequently, culture. Apart from size, small firms vary significantly in terms of their growth potential. The few organizations with extraordinary development prospects are referred to as high-potential startups, or gazelles. They comprise a sizable portion of small businesses—vibrant, healthy enterprises capable of providing meaningful professions and generating financial prosperity for their owners.

Our research will primarily focus on small enterprises that fit the following criteria, at least in spirit:

1. The business is modest in comparison to the industry's largest enterprises; in most cases, the business has fewer than 100 employees.
2. The business's operations, with the exception of marketing, are locally localized.
3. The business's equity financing is provided by a small number of individuals. Equity finance refers to the capital invested in a business by its owners and potentially a few other persons.
4. While the business may begin with a single individual, it has the potential to evolve beyond a "one-person show" to become a midsized or even huge enterprise.
5. The business must have the potential for growth, regardless of whether the owner decides to capitalize on it.

What Is an Entrepreneurial Opportunity?

At its heart, the entrepreneurial process begins with spotting an appealing opportunity, which goes beyond simply having a solid idea. These chances make the firm economically viable for the owners while also providing customers with a product or service that is so desirable that they are willing to part with their hard-earned money to get it. In other words, an entrepreneur must discover a way to add value to the lives of his or her clients. Thus, an entrepreneurial opportunity is one that is economically viable and timely and adds value to both prospective clients and the firm's owners. An entrepreneur is someone who actively pursues an opportunity, whether new or existing, to create value while taking on both the risk and reward associated with the endeavor.

Entrepreneurs generally view resources differently than employee-managers do. While managers in large organizations frequently think like administrators or bureaucrats, desiring larger budgets or additional people, entrepreneurs strive to accomplish more with fewer resources. They may attempt to leverage other people's resources, a process known as bootstrapping. For instance, an entrepreneur may use bartering or, in the early stages of a business, attempt to generate revenue from alternative sources to fund the venture. Consider three companies founded by contemporary entrepreneurs that have successfully produced value for both their customers and themselves.

Learning Objective 2– Entrepreneurial Qualities: Big Ego Not Required

The entrepreneurs they identify as possessing and exhibiting "desirable and acquirable attitudes and behaviors" fit into six categories:

1. Determination and commitment—Aggressive, decisive, and persistent in issue solving.
2. Leadership capabilities—Self-starters and team builders who place a premium on candor in their commercial dealings.
3. Obsession with opportunity—Awareness of market and client needs.
4. Risk, ambiguity, and uncertainty tolerance—Risk takers, risk minimizers, and risk tolerators.

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Michaella DeLeon Castillo, DBA

5. Self-reliance, creativity, and adaptability—Open-minded, adaptable, dissatisfied with the current quo, and fast to learn.
6. Drive for excellence—Goal-oriented and cognizant of one's own talents and flaws.

On the other hand, certain attitudes and behaviors should be avoided entirely. As many entrepreneurs have discovered through experience, an almost definite way to fail as an entrepreneur is to do the following:

1. Overestimate your capabilities.
2. Lack of market knowledge.
3. Employ mediocre employees.
4. Fail to be a team player, which is frequently the result of excessive self-importance.
5. Be a controlling manager.
6. Failing to share ownership in an equitable manner.

Founders and Second-Stage Entrepreneurs

Typically, we conceive of "pure" entrepreneurs as those who started new enterprises and brought innovative products or services to market. However, after a new business is founded, it may be acquired or taken over by a second-generation family member or another individual who was managing the business at the time. These "secondstage" entrepreneurs operate their enterprises in a manner that is not unlike to that of founding entrepreneurs. Occasionally, these well-established small businesses expand swiftly, and their orientation is more like to that of a founder than a manager. Nonetheless, it is crucial to distinguish between entrepreneurs who build new firms or significantly alter existing ones and those who oversee the continued operations of established organizations.

Franchisees

The franchisee is authorized to sell the franchisor's products or services and anticipates receiving assistance from the franchisor in operating the business. Operating systems, training, financing, promotion, and other services are virtually always included in this type of assistance.

Entrepreneurial Management
Chapter 1
The Entrepreneurial Life
Lecturer: Michaela DeLeon Castillo, DBA

In addition to the annual franchise fee, the franchisee is required to pay the franchisor a percentage of its revenues.

Entrepreneurial Teams

An entrepreneurial team is comprised of two or more persons who pool their resources to act as entrepreneurs. Thus, the abilities, skills, and resources of two or more entrepreneurs can be pooled into a single venture.

Social Entrepreneurs

Small business owners have a plethora of options for making a positive difference in the lives of others, from donating to local schools to participating in mentoring programs for at-risk youth to allowing employees to volunteer a portion of their on-the-job hours to the community organizations in which they believe most strongly. However, social entrepreneurship implies more than redistribution of wealth for the benefit of others. It entails establishing a social mission and making it an intrinsic element of the business. Social entrepreneurs incorporate their social mission into the very structure of their companies.

Women Entrepreneurs

Additionally, these researchers highlighted the key reasons why women create their own enterprises in their 2014 survey. Their motivations are not dissimilar to those of men. They particularly admired the small business culture.

- Desired to own their own business for a long period of time.
- Had a concept for a business and desired to capitalize on it.
- Was uninterested in working for someone else.

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Michaella DeLeon Castillo, DBA

- Desired to accumulate personal fortune

Furthermore, the researchers discovered two key barriers that women entrepreneurs face: (1) a scarcity of mentors and advisors, and (2) a finance gap (nearly 80 percent of the women surveyed had to rely on personal savings as their primary funding source).

Learning Objective 3 – Your Motivations for Owning a Business

Before you choose to enter the small business game, you need to think carefully about the person you want to be and how owning a business will help make you that person.

Types of Entrepreneurial Motivations

According to a recent Harris poll, the top three reasons entrepreneurs establish a business are: (1) to enhance financial well-being (73 percent), (2) to be their own boss (41%), and (3) to pursue a passion (22 percent).³² There are four main reasons, which we believe include those cited in the Harris poll: personal fulfillment, personal satisfaction, independence, and financial rewards.

Personal Fulfillment

Starting up a business should bring a sense of fulfillment on a personal level. If it does not, you should continue your search. All other motives will be insufficient during truly trying times—which are certain to occur.

Personal Satisfaction

Personal fulfillment is closely tied to the personal satisfaction that company owners frequently enjoy as a result of their businesses. For one reason, entrepreneurs feel rewarded when they are successful in developing a product or providing a service.

Independence

Many people have an innate urge to make their own choices, take calculated risks, and profit from their efforts. They value the freedom to make their own decisions in their career. In other words, they are happier when they have more influence over their work. Additionally,

Entrepreneurial Management
Chapter 1
The Entrepreneurial Life
Lecturer: Michaella DeLeon Castillo, DBA

business owners have the choice to engage in non-business activities. They frequently have the option to choose when to work, when to spend time with family, and when to participate in community activities that employees do not.

Financial Rewards

By and large, when businesses succeed, everyone benefits. Without a doubt, a sizable number of entrepreneurs are greatly motivated by the promise of profit. While some entrepreneurs achieve rapid wealth, the vast majority do not. As a result, a more reasonable goal would be to "acquire wealth gradually." Wealth is almost certain to follow, if the firm is commercially viable and the owner possesses the patience and perseverance necessary to see it through. When it comes to earning money, remember the saying "Money without wisdom is a problem."

Understanding Your Paradigm

Understanding your motivations is critical for anyone considering establishing a business. However, this is insufficient. Additionally, you must determine whether your assumptions of what it takes to succeed in business are accurate.

The Technician Personality

Generally, the technical personality is a consistent worker who is skilled at doing what he or she does best. The technician despises management, preferring to be left alone to complete the task. He or she exists in the present moment, without regard for the future. For the techie, launching a business can be both a dream and a nightmare.

The Manager Personality

A manager personality type is pragmatic, taking responsibility for the business's planning, organization, and predictability.

The Entrepreneur Personality

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Michaella DeLeon Castillo, DBA

The entrepreneurial personality transforms a concept into an opportunity. This personality is indifferent to the work that a firm performs. Rather than that, the entrepreneur assesses how the business accomplishes its mission. This enables the entrepreneur to view the larger picture and devise tactics that will ensure the venture's success.

Learning Objective 4 – The Entrepreneur’s Competitive Edge

How are small and entrepreneurial enterprises able to compete with larger, more powerful businesses and frequently gain an advantage? The answer is found in the capacity of new and smaller businesses to seize opportunities. A firm can be competitive if it can make its product or service cheaper, faster, and better. Small businesses, when managed properly, are just as capable of developing strategies that provide a competitive edge as larger businesses.

Learning Objective 5 – Building an Entrepreneurial Legacy

A legacy is made up of items that have been passed on or left behind. In a restricted meaning, it refers to material possessions left to one's heirs. In a broader sense, it encompasses everything left behind—material possessions, positive or negative family ties, and a track record of integrity or greed—of contribution or exploitation. An entrepreneurial legacy encompasses both tangible and intangible assets that are passed on to heirs and to the greater community. Thus, you can realize the gravity with which an entrepreneur must examine the type of legacy he or she is creating. Entrepreneurs are prone to become enmeshed in activities, working more and harder to keep up with the hectic pace of life. Eventually, such entrepreneurs may realize that their commercial triumphs are eclipsed by the neglect or sacrifice of something more meaningful to them. It is possible to earn points or victories in the wrong game or war.

REFERENCES FOR FURTHER READING

- Banks K., (2020) Social Entrepreneurship and Innovation International Case Studies and Practice. Kogan Page. London
- De Chavez R., Tan A., (2019) Entrepreneurship. Books Atbp. Publishing Corp. Madaluyong, Philippines
- Mazzarol T., Rebound S., (2020) Entrepreneurship and Innovation Theory, Practice and Context 4th Edition. Springer Nature Singapore Pte Ltd 2020
- Acierto, Marife A. (2019) Entrepreneurial Management. International Book Royale Inc. Philippines
- Carayannis, Elias G. (2019) Knowledge-based Social Entrepreneurship. Palgrave Macmillan. USA
- Longenecker, Petty, Palich & Hoy (2019) Small Business Management 19e. CENGAGE Learning, USA
- Demarco, MJ. (2017) Unscripted Liffe, Liberty, and the Pursuit of Entrepreneurship. Viperon Publishing. Arizona. ISBN: 978-0-9843587-7-5
- Yun, JinHyo Joseph. (2017) Business Model Design Compass. Springer
- Longenecker, Petty, Palich & Hoy (2017) Small Business Management 18e. CENGAGE Learning, USA
- Longenecker, Petty, Palich & Hoy (2016 Small Business Management 17e. CENGAGE Learning, USA
- Paul, Power. (2016) Start and Run A Business From Home: How to turn your hobby or interest into business (Small Business Start-Ups). Cengage Learning

ONLINE SOURCES

- <https://dict.gov.ph/wp-content/uploads/2016/07/8.-SMEs-in-the-Philippines-Empowering-LGUs-through-ICT-Partnership-with-SUCs.pdf>
- <http://web.b.ebscohost.com/ehost/detail/detail?vid=2&sid=a8555503-b5a2-4381-93ea-cecdca97caf2%40sessionmgr103&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=150269607&db=bsh>
- <http://web.b.ebscohost.com/ehost/detail/detail?vid=5&sid=a8555503-b5a2-4381-93ea-cecdca97caf2%40sessionmgr103&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=126565663&db=bsh>
- <http://web.b.ebscohost.com/ehost/detail/detail?vid=0&sid=c8f19277-84c0-4168-8d05-d42756aba8a7%40sessionmgr103&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=EJ1264781&db=eric>
- <http://web.b.ebscohost.com/ehost/detail/detail?vid=0&sid=c3099b39-7a5e-46c3-bc05-905a32b28622%40pdc-v-sessmgr02&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#AN=ED608381&db=eric>

Progress Check:

Requirements:

1. Due Date : Jan. 25, 2022 before 5pm
2. Essay format, minimum of 20 words and maximum of 100 words.
3. Format



4. Rubrics (40 points)

Criteria	Below Expectations	Proficient	Exemplary
Reasoning and Analysis	Weak reasons and/or irrelevant or confusing reasons given that don't support the answers; incomplete answers.	Reasons support answers with some / an important reason(s) overlooked; general examination and assessment.	Clear and accurate answers; insightful, specific.
Focus on Topic	Some of the documentation relates to the assigned topic; misuses or uses limited course vocabulary.	The answers are not as detailed and/or concise as needed; and/ or use limited course vocabulary.	Answers address the questions clearly and fully, showing higher level analysis and synthesis of concepts and uses course vocabulary.
Accuracy of Facts and Citations	No direct quotes or "work consulted" used or referred to	All facts are accurate and relate back to the answer, yet there was a	All facts are accurate and relate back to the answer. Provided 2-5

Entrepreneurial Management
Chapter 1
The Entrepreneurial Life
Lecturer: Michaella DeLeon Castillo, DBA

	in the paper. Incorrect facts and / or citations.	disproportionate amount of opinion based statements then facts. Provided 2-5 citations throughout paper using the text, interview and or other related documentation.	citations throughout paper using the text, interview and or other related documentation.
APA	No works cited.	Works cited is not formatted in the correct APA style.	Works cited is formatted in the correct APA style.
Mechanics/ Organization	Numerous errors, paper hard to read; questions are not stated before answers; format details are not adhered to.	Enough errors to distract the reader; organization problems; questions not stated before answers; and / or format difficult to navigate.	Use of correct grammar, spelling, and punctuation; well organized; one idea follows another in a logical sequence with clear transitions; questions stated before answers; format easy to navigate.
Timeliness	On time	late	No points

Questions:

- I. Explain the importance of small business and entrepreneurship in our society.
- II. Distinguish between the terms small business and entrepreneurial opportunity.
- III. Explain the basic characteristics of entrepreneurs, and describe the different kinds of entrepreneurship.

Answers:

- I.
 - Entrepreneurs who start and lead small businesses make a significant contribution to the economy and to quality of life.

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Michaella DeLeon Castillo, DBA

- There are 27.8 million small businesses in the United States with fewer than 500 employees, which account for 99.7 percent of all businesses—and 90 percent with fewer than 20 employees!
 - Fifty-five million people work at small businesses, representing 49 percent of all employees and 42 percent of all salaries paid to employees.
 - Small enterprises hire 43 percent of all high-tech employees (scientists, engineers, computer programmers, and others).
 - Many small companies have been going global, representing 97 percent of all exporters.
 - About one-fourth of the 23.5 million military veterans in the United States are interested in starting or buying their own business.
- II.
- Definitions of small business are arbitrary, but we focus on firms that are small (fewer than 100 employees) compared to the largest firms in the industry, have mostly localized operations, are financed by a small number of individuals, and have growth potential.
 - An entrepreneurial opportunity is an economically attractive and timely opportunity that creates value both for prospective customers and for the firm's owners. Entrepreneurs relentlessly pursue an opportunity, in either a new or an existing enterprise, to create value while assuming both the risk and the reward for their efforts. They generally think differently about resources than do employee-managers. They even try to use other people's resources, which is called bootstrapping
- III.
- Research suggests that there are desirable and undesirable qualities of entrepreneurs.
- Desirable characteristics include commitment and determination, a focus on honesty in business relationships, awareness of market and customer needs, tolerance of risk and uncertainty, creativity, self-reliance, adaptability, and a motivation to excel.

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Michaella DeLeon Castillo, DBA

- Undesirable characteristics include overestimating one's ability, lacking an understanding of the market, taking oneself too seriously, having a domineering management style, and failing to share business ownership in an equitable way.
- "Pure" entrepreneurs are often considered to be the founders of new businesses that bring new or improved products or services to market.
- Second-generation, or "second-stage," owner-managers are similar in orientation to founders.
- Franchisees differ from other business owners in the degree of their independence.
- An entrepreneurial team consists of two or more individuals who combine their efforts to function in the capacity of entrepreneurs.
- Social entrepreneurs engage in activities with the goal of improving society.
- Women entrepreneurs are competitive business owners who are doing extraordinarily well in the fields of health care and educational services.

Quiz – Chapter 1

True or False

1. The Magna Carta for Micro, Small, and Medium Enterprises (MSMEs), signed by President Gloria Macapagal Arroyo on 23 May 2008 defines micro-enterprises as entities with total assets of not more than Php 3,000,000, the law is R.A 6977.
2. The majority of businesses in the Philippines were small enterprises.
3. Economic zones in the Philippines are the way for the government to attract investors.
4. Microbusiness in the Philippines usually join a bigger organization like the Philippine Chamber of commerce and the other business associations

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Michaella DeLeon Castillo, DBA

5. All businesses including microbusinesses are obliged to pay all their employees at the minimum wage rate
6. The backbone of the Philippine economy is the microbusinesses.
7. There are at least six varieties of entrepreneurship.
8. The late Gina Lopez is a social entrepreneur
9. In the Philippines, microbusiness owners can still ask for financial assistance from government agencies even without a business license
10. Henry Sy is a social entrepreneur

Answers:

1. False
2. False
3. True
4. False
5. False
6. False
7. False
8. True
9. False
10. False

Assignment:

For 20 points

1. Name top 10 Filipino Entrepreneur and their business
2. Include picture of the owner and the company

Entrepreneurial Management

Chapter 1

The Entrepreneurial Life

Lecturer: Michaella DeLeon Castillo, DBA

3. Write brief story about the entrepreneur and the business