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ENTREPRENEURIAL DEVELOPMENT

Dr. Sakshi Chabra
Anila Bajpai

Entrepreneurial Development

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KRISHNA NAGAR, DELHI

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CHAPTER 1

BASICS OF ENTREPRENEURSHIP

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Even while ambitious businesses often come up with ideas, not all of them are necessarily good ones. To determine if it is viable to explore the notion, one must first determine whether it can be turned into an entrepreneurial opportunity. A clear client demand and the capacity to provide the desired product or service are prerequisites for the emergence of an entrepreneurial opportunity. In the world of entrepreneurship, several conditions must be met before a notion may develop into an opportunity. It begins with developing the right mindset, one in which the aspiring entrepreneur sharpens their vision of client needs and wants and does research to see if the proposal has the potential to prosper as a new firm. In certain situations, especially when developing new technology, options are found via deliberate search. Other times, opportunities present themselves by mistake. However, the majority of the time, such entrepreneurial opportunity comes about as a result of recognizing a problem and making an effort to solve it.

Creating a more inexpensive and comfy mattress, as done by companies like Casper and Purple, might solve the problem in a far easier way than putting a person on Mars. Entrepreneurs are those who launch new businesses, bearing the bulk of the risks and getting the majority of the rewards. Starting a business is a practice of entrepreneurship. The entrepreneur is often seen as an innovator, providing new concepts for goods, services, companies, and operating procedures. Any economy needs entrepreneurs because they have the skills and zeal to anticipate needs and market workable new concepts. Entrepreneurship that is successful in accepting the risks associated with starting a business is rewarded through money, reputation, and opportunities for future growth. Failure in entrepreneurship results in losses and a weakened market position for those involved. A person who chooses to take the risk of starting a new business is called an entrepreneur. The combination of labor and capital to produce goods or services with profit is called entrepreneurship. A business is established by an entrepreneur to carry out their vision. Entrepreneurship is very risky, but it can also be incredibly rewarding since it promotes wealth, creativity, and economic growth. Obtaining financing is crucial for business owners: Two types of financing include SBA loans and crowdsourcing. The business's organizational structure will dictate how entrepreneurs file their tax returns and handle their tax payments.

Entrepreneurship Works

Entrepreneurship represents one of the four resources which economics identify as necessary to production, along with land/natural resources, labor, and capital. An entrepreneur combines the first three of them to produce goods or provide services. Typically, they create a business plan, hire personnel, collect resources and money, and provide the firm direction and management.

Types of Entrepreneur

Not every entrepreneur is the same and not all have the same goals. Here are a few types of entrepreneurs:

Builder

Builders want to create businesses that can scale very quickly. Builders often reach $5 million in revenue in the first two to four years and continue to expand up to $100 million or more. These folks endeavor to build a strong foundation by enlisting the highest knowledge and the best investors. They have erratic personalities that are ideal for their desired quick growth, but they might be difficult to get along with both personally and professionally.

Opportunist

Opportunistic entrepreneurs have the ability to see financial opportunities, get in at the right time, stay with a business throughout its growth period, and depart when it hits its peak. These entrepreneurs are concerned with generating money and accumulating wealth, thus they are driven to businesses that might provide ongoing or recurrent income. Because they are looking for opportunities at the proper time, opportunistic businesspeople are prone to make snap judgments.

Innovator

Rare persons known as innovators are those that create fantastic ideas or products that no one else has ever dreamed of. Consider Mark Zuckerberg, Steve Jobs, and Thomas Edison. These people focused their work on their passions, which led to entrepreneurial chances. The social effect of their goods and services is more important to innovators than financial gain. These people are better at coming up with ideas than operating a company, therefore they often delegate that responsibility to others who are better at it.

Specialist

These individuals are careful and analytical. They have established skill sets that they have learned via training or an apprenticeship in a specific profession. A specialist entrepreneur will grow their business via networking and referrals as opposed to a construction entrepreneur, which also will result in slower growth.

Types of Entrepreneurship

There are several sorts of entrepreneurs, and thus, various types of enterprises. The primary categories of entrepreneurship are listed below.

Small-Business

Small business entrepreneurship is the idea of founding a firm without expanding it into a huge conglomerate or establishing many chains. A single grocery store, a restaurant with just single location, or a shop where you may sell your handmade goods are examples of tiny businesses. These individuals often make their own investments and are prosperous if their business turns a profit, which they then utilize to sustain themselves. They are prepared to take a loan if it will help the business survive since they have no outside investors.

Scalable Startup

Take Silicon Valley as an example of a firm that was founded on a novel idea. The objective is to innovate by providing a unique product or service, and to continuously growing and

scaling up the firm through time. To develop their concepts and branch out into other markets, these enterprises often need investors and significant capital.

Large-Company

Large company an established firm may use entrepreneurship to build a new market niche. The present company could be well-positioned to diversify into other markets or work with cutting-edge technology. To start the process, the CEOs of these companies either foresee a new market for the company or have staff members come up with ideas and offer them to senior management.

Social Entrepreneurship

The purpose of social entrepreneurship is to benefit society and humankind. They put a lot of effort into leveraging their products and services to help people or the environment. They are driven by helping the world rather than pursuing financial gain.

Creativity and Idea Generation

The current active business climate and socio-economic progress are seen to be driven by entrepreneurial ingenuity. As it relates to the recognition of opportunities, it is one of the essential components of entrepreneurial behavior. Entrepreneurial creativity is described as the use of original, practical ideas to launch a new company or new initiative to provide goods or services. Contrary to the typical notion of creativity, entrepreneurial creativity involves the generation of not only original but also practical ideas since it entails acting on fresh concepts.

This is accomplished either by putting new concepts into practice for the development of fresh businesses, starting fresh programs, or creatively integrating unique improvements into current entrepreneurial endeavors. Three diverse perspectives on creativity exist: process, people, and result. The people element serves as a resource to discover a solution to an issue, while the process approach is goal-oriented and geared at obtaining solutions to problems. The result is basically expressed via process and people-related characteristics in the product perspective. Creativity is not only a natural skill or a special gift that only a small number of people possess. Everyone has some degree of creative ability, and creativity may be fostered and encouraged. People who are creative have the capacity to combine unconnected and unrelated bits of knowledge to create a fresh combination by seeing things from several angles. This process is known as dissociation. It simply emphasizes the differences in the environment of thinking since individuals who use dissociation use a variety of reference planes to produce original and unique thoughts. The process of being creative includes the production of ideas.

Preparation, incubation, concept experience, assessment, and execution are the four stages of the creative process that have often been described, with the first three stages being seen to be more significant for entrepreneurial activity. The real choices approach may provide a complementary perspective on the entrepreneurial process as decision-making under uncertainty, even if in this course we conceive of it as a trinity of opportunity, resources, and the founding team. It suggests that the act of founding, shutting down, and expanding a company creates a chain of viable possibilities and, as a result, a path-dependent development of new enterprises. In other words, real options reasoning might be utilized to manage the entrepreneurial process, which is seen as a nexus of uncertainty, learning, and wealth generation. Choi and Shepherd contend that the chain of real choices model offers a technique to comprehend early stages of business formation whereby entrepreneurs address

an uncertainty and produce an underlying asset. By structuring the procedure in this manner, the negative risk is reduced but the upside potential again for new opportunity remains the same.

Preparation

Investigation and data collecting are part of this step. Utilizing (a) job experience and learning, (b) information searching through social networks, and (c) attentiveness and opportunity detection are all components of preparation. The entrepreneurs' intellectual horizons are widened by the tacit knowledge they have gained via schooling and job experience. It aids business owners in understanding a need, a potential remedy, and prospects. The entrepreneurs utilize social networks to increase their knowledge base and, by keeping a close eye on their surroundings, link these bits of unrelated information to possibilities.

Incubation

This step, sometimes known as "connecting the dots," is defined by analyzing the data obtained during the preparation phase. Entrepreneurs examine related and unconnected information and link them together to find the available opportunity via what is basically a mental process.

Idea experience

An idea is discovered at this stage, which is sometimes thought to be the sole step in the creative process. Here, new concepts often emerge gradually and over time. Though it may not always provide the intended practical answers, idea creation often yields remedies for unexpected consequences.

Evaluation and implementation

This stage, which calls for entrepreneurial activity to assess and put the new concept into practice, is marked by uncertainties and challenges that call for self-control, bravery, and constancy. Many business owners experience several failures before executing their new ideas effectively, or they change their original ideas and give them a new direction while doing so. Sometimes they utterly ignore them. A key task in this phase is the evaluation of ideas before implementation.

Factors deserve consideration at pre-start-up and start-up phases

The following five criteria should be taken into account during the pre-start-up and start-up stages of an opportunity since opportunity assessment must be done against the metrics of success of the new venture:

Innovation is the differentiating factor in this situation and should be founded on a demand for novel goods, procedures, and technology. Additional factors to take into account include how long the newness component must be kept up and maintained.

Investment: Another thing to think about is the initial cash outlay and how long it would take. This is heavily influenced by the demands of the company, industry, and environment.

Sales growth: It is important to take into account the predicted sales production, sales growth, growth rate, and expected sales trends. Product Availability: It's crucial to guarantee enough product and service availability, particularly in the beginning of a firm. Delaying or rushing the product's release may damage the company's reputation and product quality.

Customer accessibility: Understanding the target market for the new business is crucial when evaluating an opportunity. It would be crucial to understand the consumer base, their purchasing patterns, and the time involved in such an examination.

Become an Entrepreneur

After putting up her competition dancing shoes, Judi Sheppard Missett launched her own company by giving a dance instruction to amateurs. But she soon realized that the women who attended her class were more interested in getting in shape and losing weight as opposed to in mastering particular movements. Sheppard Missett taught trainers to teach her exercises to the broader public, which led to the creation of Jazzercise. Next followed a franchise deal. There are now more than 8,300 locations for the organization worldwide. Jerry Greenfield and Ben Cohen, two businessmen, leased a gas station in Burlington, Vermont, enrolled in an ice cream-making correspondence course, combined their savings with a $4,000 loan, and bought the equipment they needed to make distinctively flavored ice cream once more for the neighborhood market. Ben & Jerry's now brings in millions of dollars each year. But even though the self-made man has always been a beloved figure in American society, there has been a tremendous romanticization of business lately. As a result of the success of online companies like Alphabet, formerly Google (GOOG), and Meta (META), formerly Facebook, both of whom have made its founding members very wealthy, more and more people are drawn to the idea of establishing their own firm. In contrast to well-established careers where there is often a clear path to follow, the road to entrepreneurship is opaque to the majority of individuals. What works for one company owner may not work for another, and vice versa. But the majority of successful firms, if not all of them, have followed these seven major procedures:

Ensure Financial Stability

The first step is highly encouraged even if it is not technically obligatory. Starting off with a sufficient financial reserve and receiving recurring financing increases a budding entrepreneur's personal runway and gives them more time to focus on creating a successful firm rather than stressing about generating fast money. Even while some company owners have built prosperous companies while simultaneously being less than financially flush (think of Mark Zuckerberg, the creator of Facebook, now called State of Play), beginning off with a solid cash supply and receiving recurring financing can actually only assist them.

Build a Diverse Skill Set

Once one is financially stable, it is essential to cultivate a wide variety of talents and then put those skills to use in the real world. The convenience of step two is that it may be completed concurrently with step one. You may expand your skill set by learning new things and practicing them in real-world settings. An ambitious businessperson with such a background in finance, for instance, can change careers to work in sales in their present company to develop the soft skills necessary for success. An entrepreneur may react to the unavoidably bad situations that will emerge by using their toolbox of diverse abilities. It has been highly argued whether going to college is necessary to be a successful entrepreneur. Many well-known CEOs, like Steve Jobs, Mark Zuckerberg, and Larry Ellison, are well-known for dropping out of college before their senior year.

Without going to college, a great firm may still be formed, and in many other ways, it can teach young people something lot about the world. These well-known college dropouts remain the exception rather than the norm. Considering going to college is important, even if it may not be the best option for everyone, especially considering the high expense of a

college degree in the United States. It is incorrect that you need to major in entrepreneurship before starting your own business. Those who have founded successful businesses have majored in a range of subjects, and doing so will enable them to see the world from fresh angles that will help them launch your business.

Consume Content across Multiple Channels

Both broad skill-set development and material consumption are essential. These resources might be lectures, podcasts, books, or articles. No matter the channel, it's essential that the content cover a variety of subjects. An ambitious businessperson needs continually get familiar with their surroundings so they may see industries through fresh perspectives and establish a business devoted to a certain sector.

Identify a Problem to Solve

By ingesting information across many mediums, an aspiring entrepreneur may discover several tasks to take on. A business axiom states that a company's product or service should specifically fulfill a need for a target market or another company. An astute businessperson may discover a problem and build a firm around solving it. Finding a problem to solve by looking at several industries from an outside perspective will be simple if steps three and four are combined. This often helps an aspiring entrepreneur to see a problem that others may overlook.

Solve that Problem

Successful startups provide a solution to a specific issue for other companies or the broader public. This refers to "adding value within the problem." The only way an entrepreneur can be successful is by solving a specific problem or alleviating a particular pain point. Imagine, for example, that you discover that individuals find it challenging to make a dental appointment, and that as a result, dentists are losing patients. It could be beneficial to have an online appointment system that would make scheduling appointments easier.

Network Like Crazy

Most company owners are unable to do it alone. Getting whatever help you can will always be useful and reduce the time it takes to develop a successful firm, given how competitive modern business world is. Networking is crucial for every aspirant company owner. Finding the right people who can link them to contacts in your industry, such as the right suppliers, financiers, and even mentors, might be the difference between success and failure. Attending conferences, getting in touch with experts via phone and email, and speaking with the brother of your cousin's friend who works in a relevant field are all ways to identify people who can guide you. If you have access to the right people, doing business is considerably easier.

Characteristics of Entrepreneurs

They often consist of diligent people who go themselves into activities they innately like. According to the expression, "find a way to be reimbursed for the task you'd perform for free," passion is unquestionably the trait that new business owners need to possess. Entrepreneurial aspirants are tempted to the prospect of being their own boss and amassing wealth, yet starting a business has a number of hazards. Income is not assured, employer-sponsored benefits are no longer available, and when your company has financial difficulties, not just the bottom line but also your personal assets may be at stake. But by adhering to a few tried-and-true guidelines, risk may be significantly decreased. The traits mentioned below are only a few of the ones that successful entrepreneurs must possess.

Versatile

When companies initially start out, it's important to manage sales and other customer connections directly. Direct consumer connection is the most straightforward approach to gain clear answers about what your target market values and what you can do to enhance. If acting as the sole point of contact with consumers is not always feasible, business owners could train employees to consistently ask clients for feedback. This gives consumers greater influence, and satisfied customers are more likely to recommend businesses to other individuals. The ability to personally answer the phone is one of the most significant competitive advantages small company owners have over their larger competitors. In a time of high-tech backlash when customers are dissatisfied with automated messages but instead touch-tone menus, hearing a human voice becomes a surefire way to draw in new customers and make existing ones feel valued; this is significant given that only about 80% of all business is generated from repeat customers. On the other hand, customers like high-touch telephone support and look forward to a well-designed website. Even if their business isn't in the high-tech industry, entrepreneurs must leverage internet technologies to disseminate their message. A website for a brand-new garage business may be more striking than one for an established $100 million company. Just verify that the supplied phone number is connected to a live person.

Flexible

Few business owners that are successful immediately find the best recipes. Concepts must instead change throughout time. Changing a product's design or the menu items both involve trial and error to find the perfect sweet spot. Former Starbucks CEO and Chair Howard Schultz first thought that increasing the ambience of an Italian coffeehouse by playing operatic music over the store's speakers would achieve this. However, customers had different ideas and didn't seem to like hearing arias while drinking their espresso. Schultz thus made the decision to substitute comfortable chairs for the opera.

Money Savvy

A steady cash flow is essential to the survival of any new firm and is required for things like paying the rent, purchasing goods, maintaining equipment, and promoting the business. Individuals must keep thorough records of your income and expenses if you want to be profitable. Due to the fact that the majority of new businesses fail to make a profit in the first year, entrepreneurs may reduce the risk of running out of cash by setting aside money for this situation. In light of this, it's essential to keep personal and business spending separate and to avoid using corporate funds to cover regular needs. It's critical to pay oneself a decent compensation that covers the basics but not much more when investors are involved. Relationships with family members may be strained as a result of such sacrifices, as they may have to adjust to lower standards of living and put up with worries about the security of family property. Therefore, business owners should address these issues beforehand and make sure that immediate family members are spiritually on board.

Resilient

Running your own business is quite difficult, especially if you're just getting started. A lot of work, time, and failure are required. Entrepreneurs that are successful are persistent in the face of challenges. Even in the face of failure or rejection, they must keep going forward. Starting a business, like any learning process, has a learning curve which could be challenging, especially when money is involved. When things become tough, don't give up. If you want to succeed.

Focused

Similar to resilience, a successful entrepreneur must be able to focus and ignore the distractions and uncertainties which come with running a business. When you become sidetracked, don't trust yourself ideas and instincts, and lose sight of the larger picture, failure is a certain conclusion. A successful entrepreneur must always be mindful of the reasons they founded the firm and be dedicated to seeing it through.

Business Smart

Anyone running their own business has to understand finances and have good money management skills. Understanding your income, expenses, and how to increase or decrease them as necessary is crucial. You can keep the business running if you make sure company don't run out of money. By adopting a solid business strategy, being aware of company target market, your competitors, and your strengths and weaknesses, you may successfully navigate the difficult business climate.

Communicator

Whatever they do, good communication is essential in almost every facet of life. It is also essential for running a business. All parts of business, including pitching potential investors, sharing your company's plan with your team, and negotiating contracts with suppliers, depend on effective communication.

Entrepreneurship Financing

Given the uncertainty of a new venture, obtaining capital funding appears to be particularly challenging. Many entrepreneurs deal with this challenge by bootstrapping, or financing a business utilizing their own finances, sweat equity to reduce labor costs, and minimal inventory in favor of factoring accounts receivable. Some business owners establish their startups on their own with little funding, while others collaborate with partners who have more access to resources like financing. Start-up companies in these situations may get funding from venture capitalists, angel investors, hedge fund managers crowdsourcing, or more traditional sources including bank loans.

Resources for Entrepreneurs

There are various financing sources accessible for business entrepreneurs starting their own companies. The Small Business Administration (SBA) may provide entrepreneurs the small business loans they need to establish their businesses. SBA helps businesses connect with loan providers. If an entrepreneur is willing to give up some ownership in their business, angel investors and venture capitalists may provide cash. These kind of investors often provide connections, guidance, and mentorship in addition to financing. Additionally, company owners are becoming more and more used to crowdsourcing, particularly via Kickstarter. A company owner creates a page for their product, establishes a financial goal, and solicits donations by promising contributors experiences or goods in return for their donations.

Bootstrapping for Entrepreneurs

Bootstrapping is the process of launching a firm exclusively using the capital an entrepreneur has saved and the proceeds from their first sales. Since the entrepreneur assumes all financial risk and there is little room for error, this approach is difficult. If the business fails, the owner can lose all they've ever saved. The advantage of bootstrapping entails that the entrepreneur may run the business as they see proper, free from influence from other parties or investors

looking for quick profits. However, there are times when a company could gain from outside assistance rather than lose. Many firms have found success with the bootstrapping method, but it is a difficult path to take.

Small Business versus Entrepreneurship

Small enterprises and entrepreneurship have many traits, despite their differences. A small business is a company that operates locally, isn't medium- or large-sized, and does not have access to a lot of resources or capital. It is often a sole proprietorship or partnership. Entrepreneurship is the act of acting on an idea, often to enter a new market with both a brand-new service and product. Usually, entrepreneurship starts out as a little business, but the long-term objective is far more ambitious: to search out enormous profits and gain market share using such a novel new idea.

Entrepreneurship in Economics

To use economic terms, an entrepreneur acts as a coordinating body in a capitalist economy. This cooperation shows itself as the refocusing of resources on new, promising commercial opportunities. The entrepreneur transfers a range of resources—both real and intangible—to promote capital creation. Entrepreneurs may actually contribute to reducing uncertainty in a market that is plagued with it by taking risks or making choices. Entrepreneurs effectively advance research and often communicate knowledge because capitalism is indeed a dynamic profit-and-loss mechanism. Established firms often invest in R&D due to the rising competition and challenges offered by entrepreneurs. According to economic theory, the entrepreneur diverges from the course toward steady-state equilibrium.

Entrepreneurship Helps Economies

There are several ways that fostering entrepreneurship may help an economy and society. Entrepreneurs start by starting new businesses. They produce new goods and services that create jobs and often have a snowball effect that propels expansion. For instance, once a few information technology companies launched in India throughout the 1990s, businesses in associated industries, such as contact center operations as well as hardware suppliers, began to flourish as well, giving support services and equipment. The gross domestic product rises thanks to entrepreneurs. Existing businesses could continue to operate in their present marketplaces until they exhaust their available resources. New products or technologies, however, provide new markets and sources of revenue. A country's tax base is also improved by more employment and higher wages, enabling it to spend more on public services. Entrepreneurs have a social impact. Through innovative ideas that reduce dependence on existing procedures and structures and sometimes render them obsolete, they challenge convention. For instance, cellphones and the apps they provide have fundamentally altered how people throughout the globe live, work, and play. Entrepreneurs support issues outside of their own businesses through supporting neighborhood projects, donating to charity, and collaborating with other nonprofit organizations. Bill Gates, for instance, has made significant investments in public health and education initiatives.

CHAPTER 2

ENTREPRENEURIAL ECOSYSTEMS

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Statistics have shown that a high percentage of self-employment hinders economic growth: Too many entrepreneurs may aggravate economic inequality in society and unethical business conduct and corruption may come from inadequate regulation. Nevertheless, as a whole, entrepreneurship significantly contributes to economic growth and innovation. So many local and national governments' economic and social development projects across the world must promote entrepreneurship. Governments often encourage the development of entrepreneurial ecosystems, which may include venture capitalists, government-sponsored assistance initiatives, and business owners themselves, in order to achieve this. They could also include non-governmental organizations like business incubators, entrepreneur organizations, and educational programs. For instance, Silicon Valley in California is often cited as an example of a successful entrepreneurial environment.

In addition to a robust venture capital sector, a large talent pool with a strong educational background, particularly throughout the technological sectors, and a number of government and non-government initiatives that support new businesses and offer advice and support to entrepreneurs, the region has these other strengths. Entrepreneurship is the development of a business from an idea or product by a single individual. Not everyone has what it takes to put in the time and effort needed to launch a business. Entrepreneurs are highly motivated risk-takers who go above and beyond to achieve their objectives. Entrepreneurs start their own businesses because they like what they do, they are certain that their product or service will be useful to customers, and expect to make money from their ventures. By creating employment and creating items and services that consumers buy, entrepreneurial activities help the economy. A change in the environment is thought to give rise to new opportunities. Opportunities may occur via unchecked niche building, hence their genesis need not be teleological. This suggests that new company opportunities are not necessarily the consequence of lone business owners or organizations. Since these elements of opportunity detection may be controlled, the bulk of research focuses on managed niche development, where opportunities are created by the influence of entrepreneurs.

Starting of Founders' Journey

Even if a firm has the greatest potential, "people issues" may quickly cause it to fail. Venture capitalists report that issues with the firm's management team account for 65% of business failures in a research of startup performance. Without a doubt, the people who create businesses are what make them successful or unsuccessful. Funding can always be obtained elsewhere, ideas may alter as they develop, and the market will constantly shift with an endless supply of rivals. However, the DNA of the organization is created by the team that unifies everything. Let's get right to it and examine the characteristics of the ideal founding team. Being a solopreneur is perfectly OK, but you must understand that you start the game with a disadvantage. The Startup Genome Report states that compared to startup teams of two

or more, lone entrepreneurs take 3.6 times longer to grow. Additionally, it was shown that teams, as opposed to lone entrepreneurs, were more likely to succeed and draw in investors. It will hurt when you eventually fall into a pit of grief, and getting back out again is a very difficult undertaking. In Figure 2.1, it makes all of the difference in the world to have a buddy you can speak to, who completely understands what you're going through, and who will be there for you when you need them.

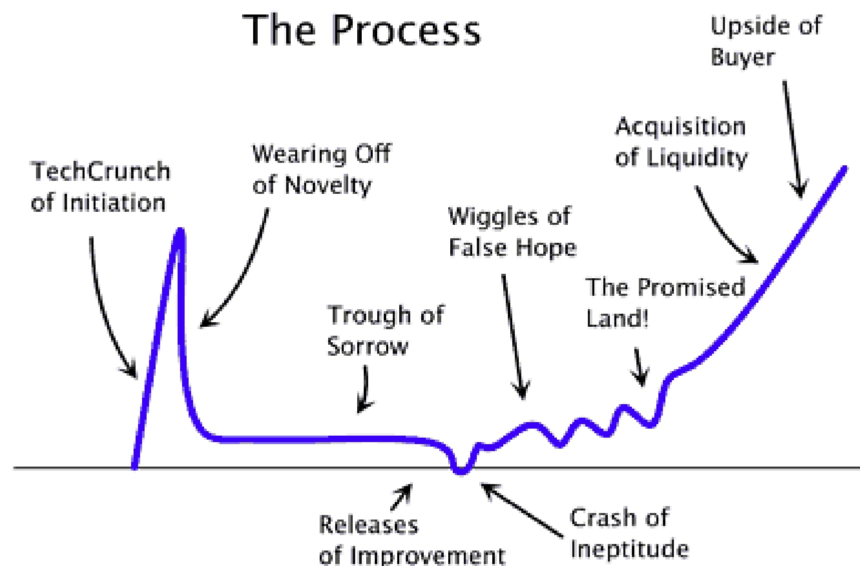

Figure 2.1: Illustrates the process to build a teams in company.

Foundry itself is proof that it's feasible for businesses to be successful with only one founder. But have you recently observed that the majority of great firms were created by more than one person? Even while he is unquestionably the most well-known, Steve Jobs was not Apple's only founder. Apple was only able to get off the ground thanks to the combined efforts of Jobs, Steve Wozniak, and Ron Wayne. Although Arianna Huffington may serve as editor-in-chief and the public face of The Huffington Post, a group of four founders were responsible for its creation, unlike Bill Gates who had Paul Allen and Richard Branson who had Nik Powell.

Founding Team Should Look Like

The last thing users want your starting team to be is a disparate group of talents that don't work well together. The skills that each team member offers are ultimately much more significant than the team's overall size. The visionary, the hustler, as well as the hacker are the three positions that the ideal founding team will possess. The golden triangle, the cornerstone of any successful founding team, is made up of these three factors together. No of the size of the team, you must do these three duties to be successful. Even if they are useful, more roles are not essential in the beginning. Cut anybody from your team who isn't performing any of the duties listed below; they aren't helpful at the moment and will simply slow you down. Keep in mind that you want to be as trim as possible. Each of these three jobs is described below along with the reasons you must have them.

The Visionary

The CEO, the visionary, is often but not always the team's lifeblood. The visionary is the person who has the stars in their eyes and the one who can see into the future, even if everyone is aware of the overarching aims and objectives. They have a special talent for explaining their dream to others. To motivate the rest of the team while persuading the market's, investors', and consumers' naysayers. They are always working with people. The visionary is all about the big picture, even if they are not always the greatest at the little details. Whether it's developing the overall plan, identifying and securing the greatest personnel for the organization, or ensuring that the appropriate employees are kept content. They have a duty to work on their company rather than merely in it. Visionaries never lose sight of the end goal and are always on the lookout for ways to seize even the tiniest of chances. The company is always striving to develop and expand, and they are prepared to change course if necessary. Visionaries push past obstacles, even if it takes all their might to do so, and inspire the other members of the team as they go. The visionary leads the group and, perhaps most crucially, motivates the others.

The Hustler

The hustler is the founding team's arms and legs if indeed the visionary is its beating heart. The hustler sets the pace and makes sure everyone else keeps up by acting as both the group's doer and taskmaster. If they don't know something, they'll research it; if something can't be done effectively, they'll put in the time to figure it out. The hustler's mentality, not their position or title, defines them. While hustlers are capable of seeing and comprehending the larger picture, they prefer to concentrate on the details. The minute particulars, the ongoing tasks that must be carried out for the big picture to materialize. The hustler moves the pieces, even if the visionary may have set up the board. It would be fantastic if you have experience in either marketing, technology, company development, or finances. The hustler, however, eventually chooses the middle ground since they are multi-talented and capable of doing any task until a more appropriate substitute can be located. Remember that this does not imply that the hustler can be replaced. Finding someone with that particular balance of drive and willpower is quite uncommon in and of itself. The hustlers make sure the hackers and dreamers remain grounded and collaborate. They maintain a focus on the bottom line and ensure that the ship is moving ahead.

Perfect Team

There's no assurance that your team will flourish, as any sports fan will tell anyone, although if their founding squad is made up of first-round draft selections. After all, a team's success depends more on its ability to function as a unit than on the individual talents of its members. No matter how good your founding team is, it won't succeed without these three crucial components.

Trust and Respect

These two guiding principles apply to all successful relationships, let alone successful business relationships. Visitors don't need a cofounder if you don't respect or trust the person you're dealing with, the one you'll probably see every day for the duration of the existence of your business. Startup entrepreneurs have a strong aversion to giving up power. Micromanagement is a common trait among young businesspeople. We've all probably had a boss that somehow manages to nitpick even the most little details. You get enraged because it seems like they don't trust anyone, and that is really bothersome. That they don't appreciate your abilities enough to let you do your assignment alone. By listening to one another,

learning to really appreciate their perspective even if it differs from your own, and respecting each other's contributions to the team, you may create a culture of trust and respect. Visitors can't receive if they don't give; it's a two-way street.

Diversity

Congratulations if you work in a startup team where everyone else is just like you! By having so many cofounders, you've managed to magnify your flaws. Make no mistake, achievement in Figure 2.2 is bred through variety. Avoid the error of assembling a team that is completely yourself. Talent is talent, but to ensure that your team is well-rounded, you'll often need to actively seek out individuals that are different from yourself.

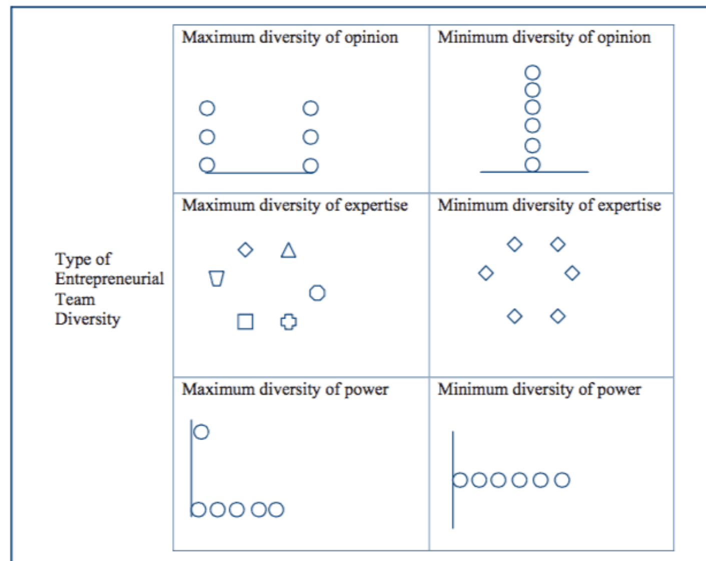

Figure 2.2: Illustrates the types of entrepreneurial team diversity.

Opinion, knowledge, and power are the three main areas where cofounders might vary from one another. According to the research, successful teams have a high variety of competence, a moderate diversity of opinion, and a low diversity of power. This implies that the ideal founding team comprises of individuals who are prepared to push and challenge one another, who are not exact replicas of one another in terms of abilities and experience, and who are all treated equally.

Communication

The members of the ideal starting team are constantly conversing with one another. Not only must cofounders agree to communicate, but they must also do so consistently. The single most crucial element in developing a great work environment and culture is open communication. However, communicating with someone entails more than merely speaking to them and believing they're paying attention. It's important to have a genuine dialogue where everyone feels heard, as opposed to being spoken to.

Build Your Team of Founders

It cannot avoid having your life taken over by a startup. Therefore, the cofounder you choose had better be someone you'd consider a life partner. Finding one of these people might be challenging. Finding a cofounder is quite similar to dating, if a business is compared to a marriage. Simply substitute late-night workplace yelling at your spouse about their ridiculous

ideas for the honeymoon time. Your professional network is the finest place to search if you're looking for a cofounder. People you went to school with, coworkers you've had jobs with, and maybe even coworkers from your cowering space someone with whom you are confident working. You can consider collaborating with relatives or friends. Because of your common history and greater degree of trust, this does provide an edge. Not many individuals are adept at remembering to keep your personal connection from interfering with your work one, however. Of all, you could always assemble a founding group that included a total stranger.

It's not necessarily a positive thing, but if one can locate the right individual it may be. Simply put, don't ask someone to be a cofounder if you wouldn't hire them as an employee. Whereas the image of a lone inventor, of some selected one bringing about change all by themselves, may be beloved by the world, the reality could not be farther from the truth. If there is no one for someone to lead, certainly cannot become a leader. The three essential responsibilities of the visionary, the hustler, and the hacker are present in every successful business, regardless of the size and composition of the team. Most likely, your won't be able to do everything, so be wise and delegate the task to someone else. One must work on your company as an entrepreneur rather than working in it. Make clever friends and let them perform their jobs while you complete yours by surrounding yourself with them. However, the talents of each member are not what make up the ideal team; rather, it is the relationships that bind them. Find every chance to sever your connection because a startup will treat it as a dog treats a sock. Select a co-founder who will enhance your strengths and whom company can trust. Get the skills they need to launch and grow your firm now that know understand how to put together a founding team. View our offering of free training programs for new and small enterprises.

Founding Team

In accordance with the renowned book The Founder's Dilemma, issues with the management team play a part in 65% of businesses failing. Give a terrific concept to a bad team, and they will muck it up, says Pixar chief Ed Catmull in his book Creativity Inc. However, if you offer a great team a poor concept, they will either improve it or come up with a better idea. On the other side, there are titans of venture capital like Marc Andreessen, who highlighted the importance of the market in forecasting the success of firms in a well-known blog post from 2007. A rising tide lifts many boats, writes Jeremy Lies of Lighthouse Ventures in his blog article. It's not simply one or the other, I believe. The observations made by Wasserman and Catmull are particularly relevant for startups since they need a strong team with desire to determine their product/market fit and distinguish themselves from the competition. When a business is growing, the size of the marketplace and the product's viability become the key factors, and the team must transition from visionary planning to methodical execution. Throughout the course of a firm, the team is essential, but depending on the stage of a startup, different team dynamics are prioritized.

Searching for co-founders

Many people in the startup community think that the original team should have collaborated earlier. This makes sense for a variety of reasons. Working with someone is seldom something you can really understand until you do it. Additionally, the founding staff of a business should be prepared to collaborate extensively and for a considerable amount of time. But success isn't always guaranteed by knowing your co-founder beforehand. To start the business with someone you don't know, though, it's a good idea to at least try working together. You may look for co-founders via events and online forums. Six individuals who

had been working in the video game business for 10 years formed Supercell. We had seen a number of gaming firms, both large and little, successful and failed. We were pretty clear on what qualities a good gaming firm should have. Traditional game companies are hierarchical structures where business and marketing professionals climb the ladder. Despite being removed from the actual game development process, these individuals still want to exercise creative control, make decisions, and direct the game developers as to the types of games the company should produce. And that's not logical at all. The reverse was what we had in mind. The teams responsible for creating the games would be in charge of the product vision rather than management. We discussed what sort of business we wanted to start in great detail when we initially met with all of the co-founders. We discussed the culture at least as much as the kinds of games we intended to create.

Company culture cannot be created by the founders or management team in a meeting offsite after deliberating on it for a few days, making a nice slide presentation, and then putting it into practice. When you go to the workplace and speak to individuals there, then might get a better feel of culture since that is what people do on a daily basis. By allowing someone to continue working there who violates your company's ideals, they may quickly ruin the culture of your organization. Informing someone that this is not the appropriate setting for them is a very difficult conversation to have, but one that must be had. Making your founding team is a big commitment, thus the aspiring entrepreneur shouldn't hurry it. One of the largest crises an early-stage business can have is a change in the founding team's composition since it forces the whole team to temporarily shift its attention away from the market and the product. Finding and filling holes in the core team is always simpler from an entrepreneur's standpoint than replacing a founder.

Depending on what you're developing, you should consider who company want on your starting team. If guys' re-establishing an app, your founding team should generally include a developer as well as folks with business expertise. As a result, would often need to widen your typical horizons while searching for your co-founders since our circles tend to be fairly limited and comprised of individuals with expertise in the same industry or job function. The necessary skills must be in place before anyone can start evaluating your issue, identifying your target audience, and developing your solution. In order to prevent any misunderstandings about things like who owns the intellectual property rights of items developed, it's also a good idea to keep the core competencies on your team. However, many tasks may be outsourced initially, such as accountancy. Additionally, it's a good idea to keep the starting staff small, since you need to be flexible in the beginning. It's often believed that having two to three co-founders is the ideal number, although this is not a general rule. Both successful single founders and businesses with four, five, or even more founders have been very successful. A Nordic businessman reportedly remarked: "Starting a firm with someone else is like having a kid. It's difficult no matter who you choose to have a child with, but consider this: it's always difficult. Consider, for example, that you are six strangers who are now having a child together.

Great co-founding team

Finding a successful team is challenging and heavily depends on experience, emotional intelligence, and intuition, but there are several traits that are shared by all great teams:

Individual characteristics

Knowledge: Significant market expertise is also necessary inside the founding team, particularly at the seed stage where product/market fit is still an elusive goal. Teams frequently have strong technical understanding.

Ambition

As a startup, typically want to expand internationally and upend a market. Investors in venture capital won't be interested in a lucrative business that pays its founders respectable dividends but only operates in a small geographic area or serves a specialized market (VCs).

Leadership

The notion that the CEO is the person who carries the bulk of an organization's weight leads to the nomination of the CEO much too often (while others may focus on doing their own thing). This raises an alarm. Everyone must carry their own weights and take the lead in the planning and implementation of their individual areas, even if there must be a clear division of duties and allocated areas of competence. Every one of the founding team members should really be capable of exercising leadership.

Curiosity

Although knowledge, desire, and leadership are all extremely essential, they may also lead to a person thinking they are an expert in all things. Since the market could not behave as anticipated or clients might desire something else, curiosity and an intention to learn are crucial.

Group Characteristics of Team

With a supportive founding team, founder teams are probably in a better position to negotiate conditions in decision-making. The senior management team's variety of talents, expertise, and experience is further increased by having numerous founders. Additionally, founding teams are better able to keep an eye on the CEO's activities, which lowers the cost of the agency. However, the business may have friction due to the founders' variety. Consequently, there can be a trade-off between the benefits and drawbacks of the founding teams.

Diversity

A varied collection of individuals with complementary traits and talents, as opposed to selecting the founding team from among friends or former coworkers, is a sign of the company's potential. There is often a commercialization skills gap in some kind of a research- or technology-driven organization (and vice versa).

Transparency

This is a challenging question since openness or honesty are not statistical characteristics and are very hard to assess. If issues aren't resolved right away, tiny problems in a small team might rapidly snowball into a larger one. Absolute openness is the foundation of small teams because it fosters trust, which in turn fosters commitment.

Commitment

The firm and its mission should be a way of life for the whole founding team. Building and growing a business is more than simply a full-time job a way of life. Potential side businesses show that the team members were motivated and action-oriented, but with time and budget constraints, that energy should be focused solely on the team and the common objective.

Team Dynamics

Shared Targets

When members of the team differ on the short-term goals, it is a significant warning sign. At

the seed stage, it is challenging to realize a long-term goal, but each entrepreneur should support a 12- to 18-month implementation project for determining product/market fit.

Constructiveness

Product/market fit is discovered via trial and error. Ideas that at first glance can seem improbable or downright bizarre are often the key to success. The team members must respect one another and cultivate an environment where even the wackiest ideas may be brought forward for debate without fear of rejection.

Culture of Change

The finest teams are passionate about both their product and their market. The only constant in a seed-stage business is change: nothing product survives initial encounter with consumers, and customers are always right. The group must be able to transition from one go-to-market challenge to another and strike a balance between thoughtful iteration and frantic shifting.

High Standards

One of the most challenging aspects of developing a firm is the ability to attract top talent and maintaining strict hiring criteria. Smart hiring and associated headhunting take a lot of work, but they are important factors in early-stage organizations that succeed. Key talent often has to be found outside of your nation, which increases the amount of complexity in the situation. High hiring criteria are often associated with an ambitious goal and successful operations.

Focus

Early-stage businesses should concentrate all of their efforts toward expanding on that one and only that after they have identified their product/market fit.

Execution

Focus and this go hand in hand. Regardless of the emphasis, consistent execution across sales and production should replace planning and strategy. Ideas are simply that if they are not put into practice.

The most creative entrepreneurs could only be interested in starting businesses and not in growing. These kind of dynamic alterations may be challenging and labor-intensive to implement. In the scaling phase, a visionary founder might be disastrous for the business. A strong team may make all the difference, but this necessitates some reorganization of team roles. Although this is undoubtedly not the case for all teams, it is wise to bear in mind the needs of a developing organization at various phases of development. No founding group has all the skills required to operate a company. Additionally, you should be aware of the areas you are leaving empty and the optimal time to fill them. You'll need to appoint your first staff to fill those positions. Visitors don't want to just have duplicates of yourself on the team; instead want people with complimentary talents and qualities. Despite the fact that you end up with a wide variety of persons and personalities, you should all share the same fundamental principles. Because of this, one must appreciate variety as a founder and be conscious of your own strengths and shortcomings. Sergey, for instance, is highly detail-oriented, while I consider the larger picture.

Therefore, humans also have a counterforce in the team who takes care of the minutiae when I wish to go ahead quickly and incompletely. Both hiring new employees and letting them go are challenging tasks. The truth is, even when you believe you have discovered the ideal fit, simply won't know it until you've worked with them on a daily basis and determined if their

behavior aligns with your beliefs. Because people can't always see these things beforehand, even if you have expertise running a machine, you may not always know how to design it. However, it's preferable to let them leave when they recognize that the match isn't going as planned than to keep them on the squad if you can't fully support them. Since it's unfair to them as well. Everyone needs to play on a team that fully respects and values them. Being conscious that not everyone can handle startup life is a good thing. A proactive individual who is prepared to accept responsibility, move ahead, and enjoy it is needed in a startup. It is OK that not everyone will like it. Finding those who really adore creating is all that is necessary since for them, it is a dream come true. You should try to hire employees who like their jobs and take pride in their work. That is conceivable, and you shouldn't accept anything less.

Types of Strategies: Differentiation versus Efficiency

The tactics used by emerging businesses have a clear and significant impact on their financial success, according to the literature on entrepreneurship. Strong connections have been made in the strategy literature between the traits of senior management teams and the tactics used by well-established businesses. However, there hasn't been much use of these findings in the study of new company endeavors. While these studies demonstrate that managers and strategies both have a direct impact on performance, other research contends that the best way to account for performance is to consider how management traits and strategies fit together. When founding teams have credentials and expertise that are particularly pertinent to the unique strategies of new company enterprises, superior performance ensues. For instance, a business that is pursuing a radical innovation approach may need younger, more educated founders.

In new company endeavors, founding team traits like experience should affect strategic decision-making and firm success. Because expertise is a valued commodity that has been proved to boost worker productivity and the economic worth of the business, the human capital theory predicts that an experienced founding team should be more profitable than a less experienced team. Additionally, experience enables founding teams can make more intelligent strategic decisions. Specialized expertise in functional domains is more precisely related to the company venture's strategies. A resource that may improve a venture's capacity to develop and carry out certain strategies is functional experience. Framework with two opposing sorts of strategies: low-cost leadership strategy but also differentiation strategy, for the consequences of various types of strategies. It lists the following characteristics of companies that use a low-cost leadership strategy: the active pursuit of cost reduction, the use of highly experienced personnel and all scale-based economies of scale, the acquisition of process engineering skills or the ability to design an efficient plant, the routinization of the work environment, and the production of a uniform, undifferentiated good. The knowledge of aims and means is presumed to be reasonably high in a standard service or product with such a routine task environment, which denotes good task programmable macros. Cost management is a company's main concern while using a low-cost leadership style, as Porter said.

Miller said that the differentiation approach had two components: market and product differentiation. Product innovation is a focus of the first strategy, product differentiation. The second, market differentiation, relates to achieving perceptual difference via the employment of marketing strategies. The business is able to employ its technical know-how to create novel and cutting-edge items thanks to product differentiation. Additionally, it allows the new business to modify its offerings to meet the demands of different markets. The goal of new businesses seeking differentiation is to provide a distinctive product. The work of creating

and selling a unique product indicates poor task programmability since, in general, manufacturing such products requires little understanding of the means and outcomes. Creativity, excellent fundamental research, and advanced manufacturing that considers the potential costs and advantages of resource sharing are the main success elements for a differentiator. The cost of synchronizing the members of units that share a commodity as well as the cost of less flexibility at the level of the individual business unit are two of the key costs of increasing degrees of resource sharing, according to the researchers. High resource cooperation may result in a cost advantage via synergy. Similar to that of an economy of scope, this synergy.

New Venture Performance and Survival

Many scholars have looked at the characteristics of the entrepreneur that are most likely to affect the development and survival of new business ventures because they believe that the entrepreneurial company is an extension of the entrepreneur. To explore the influence of founders' and founding teams' qualities on new business endeavors, researchers have taken into account many categories of performance.

Financial Performance

In studies examining the consequences of the qualities of the founders and founding team, financial performance measurements have mostly been utilized as the dependent variables. Three factors should be used to evaluate the success of new ventures: stock market earnings, profitability, and sales growth. For instance, a stock performance metric was utilized to examine how founder management affected financial performance. The present value of a company's anticipated future cash flows towards shareholders determines how much it is worth on the stock market. The authors provide a number of justifications for using a stock-based performance metric. First off, unlike performance metrics based on accounting information, stock-based metrics are not impacted by firm-specific financial reporting regulations. Second, using a stock-based performance metric is compatible with a key corporate finance concept. The ability to explicitly adjust variations in risk is another benefit of utilizing stock market data when performance comparisons, since investors will give riskier cash flows a lower current value. Three metrics were employed by Flaleblian to measure financial performance: return on equity, return on sales, and return on assets. The three years after each company's IPO, and how top management heterogeneity & average revenue growth were determined for each. They used the industry average return on sales (ROS), return on assets (ROA), and return on equity (ROE) to adjust for industry impacts in their analysis. Finally, they used a stock market performance indicator. They estimated price per share growth for each company during the three years that followed the IPO while accounting for all divisions and dividends. The resultant figure, which accounts for the worth of the company's current assets as well as potential future earnings, is the net dividend to shareholders.

Growth of Employment

In certain instances, employee growth inside the company has been employed as a success indicator for new ventures as opposed to a more conventional metric. Employment growth is a sign that a new business's revenues are rising. When examining the risk of newness in high-technology enterprises in Silicon Valley, they utilized job growth as a measuring stick. The variation in revenue throughout the course of the company's existence was used to gauge its growth. For a number of reasons, they chose to adopt this growth metric rather than others like percentage growth and growth rate. When comparing each firm's size to its formation, which served as a common starting point, the first measurement is the absolute change.

Second, it is tractable in terms of computing. Last but not least, the growth rate is just the amount of increase multiplied by the length of time. Companies won't take on a new employee unless they have a clear need for them and can produce enough cash flow to cover their salary. This is especially true for start-up businesses, which often have very little funding. Since sales growth has previously been used to evaluate the influence of mitigating elements of the liability of newness, the rise in employment of new business ventures is an indicator that the firm's sales are also expanding.

CHAPTER 3

ORGANIZATIONAL STRATEGY AND STRUCTURE

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In the study of entrepreneurial traits, business strategy and structure also are co-requested to company performance. For instance, Goll, Johnson, and Rasheed incorporate three business strategy metrics: scope, low cost, and distinction. Three criteria were employed in their research to gauge a differentiation approach. The functional organizational structure, team member functional experience, overall firm results are the three measures of dependent variables used. If a company has defined executive-level positions in each of the following six functional areas sales and marketing, general administration (including human resource department), science/ R&D/ engineering, operational processes, business development/ strategic planning, and finance/accounting. It is said to have a functional organizational structure. Decisions about the quantity of resources allotted to different areas are likely to be reflected in a company's development pattern and the make-up of its business portfolio. Porter contends that a firm's stance toward diversification encapsulates the decisions its management has taken to forge commercial relationships in other sectors. Strategic shift was employed as the performance variable while analyzing the relationship between the senior management team's demographic traits and business performance. The absolute percentage change in diversification strategy between 1980 and 1983 served as a proxy for strategic shift. Corporate diversification is a term that refers to the diversity and spread of a company's business lines. A company's management may decide to change its diversification strategy through adding new business ventures, discontinuing or selling off existing ventures, or seeking corporate development in its current business segments.

Innovative Performance

Researchers have used novel factors to analyze the success of new business operations. According to some academics, R&D expenditure per employee is a more constant indicator of R&D intensity than the most popular alternative, R&D spending divided by company sales. The amount of investments are often divided by the company's revenue, assets, or number of people to determine the R&D investment intensity.

Effects of the Breadth of the Founding Team

A founder's background attributes, which have a direct impact on new venture success, include their experience and education. When a business is just getting started, entrepreneurial cognition is very helpful since it enables distinctive decision-making. Founders may easily navigate through a broad range of issues and irregularities that are present throughout the creation of new company initiatives thanks to this cognition or knowledge framework. Mention, for instance, how dominant reasoning affects strategic decisions, making it challenging for businesses to manage strategic transformation. It also makes the case that cognition both facilitates and restrains the search for novel options and chances, which reduces the likelihood of remote search. Additionally, some cognitive biases

have an impact on management decision-making. Managers will, for example, depend on information that they are most acquainted with due to the availability heuristic, which leads individuals to rely on information that is quickly obtained. Make the case that the adjustment and anchoring heuristic, which involves altering an initial value to construct estimates, tends to lead individuals to overestimate the chance that a strategy will work. There is no right or incorrect response to this question. While they are still considering your company concept, you could begin searching for a partner or founding team or maybe they already have one and feel it's time to grow, and you believe hiring a co-founder would help their company. However, consider the talents your firm needs and how much equity company are ready to commit before making a choice.

General human capital in a venture, like schooling, may provide abilities to comprehend the company environment, engage with stakeholders, make better or more informed judgments, or enable the application of technical knowledge to operational or commercial operations. To react to the many demands and to organize the various operations among the founding team members of a business, knowledge breadth is required. According to the growing complexity of the business environment, education is a crucial entrepreneurial trait. The variety of formal education held by the founding team's members is probably going to improve their ability to handle the complexity of the business environment. Finally, the talents could have a favorable effect on the success of the company. Typically, a founder's experience is divided into three categories: management, industrial, and entrepreneurial. The quantity of prior new venture involvements and the degree of management participation in such companies are referred to as entrepreneurial experience. Experience in the sector that the venture operates in is referred to as "industrial experience." The whole amount of management experience, regardless of industry, is referred to as managerial experience. The current research emphasizes entrepreneurial experience and industrial expertise.

Experience of a founder may have a good or negative impact on performance. For instance, past expertise may be problematic when a significant shift in strategy is required. In this sense, management experience had a detrimental impact on performance whereas industrial experience had a beneficial one. The majority of research show a strong correlation between previous experience and venture success. A positive impact from management experience; positive impacts from the workplace that have been documented; and a favorable impact from managerial and workplace experience. The notion of managerial breadth, which merged managerial and industrial experience, discovered that the total amount of experience had a substantial impact on venture success. The available data seems to broadly support the idea that an entrepreneur's success and experience are positively correlated. As a result, the depth of the founding team's entrepreneurial and industry expertise is likely to have a beneficial impact on the company's success. The instance of an individual who has once been an entrepreneur, developing, establishing, and harvesting a company, and who now sets out to start another firm serves as another illustration of the source of knowledge. An entrepreneur with prior start-up experience would be aware of the best course of action to pursue in order to maximize the potential of the new business. The business owners would also be aware of potential dangers and would know what to avoid. Therefore, the more start-up experience one has, the more one would comprehend the important organizational concerns related to the new ventures' staged development and expansion as well as more practical issues like negotiating space leases using realtors or bank lines of credit. Folks can't disregard the value of having a founding team with complimentary abilities for your company! Your co-founders will likely be a part of your team for many years, therefore it's crucial to choose the finest candidates. Take your time while looking for a business partner. Consider if it will be beneficial to your company or startup. After all, the individuals they choose will serve as the

company's cornerstone.

Pivoting in Business

While turning a business around might give it new life when it was previously failing, it also requires need to start again and forego any past investments you had made in your firm. Many firms initially concentrate on growing their user base before figuring out how to effectively monetize that audience. For instance, Slack was previously known as Tiny Spec, a gaming firm, and its team communication tool was created only for internal usage. The startup quickly discovered that other companies might benefit from its software, and as a result, it changed direction to become one of the most well-liked team communication platforms. If you’ve been considering pivoting your company, you should be aware of the implications before making the decision. The ultimate objective of turning around your company is to maintain or quickly regain profitability. To withstand unforeseen business disruptions, you may need to make quick adjustments, although these don't always need pivots. When you pivot, you usually need to spend more time and money since you're changing the way your firm has traditionally performed in a strategic approach. Along with that, your company could also need to alter its inventory, branding, and marketing strategies, as well as develop new means to supply products or services. Since this is the case, business pivot plan must take into consideration further financial alterations while laying a more lucrative basis for long-term success.

Common pivot strategies for small businesses

Remember that not everything has to change, even while the adjustments individuals make are meant to be long-term. To make it work, you most likely just need to identify a few methods to modify your operations, marketing, and goods or services.

Modify the way companies provide products: If there is still a need for your goods, take your distribution strategy into account. Retail businesses can go online, restaurants can switch to a takeout-only model, gyms may concentrate on online or personal training or provide outdoor exercise choices, and items can be sold as subscriptions.

Reorient your target market: Change your attention to another demographic or online ordering and delivery, for instance, if your restaurant's lunchtime clientele suddenly works from home.

Be flexible and patient: It could take some time to find the ideal balance between your current and future company operations. Be adaptable and seek out employee and consumer opinions. This will assist you in understanding the fundamentals of how to solve any problems.

Use a range of marketing techniques, particularly low-cost and efficient digital channels: Ensure that your social media accounts and website both reflect any company pivots. Use your digital platforms to promote any intriguing new offerings you're making as part of their pivot plan. Additionally, be mindful that you may need to modify or update your marketing materials in order to accommodate new target markets, goods, or services.

Consult other small firms for advice and assistance: For certain companies, this may include selling complementary goods and services to produce more alluring bundles for your business's pivot. Instead of keeping sweets on hand for your restaurant's takeaway customers, for instance, consider collaborating with a neighboring bakery and offering offers together. You may provide dinner and dessert to capitalize on each other's clients and give your consumers something extra.

To keep your company growing, find the ideal sponsor or financing opportunities: Find out what federal, state, or local grants and low-interest business loans are available if the COVID-19 epidemic is having an effect on your firm, and then submit an application. Consult your commercial banker to learn about the possibilities accessible to your company. Even if business don't utilize any of the funds, having it on hand in case you do might be the difference between a failed pivot and a successful one.

Pivot Effectively:

Once you've made the decision to pivot your business, you must consider the many variables that go into a successful pivot. Here are some pointers to make sure that lessen the dangers connected with pivoting and raise your chances of a successful result:

As soon as they can, carry out: Don't give up on the startup life if they believe visitors may need to shift direction a few times in order to get your business on the proper track. Many businesses pivot more than once. But if you're going to pivot, whether once, twice, or more than once, you should do so as soon as you can to prevent squandering time, energy, and money.

Choose new objectives that fit your vision: It takes years to start and maintain one business, much alone many, so being an entrepreneur is difficult and demands that people be as brutally honest with yourself as you can. If the road you're currently on doesn't seem right to you, visitors should not only take a step back and reevaluate your life's purpose, but you should also take extra time to make sure that your fresh approach is the appropriate one for each other.

Don't throw away the work you've already done: Once you've decided on the new path to take, it's critical to determine what elements of your business may be saved, retained, and repurposed since pivots don't always necessitate a drastic change of direction. You've already invested so much money, time, and effort in creating a sustainable company that you ought to be able to shift your present efforts in that direction.

Pay attention to ones clients: Customers' comments are a valuable source of information about whether business should pivot or not. A pivot may be necessary if you often get complaints that your product is "too pricey," "not enough features," "the purchase procedure is too hard," "there are other, better goods out there," or any other comment along those lines.

Make sure your pivot offers chances for development: Yes, pivoting may be a wise choice for a company that has hit a wall and can no longer go forward. However, there's a good chance you'll run into yet another obstacle if they change the course of your business without giving it any consideration as to where you're headed next. Make sure to explore changing your course from your initial course while also considering the potential for development and expansion on your new course in order to avoid this. It is not worth the risk to establish another business if the market is smaller, the client base is less varied, or there is too much competition.

Getting Started with Entrepreneurship

The process of creating, establishing, and operating a new firm is referred to as entrepreneurship. An entrepreneur is someone who runs their own business rather than working for someone else. He or she is in charge of their own enterprise, group, or line of work. Considering the complexity of the topic, the entrepreneurship chapter provides an intelligent perspective. The act of creating, establishing, and managing a new business is often referred to as entrepreneurship. This process typically starts as a small firm, such as a

startup company, that offers a product, process, or service for sale or hiring. According to one definition, it is "the ability and willingness to establish, organised, and manage a business enterprise together with whatever risks it may have in order to generate a profit." While most definitions of entrepreneurship centre on starting and operating businesses, a significant portion of start-ups fail due to lack of funding, bad business decisions, an economic crisis or a combination of all of these" or due to a lack of customer demand because of the high risks involved. The term "entrepreneurship" has been expanded in the 2000s to describe how and why some people (or teams) recognize opportunities, assess them as viable, and then choose to take advantage of them while others do not. This expansion also explains how entrepreneurs use these opportunities to develop new goods or services, launch new businesses or even new industries, and generate wealth.

An entrepreneur is often thought of as "a person who organizes and runs any venture, particularly a company, typically with great initiative and risk." An entrepreneur manages a small company instead of working as an employee and bears all the risk and profit associated with a particular business endeavor, concept, or commodity or service being sold. The entrepreneur is often seen as an inventor of new concepts and commercial methods. Entrepreneurs often exhibit favourably biases in their perception (i.e., a bias towards recognizing new possibilities and detecting unmet market requirements) and a pro-risk-taking mindset, which increases their likelihood of taking advantage of the opportunity. Innovation and taking risks are characteristics of the entrepreneurial spirit. Although new, small, for-profit start-ups are frequently associated with entrepreneurship, entrepreneurial behaviour can also be found in small, medium, and large-sized businesses, new and established firms, and for-profit and not-for-profit organisations, including government, nonprofits, and voluntary sector organisations. For instance, social entrepreneurship, which combines economic endeavors with charitable, environmental, or communal purposes, has been recognised as a sector in the 2000s.

An entrepreneur is often in charge of a business venture, managing the production factors—the people, money, and resources—needed to take advantage of a business opportunity. They supervise the beginning and expansion of a business in their capacity as manager. Entrepreneurship is the process through which a person (or group of people) finds a business opportunity and gathers and uses the resources needed to exploit it. Exploiting entrepreneurial possibilities may include taking steps including creating a business strategy, employing staff, obtaining funding and other resources, assuming leadership responsibilities, and being accountable for the venture's success or failure.

The job of the entrepreneur in the economy, according to economist Joseph Schumpeter (1883-1955), is "creative destruction"—launching innovations that simultaneously demolish established sectors and bring in new ones. According to Schumpeter, a thriving economy is characterized by changes and "dynamic disequilibrium brought on by the creative entrepreneur."

The typical environment in which entrepreneurship takes place is known as the "entrepreneurship ecosystem," which includes non-governmental organisations like small business associations and organisations that provide advice and mentoring to entrepreneurs (for example, through entrepreneurship centres or websites), as well as government programmes and services that support entrepreneurs and start-ups (e.g., bank loans, venture capital financing, angel investing, and government and private foundation grants). The best entrepreneurship centres, including Silicon Valley, New York City, Boston, Singapore, and other places with concentrated populations of leading high-tech companies, prestigious research institutions, and venture capitalists, have the strongest entrepreneurial ecosystems.

At colleges and universities nowadays, entrepreneurship may be studied as a component of management or business administration courses.

History of Use

Entrepreneur is a French term. The word "entrepreneur," which was first used in 1723, currently denotes traits of leadership, initiative, and creativity in the conception of new ventures. Robert Reich, an economist, has cited teamwork, leadership, and management skills as crucial characteristics for entrepreneurs. History has shown that the study of entrepreneurship dates back to Adam Smith and Richard Cantillon's foundational work on classical economics in the late 17th and early 18th century. J. J. Schumpeter

Throughout the 20th century, Joseph Schumpeter and other Austrian economists like Carl Menger, Ludwig von Mises, and Friedrich von Hayek explored entrepreneurship. Although the word "entrepreneur" was borrowed from French in the 1850s, the phrase "entrepreneurship" was first used in the 1920s. A successful innovation, in Schumpeter's view, requires the ability and willingness of the entrepreneur to transform a novel concept or creation. In order to completely or partially replace subpar offers across markets and sectors, entrepreneurship uses what Schumpeter dubbed "the gale of creative destruction" while concurrently developing new goods and business strategies. Consequently, long-term economic development is mostly due to creative destruction. As an interpretation of the residual in endogenous growth theory, the notion that entrepreneurship promotes economic development is still up for discussion in academic economics. Israel Kirzner offers a different explanation, arguing that most inventions may be little tweaks, like switching from paper to plastic to make drinking straws, which don't need any particular properties.

According to Schumpeter, entrepreneurship led to the creation of new industries and novel pairings of already available inputs. The horseless carriage, which was created by combining a steam engine with then-current waggon manufacturing techniques, was Schumpeter's early illustration of this. The vehicle was a revolutionary breakthrough in this situation, but it didn't need the creation of a revolutionary new technology. The horse-drawn carriage was not instantly replaced, but over time, small but steady improvements in technology and cost led to the development of the contemporary auto industry. While Schumpeter made significant contributions in the early 20th century, conventional microeconomic theory did not explicitly include the entrepreneur in its theoretical frameworks (instead assuming that resources would find each other through a price system). According to the idea that the entrepreneur is the agent of x-efficiency, the entrepreneur was an inferred but unnamed player in this treatment.

According to Schumpeter, it was the capitalist, not the entrepreneur, who took the risk. The equilibrium ideal, in Schumpeter's opinion, was not perfect. Schumpeter (1934) established that a continually changing environment yields new knowledge about the best use of resources to increase profitability. Some people are the first to learn about the new knowledge and combine resources to make an entrepreneurial profit. According to Schumpeter, entrepreneurs might use innovations to raise the level of the Production Possibility Curve.

The first effort to thoroughly analyses the notion of entrepreneurship was done by economists. According to Cantillon (1680–1734), an entrepreneur is someone who takes calculated risks and uses resources to take advantage of possibilities in order to maximise financial gain. Cantillon stressed the entrepreneur's capacity for risk-taking and dealing with uncertainty. As a result, he emphasises the role of the entrepreneur and makes a clear distinction between that role and that of the owner who provides the funding. According to Alfred Marshall, an entrepreneur is a multifaceted capitalist. He noted that "entrepreneurs"

had no place as a source of economic activity in the equilibrium of a totally competitive market.

Historic Discrimination

The tiny evidence of competence (Kleiner Befähigungsnachweis), which confined training of apprentices to crafters who possessed a Meister certificate, dates back to the mediaeval guilds in Germany and was a requirement for a craftsperson to function as an entrepreneur. During a time of 'trade freedom' (Gewerbefreiheit, instituted in 1871) in the German Reich, this organisation was established in 1908. Yet, establishing a firm did not call for demonstrating one's proficiency. Greater evidence of proficiency (Grober Befahi- Gungsnachweis Kuhlenbeck), which was reinstated in 1935 and 1953, required artisans to get a Meister apprentice-training certificate before being allowed to open a new company.

The term "entrepreneurship" has expanded in the 2000s from its roots in for-profit corporations to include social entrepreneurship, where corporate objectives are pursued alongside social, environmental, or humanitarian purposes, and even the idea of the political entrepreneur. Intrapreneurship, which includes corporate initiatives where huge corporations "spin out" smaller firms, has been defined as entrepreneurship inside an existing company or large organisation.

Entrepreneurs are risk-takers and self-starters who plan, organise, and deploy resources to take advantage of market opportunities. They often innovate to develop new or enhance already-existing goods or services. The word "entrepreneurship" has been broadened in the 2000s to refer to a certain attitude that leads to entrepreneurial endeavours, such as social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship. Paul Reynolds, the creator of the Global Entrepreneurship Monitor, asserts that by the time they reach retirement age, half of all working males in the United States will likely have worked for themselves for at least a year, and one in four may have done so for at least six years. During the course of their careers, American employees often participate in the formation of new businesses. Entrepreneurship has been cited as a key factor in economic progress in both Western Europe and the United States in recent years.

Depending on the sort of structure and creativity involved, entrepreneurial activities might vary greatly. Scales of entrepreneurship vary from one-person, part-time initiatives to big-scale endeavours that require a team and may generate a huge number of employment. Many "high value" entrepreneurial endeavours look for angel or venture capital investment (seed money) to generate finance for starting and growing their businesses. Specialized government agencies, business incubators (which may be for-profit, non-profit, or run by a college or university), science parks, and non-governmental organisations (which include a range of organisations including not-for-profits, char- ities, foundations, and business advocacy groups) are just a few of the organisations that support aspiring entrepreneurs (e.g., Chambers of Commerce). An annual "World Entrepreneurship Week" celebration was started in 2008 with the goal of "exposing people to the advantages of entrepreneurship" and encouraging them to "participate in entrepreneurial-related ac- tivities."

Definition

A person who organises or manages a firm or businesses is referred to as an entrepreneur. Most people credit the French economist Jean-Baptiste Say with creating this word. Nevertheless, the phrase was originally coined by Irish-French economist Richard Cantillon in his essay on the nature of trade in general, Essai sur la Nature du Commerce en Général, which William Stanley Jevons referred to as the "cradle of political economics." Cantillon

used the word differently; according to historian Anthony Breer, whereas Say regarded the entrepreneur as a "planner," Cantillon saw the entrepreneur as a risk-taker. Cantillon defined the phrase as "making judgements about getting and utilising the resources while thereafter accepting the risk of enterprise": "paying a given price for a product and reselling it at an unknown price." The term first appears in Jacques des Bruslons' "Dictionnaire Universel de Commerce," a French lexicon that was published in 1723.

Entrepreneurship and Small Business Connection

The terms "entrepreneur" and "small business" are often used synonymously or in the same sentences. Although most entrepreneurial endeavours begin as a small firm, not all small companies fall within the definition of entrepreneurship. Many small firms are sole proprietorships, meaning that the owner is their only employee, or they have a limited number of employees. Many of these tiny businesses supply an already-existing product, process, or service, and they don't focus on expanding. Contrarily, entrepreneurial businesses provide a novel product, method, or service. The entrepreneur usually seeks to scale up the business by hiring more people, expanding internationally, and so on. This process is funded by venture capital and angel financing. Successful businesspeople can steer their companies in the right direction by careful planning, can adjust to changing conditions, and are aware of their own strengths and weaknesses.

Ethnic Business Enterprise

In the United States and Europe, the phrase "ethnic entrepreneurship" describes self-employed company owners who are members of racial or ethnic minorities. The experiences and tactics used by ethnic entrepreneurs as they attempt to integrate economically into mainstream American or European culture have long been the subject of academic study. Jewish traders and merchants in big American cities throughout the 19th and early 20th centuries are considered classic instances, as are West Coast Chinese and Japanese small business entrepreneurs (restaurant owners, farmers, and store clerks).

In the 2010s, studies of ethnic entrepreneurship focused on Chinese and Indian company owners in Chinatowns around the country as well as Cuban business owners in Miami. Although while entrepreneurship provides these groups with several options for economic progress, self-employment and company ownership are still unevenly distributed among racial and ethnic groups in the United States. A new statistical examination of U.S. census data reveals that whites are more likely than Asians, African-Americans, and Hispanics to be self-employed in high profile, profitable sectors, despite the abundance of success stories of Asian entrepreneurs.

Establishment entrepreneur

The British economist Edith Penrose, who was born in the USA, has drawn attention to the collaborative character of entrepreneurship. She says that in order to effectively identify and generate economic possibilities, human resources must be merged in contemporary enterprises. This idea has been developed by the sociologist Paul DiMaggio (1988:14), who claims that "new institutions emerge when organised individuals with appropriate resources find in them a chance to satisfy interests that they value highly." The idea has been used frequently.

Enterprise-Oriented Behaviors

The entrepreneur is often seen as an inventor who develops fresh concepts and commercial strategies. Many people believe that effective management and strong team-building skills

are crucial leadership qualities for successful businesses. According to political economist Robert Reich, a successful entrepreneur must have strong leadership, management, and team-building skills.

Risk-Taking

Theorists Risk-taking was how Peter Drucker and Frank Knight described entrepreneurship. The entrepreneur is ready to take risks in the name of an idea, risking both their job and financial stability, and investing both time and money in an uncertain endeavour. Knight divided uncertainty into three categories:

Risk, which can be scientifically measured (such as the probability of drawing a red colour ball from a jar containing 5 red balls and 5 white balls).

Ambiguity is difficult to quantitatively assess (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).

Real uncertainty, also known as Knightian uncertainty, is uncertainty that cannot be calculated or predicted using statistical methods. An example of this would be the likelihood of pulling a red ball from a jar in which the number of red balls is known but the number of other colours is unknown.

When a venture produces a new item or service for a market that did not previously exist, as opposed to when it makes a little but noticeable enhancement to an already existing good or service, entrepreneurship is sometimes connected with actual uncertainty. According to a 2014 research conducted at ETH Zürich, entrepreneurs demonstrated superior decision-making efficiency than normal managers, as well as increased activity in frontopolar cortex (FPC) areas previously linked to explorative choice.

Strategies

1. Entrepreneurs may use a variety of tactics, such as:
2. The development of new goods, services, or procedures
3. Improvement of the Process Constantly (CPI)
4. Future product and service development via the use of technology
5. Improved handling of talent
6. Creating a Personal/Opportunity Nexus

Shane and Venkataraman claim that entrepreneurship consists of both "enterprising individuals" and "entrepreneurial opportunities," and that researchers should look at the characteristics of those people who seize these opportunities when others don't, as well as the connections between people and opportunities. On the other hand, Reynolds et al. contend that people pursue entrepreneurship primarily due to survival needs or because they identify business opportunities that satiate their need for achievement. In other words, people pursue entrepreneurship primarily due to survival needs or because they identify business opportunities that satiate their need for achievement. For instance, increased economic disparity tends to boost individual entrepreneurship rates. Yet the majority of it often stems from need rather than opportunity.

Biases and Opportunity Perception

Entrepreneurs' capacity for innovation is correlated with intrinsic characteristics like

extraversion and a propensity for taking risks. Joseph Schumpeter said that entrepreneurs are known for their ability to innovate, introduce new technology, boost efficiency and production, or produce new goods or services. Also, a lot of academics contend that not everyone can be an entrepreneur and that entrepreneurship is a genetic trait. Some individuals may be able to predict consumer preferences and market demand for new goods or services using "an inherent aptitude" or a quasi-statistical sense. Unmet market demands and neglected markets are often visible to entrepreneurs. Although some businesspeople believe they can read people's minds and understand what they're thinking, the media greatly influences public opinion and consumer demand. Ramoglou contends that entrepreneurs are not particularly unique and that laudatory portrayals of "entrepreneurs" as special inventors or leaders are mostly the result of inadequate conceptualizations of "non-entrepreneurs."

Styles

Entrepreneurial companies' variations often reflect the diverse identities of its founders to some extent. Entrepreneurs may be divided into three categories by Fauchart and Gruber: Darwinians, Communitarians, and Missionary. These entrepreneurs have fundamentally different self-perceptions, social incentives, and patterns of starting new businesses.

Connections to Sea Piracy

A 2014 study discovered connections between entrepreneurship and past maritime piracy. In this argument, it is said that using the history of piracy as a source of inspiration for entrepreneurship education and research on business model development is not morally wrong.

Psychological Make-up

In a 2005 research, economist Edward Lazear from Stanford University discovered that the most crucial characteristic that set entrepreneurs apart from non-entrepreneurs was variation in education and job experience. According to a 2013 research by Uschi Backes-Gellner of the University of Zurich and Petra Moog of the University of Siegen in Germany, identifying students who would go on to become entrepreneurs also required having a varied social network.

According to studies, men and female entrepreneurs have more similarities than differences in terms of their psychological tendencies. According to empirical research, female business owners are skilled negotiators and consensus builders. Asa Hansson examined empirical data from Sweden and discovered that although the likelihood of being self-employed grows with age for males, it decreases for women. She also discovered that being married made someone more likely to start their own business.

According to Jesper Srensen's research, social dynamics and peers at work have a big impact on whether someone decides to start their own business. As compared to those who did not work with entrepreneurs, Srensen found a link between working with previous entrepreneurs and how often these people went on to become entrepreneurs themselves. Peers' entrepreneurialism may be influenced by the social environment if peers see that success is possible and adopt a "He can do it, why can't I?" mentality. When you meet other people who have struck out on their own, it doesn't seem so insane, as Srensen put it.

Entrepreneurs could also be inspired to start their own business by prior experiences. The likelihood of someone becoming an entrepreneur rises if they have experienced many job stoppages or have been unemployed in the past. Psychologists extensively examine both personality characteristics and attitudes in accordance with Cattell's personality theory.

Academics do, however, use these ideas in entrepreneurship study, although in a hazy way. Cattell claims that personality is a system that is influenced by the environment. He continues by saying that the system looks for an explanation for the intricate transactions carried out by both attributes and attitudes. This is so that a person may evolve and develop as a result of both of them. What a person will do in a certain scenario depends on their personality. Both a person's personality and the circumstance they are in influence how they react.

Entrepreneurs who are creative may be more likely to experience flow, as defined by psychologist Mihaly Csikszent-Mihalyi. When someone is fully immersed in a process or task, they experience "flow," forgetting about the outer world. Breakthrough innovations, according to Csikszentmihalyi, often come from those who are in such condition. Strong internal drive is an essential component for breakthrough innovation, according to other study. The notion of normalisation, which encompasses a child's potential for happy and protracted periods of intense concentration, is similar to Maria Montessori's concept of flow. The designed setting at Montesori gives kids the chance to experience flow, according to Csikszentmihalyi. Consequently, the kind and quality of early schooling may have an impact on entrepreneurial potential.

Communication

For a business to start, expand, and be able to survive, an entrepreneur has to practise excellent communication both inside their company and with external partners and investors. An entrepreneur requires a communication system that links her workers and ties her business to customers and businesses outside the company. Entrepreneurs should have a strong leadership style so they can inspire their team and successfully express a goal. It's possible that sharing a vision with followers is the transformational leader's most crucial task. Employee loyalty and a feeling of purpose are fostered by compelling visions. Kouzes and Posner, along with Baum et al., contend that the vision must be expressed both orally and in writing. Entrepreneurial leaders must communicate successfully with people by speaking and listening.

In the function of entrepreneurship, communication is essential since it helps leaders to persuade prospective partners, investors, and workers about a venture's viability. Effective communication with shareholders is essential for entrepreneurs. Nonverbal components of speech including voice inflection, eye contact, body language, hand gestures, and emotional state are important communication tools as well. According to the Communication Accommodation Hypothesis, individuals will make an effort to adapt or modify their speaking style when they converse with others. The Face Negotiation Theory explains how individuals from various cultural backgrounds handle dispute negotiation in order to keep their "face." Entrepreneurs creating a new product or service might employ Hugh Rank's "intensify and downplay" communications technique. According to Rank, in order to convince people to support their enterprise, entrepreneurs must be able to emphasise the benefits of their new product or service while downplaying the drawbacks.

Learning Effects

According to scholars Michelacci and Schivardi, the rate and degree of success of entrepreneurs may be predicted by detecting and evaluating the correlations between their earnings and educational attainment. Two educational levels—college degree and post-graduate degree were the focus of their investigation. Michelacci and Schivardi note that having a college degree doe's help one advance in the workforce, despite the fact that they do not specifically identify characteristics or traits for successful entrepreneurs. They do, however, believe that there is a direct correlation between education and success.

According to Michelacci and Schivardi, there has been an increase in the proportion of self-employed baccalaureate holders. Yet, their statistics also demonstrate that the proportion of self-employed people with graduate degrees has remained constant throughout time at about 33%. They briefly highlight some well-known businesspeople who dropped out of college, including Steve Jobs and Mark Zuckerberg, but they characterise these situations as all but unusual given the widespread perception among entrepreneurs that formal education is expensive and time-consuming. According to Michelacci and Schivardi, a person needs education beyond high school in order to achieve complete achievement. According to their study, success increases with higher education levels. The explanation is that attending college equips individuals with new abilities that they may use to their company and enable them to perform on a better level than someone who only "runs" it.

CHAPTER 4

ENTREPRENEURSHIP IN PROJECTS

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Those involved in the recurrent assembly or formation of transient groups are known as project entrepreneurs. These are organisations with short lifespans that are committed to achieving a single purpose or goal and dissolve quickly when the mission is completed. Project-based businesses are common in the following sectors: new media, television production, software development, film and sound recording, as well as building. From a theoretical perspective, project-en-trepreneurs are unique since they have to "rewire" these transient businesses and alter them to meet the requirements of new project possibilities that arise. While starting a new project, a project entrepreneur may need to change the team or business strategy they employed on their previous project.

Project entrepreneurs often encounter the issues and duties associated with the entrepreneurial process. Finding the ideal moment to establish the project business and assembling the most qualified team to take full advantage of that opportunity are, in fact, the two most significant difficulties faced by project-entrepreneurs. Project entrepreneurs must access a wide variety of information in order to take advantage of new investment possibilities in order to overcome the first challenge. It is necessary to put together a cooperative team that is well-suited to the project's unique issues and can start working right away to lower the possibility that performance will be negatively impacted.

Entrepreneurs may also collaborate with business students on projects to have analytical work done on their concepts.

Budgeting for Bootstrapping

Instead of looking for outside investors, entrepreneurs may try to "bootstrap-finance" their start-up. Since acquiring equity finance necessitates the entrepreneur giving ownership shares to the investors, some business owners opt to "bootstrap." These early equity financing arrangements might result in a bonanza for the investors and a substantial loss for the entrepreneur if the start-up eventually becomes successful. Moreover, if investors own a significant portion of the business, they could be able to have an impact on decisions like CEO selection and business strategy. Bootstrapping, according to a widely accepted definition, is "a combination of techniques designed to reduce the amount of outside debt and equity funding required from banks and investors." Most often, business owners who bootstrap acquire personal credit card debt, although they may use a broad range of strategies. Bootstrapping puts entrepreneurs at a higher risk, but since there are no other stakeholders, the entrepreneur has greater flexibility to grow the business. Several successful businesses, such as Dell Computer and Facebook, got their start this way.

Some forms of bootstrapping are:

1. A hedge fund

2. Supplemental asset management

Some of these sources provide more than just money; they also oversee finances, hold people accountable for completing tasks and reaching milestones, and in other circumstances, they offer connections and expertise in the business world in exchange for an ownership interest.

Taxes' Impact

Entrepreneurs often struggle with cash flow issues and lack the credit they need to take out substantial loans to fund their businesses. The impact of taxes on entrepreneurs has therefore been the subject of several studies. The research may be divided into two groups: those who believe taxes benefit and those who believe they damage entrepreneurship.

Assah, Cesaire Meh discovered that corporation taxes encourage people to start their own businesses in order to avoid paying two taxes. Donald Bruce and John Deskins discovered research indicating that a state's proportion of entrepreneurs may decline with a higher corporation tax rate. By adopting a tax-based metric, they also discovered that states with inheritance or estate taxes often had lower rates of entrepreneurship. Yet according to a different research, the workforce is made up of more sole owners in states with a more progressive personal income tax. The likelihood of becoming an entrepreneur is mostly unaffected by taxes, according to several research. According to Donald Bruce and Mohammed Mohsin, a 50% reduction in the highest tax rate is required to achieve a 1% shift in entrepreneurial activity.

Those Who Anticipate Success

A few elements that might indicate if an entrepreneur would succeed are as follows:

Methods

establishing business strategies, such as those for development and survival, keeping the human resources in check (recruiting and retaining talented employees and executives) ensuring that the necessary supplies are available (e.g., raw resources used in manufacturing, computer chips, etc.) Utilizing the fact that the company has one or more distinctive competitive advantages, ensuring healthy governance, effective organisational collaboration, and appropriate organisational design, compliance with the society's culture

Market

It is possible to employ business-to-business (B2B) or business-to-consumer (B2C) models.

Fast-growing market

Target clients or markets that are underserved or overlooked by competitors.

Industry

Industry growth, significant technological influence, high capital intensity, and Average incumbent company size is modest.

Instead of a one entrepreneur, create a large, varied team that includes people of many races, genders, and ethnic backgrounds. Advanced degrees past startup experience with management Working knowledge of the startup sector prior to the new endeavor, I was a full-time employee rather than jobless. Prior experience in entrepreneurship full-time participation in the new business driven by a variety of objectives other than merely profit the volume, variety, and size of the social and professional networks of team members.

Small companies

Small companies are independently held corporations, partnerships, or sole proprietorships with fewer workers and/or lower yearly income than an average-sized company. The definition of "small" firms for the purposes of eligibility for government assistance and favourable tax treatment varies by nation and sector. The Australian Fair Work Act 2009 defines a small firm as having fifteen workers, the European Union defines it as having fifty, and the United States defines it as having less than five hundred employees. While there are numerous ways to categorise small firms, such yearly revenues, shipments, sales, assets, or annual gross or net revenue or net profits, the number of employees is one of the most used metrics.

Small businesses in many nations include operations that provide services or goods to the public, such as convenience stores, tiny grocery stores, bakeries or delicatessens, hairdressers or tradespeople (such as electricians or carpenters), restaurants, guest houses, and photographers. They also include very small-scale manufacturing operations and internet-related ventures like web design and computer programming. Several professions, including attorneys, accountants, dentists, and physicians, run small enterprises (although these professionals can also work for large organisations or companies). Small enterprises vary greatly both within and across nations in terms of their size, earnings, and governmental approval. Certain microbusinesses, such a home-based accounting firm, may just need a business licence. Some small enterprises, such as daycare centres, retirement communities, and eateries that serve alcoholic beverages, are more strictly regulated and may need inspection and certification from several government agencies.

Researchers and analysts of small or owner-managed enterprises often act as if the legal and accounting limits that result from the nominal organisational forms (such as partnership, sole-proprietorship, or corporation) and owner-managed firms are consistently relevant. Owner-managers often fail to distinguish between their personal and professional interests, despite the promised separation. Lenders often get into agreements outside of organisational (corporate) borders by requesting personal guarantees or taking as collateral privately owned assets. Researchers and analysts may want to exercise caution when evaluating the organisational kinds and inferred limits in situations relevant to owner-managed enterprises as a result of this behaviour. These include studies that see the business as being characterised by a formal organisational structure and assessments that employ conventional accounting disclosures.

Entrepreneurship and Small Business Connection

The terms "entrepreneur" and "small business" are often confused or used interchangeably. Although most entrepreneurial endeavours begin as a small firm, not all small companies fall within the definition of entrepreneurship. Many small firms are single proprietorships run by the owner alone, or they employ a limited number of people. Many of these tiny enterprises provide an already-existing product, process, or service, and they do not pursue expansion. Contrarily, novel products, processes, or services are offered by entrepreneurial enterprises, and the entrepreneur often seeks to scale up the business by hiring more people, expanding internationally, and other ways. This process is funded by venture capital and angel financing. Successful company owners can steer their companies in the right direction by careful planning, can adapt to changing conditions, and are aware of their own strengths and weaknesses.

Definitions of Size

Depending on the nation and the sector, "small business" has several legal definitions.

According to industry-specific guidelines set by the Small Business Administration in the US, a small firm must employ less than 500 people in the manufacturing sector and generate less than $7.5 million in revenue annually in the majority of non-manufacturing enterprises. Depending on the situation, the definition may change. For instance, under the Patient Protection and Affordable Care Act, a small firm with less than 25 full-time equivalent workers and average annual salaries below $50,000 is eligible for a tax credit.

A small firm is commonly understood by the European Union to be one that employs less than fifty people. Nevertheless, the Fair Work Act 2009 in Australia specifies that a small firm is one with fewer than fifteen workers. In contrast, a medium-sized firm or mid-sized business in the US and Australia has no more than 500 workers and no more than 200.

Other criteria used to categorise small businesses outside the number of workers include annual revenue (turnover), asset value, and net profit (balance sheet), either alone or in combination. For example, the European Union adheres to these standards (headcount, turnover, and balance sheet totals). Small enterprises often don't dominate their industry.

Franchise Businesses

Franchising allows small company owners to take advantage of the large corporation's economies of scale (franchiser). Examples of franchises are McDonald's and Subway. By keeping their own investment manageable, the small business owner may benefit from the bigger company's strong brand name and buying power. The "worst of all worlds" sense, according to some franchisees, is that they are overly constrained by corporate directives and lack actual freedom. While many franchisers are also small companies, contrary to popular belief, small businesses aren't simply franchisees. Despite being regarded as a successful method of conducting business, literature has shown that franchising also has a high failure rate, particularly in the UK, where research shows that only 601 of the 1658 franchising businesses that were active in 1984 were still in operation in 1998, or just 36% of them.

A cooperative for retailers

A cooperative that uses economies of scale on behalf of its retailer members is called a retailers' cooperative. Retailers' cooperatives often split marketing costs and utilise their collective buying power to negotiate manufacturer discounts. Locally owned pharmacies, hardware businesses, and grocery stores often take part in merchants' cooperatives. NAPA, True Value, and Ace Hardware are a few instances of merchants' cooperatives.

Advantages

Several small enterprises may be launched for little money and on a part-time basis while an individual maintains a normal employment relationship with an employer or takes care of family members at home. Many small companies in developing nations are sole-proprietor enterprises that generate meagre incomes by selling vegetables at market stalls or cooking hot cuisine to sell on the street. A small firm is also ideally suited to Internet marketing in the 2000s since it can now readily cater to specific niches, which would have been more challenging before the Internet revolution that started in the late 1990s. Small firms in particular can react more swiftly to shifting consumer demand because they are less constrained by the bureaucratic inertia common to huge organisations. Business success depends on the ability to adapt to change. Small company owners often have more personal interactions with their clients and consumers than do huge businesses since they meet their customers every week in person.

Another benefit of running a small company is independence. A small company owner is not required to answer to a manager or supervisor. In addition, a lot of individuals want the freedom to decide for themselves, take calculated risks, and profit from their actions. Small company entrepreneurs have the gratification of using their own judgement while adhering to the limitations set by monetary and other environmental considerations. But, business owners must put in a lot of overtime and realise that their clients are ultimately in charge.

The Small Business and Self-Employed One-Stop Resource of the Internal Revenue Service is only one of the several organisations in the United States that provide assistance to the small company community. Small businesses, which are often run by family members, are better able to adapt to changing circumstances; but, they are more resistant to absorbing new information and hiring outside personnel.

Difficulties A multitude of issues, some of which are connected to small firms' size, often confront small enterprises insolvency is often brought on by undercapitalization. Instead of the economy, bad planning is often to blame for this. The "rule of thumb" is that the entrepreneur should have access to a quantity of money that is at least equal to the expected income for the first year of operation in addition to his or her estimated costs. For instance, if the potential owner estimates that $100,000 in earnings and $150,000 in start-up costs would be generated in the first year, he or she should have a minimum of $250,000 accessible. According to the notion of under capitalization, if the owner finds themselves in bankruptcy court, failing to supply the firm with this level of money might make them responsible for the whole amount of the company's debt.

The small business owner has to make sure that the company has adequate money, but they also need to be aware of contribution margin (sales minus variable costs). The company must be able to generate enough revenue to cover fixed expenses and the contribution margin in order to break even. Many small company owners underprice their goods when they initially start out, making it hard for them to break even at full capacity. This issue is often solved by cost restrictions or price hikes.

The cost of insurance (including liability and health), increasing energy prices, taxes, and tax compliance are some of the main issues that small company owners in the United States are concerned about. Small company owners often worry more about excessive government red tape in the UK and Australia. For small enterprises in the US, contracting fraud has been a persistent issue. The Small Business Act of 1953 stipulates that small enterprises must legally get a fair share (23%) of the total value of all primary contracts with the government. Since 2002, a number of federal investigations have shown fraud, misuse, loopholes, and a lack of control in federal small company contracting. As a result, major firms have benefited financially from the theft of billions of dollars in small business contracts.

The "Entrepreneurial Myth" or "E-Myth" is another issue that affects a lot of small firms. It is a common misconception that someone who is a specialist in one technological area would also be an expert at managing that particular industry. To keep a firm operating effectively, further business management abilities are required. Part of this confusion comes from failing to recognised small company managers as either entrepreneurs or capitalists. Just a fraction of owner-managers of small businesses will operate as entrepreneurs, even though virtually all of them must adopt the position of capitalist. Whether or not a company is growth-oriented may help distinguish between an owner-manager and an entrepreneur. Small company owners often priorities survival above expansion, failing to go through the five phases of a corporation's life cycle (birth, development, maturity, revival, and decline) as an entrepreneur would.

The ability of much bigger firms to affect or, sometimes, decide the likelihood of success is another issue for many small enterprises. Small firms in the UK have made extensive use of social media and business networking, but most of them just use a "scatter-gun" strategy in an unsuccessful effort to take advantage of the market. A business strategy, which is seen to be one of the most crucial components for a venture's success, is absent from more than half of small businesses. Business planning is linked to better opportunities for development. A business plan is often required by funders and investors. For owners and CEOs, a plan also functions as a strategic planning document that may be utilised as a "bible" for decision-making.

According to a global trade study, the proportion of British companies that export increased from 32% in 2012 to 39% in 2013. While this may seem to be a good thing, the rise is really modest since small company owners are reluctant to export because of actual and perceived impediments. As not all international business partners speak English, one way to get access to new trade markets is by learning the fundamentals of a foreign tongue. Unfortunately, 95% of company owners who wish to sell to China lack the motivation and skills to learn the local tongue. In 2013, it is predicted that China would increase by 7.6%.

Bankruptcy

The proprietor of a small firm may declare bankruptcy when it collapses. This may often be resolved by filing for personal bankruptcy. There is no benefit to incurring the cost of a corporate bankruptcy if the company is out of business and its valuable assets are likely to be seized by secured creditors. Small businesses may continue to function both during and after personal bankruptcy because to exemptions provided by several states for their assets. Yet, corporate assets are often not exempt, making it potentially more difficult to continue running a corporation if the owner declares bankruptcy. In an effort to study the predictability of failure, researchers have looked closely at small company failures.

Being Socially Responsive

Due to limitations imposed by their size, small enterprises may have a number of issues while participating in CSR. Small company owners often take an active role in running their enterprises on a daily basis. Due to this, the owner is unable to coordinate socially conscious initiatives like giving to nonprofit organisations or supporting local charities. The expertise of a small business owner frequently falls outside the scope of socially responsible practises, which also discourages participation. It can be challenging for small businesses to challenge and work against industry expectations because they also experience peer pressure from more powerful forces within their respective industries. Furthermore, the demands of shareholders put pressure on small businesses. Because small businesses have more personal relationships with their patrons and local shareholders, they must also be prepared to withstand closer scrutiny if they want to share in the benefits of committing to socially responsible practices or not.

Job quality

While small businesses employ over half the workforce in the US and have been established as a main driving force behind job creation, the quality of the jobs these businesses create has been called into question. Small businesses generally employ individuals from the Secondary labour market. As a result, in the U.S., wages are 49% higher for employees of large firms. Additionally, many small businesses struggle or are unable to provide employees with benefits they would be given at larger firms. Research from the U.S. Small Business Administration indicates that employees of large firms are 17% more likely to receive

benefits including salary, paid leave, paid holidays, bonuses, insurance, and retirement plans. Both lower wages and fewer benefits combine to create a job turnover rate among U.S. small businesses that is three times higher than large firms. Employees of small businesses also must adapt to the higher failure rate of small firms, which means that they are more likely to lose their job due to the firm going under. In the U.S. 69% of small businesses last at least two years, but this percentage drops to 51% for firms reaching five years in operation. The U.S. Small Business Administration counts companies with as much as $35.5 million in sales and 1,500 employees as “small businesses”, depending on the industry. Outside government, companies with less than $7 million in sales and fewer than five hundred employees are widely considered small businesses.

Marketing

Although small business have close relationships with their existing customers, finding new cus- tomers and reaching new markets is a major challenge for small business owners. Small business- es typically find themselves strapped for time to do marketing, as they have to run the day-to-day aspects of the business. To create a continual stream of new business and find new clients and cus- tomers, they must work on marketing their business each week. Common marketing techniques for small business include business networking (e.g., attending Chamber of Commerce events or trade fairs), “word of mouth” promotion by existing customers, customer referrals, Yellow pages directories, television, radio, and outdoor ads (e.g., roadside billboards), print ads, and Internet marketing. TV ads can be quite expensive, so they are normally intended to create awareness of a product or service. Another means by which small businesses can advertise is through the use of “deal of the day” websites such as Groupon and Living Social. These Internet deals encourage customers to patronise small businesses. Many small business owners find internet marketing more affordable. Google AdWords and Yahoo Search Marketing are two popular options of getting small business products or services in front of motivated web searchers. Successful online small business marketers are also adept at utilising the most relevant keywords in their website content. Advertising on niche websites that are frequented by potential customers can also be effective, but with the long tail of the Internet, it can be time intensive to advertise on enough websites to garner an effective reach.

Creating a business website has become increasingly affordable with many do-it-yourself pro- grammes now available for beginners. A website can provide significant marketing exposure for small businesses when marketed through the Internet and other channels. Some popular services are WordPress, Joomla Squarespace, and EXAI. Social media has proven to be very useful in gaining additional exposure for many small businesses. Many small business owners use Facebook and Twitter as a way to reach out to their loyal customers to give them news about specials of the day or special coupons, generate repeat business and reach out to new potential clients. The relational nature of social media, along with its immediacy and twenty-four-hour presence lend intimacy to the relationships small businesses can have with their customers, while making it more efficient for them to communicate with greater numbers. Facebook ads are also a very cost-effective way for small businesses owners to reach a targeted audience with a very specific message. In addition to the social networking sites, blogs have become a highly effective way for small businesses to position themselves as experts on issues that are important to their customers. This can be done with a proprietary blog and/or by using a back-link strategy wherein the marketer comments on other blogs and leaves a link to the small business’ own website. Posting to a blog about the company’s business or service area regularly can increase web traffic to a company website.

Marketing plan

Market research – To produce a marketing plan for small businesses, research needs to be done on similar businesses, which should include desk research (done online or with directories) and field research. This gives an insight in the target group's behaviour and shopping patterns. Analyzing the competitor's marketing strategies makes it easier for small busi- ness to gain market share.

Marketing mix – Marketing mix is a crucial factor for any business to be successful. Especially for a small business, examining a competitor's marketing mix can be very helpful. An appropriate market mix, which uses different types of marketing, can help to boost sales.

Product life cycle – After the launch of the business, crucial points of focus should be the growth phase (adding customers, adding products or services, and/or expanding to new markets) and working towards the maturity phase. Once the business reaches maturity stage, an extension strategy should be in place. Re-launching is also an option at this stage. Pricing strategy should be flexible and based on the different stages of the product life cycle.

Promotion techniques: It is preferable to keep promotion expenses as low as possible. 'Word of mouth', 'email marketing', 'print-ads' in local newspapers etc. can be effective.

Channels of distribution: Selecting an effective channel of distribution may reduce the promotional expenses as well as overall expenses for a small business.

Contribution to the Economy

In the US, small businesses (fewer than five hundred employees) account for more than half the non-farm, private GDP and around half the private sector employment. Regarding small business, the top job provider is those with fewer than ten employees, and those with ten or more but fewer than twenty employees comes in as the second, and those with twenty or more but fewer than one hundred employees comes in as the third (interpolation of data from the following references) (interpolation of data from the following references). The most recent data shows firms with fewer than twenty employees account for slightly more than 18% of the employment.

According to "The Family Business Review," "There are approximately seventeen million sole-pro- prietorship in the US. It can be argued that a sole-proprietorship (an unincorporated business owned by a single person) is a type of family business" and "there are twenty-two million small businesses (fewer than five hundred employees) in the US and approximately 14,000 big business- es." Also, it has been found that small businesses created the most new jobs in communities, "In 1979, David Birch published the first empirical evidence that small firms (fewer than 100 employ- ees) created the most new jobs", and Edmiston claimed that "perhaps the greatest generator of interest in entrepreneurship and small business is the widely held belief that small businesses in the United States create most new jobs. The evidence suggests that small businesses indeed create a substantial majority of net new jobs in an average year." Local businesses provide competition to each other and also challenge corporate giants. Of the 5,369,068 employer firms in 1995, 78.8 percent had fewer than ten employees, and 99.7 percent had fewer than five hundred employees.

Some small businesses are further financed through credit card debt—usually a poor choice, given that the interest rate on credit cards is often several times the rate that would be paid on a line of credit at a bank or a bank loan. Recent research suggests that the use of credit scores in small busi- ness lending by community banks is surprisingly widespread. Moreover, the scores employed tend to be the consumer credit scores of the small business owners rather

than the more encompassing small business credit scores that include data on the firms as well as on the owners. Many owners seek a bank loan in the name of their business; however, banks will usually insist on a personal guarantee by the business owner.

The Small Business Administration (SBA) in the US administers a number of lending programmes that might aid small businesses in obtaining loans. With these programmes, the SBA relieves the issuing bank of some of the risk associated with making the loan to a small company by guaranteeing a part of the loan. Business owners must also sign a personal guarantee for the loan and commit personal assets, according to the SBA. Asians, Hispanics, and Black Americans who own and manage small enterprises get assistance from the 8(a) Business Development Program. Small companies in Canada have access to services and initiatives that are financed by the federal government.

Advocacy organisations and business networks

To promote their causes or to obtain economies of scale that bigger firms benefit from, such as the chance to purchase less expensive health insurance in bulk, small businesses often merge or band together to establish organisations. These associations include national or worldwide industry-specific groupings as well as local or regional associations like Chambers of Commerce and independent business alliances. Such organisations frequently have two functions: first, as business networks that offer marketing services and link members with potential customers and suppliers; second, as advocacy organisations that unite a large number of small businesses to give them a stronger voice in local or national politics. Promoting the importance of locally owned, independent businesses—not necessarily small ones—through public awareness campaigns is integral to the work of independent business alliances.

The Council of Smaller Enterprises, with headquarters in Greater Cleveland, is the biggest regional organisation for small businesses in the US. The United Kingdom Trade and Investment (www.ukti.gov.in) provides exporters with information on a variety of international markets, as well as research on programme design and promotional activities. The British Exporters Association's (BEXA) job is to introduce new exporters to specialist services. It may provide information about connections for regional exports who might be contacted informally to resolve problems. Many times, trade associations and all major banks can connect you to international organisations in other marketplaces. Some of them may even assist in setting up joint ventures, trade shows, and other events.

Several youth groups, such as 4-H, Junior Achievement, and Scouting, provide interactive training sessions and specific programmes to assist young people in operating their own small company under the supervision of an adult.

Startup Business

An entrepreneurial effort known as a startup company (also spelled start-up or start-up) is often a recently founded, rapidly expanding firm that seeks to fill a market gap with the creation or provision of a novel product, method, or service. A startup is often a small firm, partnership, or other entity created with the goal of quickly developing a scalable business model. Technologies like the Internet, e-commerce, computers, telecommunications, or robots are often used by new businesses. These businesses often work on the design and execution of cutting-edge development, validation, and market research methods. While not all start-ups work in the technology sector, the word gained worldwide traction during the dot-com bubble in the late 1990s, when a large number of Internet-based businesses were established.

There is much disagreement about what a "startup" really means. Nevertheless, the U.S. Small Business Administration defines a "company that is often technology focused and has strong growth potential" as being comparable to the core of most definitions. The phrase "growth potential" may relate to increasing sales, staff numbers, both, or the expansion of a company to serve a bigger or more expansive market. An organisation created to look for a repeatable and scalable business model is what Steve Blank and Bob Dorf's well-known definition of a startup is. In this instance, "search" is meant to set established late-stage companies apart from more conventional small enterprises, like a restaurant entering a seasoned market. A startup, like the online retailer Amazon, the "app"-based taxi service Uber, or the search engine Google, investigates an unproven or novel business model in an effort to disrupt established markets, in contrast to an established company that employs a well-known current business plan.

A startup is a temporary organisation created to find a product/market fit and a business model, while a large company is a permanent entity created to carry out a well-defined, fully validated, well-tested, proven, verified, stable, clear, unambiguous, repeatable, and scalable business model. According to Blank and Dorf, startups are not smaller versions of larger companies. Moreover, according to Blank and Dorf, a company basically experiences failure after failure in an attempt to learn from each setback and identify what does not work as it looks for a repeatable, high-growth business model.

According to Paul Graham, "a startup is a business built for rapid growth. A firm is not automatically a startup just because it was recently started. Moreover, a startup is not required to focus on technology, accept venture capital, or have an "exit". Growth is the only thing that matters. Growth is the foundation for everything else we associate with startups. According to Graham, an entrepreneur who launches a startup is committed to tackling a more difficult set of issues than typical enterprises. "You're committed to look for one of the uncommon concepts that leads to quick development." According to Aswath Damodaran, a startup company's worth "rests totally on its future growth potential." His concept places more emphasis on the stage of growth than on the organisation of the business or the sector it belongs to. As a result, he assigns specific traits to startups, such as, but not limited to, their lack of history and prior financial records, their reliance on private equity, and their statistically low survival rate.

Evolution

Many shapes and sizes of startups are possible. Building a co-founder team to secure essential abilities, knowledge, financial resources, and other components to carry out market research is one of the crucial duties. A startup will often start by creating a first minimal viable product (MVP), also known as a prototype, in order to evaluate, analyse, and develop new ideas or business concepts.

Also, the founders of companies do research to enhance their comprehension of the concepts, technologies, or business models and their economic viability. Early on, a shareholders' agreement (SHA) is often reached to deal with potential startup assets and intellectual property, as well as to validate the founders' and investors' commitment, ownership, and contributions. Startup business models are often discovered via a "top-down" or "bottom-up" strategy. When a business achieves certain milestones, such as going public in an initial public offering (IPO) or ceasing to be a separate legal entity as a result of a merger or acquisition, it may no longer be considered a startup. However, businesses may stop being completely, which is a highly plausible consequence for startups as they are creating disruptive technologies that may or may not work as predicted and for which there may or

may not be a market even when the final product or service is delivered. However, since they operate in high-risk industries, startups may find it challenging to draw either investors or customers.

The quantity and success of startups are influenced by the size and level of development of the startup ecosystem where they are founded and developed. Entrepreneurs, venture capitalists, angel investors, mentors, institutions and organisations (top research universities and institutes, business schools and entrepreneurship programmes run by universities and colleges, non-profit entrepreneurship support organisations, government entrepreneurship programmes and services, Chambers of commerce), business incubators and business accelerators, and top-performing entrepreneurs make up the startup ecosystem. A place is said to have a "strong" entrepreneurship ecosystem if it has each of these components. Some of the most well-known entrepreneurial ecosystems are found in Silicon Valley, California, where major computer and Internet companies as well as prestigious universities like Stanford University foster an exciting start-up environment. Other well-known entrepreneurial hubs include Boston (where the Massachusetts Institute of Technology is located), Singapore, which is home to INSEAD (a top business school), as well as a number of notable entrepreneurs and start-up companies.

Investors are often drawn to start-up businesses with a strong co-founding team, a balanced "risk/reward" profile (where high risk resulting from unproven, disruptive technologies is balanced out by high prospective profits), and "scalability" (the likelihood that a start-up can expand its operations by serving more markets or more customers). Attractive start-ups often have lower "bootstrapping" expenses (the founders' own financing of the business at the beginning), more risk, and prospective returns on investment that are larger. Successful startups have the ability to develop quickly with a little commitment of money, time, or resources, making them more scalable than established businesses. Although many serial entrepreneurs and investors agree that timing is one of the toughest things to master, it has often been the single most crucial aspect for the largest business successes.

Startups have a variety of financing choices. Startup enterprises may get assistance from venture capital firms and angel investors, who provide seed funding in return for an ownership share in the company. Venture capitalists and angel investors lend money to a variety of businesses (a portfolio), with the hope that a relatively small percentage of them would succeed and turn a profit. Yet in reality, many businesses are first financed by the founders themselves via "boot-strapping," in which savings and credit card debt are paired with loans or financial gifts from friends and family to support the enterprise. While it is not just used by startups, factoring is an additional choice. Additional fundraising options include other types of crowdsourcing, such equity crowd funding, in which a firm solicits money from many people, generally by presenting their concept online.

CHAPTER 5

BUSINESS COLLABORATION

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Startups often need collaborations with other businesses in order for their business model to function. Startups must match their internal characteristics, such as their management style and goods, with the state of the market in order to be appealing to other enterprises. Two ideal profiles—also referred to as configurations or archetypes—for businesses that are commercialising ideas are created by Kask and Linton in their 2013 research. The inheritor profile asks for a less entrepreneurial (more conservative) management approach, and the business should have a small-scale idea (building on a previous standard). This profile was created with the goal of finding a business partner more successfully in a market with a dominating design (a clear standard is applied in this market). The creator, which has a management style that is very entrepreneurial and in which a radical invention or a disruptive innovation (completely new standard) is being produced, stands in contrast to this profile. This profile was created with the goal of finding a business partner in a market without a dominating design being more successful (established standard). To locate and attract a business partner while commercialising an idea, new companies should align themselves to one of the profiles. Finding a business partner will increase a startup's chances of success.

Culture

Compared to typical organisations, startup owners often have a more relaxed or unconventional attitude in their attire, work environment, and marketing. In the 2010s, startup founders would show up to meetings dressed casually in sweatshirts, shoes, and other items. Several businesses feature recreational amenities like pool tables, ping pong tables, and pinball machines in their offices. These amenities are utilised to create an inviting, enjoyable work atmosphere, foster team building and team spirit, and promote innovation. Some of the informal methods, such the usage of "flat" organisational structures, where normal workers may interact informally with the founders and chief executive officers, are done to encourage workplace productivity, which is necessary to launch their firm. In a 1960 research, Douglas McGregor emphasised that certain individuals are born with the will to work even without incentives, therefore there is no need for penalties and rewards for consistency in the job. A rigorous command and control hierarchy with CEOs, managers, supervisors, and workers is not always used in startups. Some companies provide stock options to workers as a way to boost their "buy in" to the business (as these employees stand to gain if the company does well). The elimination of stresses gives the startup's employees and researchers the opportunity to concentrate more on completing the job at hand and less on the surroundings of their workplace. Now, this culture has expanded to encompass bigger businesses looking to hire the brilliant individuals behind startups. A number of businesses, like Google, have taken steps to make newly acquired firms and their employees feel at home in their workplaces. Some even let employees to bring their pets to work. Making individuals feel as comfortable as possible will enable them to perform at their peak levels at work, which is the

primary objective of any improvements to startup workplace cultures or the employment of employees from startups to do comparable tasks. Some businesses even make an effort to conceal their size in order to appeal to a certain demographic, as Heineken recently did.

Co-Founders

Co-founders are those who helped a new company get off the ground. Anybody may co-found a company, and an existing business can also do so, however co-founders are typically business owners, programmers, hackers, venture investors, web designers, developers, and other people working on the ground floor of a new, frequently high-tech firm. Co-founders are referred to as "promoters" under Regulation D in accordance with the terminology of securities regulation in the United States. The U.S. Securities and Exchange Commission defines a "promoter" as: Any person who directly or indirectly takes the initiative to found and organise the business or enterprise of an issuer, whether acting alone or in collaboration with one or more other people. However, not all promoters are co-founders. In actuality, there isn't a clear-cut legal definition of what constitutes a co-founder. An agreement with one's fellow co-founders or approval from the board of directors, investors, or shareholders of a new firm may establish one's eligibility to use the title "co-founder." There may be disagreements over the identities of the co-founders when there is no formal agreement (like SHA).

Investing in startups

Making an investment in a startup firm is known as startup investing (the startup company). Several firms obtain extra funding outside of the founders' own contributions at one or more phases of their development. Not all companies that seek financing succeed in their fundraising efforts. The JOBS Act made it simpler for companies to ask for financial support. Startups did not promote themselves to the general public as investment opportunities until and unless they first received regulatory approval for an initial public offering (IPO), which typically involved a listing of the startup's securities on a stock exchange. Equity crowdfunding is a form of online investing that has been legalised in several countries. In order to avoid some regulatory compliance obligations, such as the obligatory periodic disclosures of financial information and the factual discussion of business conditions by management that investors and potential investors routinely receive from registered public companies, startups and startup promoters frequently use alternative forms of IPO that do not include an exchange listing.

Investing's Evolution

Startup investing was predominantly a word-of-mouth activity reserved for the friends and family of a startup's co-founders, business angels, and Venture Capital funds after the Great Depression, which was partly attributed to an increase in speculative investments in unregulated small enterprises. Since the Securities Act of 1933 was put into effect, this has been the situation in the US. Similar laws were adopted by several countries to outlaw the widespread solicitation and promotion of unregistered securities, including shares sold by start-up businesses. In order to simplify the seed/early stage investment process with training to be more systematic, Y Combinator launched a new Accelerator investment model in 2005 that combined fixed terms funding model with fixed duration rigorous bootcamp style training programme.

Many accelerators with comparable concepts have appeared all around the globe after Y Combinator. Since then, the accelerator concept has grown globally, and it is now one of the most important organisations in each startup ecosystem. On September 23, 2013, the

Jumpstart Our Business Startups Act (JOBS Act), which was first put into effect, granted startups and startup co-founders or promoters in the US the right to generally solicit and advertise publicly using any method of communication, subject to the restriction that only accredited investors may purchase the securities. Yet, the laws governing equity crowdfunding vary greatly across nations, with various degrees and configurations of freedom and limitations. Although there may still be other sorts of restrictions in place, such as limiting the amount that firms may ask for from investors, in many nations there are no restrictions preventing the general public from participating in startups. Several nations are actively changing their crowd funding regulations as a result of the good development and expansion of crowd funding.

Funding Rounds

There are many phases that an investor may take part in while investing in a business. The first round is known as the seed round. Typically, the seed round occurs while a business is still relatively early in the execution process and their product is still in the prototype stage. Angel investors will be the ones taking part at this stage. The Series a round comes after that. The business may already be producing money at this time and has gained traction. Venture capital firms will take part in Series a rounds with angel or super angel investors. Series B, C, and D are the following rounds. The three rounds mentioned above are the ones leading up to the IPO. Private equity and venture capital businesses will take part.

Internet investment

Grow VC launched the first known investment-based crowdfunding platform for startups in February 2010. Profounder then launched the first model for startups to raise investments directly on the site, but Profounder later decided to shut down its business due to regulatory reasons, having launched their model for US markets prior to the JOBS Act, which prevented them from continuing. Equity crowd funding platforms like Seed Invest and Circle Up, as well as others like investee, Companion, and Seedrs in Europe and Our Crowd in Israel, began to appear in 2011 as a result of the JOBS Act's success in promoting crowd investment in the United States. These platforms are designed to simplify the procedure and address the two key issues that were present in the industry. The first issue was how to make cash more accessible to entrepreneurs and shorten the time it takes to finish a round of funding. The second issue was how to boost deal flow for investors and centralize the process.

In-house Startups

In order to foster innovation, large or well-established businesses often create "internal start-ups," or new business divisions that are independent of the rest of the organisation. Examples include three degrees, a product created by a Microsoft internal startup, Bell Labs, a research division of the Bell Company, and Target Corporation (which started as an internal startup of the Dayton's department store chain).

Re-Starters

Failed entrepreneurs, or restarters, who after a while resume in the same industry with essentially the same activities, have a higher probability of improving as businesspeople. Restarters are, however, reportedly discouraged more strongly in Europe than in the US, according to certain research.

Trends and Challenges

It is often equally crucial for business owners to get intellectual property protection for their

concept if a company's worth is founded on its technology. According to the news publication The Economist, intellectual property now accounts for up to 75% of the value of American public corporations, up from 40% in 1980. A tiny startup company's worth often derives entirely on its intellectual property. As a result, it's critical for technology-focused startup businesses to have a solid plan for safeguarding their intellectual property as soon as feasible. Google is a recent example of a startup company that has generated significant profits for its founders and investors. Google's founders became billionaires via their stock ownership and option grants. Nevertheless, a substantial percentage of new businesses fail. Startup businesses often fail because they run out of money before they can raise more money or before they are lucrative enough to pay their employees. Employees may not get paychecks if this occurs. If they are considered to be sustainable, these businesses may sometimes be acquired by others, but more often than not, they leave workers with little options for recovering lost pay for hours spent.

While startups are formed in all industries and around the globe, some regions and economic sectors are more closely linked to them than others. Large numbers of online startup businesses, some of which sold the technology to enable internet access and others of which used the internet to provide services, were linked to the late 1990s internet bubble. The majority of this startup activity was concentrated in Silicon Valley, the most well-known startup ecosystem, a region in northern California noted for its vibrant startup business scene:

A personal conflict in 1957 between workers of Shockley Semiconductor and the company's founder, Nobel laureate and co-inventor of the transistor William Shockley, served as the catalyst for the spectacular growth of "Silicon startups" at Stanford Industrial Park. After leaving, (his employees) started Fairchild Semiconductor right away.

After a while, Fairchild found its footing and started to dominate this market. Its founders started departing to build businesses based on their own cutting-edge concepts, and their own former top workers soon followed. What had originally started at a research area near Stanford University acquired speed and turned into a true startup avalanche. So, just eight of Shockley's former workers created 65 new businesses in under 20 years, which subsequently inspired more of the same.

With the help of organisations like NY Tech Meet Up and Made in NYC, start-up supporters are also attempting to create a community of tech start-ups in New York City. In the early 2000s, so-called "patent trolls" bought the patent assets of unsuccessful startup firms; they then took the patents from the companies and used them to sue companies that could be violating the patent's protected technology.

Teampreneurship

A kind of entrepreneurship known as teampreneurship involves an individual entrepreneur working and learning alongside a group of entrepreneurial peers. These people are referred to as teampreneurs. The idea was created by Johannes Partanen, Opetusneuvos (Counselor of Education) and Emeritus Head-Coach of the Tiimiakatemia at JAMK University of Applied Science (Finland). The concept of teampreneurship was first developed for use in the Bachelor of Business Administration (BBA) programmes at JAMK, which sought to train business owners. The core tenet of teampreneurship is that businesspeople may collaborate with other businesspeople. At JAMK, the actual BBA curriculum is finished, allowing students to work and get their degrees concurrently.

Entrepreneurial Sustainability vs. Sustainable

A frequent conceptual ambiguity or lack of clarity has to be addressed with these characteristics explained and differences established, where a major need to identify clearly between sustainable and "sustainability entrepreneurship" is noted. From this vantage point, a very significant distinction between the concept developed and sustainability entrepreneurship is asserted. Sustainability entrepreneurship is defined as the use of entrepreneurial activity in a determined action orientation towards solving a sustainability-related problem with (creative) business organising as a means to solve the problem(s). Sustainable entrepreneurship is only a general entrepreneurial process that takes into account the constraints imposed by sustainability; it does not address the venture's where, why, or goal. Sustainability is only a part of the entrepreneurial process; it has no direct relationship to the strategic aim or company concept. The first dimension is absent, while the second and third are. Contrarily, sustainable entrepreneurship views resolving sustainability-related issues as its primary purpose and strategic goal. This implies that all three elements must coexist in order to successfully bring a sustainability innovation to market while also respecting life-supporting systems.

The Many Types of Entrepreneurship

Small, independent enterprises have been rapidly emerging in modern times. Entrepreneurship may be categorised based on the goal of the business and the strategies used to accomplish it. Social entrepreneurship, knowledge entrepreneurship, creative entrepreneurship, and corporate entrepreneurship are the categories of entrepreneurship that are explained.

Enterprise for social good

The goal of social entrepreneurship is to use commercial methods and private sector strategies to address social, cultural, and environmental issues. This idea may be applied to a wide range of organisations with various sizes, objectives, and ideologies. Social entrepreneurs also consider a favourable "return to society," while traditional entrepreneurs often gauge success in profit, revenues, and rises in stock prices. Typically, social entrepreneurship works to advance overarching social, cultural, and environmental objectives that are often connected to the volunteer sector. Profit may sometimes be taken into account by social enterprises, but not as a way of achieving financial success per se, but rather as a means of advancing the social or cultural objectives of the organisation. In the 2010s, social entrepreneurship is made easier by the usage of the Internet, which makes it easier for individuals who are geographically separated but have similar interests to work together and spread knowledge.

Current Definition

The question of who qualifies as a social entrepreneur is still up for debate. As social entrepreneurship is connected to so many various kinds of professions and disciplines, there hasn't been any agreement on its description as of yet. Social entrepreneurs include philanthropists, social activists, environmentalists, and other practitioners with a social focus. It might be challenging to identify who is actually a social entrepreneur due in part to the fact that social entrepreneurs can come under a variety of different job categories. Because of the creative, unconventional methods many social entrepreneurs employ, David Bornstein has even used the terms "social innovator" and "social entrepreneur" interchangeably. Setting the purpose of social entrepreneurship distinct from other voluntary sector and charity-oriented activities and defining the parameters within which social entrepreneurs work are required for

a more precise description of what social entrepreneurship comprises. Others have argued that the phrase should only refer to firms' founders who make their revenue exclusively from paying customers. Some have expanded this to include employment under contract with government agencies, while yet others have included grants and gifts.

In today's world, social entrepreneurship provides an altruistic style of business that focuses on potential advantages for society. Simply defined, when entrepreneurship transforms social capital in a manner that benefits society, it becomes a social effort. It is seen as advantageous since social entrepreneurship focuses on a variety of social impact-related aspects that regular corporate firms do not place a high priority on. Social entrepreneurs are aware of pressing social issues, but they also work to comprehend the bigger picture of a problem that cuts beyond ideas, sectors, and professions. Social entrepreneurs may create novel solutions and utilise existing resources to impact the wider global community by gaining a deeper grasp of how a problem connects to society. Social entrepreneurship initiatives, in contrast to standard corporate firms, prioritise social satisfaction advantages above financial rewards. Globally, billion-dollar programmes have been launched by both governmental and private organisations to strengthen underprivileged groups and people. Support from societal institutions like government assistance groups or private businesses might help breakthrough ideas spread to a wider audience.

Pakistani Akhter Hameed Khan and Ban- gladeshi Muhammad Yunus are notable figures connected to the phrase. Yunus founded Grameen Bank, which popularised the idea of microcredit for assisting entrepreneurs in many underdeveloped nations in Asia, Africa, and Latin America. His efforts earned him the Nobel Peace Prize. Others, like the former mayor of Indianapolis Stephen Goldsmith, focused on initiatives at the community level by using the private sector to provide municipal services.

History

While social entrepreneurship differs from the traditional definition of entrepreneurship, there are still many parallels between the two. An entrepreneur is someone who "undertakes" a concept and modifies viewpoints in such a manner as to change the impact that an idea has on society, according to French economist Jean-Baptiste Say. According to Say, an entrepreneur is someone who "shifts economic resources out of a lower productivity region and into a better productivity and larger yield area." Yet, the distinction between "entrepreneurship" and "social entrepreneurship" is made by the reason for a production. As opposed to traditional entrepreneurs, who often want to increase their profit margin, social entrepreneurs aim to change society as a whole. Social entrepreneurs employ a range of resources to improve the well-being of society.

While the notion of "social entrepreneurship" is not new, it has lately gained popularity in both society and academic studies, particularly with the release of Charles Leadbeater's book "The Rise of the Social Entrepreneur." The present notion of social entrepreneurship encompasses several activities connected to neighbourhood improvement and greater societal goals. Despite the current definition, social entrepreneurship is still a challenging subject to describe since it may take many different shapes. A wide definition of the term enables cross-disciplinary research projects to better comprehend and continually test the idea of social entrepreneurship. The social impact that an activity has is the main emphasis of social entrepreneurship, regardless of the sector of society in which specific companies are located (i.e., corporations or unincorporated organisations and societies). The impact social entrepreneurship has on society is more significant than whether or not it is motivated by altruism.

H. Bowen first introduced the phrases social entrepreneur and social entrepreneurship in literature in 1953 with the publication of "Social Duties of the Businessman." Bill Drayton, Charles Lead beater, and others helped popularize the words in the 1980s and 1990s. Michael Young was a major proponent of social entrepreneurship from the 1950s to the 1990s. In the 1980s, Professor Daniel Bell at Harvard referred to him as "the world's most successful entrepreneur of social enterprises" because of his role in founding more than sixty new organisations across the globe, including the School for Social Entrepreneurs (SSE), which is based in the UK, Australia, and Canada and helps people to realize their potential and to establish successful social enterprises. Andrew Mawson OBE, who was awarded a peerage in 2007 for his efforts in regeneration, including the Bromley by Bow Center in East London, is another eminent British social entrepreneur.

Social entrepreneurs and social entrepreneurship have existed for a long time, despite the fact that the phrases are relatively new. Some notable individuals whose work exemplifies the contemporary definition of "social entrepreneurship" include Vinoba Bhave, founder of India's Land Gift Movement, Robert Owen, creator of the cooperative movement, and Florence Nightingale, founder of the first nursing school and developer of modern nursing practises. Some of the most accomplished social entrepreneurs worked in the public, governmental, and economic sectors throughout the nineteenth and twentieth centuries. Such innovators supported concepts that were adopted by traditional public welfare, education, and healthcare programmes.

Current Technique Principal Organizations

Community-based firms, socially responsible enterprises, professionals in the social services sector, and socio-economic enterprises are some of the groups concentrating on social entrepreneurship. Communities that utilise their culture and resources to empower themselves as an entire business are the foundation of community-based companies. Socially conscious businesses prioritise fostering sustainable development via their initiatives, which are primarily geared at social benefits. Professionals in the social services sector especially seek to increase social capital for various people, communities, and organisations. Socio-economic enterprises are businesses that strike a balance between making a profit and fostering charitable social change in communities. Moreover, there are organisations whose only purpose is to support social entrepreneurs by giving them access to mentors, enhancing their business models, and getting them ready for financial investments. These incubators support the expansion of social entrepreneurs on a worldwide scale.

Muhammad Yunus, who established the Grameen Bank in 1976, is one well-known example of a modern social entrepreneur. He founded the microfinance movement, which seeks to provide millions of people in rural areas access to modest loans, and is regarded as the "father of microcredit." He received a Nobel Peace Prize in 2006 for his efforts. It has been said that Yunus' work with Grameen Bank had a significant impact on subsequent social entrepreneurs. Bigger nations in Europe and South America have a history of collaborating more closely with national and local governmental institutions.

Organizations with an international presence, such as Ashoka, the Skoll Foundation, the Omidyar Network, the Schwab Foundation for Social Entrepreneurship, Athgo, New Profit Inc., the National Social Entrepreneurship Forum, Echoing Green, and the Global Social Benefit Institute, among others, concentrate on showcasing these underappreciated change-makers who are dispersed around the globe and offering varying degrees of resources to advance their initiatives. The majority of great executives in North American firms tend to have a very individualistic approach. For instance, The Skoll Foundation, established by Jeff

Skoll, eBay's first president, provides "mezzanine level" grants for capacity-building to social entrepreneurial organisations that have already attained a particular degree of performance.

Function of Technology

Several social entrepreneurs have found success and success working together thanks to the Internet and social networking sites. The Internet has been particularly helpful in the twenty-first century for quickly sharing information. Also, employing open source principles, the Internet enables the pooling of design resources. With the aid of these media, ideas can reach a wider audience, networks and investors may expand internationally, and entrepreneurs can realise their dreams with little to no start-up money. For instance, much as open source software development fosters cooperation, the growth of open-source suitable technology as a sustainable development paradigm allows people all over the globe to work together to solve local issues.

Public Opinion Debate

Although many social entrepreneurship projects have been creative, many have struggled to become long-lasting and successful projects that can eventually spread and benefit the whole society (versus a small community or group of people). Research on the characteristics of a social entrepreneur have shown that relatively few people have the ability and abilities necessary to succeed as businesspeople with a socially conscious mindset. As a result, sacrifices made in social projects often fail to attract huge audiences. As the idea of social entrepreneurship has just recently gained popularity, some proponents contend that there should be some standardisation of the procedure for scaling up social ventures in order to improve influence globally.

It is important for decision-makers to have a deeper understanding of social projects in order to increase their sustainability, efficacy, and efficiency. Participation and cooperation between private firms and governmental organisations provide greater financial rewards for implementing programmes, enhanced responsibility on both sides, and strengthened linkages with communities, people, or organisations in need. For instance, in the past, private or nonprofit groups have dealt with the problem of unemployment in communities. To increase the number of individuals impacted, however, only short-term remedies are proposed, or solutions cannot be scaled up to a greater extent. The efficacy of social entrepreneurship has been stifled by the lack of coordination between the two modalities of service to society, despite the fact that government regulations in the financial sector are capable of addressing such a significant problem.

The motivations and objectives of social enterprises and those involved in policy-making are mostly to blame for this stagnation. Social projects often develop slowly because those who make policy naturally have different objectives than social entrepreneurs.

Current social entrepreneurs are inspiring social advocates and activists to stand up as creative social entrepreneurs since social entrepreneurship has just lately begun to acquire traction.

The chance of a successful, long-lasting project improves logically as the scope of social entrepreneurship expands. Increasing engagement attracts increased attention, particularly from decision-makers and privately held businesses that might influence social entrepreneurs via changes to legislation, leadership development initiatives, and training programmes. Research demonstrates that institutions will be crucial to social entrepreneurs' success as they work to broaden their influence and grow their initiatives.

Understanding Entrepreneurship

The capacity to see or create an opportunity and then take action to bring a cutting-edge knowledge practise or product to market is referred to as knowledge entrepreneurship. Knowledge entrepreneurship differs from "conventional" economic entrepreneurship in that it focuses on possibilities with the objective of enhancing knowledge production (research) and throughput (as in human transformation), rather than maximising financial profit. According to some, knowledge entrepreneurship is the kind of entrepreneurship that non-profit educators, researchers, and educational institutions should focus on.

Creativity in Business

Sustainable vs. entrepreneurial sustainability

These features must be clarified, and distinctions must be developed, in order to overcome the common conceptual ambiguity or lack of clarity. It is important to distinguish between sustainable and "sustainability entrepreneurship." This viewpoint asserts a very important contrast between the created idea and sustainable entrepreneurship. The utilisation of entrepreneurial activity in a decided action orientation towards addressing a sustainability-related challenge using (creative) business arranging as a way to tackle the problem is known as sustainability entrepreneurship (s). The where, why, and objective of the business are not addressed by sustainable entrepreneurship; it is only a generic entrepreneurial process that takes into consideration the limits imposed by sustainability. Sustainability does not directly relate to the strategic goal or business idea; it is only a component of the entrepreneurial process. The second and third dimensions are present, however the first dimension is not. Sustainable entrepreneurship, on the other hand, sees tackling sustainability-related concerns as its main aim and strategic objective. This suggests that for a sustainability innovation to be effective and to respect life-supporting systems, all three components must coexist.

CHAPTER 6

FORMS OF ENTREPRENEURSHIP

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Modern times have seen a dramatic surge in the number of small, independent businesses. The purpose of the company and the methods used to achieve it may be used to classify different types of entrepreneurship. The categories of entrepreneurship that are described include social entrepreneurship, knowledge entrepreneurship, creative entrepreneurship, and corporate entrepreneurship.

Business for the common good

Using commercial techniques and private sector tactics to solve social, cultural, and environmental challenges is the aim of social entrepreneurship. Many organisations of varied sizes, goals, and beliefs may adopt this concept. Although conventional entrepreneurs often measure success in profit, sales, and increases in stock prices, social entrepreneurs also take into account a positive "return to society." Social entrepreneurship often strives to accomplish broad social, cultural, and environmental goals that are frequently associated with the volunteer sector. Social enterprises may sometimes consider profit, but not as a method of attaining financial success in and of itself, but rather as a means of furthering the social or cultural goals of the organisation. The use of the Internet in the 2010s facilitates social entrepreneurship by making it simpler for people who are geographically distant yet have common interests to collaborate and disseminate information.

Existing definition

It's still up for argument as to who counts as a social entrepreneur. There is currently no consensus on how to describe social entrepreneurship since it is intertwined with so many different types of professions and academic fields. Philanthropists, social activists, environmentalists, and other professionals with a social emphasis are examples of social entrepreneurs. Due in part to the fact that social entrepreneurs might fall under a range of different employment classifications, it may be difficult to tell who is really a social entrepreneur. David Bornstein has even used the phrases "social innovator" and "social entrepreneur" interchangeably due to the innovative, unorthodox techniques many social entrepreneurs adopt. For a more accurate explanation of what social entrepreneurship entails, it is necessary to set the objective of the practise apart from other volunteer sector and charity-focused activities and to specify the boundaries within which social entrepreneurs operate. Others have suggested that the word should only be used to describe business owners that rely only on paying clients for their income. Grants and gifts have also been included by some, while others have broadened this to include work under contract with government organisations.

In the modern world, social entrepreneurship offers an ethical company model that emphasizes potential benefits for society. Simply said, entrepreneurship becomes a social

endeavor when it transforms social capital in a way that benefits society. As social entrepreneurship focuses on several social impact-related elements that traditional corporate enterprises do not give significant importance to, it is seen as favorable. While they are aware of urgent social challenges, social entrepreneurs also try to understand the wider picture of a problem that transcends concepts, industries, and professions. By developing a better understanding of how an issue is related to society, social entrepreneurs may develop original solutions and use available resources to have an influence on the larger global community. In contrast to traditional corporate enterprises, social entrepreneurship efforts place a higher priority on benefits to social happiness than on financial gains. Worldwide, billion-dollar initiatives have been started by both public and private organizations to support marginalised communities and individuals. Support from social institutions, such as nonprofit organisations or for-profit corporations, may aid in the dissemination of innovative concepts to a larger audience.

Akhter Hameed Khan, a Pakistani, and Ban- Gladeshi Muhammad Yunus are well-known individuals associated with the expression. Yunus established Grameen Bank, which helped spread the concept of microcredit to numerous disadvantaged countries in Asia, Africa, and South America. He won the Nobel Peace Prize because to his efforts. Others, such as Stephen Goldsmith, a former mayor of Indianapolis, concentrated on community-based projects by using the private sector to provide municipal services.

There are numerous similarities between social entrepreneurship and the conventional notion of entrepreneurship despite the differences. According to French economist Jean-Baptiste Say, an entrepreneur is someone who "undertakes" a notion and alters perspectives in order to transform how an idea affects society. One who "shifts economic resources out of a lower productivity zone and into a greater productivity and bigger yield area" is said to be an entrepreneur, according to Say. The purpose of a production, however, distinguishes "entrepreneurship" from "social entrepreneurship." Social entrepreneurs aspire to alter society as a whole, as opposed to regular business owners who often desire to enhance their profit margin. To advance societal well-being, social entrepreneurs use a variety of tools.

The term "social entrepreneurship" is not new, but it has recently grown in acceptance in both popular culture and academic circles, especially with the publication of Charles Leadbeater's book "The Emergence of the Social Entrepreneur." The current definition of social entrepreneurship includes a number of endeavours related to neighbourhood betterment and larger societal objectives. Despite the existing definition, it is still difficult to define social entrepreneurship since it may take many various forms. Cross-disciplinary research initiatives may better understand and continuously test the concept of social entrepreneurship with the help of a broad definition of the word. Regardless of the societal sector in which particular businesses are found, the primary focus of social entrepreneurship is on an activity's social effect (i.e., corporations or unincorporated organisations and societies). More important than whether social entrepreneurship is driven by charity is how it affects society.

In 1953, H.Bowen's "Social Responsibilities of the Businessman" became the first literary work to use the terms "social entrepreneur" and "social entrepreneurship." The phrases gained popularity in the 1980s and 1990s thanks in part to Bill Drayton, Charles Leadbeater, and others. From the 1950s until the 1990s, Michael Young was a leading proponent of social entrepreneurship. Because of his part in founding more than sixty new organisations around the world, including the School for Social Entrepreneurs (SSE), which is based in the UK, Australia, and Canada and assists individuals in realising their potential and establishing successful social enterprises, Professor Daniel Bell at Harvard referred to him as "the world's most successful entrepreneur of social enterprises" in the 1980s. Another well-known British

social entrepreneur is Andrew Mawson OBE, who received a peerage in 2007 for his work in regeneration, which includes the Bromley by Bow Center in East London.

While the terms are relatively new, social entrepreneurs and social entrepreneurship have been around for a while. Vinoba Bhave, the pioneer of the Indian Land Gift Movement, Robert Owen, the father of the cooperative movement, and Florence Nightingale, the creator of the first nursing school and the forerunner of modern nursing techniques, are some well-known figures whose work exemplifies the contemporary definition of "social entrepreneurship." During the nineteenth and twentieth centuries, some of the most outstanding social entrepreneurs worked in the public, governmental, and commercial sectors. Such pioneers backed ideas that became part of established public welfare, education, and healthcare programmes.

Currently Used Method Major Organizations

Some of the organisations focusing on social entrepreneurship include socio-economic enterprises, socially responsible businesses, experts in the social services industry, and community-based companies. Community-based businesses are built on localities that use their resources and culture to strengthen themselves as a whole. Businesses that prioritise social responsibility prioritise supporting sustainable development via their activities, which are largely focused on social advantages. The goal of professionals in the social services industry is to boost social capital for diverse individuals, groups, and organisations. Businesses known as socio-economic enterprises balance generating a profit with promoting positive social change in their local communities. In addition, some organisations exist just to promote social entrepreneurs by providing them with mentorship, improving their business plans, and preparing them for financial investments. These incubators assist in the global growth of social entrepreneurs.

Muhammad Yunus is one well-known instance of a contemporary social entrepreneur. He founded the Grameen Bank in 1976. He is known as the "father of microcredit" and started the microfinance movement, which aims to provide millions of people in rural regions access to small loans. For his efforts, he was awarded the Nobel Peace Prize in 2006. According to reports, Yunus' work with Grameen Bank had a big influence on other social entrepreneurs. Larger countries have a history of working more closely with local and national governmental entities in Europe and South America.

Ashoka, the Skoll Foundation, the Omidyar Network, the Schwab Foundation for Social Entrepreneurship, Athgo, New Profit Inc., the National Social Entrepreneurship Forum, Echoing Green, and the Global Social Benefit Institute, among others, focus on highlighting these undervalued change-makers who are dispersed throughout the world and providing varying degrees of resources to advance their initiatives. Great leaders in North American companies often have a highly independent mindset. The Skoll Foundation, for instance, which was founded by Jeff Skoll, the founding president of eBay, offers "mezzanine level" grants for capacity-building to social entrepreneurial organisations that have already accomplished a certain level of performance.

The role of technology

The Internet and social networking websites have allowed some social entrepreneurs to succeed individually and together. In the twenty-first century, the Internet has been very useful for instantly exchanging information. The Internet further permits the pooling of design resources by using open source concepts. These mediums enable ideas to be shared with a larger audience, networks and investors to grow globally, and entrepreneurs to realise

their ambitions with little to no start-up capital. For instance, much as open source software development encourages collaboration, the emergence of open-source appropriate technology as a paradigm for sustainable development enables individuals all over the world to collaborate to address regional problems.

Debate on public opinion

Even while many social entrepreneurship initiatives have been innovative, many have failed to develop into long-lasting endeavours that would ultimately expand and aid society as a whole (versus a small community or group of people). Few individuals possess the skills and aptitudes required to be successful businesses with a socially aware mentality, according to research on the traits of social entrepreneurs. As a consequence, social enterprises that make compromises often fail to draw sizable audiences. Although social entrepreneurship is a relatively new concept, some proponents argue that in order to increase social enterprises' effect internationally, the process for scaling them up should be standardised.

To improve the sustainability, effectiveness, and efficiency of social programmes, decision-makers must have a greater knowledge of them. More financial benefits for executing programmes, increased accountability on both sides, and better connections with communities, individuals, or organisations in need are all benefits of participation and collaboration between private businesses and governmental organisations. For instance, commercial or nonprofit organisations have in the past addressed the issue of unemployment in communities. Yet, only short-term solutions are suggested, or solutions cannot be scaled up to a wider level, resulting in a rise in the number of people affected. Despite the fact that government laws in the financial sector are capable of tackling such a big issue, the lack of coordination between the two modalities of service to society has hampered the effectiveness of social entrepreneurship. This stalemate is mostly the result of social businesses' and decision-makers' goals and incentives. Since individuals who decide policy naturally have different goals than social entrepreneurs, social ventures often go slowly.

Although social entrepreneurship has just recently started to gain momentum, current social entrepreneurs are encouraging social advocates and activists to stand up as innovative social entrepreneurs. The likelihood of a long-lasting, successful initiative increases logically as the range of social entrepreneurship increases. More involvement garners more attention, especially from policymakers and privately owned corporations who might affect social entrepreneurs via changes to law, leadership development programmes, and training efforts. Institutions will be essential to social entrepreneurs' success as they strive to increase their impact and scale their efforts, according to research.

Knowledge of Entrepreneurship

Knowledge entrepreneurship is the ability to see or create an opportunity and then take initiative to market a cutting-edge knowledge practise or product. Knowledge entrepreneurship is distinct from "traditional" economic entrepreneurship in that it places a greater emphasis on potential than on maximising financial gain, with the goal of boosting knowledge creation (research) and throughput (as in human transformation). Others believe that non-profit educators, researchers, and educational institutions should concentrate on knowledge entrepreneurship.

Innovation in Business

Business ethics: CSE has been referred to as an example of enlightened self-interest since it generates social value and helps both the firm and society. In contrast, a deontological

perspective views socially responsible actions as motivated by the person's feeling of responsibility to society, which may be seen as altruism.

Several Entrepreneurship Components

Small company administrations and lean startups are two topics covered in this chapter as they relate to the process of creating and managing new enterprises. It covers every aspect of entrepreneurship, giving a comprehensive insight.

Administration for Small Businesses

A US government organisation called the Small Business Administration (SBA) offers assistance to start-ups and small enterprises. In order to "maintain and build the nation's economy by facilitating the formation and sustainability of small enterprises and by aiding in the economic rehabilitation of communities following catastrophes," the Small Business Administration's mission statement reads. Capital, contracts, and counselling are the "3 Cs" that best describe the agency's operations.

Banks, credit unions, and other lenders who work with the SBA provide SBA loans to borrowers. For a portion of the loan, the SBA offers a government-backed guarantee. In order to improve small company access to finance after the credit freeze in 2008, SBA loans were improved to provide up to a 90% guarantee under the Recovery Act and the Small Business Jobs Act. Towards the end of 2010, the organisation reached record lending volumes.

23 percent of prime federal contracts now go to small firms, thanks in part to the leadership of SBA. Programs for small company contracting include initiatives to make sure that firms taking part in initiatives like 8(a) and HUBZone, as well as those owned by women and service-disabled veterans, get federal contracts.

Every state in the United States has an SBA office. Also, the organisation offers funding to assist its counselling partners, which include 350 chapters of SCORE, 110 Women's Business Centers, and roughly 900 Small Business Development Centers, many of which are housed in schools and universities. Every year, these counselling services help more than 1 million small company owners and entrepreneurs. The Small Business Administration (SBA) was last in the Cabinet during the Clinton administration, and President Obama indicated in January 2012 that he would restore that status. As a result, the SBA Administrator would now have a cabinet-level post.

Emergency Loan Program

Long-term, low-interest loans are available to homeowners and tenants who want to reconstruct or restore a damaged property to its pre-disaster state. Prior to approving a loan, the SBA must ascertain the cost of repairing or replacing the structure (determined by SBA Field Inspectors who visit the property), the applicant's capacity to repay the loan (determined by the applicant's creditworthiness and income), and whether the applicant is able to obtain credit on the commercial market (called the credit elsewhere test). Recommendations for grants from the Federal Emergency Management Agency (FEMA) are made for applicants who do not meet the requirements for disaster relief loans. SBA won't reject a loan due to a lack of collateral, but the organisation is mandated by law to put up whatever assets are available as collateral, including the damaged property, a second home, or other real estate.

For long-term, low-interest loans to recover from declared disasters, businesses are also eligible. Small company owners pledge any accessible assets and get an equivalent pledge

from a spouse or partner in the event of joint assets, similar to the homeowner's loan scheme previously described. The spouse or partner must give up their interest in the assets if they go into default on the loan. The SBA does not take into account the overall amount of an applicant's assets; as a result, a business may be granted a loan whether it has a little or large net worth.

The SBA sends closing documentation to the applicant for signing after approving an SBA loan. Disbursements include an initial unsecured payment of $14,000 and further payments as needed for the duration of the construction project and insurance coverage. Upon final disbursement, the loan is sent to one of the SBA's servicing offices for administration or, in the event of failure, to its collections office. Loans for disaster relief are often issued in within 21 days. Nonetheless, the SBA processed applications in an average of 74 days after Hurricane Katrina.

The SBA will pursue the business owner to sell any personal assets to settle any outstanding debt if a company that has a Disaster Relief Loan defaults on the loan and the company is liquidated. Any tax refund due to the previous company owner will be withheld by the IRS and applied to the loan outstanding.

Programs for entrepreneurship development SBA's yearly "Straight Talk", to assist entrepreneurs in finding solutions to all of their small company requirements, the Small Business Administration has created a one-stop shop. They may pick up the essentials of credit, marketing, and business right here. Even the chance to converse with other successful peers about numerous business-related topics is available to aspiring company owners.

Throughout the beginning of time, entrepreneurs have started a broad variety of companies, from construction to breweries and everything in between.

No different would apply this year as well. On January 24, 2015, SBA will host its 19th annual Straight Talk. This year, the annual event will take place in the Buffalo Niagara Convention Center. At Medaille College, eight further workshops or seminars are planned to commence in the beginning of February 2015. Visitors must register and pay a $20 registration fee when making reservations in advance. Otherwise, a $25 fee will be applied when they arrive at the door. Veterans get free admission, while students must pay $10 to register.

Centers for Small Business Development

The funding for the 900 Small Business Development Center locations comes from a mix of matching funds from the state and the SBA. Often, community colleges, state universities, and/or other entrepreneurial centres co-locate SBDCs.

Centers for Women's Business

Women's Business Centers (WBCs) are a network of more than 100 non-profit educational centres spread around the United States and its territories that receive funding from the SBA. A WBC may obtain an SBA grant of up to $150,000 year, however most centres get less. WBCs are expected to provide 100% of the non-federal matching funds after the first two years, and 50% of the award after that.

WBCs are intended to help women launch and expand their own small companies, while anybody may use their services. Around 100,000 female entrepreneurs get annual training, mentorship, company growth, and funding possibilities through WBCs, which aid women in business success. Women's Business Centers are required to assist a sizable number of people

who are socially and economically disadvantaged. More than 35 languages are used to provide WBC services, with 64% of WBCs offering services in two or more languages. Sixty-eight percent of WBCs provide mentorship services, and forty-five percent offer microloans in addition to business training services.

Service Corps of Retired Executives (SCORE) receives funding each year from the SBA to manage 350 volunteer chapters that provide free mentorship and company ownership guidance to entrepreneurs.

Veteran Business Outreach Centers (VBOC) via grants and cooperation agreements with organisations that provide technical assistance to companies owned by veterans and family members, the SBA's Office of Veteran Business Development maintains fourteen VBOCs. Moreover, VBOCs supply teachers for the SBA's Boots to Business programme. Boots to Business is provided in collaboration with the Institute for Veterans and Military Families at Syracuse University, SCORE Mentors, Small Business Development Centers, Women's Business Centers, and Veterans Business Outreach Centers. It is offered without charge to service personnel and their family who are leaving the U.S. military or retiring on participating sites.

Programs for Business Development and Federal Contracting

Program for Business Growth 8(a),

The 8(a) Business Development Program supports the growth of small enterprises run and controlled by people from underrepresented groups, such as women and minorities, who are also sometimes subject to social and economic adversity. The following ethnic groups fall under this category: White Americans; Black Americans; Hispanic Americans; Native Americans (American Indians, Eskimos, Aleuts, or Native Hawaiians); Asian Pacific Americans (people with ancestry from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong), Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Mal- dives Islands or Nepal). Along with the FBI and the IRS, the SBA discovered a significant fraud operation against this programme in 2011. In collaboration with an employee of the Alaska Native Company Eyak Technology LLC, civilian workers of the U.S. Army Corps of Engineers are accused of submitting over $20 million in fake invoices to the programme and pocketing the money for their personal purposes. Moreover, it was claimed that the group intended to provide their preferred contractor an additional 780 million dollars.

Corporations that invest in small businesses

The Small Business Investment Act of 1958 was one of the initial steps towards a professionally managed private equity and venture capital business. The 1958 Act gave the SBA the statutory authority to issue private "Small Business Investment Companies" (SBIC) licences to assist in funding and managing start-up companies in the US. The Federal Reserve Board's report to Congress, which found a significant vacuum in the financial markets for long-term finance for growth-oriented small enterprises, prompted concerns that were resolved with the passage of the Act. In addition, it was believed that supporting entrepreneurial businesses would encourage scientific advancements to rival the Soviet Union. The primary objective of the SBIC programme was, and continues to be, to facilitate the flow of money through the market up to the pioneering small businesses in order to boost the American economy. The federal government's approval of the Small Business Investment

Act in 1958 served as a significant inducement for potential venture capital firms. In accordance with the legislation, venture capital businesses organised as SBICs or Minority Enterprise Small Business Investment Companies (MESBICs) had access to government funds that may be leveraged up to a 4:1 ratio against money generated via private investment. The SBA made the decision to wind down its "Participating Secu- rities" SBIC programme, which had given equity-like SBA support for equity-oriented SBIC funds, in 2005 as a result of significant losses experienced in connection with investments made during the tech boom. The initial SBIC vehicle created by the SBA in 1958, known as the "Debenture" SBIC programme, is still going strong and continues to provide licences and money to SBIC funds. Fiscal Year 2010 was the highest year ever for the SBIC programme.

Agile Startup

A technique for creating companies and products called "lean startup" was initially put out by Eric Ries in 2008. Ries asserts that companies may reduce their product development cycles by combining business hypothesis-driven experimentation, iterative product releases, and what he refers to as validated learning. This is based on his prior experience working in multiple U.S. firms. Ries' main argument is that businesses may lower market risks, avoid the need for significant upfront project finance, and avoid costly product launches and failures if they devote time to iteratively developing goods or services to satisfy early consumers' expectations. The lean startup mindset was first created with high-tech businesses in mind, but it has now been broadened to apply to any person, group, or organisation wanting to launch new goods or services on the market. Due in large part to the success of Ries' best-selling book, The Lean Startup: How Today's Entrepreneurs Employ Continuous Innovation to Build Radically Successful Companies, the lean startup has now gained appeal outside of its Silicon Valley home and around the globe.

Lowest Possible Product

A minimal viable product (MVP) is a new product version that "allows a team to gather the most amount of verified learning about consumers with the least amount of work" (similar to a pilot ex- periment). Testing core business hypotheses (or leap-of-faith assumptions) and assisting entrepreneurs in starting the learning process as soon as feasible are the two objectives of an MVP. Ries gives the creator of Zappos, Nick Swinmurn, as an example. He wanted to see whether consumers were ready and willing to purchase shoes online. Swinmurn contacted neighbourhood shoe shops, photographed their inventory, put the photographs online, and then purchased the shoes from the shops at full price after making a sale. He then mailed the shoes straight to clients instead of creating a website and extensive database of footwear. Swinmurn predicted that Zappos will ultimately become a billion dollar company using the online shoe sales model since there was a need from customers.

Permanent Deployment (Only for Software Development)

Similar to continuous delivery, continuous deployment is a method "where any code that is written for an application is instantly pushed into production," which reduces cycle times. According to Ries, some of the businesses he has worked with put new code into production as often as 50 times every day. Timothy Fitz, a friend of Ries's and an early engineer at IMVU, came up with the expression.

Split Examining

When "multiple versions of a product are presented to customers at the same time," this is known as an A/B test or split test. A split test is used to compare the behaviour of the two

groups and determine how each version affects a certain statistic that may be used for action. A/B testing may also be done in a serial method, in which case a set of consumers could view one version of the product one week and another the following week. In situations when external events may affect user behaviour during one time period but not another, this might be criticised. For instance, a split test of two ice cream flavours conducted in serial over the course of the summer and winter would reveal a significant decline in demand throughout the winter, with the majority of the decline being attributable to the weather rather than the flavour offer.

Relevant Metrics

Informative business choices and subsequent action might be sparked by actionable metrics. They stand in stark contrast to vanity metrics, which aim to paint "the rosiest image imaginable" but fail to accurately capture a company's core values. Actionable metrics for one business may be vanity metrics for another. A business that specializes in building web-based dashboards for the financial markets, for instance, would consider the average number of web pages seen per user to be a vanity statistic since income is not contingent on page views. Yet, since page views are directly tied to income, an online magazine with advertising would consider web page views to be an important measure.

The "number of new users obtained every day" is a classic illustration of a vanity measure. A pivot is a "structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth." While a high number of users gained each day may seem advantageous to any company, if the cost of acquiring each user through expensive advertising campaigns is significantly higher than the revenue gained per user, then gaining more users could quickly lead to bankruptcy. Groupon is a well-known example of a business that has successfully used the pivot; when it initially began, it was an online advocacy platform named The Point. The creators started a WordPress site and ran their first coupon campaign for a pizza that was close to their building lobby after seeing practically little traction. Even though they only got 20 redemptions, the founders understood the importance of their concept and how it had enabled individuals to effectively coordinate collective action. Groupon would become a billion dollar company three years later.

A pivot, according to Steve Blank, is "changing (or even terminating) the strategy instead of **the executive (the sales executive, the marketing executive, or even the CEO)."**

Accounting for Innovation

This subject focuses on the ways that business owners may retain responsibility and optimise results by monitoring their progress, setting goals, and prioritising their tasks.

Build–Measure–Learn

Speed is emphasised as a key component in the Build-Measure-Learn cycle as it relates to product development. The efficacy of a team or business is measured by its capacity to generate ideas, swiftly develop a minimal viable product of those ideas, assess those products' success in the market, and learn from those experiments. In other words, it's a learning loop that involves converting ideas into products, comparing user reactions and behaviours to the produced goods, and then determining whether to stick with the concept or pivot. The loop's stages are: Ideas, Build, Product, Measure, Data, and Learn.

Teams can find a workable route to product/market fit thanks to this quick iteration, and once they've achieved it, they can keep improving and honing the business model.

A lot of the Ries-pioneered lean startup concepts are now currently being used by the US government. Steven Van-Roekel, the Federal Chief Information Officer of the United States, said that he is approaching government "lean-startup style." Ries has also collaborated with Todd Park, the current Chief Technology Officer, and Aneesh Chopra, the previous Chief Technology Officer, to introduce elements of the lean startup model into the US government. Park specifically mentioned that the Department of Health and Human Services recognised "the need to rapidly prototype solutions, engage customers in those solutions as soon as possible, and then quickly and repeatedly iterate those solutions based on working with customers" in order to understand customer demand. The Presidential Innovation Fellows programme, which brings together top citizen innovators and government officials to engage on high-level initiatives and provide demonstrable outcomes in six months, was introduced by Ries and The White House in May 2012.

The lean startup is a "new approach to building companies that has received great interest in the past year or two among Silicon Valley entrepreneurs, engineers, and investors," according to The New York Times in 2010. 2011 was dubbed "the year of the lean startup" by Portfolio.com, and the same year Fast Company stated that the trend is "more about how to operate in our sophisticated, faster-moving environment than it is about how to make online firms more successful and entrepreneurs wealthier." The Harvard Business Review published an essay in 2013 that described "why the lean startup affects everything."

Market relationships and entrepreneurship

Entrepreneurial economics is the study of the entrepreneur and the role of entrepreneurship in the economy, while innovation economics is an economic theory that places a strong emphasis on entrepreneurship and innovation. Entrepreneurial economics, innovation economics, and entrepreneurial finance are the main topics of this chapter.

The study of entrepreneurs and entrepreneurship in the economy is known as entrepreneurial economics. Economic development is not accounted for by the accumulation of factors of production in and of itself. While they are essential manufacturing inputs, they are insufficient to support economic development. To integrate these inputs profitably, human innovation and productive entrepreneurship are required, and an institutional structure that promotes free entrepreneurship becomes the primary determinant of economic development. In any attempt to understand long-term economic growth, the entrepreneur and entrepreneurship should thus take centre stage. Early economic theory, however, did not give the entrepreneur enough consideration.

The Prince of Denmark has been removed from the discussion of Hamlet, leaving the theoretical corporation without any entrepreneurs. William J. Baumol wrote this oft-quoted statement in the American Economic Review. The purpose of the paper was to encourage economists to pay attention to this overlooked aspect.

If entrepreneurship is still as vital to the economy as it has always been, then the persistent inability of conventional economics to effectively account for it suggests that underlying assumptions need to be reassessed. High levels of innovation mixed with high levels of entrepreneurship are the features of an entrepreneurial economy, which lead to the establishment of new initiatives as well as new sectors and industries.

Using the standard analytical tools of economics, such as calculus and general equilibrium models, it is challenging to analyse entrepreneurship. The term "entrepreneur" and the entrepreneur are only briefly mentioned in current textbooks. Mainstream economics relies heavily on equilibrium models, which ignore entrepreneurship.

According to Coase, economics has evolved into a "theory-driven" field that has adopted a paradigm in which solutions are prioritised above issues. He said, "If you read at a page of a scientific publication like Nature, you'll see remarks like, 'We'll have to think it through again.'" These outcomes don't match up with our expectations. Since we approach the issues of economics in a consistent manner and limit our queries, the outcomes always match our expectations. Using insights from models and theories in the natural sciences, entrepreneurial economics questions basic principles.

Entrepreneur studies in economics, psychology, and sociology are strongly influenced by four main schools of thinking. Several early philosophers, like Max Weber, suggested that certain belief systems may not support entrepreneurship by emphasising how it occurs in the framework of a religious belief system. Several sociologists have, however, refuted this claim. Some intellectuals, such K Samuelson, argue that there is no connection between religion, economic progress, and entrepreneurship. Karl Marx believed that the only factors affecting society were the economic system and the method of production. Given the close interactions between the ethical and economic systems, Weber proposed a direct relationship between them.

Economics of Innovation

A developing economic theory called innovation economics places a strong emphasis on innovation and entrepreneurship. The core tenets of innovation economics are that the primary objective of economic policy should be to promote higher productivity through increased innovation and that markets that solely rely on input resources and price signals will not always be as successful at promoting higher productivity and, consequently, economic growth.

In contrast, neoclassical economics and Keynesian economics are the other two widely accepted economic theories. One of the earliest and most significant academics to comprehensively address the issue of innovation in economics was Joseph Schumpeter. As opposed to autonomous factors that are generally untouched by policy, Schumpeter argued that changing institutions, entrepreneurs, and technical progress were at the core of economic growth. According to him, "creative destruction" and ongoing innovation are the only ways capitalism can be understood.

But, a theory and story of economic development centred on innovation and rooted in Schumpeter's theories have just recently begun to take shape. The underlying question in the conundrum of total factor productivity increase was attempted to be resolved by innovation economics. Continuous expansion in output could no longer be attributed to industrialization's understanding of industrialization as a rise in inputs utilised in production. As a result, the emphasis of innovation economics was on developing a theory of economic creativity that would have an effect on theories of firms and organisational decision-making. Innovation economics seeks for combined didactics between the two, hovering between heterodox economics that highlighted the fragility of conventional assumptions and orthodox economics that overlooked such assumptions. By include new concepts of information and communication technology in the global economy, it thereby expands the Schumpeterian assessments of new technical systems. In fact, in the past ten years a new theory and narrative of economic development that emphasises innovation has arisen. Innovation economics, which has emerged in response to other schools of economic thought such as new institutional economics, new growth theory, endogenous growth theory, evolutionary economics, and neo-Schumpeterian economics, offers a theoretical foundation for understanding and fostering development in the modern knowledge economy.

Formal economists, management theorists, technology policy specialists, and others are among the leading innovation economics theorists. These people include Christopher Freeman, W. Brian Arthur, Richard R. Nelson, Richard Lipsey, Michael Porter, Paul Romer, Elhanan Helpman, and Robert Axtell.

According to innovation economists, rather than capital accumulation as asserted by neoclassicism, what largely drives economic development in today's information-based economy is innovative ability sparked by appropriable knowledge and technology externalities. economic innovation growth The result of knowledge (tacit as opposed to codified), regimes and policies encouraging innovation and entrepreneurship (such as R&D expenditures, permits, and licences), technological spillovers and externalities between collaborative firms, and systems of innovation that foster innovative environments, is economics (i.e., clusters, agglomerations, metropolitan areas).

A business's main goal is to earn profits for its shareholders, according to economist Milton Friedman, who said in the New York Times in 1970. Businesses with other goals would be less competitive and provide less advantages to owners, workers, and society. But, research from the last several decades demonstrates that although earnings are important, excellent businesses provide much more, especially when introducing innovation to the market. This encourages economic expansion, increases in employment, and other positive social effects. "The basic purpose of business is to produce new and creative products and services that promote economic development while offering advantages to society," claims business school professor David Ahlstrom.

CHAPTER 7

FINANCE FOR ENTREPRENEURS

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The study of value and resource allocation as it relates to new companies is known as entrepreneurial finance. It tackles important issues that face all business owners, such as how much capital may and should be raised, when it should be sought, and from whom. It also discusses startup valuation and the form of fundraising agreements and exit strategies.

Many business owners learn that in order to properly commercialize their ideas, they need to seek funding. In order to raise money, they must locate investors, which might be their own employer, a bank, an angel investor, a venture capital fund, a stock offering to the general public, or another source of funding. Entrepreneurs encounter a number of difficulties when working with the majority of traditional sources of funding, including skepticism towards the business and financial plans, requests for sizable equity stakes, strict control and managerial influence, and a lack of understanding of the start-ups' typical growth process.

Entrepreneurs, on the other hand, need to be aware of the four primary issues that might reduce investors' desire to put money into investments:

1. Future uncertainties include those related to start-up development opportunities and market and industry trends. The distribution of probable outcomes grows as venture or project uncertainty increases.
2. Information gaps are discrepancies between what different actors know about a company's financial choices.
3. "Soft Assets" are assets that are special and whose worth can only sometimes be measured by markets. Lenders are hence less inclined to provide loans against such an asset.
4. Current market circumstances are volatile; as a result, a venture's present worth and prospective profitability might alter overnight in the financial and product markets.

History

Beginning in the early 20th century, venture capital—the industry of investing in start-up or fledgling businesses with creative ideas—became a significant subset of entrepreneurial finance. Rich families started making private investments in private businesses, including the Vanderbilt, Rockefeller, and Bessemer families. J.H. Whitney & Company, one of the original venture capital companies, was established in 1946 and is still operating today. During the Second World War, General Georges F. Doriot established the American Research and Development Foundation (ARDC), which formalised venture financing. The Small Business Investment Companies (SBIC) licence, which was introduced in 1958, allowed financial institutions to use government money to lend to expanding businesses. In the 1970s, venture capital was stimulated by more regulatory changes in the USA, such as the

elimination of the capital gains tax and the ERISA pension reforms. The venture capital business expanded in prominence and had significant return volatility in the 1980s and 1990s. Venture capital has consistently outperformed most other financial investments and continues to draw new investors despite this cyclicality and crises like the Dot Com bubble.

Sources of funding for entrepreneurs Financial Self-Sufficiency

The phrase "financial bootstrapping" is used to describe a variety of strategies for bypassing the financial resources of outside investors. The founders face risks, but also gives them greater flexibility to grow the business. Owner financing, sweat equity, account payable reduction, joint utilisation, inventory minimization, payment postponement, subsidised finance, and personal debt are a few examples of several forms of financial bootstrapping.

Outside Funding

Companies sometimes need more funding than the owners can provide. As a result, they get finance from outside investors such as angel investors, venture capitalists, and less often crowdsourcing, hedge funds, and alternative asset management. While the word "private equity" may typically refer to holding stock in a private company, it is often used to refer to expansion, buyout, or turnaround investments in conventional sectors and industries.

Business Angels

A business angel is a private investor that contributes some of their own resources and time to start-up creative businesses. Business angels anticipate having a wonderful time in addition to receiving a decent return. The quantity of angel investment is reportedly three times that of venture capital. In order to assist Bill Hewlett and Fred Packard launch their business, Frederick Terman, generally regarded as the "Founder of Silicon Valley" (together with William Shockley), contributed $500.

Investment Capital

A financial investor participates in the capital of a startup or young private firm via venture capital in return for money and strategic counsel. Investors in venture capital seek for rapidly expanding businesses with low levels of debt and strong management teams. Their primary goal is to make a profit by selling the firm interest in the near future. To make up for the increased risk of investing in start-up businesses, they anticipate profitability that is higher than the market.

Buyouts

Buyouts are methods of corporate financing that may be utilised in a number of ways to alter a company's ownership structure. The primary objective of a buyout is to find ways to increase this value once the firm is private and free of some of the regulatory and other obligations associated with being a public company. This could include shifting the company's objective, selling non-core assets, updating product lines, reducing procedures, and changing the management. Businesses with consistent, significant cash flows, well-known brands, and modest growth are often targets of takeovers.

Buyouts come in a variety of forms:

Combination of debt and equity financing: leveraged buyout (LBO). The purpose of adding a large amount of debt to the company's balance sheet is to reveal hidden value.

Private equity sponsors a management team that has discovered a company opportunity at a price considerably beyond the team's wealth via management buyout (MBO), management

buy in (MBI), and buy in management buyout (BIMBO). The distinction lies in the buyer's position: either the management is new to the firm (MBI), currently employed by the company (MBO), or a mix of both (BIMBO).

Buy and build (B&B) is the process of buying multiple small businesses with the aim of turning them into market leaders (highly fragmented sectors such as supermarkets, gyms, schools, private hospitals).

Recaps: Leveraging up for a business that has mostly paid off its LBO debt.

Selling an LBO-company to another private equity group is known as a secondary buyout (SBO).

Public-to-private (P2P, PTOP): acquisition of a publicly traded firm whose price has been "punished" by the market, that is, does not accurately represent its worth.

The Value of Entrepreneurial Financial Planning

Entrepreneurs may predict the amount and timing of money needed to launch and maintain their business via financial planning. The most important questions for an entrepreneur are:

The Chief Financial Officer (CFO) of a startup takes on the crucial responsibility of entrepreneurial financial planning. As opposed to CFOs of established businesses, start-up CFOs play a more strategic role and concentrate on milestones with limited financial resources, changes in value based on their fulfilment, risks associated with not completing milestones and probable consequences, and alternative plans.

Calculating a Start-Funding Up's Needs

Knowing how much money you need to raise is the first stage in the capital raising process. Successful companies plan ahead and implement capital acquisition strategies long before they have a cash shortage. They also foresee their future cash demands.

Entrepreneurial Finance Valuation

Financial planning is a crucial marketing tool for potential investors and aids in estimating an enterprise's worth. Conventional valuation methods like discounted cash flow (DCF), multiples, and accounting do not take into consideration a start-unique up's qualities. Instead, the First Chicago, the Venture Capital, or the Fundamental approaches are often used.

Method of Venture Capital

A venture capitalist is led by the following question to assess the future worth of a start-up: What proportion of the portfolio firm should I hold at exit to ensure that I achieve the IRR promised with my investors? There is often more than one funding round. In order to limit the amount of money invested at greater risk and manage entrepreneurs through milestones, venture capital investors often favour phased investments. Dilution in subsequent rounds helps entrepreneurs by lowering the cost of the shares they must trade for funding.

Using New Techniques in Entrepreneurship

Some of the cutting-edge tactics employed in entrepreneurship include innovation, disruptive innovation, eco-innovation, and induced innovation. Innovation is characterised as a novel concept, tool, or process. The reader will have a better grasp of business strategies by reading this chapter, which describes them.

A "new idea, device, or approach" is the simplest definition of innovation. Yet, innovation is

sometimes also understood as the implementation of superior solutions that satisfy brand-new requirements, unmet needs, or current market requirements. This is achieved by making widely accessible to markets, governments, and society more efficient goods, processes, services, technology, or business models. The phrase "innovation" may be used to describe anything new, unique, and more effective that "breaks into" the market or society. It is not the same as innovation, although it is connected to it.

Although it is common to refer to a new gadget as an innovation, in the domains of economics, management science, and other practise and analysis, innovation is often seen as the outcome of a process that combines numerous original ideas in a manner that has an impact on society. In industrial economics, new ideas are developed and experimentally discovered from services to satisfy the expanding customer demand.

Edison et al. discovered more than 40 definitions in a review of the literature on innovation. In order to understand how innovation is characterised in the software business, they also conducted an industrial survey. They examined the definitions already in use to see if they adequately include all of innovation's dimensions and found the following definition to be the most thorough: Innovation is defined as the creation, adoption, assimilation, and exploitation of a novelty with added value in the economic and social spheres, as well as the renewal and expansion of products, services, and markets, the development of new production techniques, and the establishment of new management structures. It is both a method and a result. The term provided by Crossan and Apaydin expands upon the concept found in the OECD handbook.

The degree of novelty (i.e., whether an invention is new to the business, the market, the industry, or the globe) and kind of innovation (i.e., whether it is a process or product/service innovation) are two more intriguing characteristics of innovation that Edison et al. discovered.

Inter-Disciplinary Views

Economics and business

Innovation has the potential to stimulate development in both company and the economy. The old world ideas of factor endowments and comparative advantage, which centred on an area's distinctive inputs, are out of date for today's global economy due to the recent fast developments in transportation and communications. Joseph Schumpeter, an economist who made significant contributions to the study of innovation economics, asserted that businesses must continuously revolutionise the economic structure from within by innovating better or more efficient processes, products, and market distribution, such as the link between the craft shop and factory. "Creative destruction is the core reality about capitalism," he famously remarked. Also, business owners always seek out new methods to please their customer base with products of higher quality, durability, service, and pricing. These efforts are realised via innovation using cutting-edge technology and organisational techniques.

The phenomenal growth of businesses in Silicon Valley that came out of Stanford Industrial Park is one such example. Disgruntled workers quit William Shockley's Nobel Prize–winning company, Shockley Semiconductor, in 1957 to establish Fairchild Semiconductor, an independent business. After a while, Fairchild grew to be a powerful force in the industry. Leading workers eventually founded their own businesses after these entrepreneurs eventually departed to form their own businesses based on their own, distinctive, cutting-edge ideas. This snowball effect started the historic startup business boom of information technology companies over the next 20 years. Basically, Shockley's eight former employees

started 65 new businesses in Silicon Valley. Since then, innovation hotspots have appeared all around the world with similar names, like Silicon Alley, which encompasses New York City.

Organizations

In the context of an organisation, innovation may be connected to improvements in productivity, quality, competitiveness, and market share. Recent studies have shown that organisational culture has a complementary role in helping firms to transfer creative activities into observable performance benefits. In addition to the employees' primary job responsibilities, organisations may boost performance and profitability by giving work groups the tools and chances to innovate. Whether at an established company, a governmental institution, or a new firm started by a lone person in the family kitchen, innovation is the distinctive job of entrepreneurship, according to Peter Drucker. It is a technique used by entrepreneurs to either develop new resources capable of generating profit or give already existing resources a greater capacity to do so. –Drucker

Disruptive innovation, in Clayton Christensen's opinion, is the secret to company success in the future. For the organisation to maintain its competitive edge, a suitable structure is necessary. It is essential to foster and establish an atmosphere that is conducive to innovation. Managers and executives must abandon conventional ways of thinking and take advantage of change. There is danger, but there is also opportunity. With the increased use of technology, the workplace is changing, and enterprises and corporations are getting more and more competitive. To stay competitive, businesses will need to reduce and reengineer their processes. Employment will be impacted because firms would be obliged to employ fewer people to do the same or even more work.

Hospitals, colleges, and municipal governments are just a few examples of the types of institutions that may innovate. For instance, the City of Baltimore was pressured by former Mayor Martin O'Malley to implement CitiStat, a performance-measurement data and management system that enables municipal authorities to keep statistics on crime patterns and the status of potholes. With accountability and efficiency in mind, this approach helps with improved policy and process evaluation. CitiStat saved the city $13.2 million in its first year. Even public transportation networks have innovated with hybrid bus fleets and real-time bus stand monitoring. Also, an increasing number of mobile data terminals are being used in cars to transmit information like location, passenger counts, engine performance, mileage, and other data automatically. These terminals act as communication hubs between cars and a control centre. This device aids in managing and delivering transportation systems.

Hospitals digitising medical data in electronic medical records is one such cutting-edge tactic. For instance, the Harlem Children's Zone used a community-based approach to educate local children, the Environmental Protection Agency's brownfield grants facilitate turning over brownfields for environmental protection, green spaces, community, and commercial development, and the U.S. Department of Housing and Urban Development's HOPE VI initiatives revitalised, mixed-income environments in severely distressed public housing in urban areas.

Diffusion

Gabriel Tarde, a pioneering researcher, initially drew the S-shaped diffusion curve in 1903 and launched the field of diffusion of innovation study. The innovation-decision process, according to Tarde (1903), consists of the following steps:

Innovations may spread from the inventor to other people and organisations after they have already occurred. It has been suggested that the's-curve' or diffusion curve may be used to represent the life cycle of inventions. The s-curve illustrates the increase in income or productivity over time. Growth is often gradual in the early stages of an invention while the new product establishes itself. At some point, demand from consumers kicks in, and the rate of product expansion picks up. Growth might continue thanks to small-scale improvements or new product breakthroughs. Growth slows and may even start to diminish at the end of its existence. No amount of further investment in that product at this point will result in a typical rate of return.

The s-curve originates from the presumption that new goods are likely to have a "product life"—a start-up period, a quick gain in income, and a final decline—instead of a continuous upward trend. The vast majority of innovations, in reality, never leave the bottom of the curve and never generate normal returns.

Typically, innovative businesses will be developing fresh ideas that will ultimately displace more traditional ones. More s-curves will emerge to take the place of the older ones, driving development higher. The first curve in the image above represents a modern technology. The second illustrates a developing technology that today produces slower growth but will soon surpass existing technology and result in even faster growth. Several things will affect how long someone lives.

Measurements Henry et al. discovered 232 innovation metrics in their examination of the literature on innovation management. Inputs into the innovation process, output from the innovation process, impact of the innovation output, metrics to evaluate the activities in an innovation process, and availability of elements that support such a process are the five categories under which they grouped these measurements.

Measures for innovation may be taken at two separate levels:

Administrative Level

Individuals, team evaluations, and privately held businesses of all sizes are included on the organisational level innovation measurement. Organizations may measure innovation using surveys, seminars, consultants, or internal benchmarking. Organizational innovation is currently not yet measured in any standardised manner. Corporate measurements are often built around balanced scorecards that encompass a variety of innovation-related topics, including financial business metrics, the effectiveness of the innovation process, employee contributions and motivation, and consumer benefits. Measured metrics, which may include new product revenue, R&D expenditures, time to market, customer and staff perception and happiness, the number of patents, and extra revenues as a consequence of prior inventions, will differ greatly amongst organisations.

Political Level Innovation metrics at the political level are primarily concerned with a nation's or region's ability to gain competitive advantage via innovation. In this context, a variety of assessment frameworks, including those of the European Foundation for Quality Management, may be used to assess an organization's capabilities. Standard rules for evaluating technological product and process innovation are provided in the OECD Oslo Manual (1995). The 1963 Frascati Manual is seen as a supplement by some to the Oslo Manual. Marketing and organisational innovation are included in the new Oslo handbook from 2005, which takes a broader approach to innovation. For instance, the European Community Innovation Surveys make use of these standards.

Alternative metrics for innovation have historically included spending, such as the proportion of GNP invested in R&D (Research and Development) (Gross National Product). There has been much debate about whether this is an effective means of assessing innovation, and the Oslo Manual has included some of the criticism levelled at prior techniques. Many policy choices are still influenced by the conventional measurement techniques. The Lisbon Strategy of the EU specifies as a target that their average R&D spending should be 3% of GDP.

Indicators

Several academics assert that the "learning by doing, using, and interacting mode" (DUI-mode) is mostly disregarded in favour of the "science and technology mode" (S&T- mode or STI- mode). As an example, this suggests that although you may have superior high tech or software, there are also essential learning activities that are needed for innovation. Nonetheless, it is uncommon to do these measures and research.

A widely held industry belief that comparative cost-effectiveness research (CER) is a type of price control that limits business R&D spending, stifles future innovation, and jeopardises new goods' access to markets is refuted by actual data. According to some academics, the CER is a useful value-based innovation metric that gives really substantial therapeutic improvements (those that result in "health benefit") greater prices than those determined by free market forces. Such value-based pricing is seen to be a way of signalling to the sector the kinds of innovations that need to be rewarded with public funds. On the grounds that both methods of evaluating innovation in pharmaceuticals are mentioned in annex 2C.1 of the AUSFTA, Australian academic Thomas Alured Faunce has developed the argument that national comparative cost-effectiveness assessment systems should be viewed as measuring "health innovation" as an evidence-based concept distinct from valuing innovation through the operation of competitive markets (a method that requires strong anti-trust laws to be effective).

Government Regulations

Innovation is a crucial component of society and the economy because of the visible benefits it has on productivity, quality of life, and economic progress. As a result, policymakers have spent a lot of time trying to create environments that will encourage innovation and the positive effects that come with it. This includes funding R&D, supporting regulatory change, funding the creation of innovation clusters, and using public purchasing and standardisation to "pull" innovation through.

For instance, experts are urging the U.S. federal government to establish the National Infrastructure Foundation, a nimble, collaborative strategic intervention organisation that will house innovation programmes from dispersed silos under one entity, inform federal officials on innovation performance metrics, strengthen industry-university partnerships, and support initiatives for innovation economic development, particularly to strengthen regional clusters. A cluster development grant programme would also be implemented since clusters serve as the geographical breeding grounds for novel goods and procedures. Other areas of national concern, such as government debt, carbon footprint, and oil reliance, would be addressed by concentrating on innovation in fields like information technology, renewable energy, and precision manufacturing. With their ongoing Regional Innovation Clusters effort, the U.S. Economic Development Administration recognise this fact. Also, in order to remain competitive internationally, government R&D funding should be increased to levels comparable to those of Japan, Finland, South Korea, and Switzerland, which are key drivers of innovation and productive development. Also, as urban regions are the main drivers of the American economy, greater funding should be obtained for them.

Several nations value both innovation and R&D, including the Ministry of Science and Technology in the People's Republic of China, the Federal Ministry of Education and Research in Germany, and the Ministries of Education, Culture, Sports, and Science and Technology in Japan (MEXT). Moreover, the Medvedev modernization programme, which aspires to build a diverse economy based on high technology and innovation, is Russia's innovation initiative. A variety of innovation incentives have also been introduced by the Western Australian government for use by government agencies. The Innovation Program was initially established by Landgate, a government organisation in Western Australia. The Tropical Innovation Awards, available to all Australian companies, were launched by the Cairns Area in 2010. Participant eligibility for the 2011 Awards has been expanded to include all nations in the tropical zone.

Innovative Disruption

A disruptive innovation is one that displaces well-established market-leading companies, products, and alliances by creating a new market and value network and even- tually disrupting an existing market and value network. Clayton M. Christensen began to define the phrase and examine the phenomena in 1995. The term "major social effect" has also been used to describe disruptive innovation in the early 2000s.

Even breakthrough ideas don't always cause disruption. For instance, since early cars were costly luxury products that did not disrupt the market for horse-drawn vehicles, they were not disruptive innovations when they were introduced in the late 19th century. Up to the 1908 release of the less expensive Ford Model T, the transportation business virtually remained unaffected. Since it revolutionised the transportation business, unlike the first thirty years of vehicles, the mass-produced automobile was a disruptive invention.

Alternative thinkers and entrepreneurs are more likely to create disruptive ideas than established market leaders. Market leaders' business environments prevent them from pursuing disruptive innovations when they first appear because they are not initially lucrative enough and because their development might divert limited resources from sustaining innovations (which are needed to compete against current competition). However, once it is implemented in the market, a disruptive process achieves a much faster penetration and higher degree of impact on the established markets. A disruptive process can take longer to develop than by the conventional approach and the risk associated with it is higher than the other more incremental or evolutionary forms of innovations.

In his 1995 paper Disruptive Technologies: Catching the Wave, which he coauthored with Joseph Bower, Clayton M. Christensen developed the concept of disruptive technologies. Instead of the scientific community, the piece is directed at management executives who decide on financing or purchases in corporations. In his book The Innovator's Dilemma, he goes into further detail about the concept. According to what Christensen was told in the 1990s, the disc drive industry—which, given its fast generational change, is to the study of business what fruit flies are to the study of genetics—and the digging equipment sector were the subjects of Innovator's Dilemma (where hydrau- lic actuation slowly displaced cable-actuated movement). Since few technologies are inherently disruptive or sustaining in nature—rather, it is the business model that the technology enables—Christensen changed the phrase disruptive technology to disruptive innovation in his sequel to The Innovator's Solution with Michael E. Raynor. To comprehend the development of business at the market or industry level, Christensen's shift from a technology emphasis to a business-modeling focus is crucial. In the 2008 Harvard Business Review article "Reinventing Your Business Model," Christensen and Mark W. Johnson, who cofounded the management consulting

company Innosight, explored the mechanics of "business model innovation." The idea of disruptive technology carries on a long history of economics studying innovation by detecting extreme technological change and developing strategies for its management at a corporate or policy level.

By working with the consultant David E. O'Ryan in the late 1990s, the automobile industry started to adopt a concept of "constructive disruptive technology," whereby existing off-the-shelf technology was combined with newer innovation to generate what he dubbed "an unfair advantage." The whole process or technological change needs to be "constructive" in terms of enhancing the existing manufacturing process while having a disruptive effect on the entire business case model, leading to a considerable decrease in waste, energy, materials, labour, or legacy costs to the user.

Christensen's theory explains why many disruptive inventions are not "advanced technologies," as one would assume based on the knowledge that what counts economically is the business model rather than the technological sophistication itself. Instead, they often involve creatively applying new combinations of already-available off-the-shelf components to a modest, developing value network.

According to Christensen, a disruptive innovation is one that creates a new market for a product or service. Disruptive inventions were often technologically basic, made up of commercially available parts assembled in a product design that was frequently more uncomplicated than previous methods. They could hardly be originally deployed in established marketplaces since they delivered less of what consumers desired. They provided a unique set of qualities that were only appreciated in developing markets far from and inconsequential to the mainstream.

Disruptive innovations, according to Christensen, may harm profitable, well-run businesses that are attentive to their clients' needs and have top-notch research and development departments. As a result of the very low profit margins and tiny size of these sectors, these companies often disregard the areas that are most vulnerable to disruptive breakthroughs. The usual corporate advice to "focus on the customer" (or "remain close to the customer," or "listen to the customer") may thus be strategically detrimental in some situations, as shown by disruptive technologies. O'Ryan argued that once decision-making management understood the systemic benefits as a whole, "constructive" integration of existing, new, and forward-thinking innovation could improve the economic benefits of these same well-managed companies, in contrast to Christensen's claim that disruptive innovations can harm successful, well-managed businesses. Christensen makes a distinction between "new-market disruption," which targets consumers with unmet demands by incumbents, and "low-end disruption," which targets customers who do not need the complete performance prized by customers at the high end of the market. When consumers cannot accept new performance at the same pace as goods improve, this is known as "low-end disruption." As a result, the performance of the product eventually exceeds the requirements of certain client groups. At this moment, a disruptive technology could enter the market and provide a product that performs worse than the market leader but surpasses the needs of certain market segments, therefore acquiring traction.

In low-end disruption, the disruptor first focuses on servicing the client who is the least profitable and content with a decent enough product. Customers of this sort are unwilling to spend more for improved product functionality. The disruptor looks to increase its profit margin after it has established a presence in this client sector. The disruptor must choose a market where customers are ready to spend a bit more for superior quality in order to get

larger profit margins. The disruptor must innovate to ensure this quality in its product. The incumbent will go upwards and concentrate on its more desirable consumers rather than exerting much effort to maintain its position in a less lucrative area. The incumbent is forced into smaller markets than it was previously servicing after many such clashes. Finally, the disruptive technology satisfies the demands of the most lucrative market sector and eliminates the market-leading corporation.

When a product suits a new or growing market niche that is not being supplied by established incumbents in the industry, "new market disruption" occurs.

The approach of depending on chosen case studies as the primary type of proof as well as the generalisation of the theory to all facets of life have both been questioned. Jill Lepore notes that several companies classified by the theory as being the victims of disruption a decade or more ago are still in business today and are still at the top of their respective sectors (including Seagate Technology, U.S. Steel, and Bucyrus). Lepore concerns if the idea has been misused and oversold, as if it could account for every aspect of life, not only business but also education and government organisations.

CHAPTER 8

IMPACTS OF HIGH-TECHNOLOGY

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High technology is a technology core that transforms the entire organisation and structure of the technology support network's constituent parts. The TSN's duties and relationships, as well as the necessary physical, energy, and information flows, are thereby qualitatively altered by high technology. The organisational culture itself is also impacted, along with the abilities needed, the roles performed, and the management and coordination modalities.

This type of technology core is distinct from regular technology core, which only enables users to perform the same tasks in the same way, but faster, more reliably, in larger quantities, or more efficiently. Regular technology core also preserves the qualitative nature of flows and the structure of the support. It differs from suitable technology core in that it maintains the TSN itself for technology implementation and enables users to carry out the same tasks in equivalently efficient ways rather than enhancing performance efficiency.

Eco-Innovation

Eco-innovation is the creation of goods and procedures that advance ecological improvement, either directly or indirectly, via the commercial application of knowledge. This covers a wide variety of connected concepts, including new technical advancements that are ecologically beneficial and socially acceptable approaches towards sustainability. Eco-innovation is the study of how, why, and at what pace new "ecological" concepts and technologies proliferate.

Eco-innovation is a relatively new concept, the book by Claude Fussler and Peter James contains one of the first references to the idea of eco-innovation in literature. Eco-innovation is described as "new goods and processes that give consumer and corporate value but considerably lower environmental consequences" in a following essay by Peter James. The word "eco-innovation" is first used by Klaus Rennings, who specifically mentions three types of improvements towards sustainable development: Institutional, social, and technical innovation.

Many related ideas are closely connected to eco-innovation. It is often used synonymously with "environmental innovation" and is frequently associated with green technology, eco-efficiency, green design, sustainable design, or sustainable innovation. While "environmental innovation" is used in situations where "eco-innovation" isn't, the other phrases tend to be employed when discussing product or process design, putting a greater emphasis on the technological rather than the sociological or political components of eco-innovation. Ecovation is the process by which ethical capitalism joins forces with ecological innovation to create goods that are both generative and recyclable into the environment for use in other sectors of the economy.

The Phrase Eco-Innovation in Technology

The phrase "eco-innovation" is most often used to describe novel goods and procedures that lessen their negative effects on the environment. In combination with eco-efficiency and eco-design, this is often employed. Industry pioneers across a wide range of sectors have been working to advance sustainability by creating cutting-edge technologies. They, however, are not always applicable or governed by law or policy.

Sustainability as a Social Process

Another viewpoint is that this definition should be expanded to include greater social and cultural acceptance of eco-innovations, as is the case, for instance, with the organisation Eco Innovation. According to this perspective, the "social pillar" that James added to his definition is essential because it affects both learning and the efficiency of eco-innovations. Even though environmental technology and eco-innovation are linked to the emergence of new economic activities or even branches, this approach gives eco-innovations a social component and a status that is more than a new type of commodity or sector (e.g., waste treatment, recycling, etc.). This method takes usage into account when thinking about eco-innovation rather than just the final product. Eco-innovation becomes a more comprehensive tool for sustainable development when the social pillar connected to it adds a governance element.

Spread of Eco-Innovations

Instead of focusing on diffusion, the literature in the field of eco-innovations frequently emphasises policy, regulations, technology, market, and firm-specific factors. However, given that some eco-innovations are already at a mature stage, understanding the diffusion of eco-innovations has recently become more crucial. According to survey results, the majority of consumers have favourable opinions of different eco-innovations. The adoption of solutions like dynamic electricity tariffs, however, continues to be unacceptably low. High levels of public support for eco-innovations are contrasted with frequent non-engagement or even local hostility towards specific project proposals, which is often referred to as the "Not in My Back Yard" (NIMBY) concept. Models of economic behaviour and social psychology should be used to address these issues.

The French sociologist Gabriel Tarde and German and Austrian anthropologists and geographers like Friedrich Ratzel and Leo Frobenius were among the first to study the idea of diffusion in the late 19th century. In the 1920s and 1930s, the subfield of rural sociology in the midwestern United States experienced a boom in the study of innovation diffusion. As agricultural technology developed quickly, researchers began to look at how independent farmers were utilising hybrid seeds, tools, and practises. Ryan and Gross's (1943) study of the adoption of hybrid corn seed in Iowa solidified earlier work on diffusion into a distinct paradigm that would go on to be frequently referenced in the future. Diffusion of Innovations has been applied to a wide range of contexts since its inception in rural sociology, including medical sociology, communications, marketing, development studies, health promotion, organisational studies, knowledge management, and complexity studies. It has had a particularly significant impact on the use of medications, medical procedures, and health communications. H. Earl Pemberton developed the basic epidemiological or internal-influence form of institutional diffusion in organisational studies. He gave examples like postage stamps and uniform school ethics codes.

The groundbreaking book Diffusion of Innovations was published in 1962 by rural sociology professor Everett Rogers. The original fields that influenced the theory were anthropology,

early sociology, rural sociology, education, industrial sociology, and medical sociology. Rogers synthesised data from over 508 diffusion studies in these areas. Rogers developed a theory of how innovations are adopted by people and organisations using his synthesis. One of the books by Rogers that is frequently cited in diffusion research is Diffusion of Innovations. Even though the field has branched out into and been influenced by other methodological disciplines like social network analysis and communication, his methodologies are closely followed in current diffusion research.

Specifications of Innovations

Numerous innovations' characteristics have been studied. Several traits that are shared by the majority of studies have been identified by meta-reviews. These are consistent with the qualities that Rogers listed in his reviews at first.

Potential adopters assess an innovation based on its relative advantage (the perceived efficiency gains compared to existing tools or procedures), compatibility with the existing system, complexity or learning curve, trial ability or testability, potential for reinvention (using the tool for originally unintended purposes), and observed effects. These characteristics interact and are assessed collectively. For instance, an innovation might be very complex, which lowers the likelihood that it will be adopted and spread, but it might also be very compatible with a significant advantage over existing tools. Potential adopters may still use the innovation despite the steep learning curve.

Other aspects of innovations have also been identified by studies, but they are less typical than the ones Rogers has mentioned. The innovation's adoption may be impacted by the innovation's hazy boundaries. It is simpler to adopt innovations that have a small core and a large periphery. Less risky innovations are more readily adopted because there is less risk of financial loss from a failed integration. Even when they offer a significant relative advantage, innovations that disrupt routine tasks may not be adopted due to the increased instability. Similarly, innovations that simplify tasks are more likely to be embraced. Knowledge requirements, which are closely related to relative complexity, are the ability barrier to use created by the innovation's difficulty in use. The likelihood of adoption can be increased even when there are strict knowledge requirements with the help of previous adopters or other sources.

Qualities of Particular Adopters

Adopters have characteristics that influence their propensity to adopt innovations, just like innovations do. Numerous distinct personality traits have been investigated for their effects on adoption, but results have been mixed. A potential adopter's likelihood to adopt an innovation is significantly influenced by their ability and motivation, which differ depending on the situation as opposed to personality traits. Unsurprisingly, those who are motivated to adopt an innovation are more likely to make the necessary modifications. Innovations can have symbolic value that encourages (or discourages) adoption; this can have an impact on motivation. The concept of a potential adopter's overall connection to the large community represented by a city was first put forth by Ryan and Gross (1943). Potential adopters are more likely to use an innovation if they frequently visit urban areas. Finally, individuals who have the ability to affect change, especially within organisations, are more likely to adopt innovations than those who have less control over their own destiny.

Organizational Characteristics

Since organisations are both the sum of their constituent parts and their own system with a set

of rules and procedures, they must deal with more complicated adoption possibilities. Three organisational traits—tension for change (motivation and ability), innovation-system fit (compatibility), and assessment of implications—correspond well to the aforementioned individual traits (observability). A tension for change can put pressure on organisations. If the situation facing the organisation is hopeless, it will be inspired to adopt an innovation to turn things around. Within each of its constituent parts, this tension frequently manifests. Innovations that are compatible with the organization's pre-existing system are more likely to be adopted because they require fewer coincidental changes and are simple to assess. Additionally, the organisation is under pressure from its external environment, which is frequently the industry, community, or economy. An organisation is more likely to adopt an innovation when it is permeating the environment of the organisation for any reason. Intentional spread of innovations, such as that caused by political mandate or directive, is also likely to happen quickly.

Process

A five-step decision-making process leads to diffusion. It happens over time among people in a similar social system through a variety of communication channels. In 1943, Ryan and Gross became the first to recognise adoption as a process. This theory is based on Rogers' five stages (steps): awareness, interest, evaluation, trial, and adoption. Any time during or after the adoption process, a person can reject an innovation. By posing queries like, "How do technically inefficient innovations diffuse?" and "What prevents technically efficient innovations from taking off?" Abrahamson critically examined this process. Abrahamson offers advice on how organisational scientists can conduct a more thorough analysis of the diffusion of innovations. Rogers renames the five stages in later printings of Diffusion of Innovation as knowledge, persuasion, decision, implementation, and confirmation. The categories' descriptions, however, have stayed consistent across all editions.

Adoption Rate

The relative speed at which participants adopt an innovation is known as the rate of adoption. Rate is usually measured by the length of time required for a certain percentage of the members of a social system to adopt an innovation. The rates of adoption for innovations are determined by an individual's adopter category. In general, individuals who first adopt an innovation require a shorter adoption period (adoption process) when compared to late adopters. Within the adoption curve at some point the innovation reaches critical mass. This is when the number of individual adopters ensures that the innovation is self-sustaining.

Adoption Strategies

Rogers outlines several strategies in order to help an innovation reach this stage, including when an innovation adopted by a highly respected individual within a social network and creating an instinctive desire for a specific innovation. Another strategy includes injecting an innovation into a group of individuals who would readily use said technology, as well as providing positive reactions and benefits for early adopters.

Diffusion vs Adoption

Adoption is an individual process detailing the series of stages one undergoes from first hearing about a product to finally adopting it. Diffusion signifies a group phenomenon, which suggests how an innovation spreads.

Adopter Categories

Rogers defines an adopter category as a classification of individuals within a social system on the basis of innovativeness. In the book Diffusion of Innovations, Rogers suggests a total of five cate- gories of adopters in order to standardise the usage of adopter categories in diffusion research. The adoption of an innovation follows a S curve when plotted over a length of time. The categories of adopters are: innovators, early adopters, early majority, late majority and laggards In addition to the gatekeepers and opinion leaders who exist within a given community, change agents may come from outside the community. Change agents bring innovations to new communities– first through the gatekeepers, then through the opinion leaders, and so on through the community.

Failed Diffusion

Failed diffusion does not mean that the technology was adopted by no one. Rather, failed diffusion often refers to diffusion that does not reach or approach 100% adoption due to its own weaknesses, competition from other innovations, or simply a lack of awareness. From a social networks perspective, a failed diffusion might be widely adopted within certain clusters but fail to make an impact on more distantly related people. Networks that are over-connected might suffer from a rigidity that prevents the changes an innovation might bring, as well. Sometimes, some innovations also fail as a result of lack of local involvement and community participation.

For example, Rogers discussed a situation in Peru involving the implementation of boiling drinking water to improve health and wellness levels in the village of Los Molinas. The residents had no knowledge of the link between sanitation and illness. The campaign worked with the villagers to try to teach them to boil water, burn their garbage, install latrines and report cases of illness to local health agencies. In Los Molinas, a stigma was linked to boiled water as something that only the "unwell" consumed, and thus, the idea of healthy residents boiling water prior to consumption was frowned upon. The two-year educational campaign was con- sidered to be largely unsuccessful. This failure exemplified the importance of the roles of the communication channels that are involved in such a campaign for social change. An examina- tion of diffusion in El Salvador determined that there can be more than one social network at play as innovations are communicated. One network carries information and the other carries influence. While people might hear of an innovation's uses, in Rogers' Los Molinas sanitation case, a network of influence and status prevented adoption.

The Role of Social Systems Opinion Leaders

Not all individuals exert an equal amount of influence over others. In this sense opinion leaders are influential in spreading either positive or negative information about an innovation. Rogers relies on the ideas of Katz & Lazarsfeld and the two-step flow theory in developing his ideas on the influence of opinion leaders.

Opinion leaders have the most influence during the evaluation stage of the innovation-decision process and on late adopters. In addition opinion leaders typically have greater exposure to the mass media, more cosmopolitan, greater contact with change agents, more social experience and exposure, higher socioeconomic status, and are more innovative than others. Research was done in the early 1950s at the University of Chicago attempting to assess the cost-effectiveness of broadcast advertising on the diffusion of new products and services. The findings were that opinion leadership tended to be organised into a hierarchy within a society, with each level in the hierarchy having most influence over other members in the same level, and on those in the next level below it. The lowest levels were generally

larger in numbers and tended to coincide with various demographic attributes that might be targeted by mass advertising. However, it found that direct word of mouth and example were far more influential than broadcast messages, which were only effective if they rein- forced the direct influences. This led to the conclusion that advertising was best targeted, if possible, on those next in line to adopt, and not on those not yet reached by the chain of influence.

Other research relating the concept to public choice theory finds that the hierarchy of influence for innovations need not, and likely does not, coincide with hierarchies of official, political, or economic status. Elites are often not innovators, and innovations may have to be introduced by outsiders and propagated up a hierarchy to the top decision makers.

Social Networks for Electronic Communications

In the book The IRG Solution - Hierarchical Incompetence and How to Overcome It, it was claimed that social networks, in particular tacit knowledge, played a significant role in the diffusion of innovation before the Internet was invented. The book made the case that the widespread use of personal computer networks will improve the distribution of inventions, increase awareness of any potential flaws, and help identify any necessary advancements that could not have arisen otherwise. Valente builds on the social model offered by Ryan and Gross by categorising adopters using social networks rather than only the system-level analysis used by Ryan and Gross. In addition, Valente examines a person's personal network, which is an alternative application to the organisational approach advocated by many other academics.

Organizations

Two different forms of innovation choices—collective innovation decisions and authority innovation decisions—are often used by businesses to accept innovations. When adoption is decided by consensus, the collective decision is made. A very small group of very powerful persons inside an organisation take the authoritative decision. These decision procedures, in contrast to the optional innovation decision process, only take place inside an organisation or hierarchical group. Certain people are referred to be "champions" inside an organisation because they support an invention and overcome objections. The champion performs a function very similar to the champion used in the Six Sigma efficiency business model. The five steps of the procedure are somewhat reminiscent to the innovation-decision process that people go through. These are the stages: establishing the agenda, matching, clarifying, redefining/restructuring, and routinizing.

The Theory of Policy Diffusion of Innovations has been extended beyond its initial fields of application. Policy diffusion in political science and administration is concerned with the adoption of new institutional practises by other institutions at the local, state, or national level. An alternative word is policy transfer, which places more of an emphasis on the agents of dissemination and the spread of policy information, as in Diane Stone's work. Definition: Knowledge regarding how policies, administrative arrangements, institutions, and ideas in one political context (past or present) are employed in the creation of policies, administrative arrangements, institutions, and ideas in another political setting.

The first areas of interest in policy diffusion were time variation or state lottery adoption, but more recently, focus has shifted to mechanisms (emulation, learning, and coercion) or in channels of diffusion, where researchers have discovered that the establishment of regulatory agencies is spread through country and sector channels. It is simple to identify trends in dissemination at the local level by looking at well-liked city-level legislation and gauging public knowledge. Global financial institutions' mandates and local politicians' knowledge of

triumphs and failures in other countries have been argued to influence the transmission of economic policies across nations. Others adopt the same policies as a group of nations do, as shown by the deregulation and liberalization that occurred across the developing world as a result of the Asian Tigers' triumphs. This learning process, which would fall under the phases of knowledge and choice, may be understood as lessons learnt by imitating China's prosperous development, as seen by the reinstatement of restrictions in the early 2000s.

Technology

Diffusion is described as "the process of the market penetration of new products and services that is driven by social influences, which include all interdependencies among consumers that affect various market players with or without their explicit knowledge," according to Peres, Muller, and Mahajan. Using a phenomenological perspective, Eveland assessed dissemination and said that “Technology is information, and exists only to the extent that humans can put it into practise and utilise it to attain ideals”. "S curves" have been used to calculate the diffusion of already existent technology. Ra- dio, television, VCR, cable, flush toilets, laundry washers, refrigerators, air conditioners, dishwashers, electric dwellings, telephone, cordless phones, cellular phones, per capita airline miles, personal computers, and the Internet are some of these technologies.

Future inventions may be predicted using this facts. Infrastructure's diffusion curves show differences between the spread of personal technologies vs those of infrastructure.

Repercussions of Adoption

When a person or organisation decides to accept a certain invention, both favourable and unfavourable results are conceivable. Rogers claims that further study is necessary in this area due to the innovation's skewed optimistic perspective. Rogers divides consequences into three categories: good or bad, immediate or indirect, and expected or unexpected.

Community versus Private

Private consequences relate to the influence on the actor, while public consequences include the impact on people other than the actor. Collective actors, such as nations, governments, organisations, or social movements, are often involved in public repercussions. The outcomes often address concerns for social well-being. Private repercussions often affect individuals or small groups of people, like a community. The majority of the time, innovations aim to enhance social or organisational structures or living quality.

Costs vs. Advantages

The advantages of an invention are undoubtedly its good effects, whilst its disadvantages are their expenses. Expenses might be direct or indirect, financial or nonfinancial. Financial instability and the actor's financial situation are often factors in direct costs. It is more challenging to calculate indirect expenses. One example would be the need to purchase a novel insecticide in order to utilise novel seedlings. Social costs of innovation, such as social strife, are another category of indirect costs. The diffusion process is of special interest to marketers since it decides whether a new product will succeed or fail. Understanding the diffusion process is crucial for marketers in order to effectively control the spread of new goods and services.

Therapy in Mathematics

A logistic function often mimics the S-shaped curve that characterises the dissemination of innovations. Real-world data issues are addressed by mathematical programming models like the S-D model, which use the diffusion of innovations theory.

Models for Complex Systems

The spread of innovations among people linked to one another via a network of peer-to-peer impacts, such as in a real community or neighbourhood, may also be studied using complex network models.

These representations show a system of people as nodes in a network (or graph). The edges of the network, which indicate the interactions connecting these people, may be based on the likelihood or strength of social ties. Each node is assigned a current state in the dynamics of these models, indicating whether or not the person has embraced the innovation, and model equations chart the development of these states through time.

In threshold models, the relative importance of two variables—the (perceived) value of the innovation to the user and adoption obstacles like cost—determines the uptake of innovations. Such models may depict the many factors that affect choices to adopt as a collection of nodes and connections that reflect actual interactions. These factors can be both personally and socially driven. Each node represents an inventor, an adopter, or a prospective adopter, drawing on social network analysis. A threshold exists for potential adopters, which is the proportion of his neighbours who must accept the innovation before he will do so. Each prospective adopter gradually observes his neighbours and determines whether or not to adopt depending on the technology they are using. The predicted degree of adoption was seen to rely on the number of early adopters as well as the network's structure and features when the impact of each individual node was examined together with its influence on the whole network. The number of connections between nodes and their neighbours and the existence of a high degree of common connections in the network stand out as crucial elements for the effective dissemination of the invention (quantified by the clustering coefficient). These models are very effective in illustrating the relative influence of opinion leaders. The balance between the apparent intrinsic benefit to the person and the social components of dissemination is often studied using computer models.

Promoted Innovation

J.R. Hicks initially put forward the macroeconomic theory of induced innovation in his 1932 book The Theory of Wages. A shift in the relative pricing of the production inputs, according to his theory, "is itself a stimulus to creation, and to invention of a specific kind—directed to economizing the usage of a component which has become comparatively costly."

This theory has received a lot of attention in the literature, which is often stated in terms of how salary rises drive the development of labor-saving innovations. The theory has also been used to argue that rising energy prices should be seen as a reason for faster than usual improvements in products' energy efficiency.

Climate Change Induced Creativity

In the area of climate change, Hicks theory has been significantly used. The impact on natural resources has significantly grown as a result of the enormous population expansion that has happened during the last century. It is essential to alter global climate change strategies in order to have a sustainable future, and the induced innovation theory may help to simulate these policies.

Economists often employ the equation I=P*A*T, where "I," the impact variable (for instance, energy consumption), is the product of "P," the population, "A," the level of prosperity (typically represented by GDP per capita), and "T," the technology.

The technical coefficient indicates the average level of technology and shows the effectiveness of the system being used for a certain resource. A rise in "P" and "A" would be indicated by a drop in "T," but "I" might still be increasing or staying steady if the better technology is insufficient to offset that impact. Hence, a decrease in "I" would always indicate that there is less demand on the available resources, while this would not necessarily be the result of doing so (reducing T).

The surplus of greenhouse gases in the atmosphere, namely CO_2, as a consequence of increased economic activity, is a key problem of climate change. Up until the 1970s, global GDP and CO2 emissions grew at a similar pace. At that time, oil costs began to rise rapidly, which led individuals to cut down on their use.

A shift in factor pricing, in accordance with Hicks' hypothesis, would encourage the advancement of technological innovation in order to decrease the usage of the element whose price rose relative to other factors. After the oil shock, large investments were made in more energy-efficient vehicles, heating systems, and other energy sources to reduce the need of oil. As a consequence, CO_2 emissions began to increase more slowly than the GDP per person. Despite the 1980s gas price decline, CO_2 emissions have continued to rise more slowly than GDP. This is a sign of a fundamental shift in technology caused by the demand for innovation.

Agricultural Innovation Provoked

An essential component of the global economic expansion is the advancement of agriculture. It may be difficult to fulfil the demand of a population that is expanding exponentially, particularly when one of the most crucial components, land, is still relatively stable. Less than 38% of the world's surface area may be considered suitable for growing crops or maintaining permanent pastures, according to statistics from the World Bank. Only by improving the soil in a specific location in order to make the land fruitful can such a number be increased. It goes without saying that such an intervention involves a significant financial commitment that can only be repaid over an extended period of time. As a result, nations are compelled to dramatically raise the productivity of the land they dispose of in order to fulfil the growing demand. Induced innovation fills this gap.

Let's take a look at a scenario in which the demand for goods generated from agriculture rises as a consequence of either population expansion or rising family income to better understand how Hick's macroeconomic theory works. According to theory, in such a circumstance, the price of inputs with an inelastic supply will increase compared to the price of inputs with an elastic supply. The price of that input will decrease in comparison to the price of the other factors of production that are being utilised if the supply of that input rises more quickly than the supply of other inputs. Furthermore, as they are the more costly to utilise, farmers should aim to replace or use less of the less responsive and elastic production components. Technical innovations that replace these inputs would thus ensure lower costs and therefore higher profitability. To put it another way, farmers are enticed by changes in relative pricing to look for technological alternatives that replace the more scarce inputs of production as demand for their goods rises.

CHAPTER 9

OPEN INNOVATION MODELS PLATFORMING FOR PRODUCTS

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This strategy entails creating and releasing a partly finished product with the intention of giving contributors access to a framework or toolkit that they may use, modify, and exploit. The contributors' objective is to increase the functionality of the platform product while also raising the product's overall worth for all parties involved. Common examples of product platforms include readily accessible software frameworks like an application programming interface (API) or a software development kit (SDK). This strategy is popular in markets with strong network effects, because the number of developers drawn to use the platform toolkit boosts demand for the product using the framework (such as a mobile phone or an internet application). Platforming's tremendous scalability often leads to an increase in the complexity of administration and quality control.

Ideas contests

In order to execute this paradigm, a mechanism that rewards good contributions and fosters competition among contributors must be put in place. This subset of open innovation includes developer contests like hackathons. This approach offers businesses low-cost access to a huge pool of creative ideas and deepens their understanding of the demands of their contributors and consumers.

Consumer Involvement

This strategy includes substantial client involvement via staff members of the host firm, despite being primarily focused on the last stages of the product development cycle. As a result, businesses are better able to effectively integrate client feedback while also involving customers more deeply in the design and product management cycles.

Collaboration in Product Development

An organisation involves its contributors in the product's development, much as product platforming. This is different from platforming in that the hosting organisation still maintains control over the final products created in conjunction with their contributors in addition to providing the foundation on which contributors build. By guaranteeing that the right product is generated as quickly as feasible while lowering the total cost of development, this approach allows businesses greater control. Recently, Dr. Henry Chesbrough endorsed this approach to open innovation in the optical and photonics sector.

Technology Networks

A company uses a network of contributors in the design process by delivering a reward in the form of an incentive, much as concept contests do. The distinction is that, as opposed to creating new goods, the network of contributors is utilised to provide solutions to issues that have been found throughout the development process.

Open Science Innovation

In Austria, the Ludwig Boltzmann Gesellschaft launched a campaign called "Tell us!" to raise awareness of mental health concerns and crowdsource research topics. The institute also opened the first "Lab for Open Innovation in Science," which will spend a year introducing the idea of open innovation to 20 chosen experts. The Ludwig Boltzmann Gesellschaft updates its Facebook page with information on the lab, its participants and instructors, as well as news about open innovation in research.

Comparing closed and open innovation

According to the closed innovation paradigm, control is necessary for effective innovation. A company should, in particular, be in charge of idea generation, production, marketing, distribution, servicing, financing, and support. This theory was motivated by the fact that academic and governmental organisations were not engaged in the commercial application of research at the beginning of the 20th century. As a consequence, other businesses were left to manage the new product development cycle on their own. There just wasn't enough time to wait for the scientific community to engage in more practical science application. Also, there was not enough time to wait for other businesses to begin manufacturing some of the parts needed for their final product. These businesses developed into quite independent entities with limited interaction with other businesses or academic institutions. A new market for knowledge has emerged as a consequence of these four causes. Knowledge is no longer exclusive to the business. It lives in workers, vendors, clients, rivals, and academic institutions. If businesses don't make advantage of their inside expertise, someone else will. Either closed innovation paradigms or open innovation paradigms may be used to generate new ideas. Which paradigm will rule in the future is still up for dispute.

Open Innovation Terminology

There are two main categories in contemporary open innovation research, each with a different name but sharing the same core ideas (discovery and exploitation; outside-in and inside-out; inbound and outbound). The innovation's direction—whether it comes from inside the firm or beyond it—is what unites names with varying meanings:

Revealing (Non-Pecuniary Outbound Innovation)

When a business openly shares its resources with other partners without receiving an immediate financial gain, this is an example of open innovation. A new kind of business model represents the indirect character of the source of profit.

Selling (Pecuniary Outbound Innovation)

With the sale or granting of a technology licence to a third party, a corporation commercialises its innovations and technologies under this sort of open innovation.

Using publicly accessible external information as a source of internal innovation is known as sourcing (non-financial inbound innovation). A corporation should watch the external environment before beginning any internal R&D projects to look for pre-existing answers; in this situation, internal R&D becomes a tool to absorb external ideas for internal purposes.

Acquisition (Pecuniary Inbound Innovation)

In this kind of open innovation, a business purchases innovations from its partners via licencing or other legal processes that pay for outside expertise.

Open Innovation vs. Open Source

On the subject of patents, open source and open innovation could clash. When thinking about technology that may save lives or other open-source-appropriate technologies that can help with poverty alleviation or sustainable development, this tension becomes very clear. The fact that participating corporations may do- nate their patents to a separate organisation, pool them, or allow unlimited licence usage to anybody means that open source and open innovation are not mutually incompatible. As a result, some open-source projects may combine these two ideas. Take IBM's Eclipse platform, which the firm describes as an example of open innovation in which rival businesses are encouraged to collaborate inside an open-innovation network.

Outside funding for entrepreneurs

A hedge fund is an investment vehicle that combines money from a small number of investors and makes a range of investments, while an angel investor is a person who offers funding for the launch of a firm. This chapter also explains venture capital and crowd finance. The clarified elements are crucial and aid in understanding how entrepreneurship is financed.

Angel financier

A rich person who contributes funds for a company start-up, often in return for convertible debt or ownership stock, is known as an angel investor or an angel (also known as a business angel, informal investor, angel funder, private investor, or seed investor). A small but growing number of angel investors participate online via equity crowdfunding, or link together into angel groups or networks to exchange research, pool their funds, and provide guidance to the firms they are investing in.

The word "angel" has its roots in Broadway theatre, where it was used to refer to affluent people who donated money to support plays that would have otherwise had to close. William Wetzel, then a professor at the University of New Hampshire and the creator of the school's Center for Venture Research, published a ground-breaking research on how American entrepreneurs received seed money in 1978. He also coined the word "angel" to refer to the backers of these entrepreneurs. Patron is a comparable word that is often used in the arts.

Angel investors are often retired business owners or executives who may be drawn to investing in angels for reasons other than just financial gain. Examples include keeping up with recent advancements in a certain industry, coaching the next generation of entrepreneurs, and using their networks and skills on a part-time basis. As a result, angel investors often provide vital relationships as well as financial support. Since their securities are not listed on public exchanges, private companies find angel investors in a variety of ways, such as through recommendations from the investors' trusted sources and other business contacts, at investor conferences and symposia, and at meetings hosted by angel groups where companies present their ideas to the investors face-to-face.

In the United States in 2007, there were 258,000 active angel investors, according to the Center for Venture Research. According to research done by the US Small Business Administration, between 300,000 and 600,000 people in the US made angel investments between 2001 and 2003. Late in the 1980s, informal groups of angel investors began to develop with the intention of sharing deal flow, collaborating on due diligence, and combining resources to make larger investments. Angel groups typically consist of 10 to 150 authorised local investors who are interested in early-stage financing. In the United States, there were around 10 angel organisations in 1996. As of 2006, there were over 200.

Origin and Amount of Funds

Unlike venture capitalists who manage the combined money of others in a professionally managed fund, angel investors often invest their own money. The real entity that delivers the financing may be a trust, business, limited liability Company, investment fund, or other vehicle, despite the fact that it often reflects the investment judgement of an individual. According to a Harvard study by William R. Kerr, Josh Lerner, and Antoinette Schoar, starting businesses using angel funding have traditionally had lower failure rates than those with other types of early financing.

Angel investment bridges the gap in start-up financing between "friends and family" and more substantial venture capital financing. The majority of conventional venture capital firms are often unable to make or analyse modest investments under US$1-2 million, despite the fact that it is typically difficult to raise more than a few hundred thousand dollars from friends and family. As a result, angel investing serves as a frequent second round of funding for high-growth start-ups. In the US in 2010, it spent almost as much money ($20.1 billion vs. $23.26 billion, into 61,900 firms vs. 1,012 companies) as all venture capital funds put together.

For angel investors, there is no "fixed amount," and the range might be anything from a few thousand to a few million dollars. Healthcare/medical companies received 30% of all angel investments in 2010, a significant increase from 17% in 2009. These companies were followed by software (16% vs. 19% in 2007), biotech (15% vs. 8% in 2009), industrial/energy (8% vs. 17% in 2009), retail (5% vs. 8% in 2009), and IT services (5%), all of which saw increases from 2009. While easier to get than venture capital, angel money is still quite challenging to procure. New models, however, are being developed that aim to simplify this.

Financial Profile

Angel investments are exceedingly risky and often diluted by subsequent investment rounds. They need a very high return on investment as a result. Professional angel investors look for investments that have the potential to return at least ten times their original investment or more within five years through a defined exit strategy, such as plans for an initial public offering or an acquisition. This is because a significant portion of angel investments are completely lost when early stage companies fail. According to current "best practises," angel investors could be better off aiming even higher and searching for businesses that have at least the potential to generate a 20x–30x return during a five– to seven–year holding term. Yet, the actual effective internal rate of return for a typical successful portfolio of angel investments is generally as "low" as 20-30% after accounting for the need to cover failed investments and the multi-year holding period for even the successful ones. While the investor's need for high rates of return on any given investment might make angel investing a costly source of funding, less expensive options, like bank financing, are often unavailable for the majority of early-stage businesses.

Venture Capital

Private equity investment given by companies or funds to tiny, early-stage, developing businesses that are believed to have great growth potential or that have already shown strong growth is known as venture capital (VC) (in terms of number of employees, annual revenue, or both). In return for equity an ownership share in the company they invest in venture capital organizations or funds invest in these early-stage businesses. In the hopes that some of the businesses they assist will succeed, venture capitalists take on the risk of funding hazardous

start-ups. The start-ups are often from high technology areas like information technology (IT), social media, or biotechnology and are built on an innovative technology or business strategy. After a first "seed fundraising" round, the normal venture capital investment happens. The Series a round of institutional venture capital is the first investment used to finance expansion. Venture capitalists give this finance with the goal of making money off of a future "exit" event, such as the firm going public for the first time via an initial public offering (IPO) or merging with another business (sometimes referred to as a "trade sale").

Venture capital is appealing for new businesses with limited operating experience that are too small to raise capital in the public markets and have not yet reached the point where they are able to secure a bank loan or complete a debt offering. This is in addition to angel investing, equity crowdfunding, and other seed funding options. Venture capitalists often get a significant amount of decision-making power over the firms they invest in as well as a sizable piece of the ownership in return for the substantial risk they take on by doing so (and consequently value). Venture capitalists provide these early-stage businesses more than just financial support; they often counsel the executives of the company on its business plan and marketing tactics.

In order for new businesses and industries to advance and flourish, the private and public sectors may build an institution that systematically builds business networks for them. This is done via the use of venture capital. This organisation assists in identifying potential new businesses and offers them funding, technical know-how, mentorship, marketing "know-how," and business plans. When they become "nodes" in the search networks for creating and constructing items in their industry after they are integrated into the business network, these companies have a higher chance of success. Yet, much like entrepreneurial judgements generally, venture capitalists often make biassed decisions that display traits like overconfidence and the illusion of control.

A project possibility that has been transformed into a procedure with an acceptable level of assumed risk and investment is known as a venture. With rare exceptions, rich people and families had access to private equity throughout the first half of the 20th century. Throughout the first half of the 20th century, noteworthy investors in private businesses included the Wallenbergs, Vanderbilts, Whitneys, Rockefellers, and Warburgs. Eastern Air Lines and Douglas Aircraft were both founded in 1938 with assistance from Laurance S. Rockefeller, whose family had substantial stakes in a wide range of businesses. E.M. Warburg & Co., later known as Warburg Pincus, was established in 1938 by Eric M. Warburg with investments in venture capital and leveraged buyouts. The Wallenberg family founded investor AB in Sweden in 1916 and made early investments in a number of Swedish businesses throughout the first half of the 20th century, including ABB, Atlas Copco, Ericsson, etc.

The Internet Bubble and the Venture Capital Boom

The rivalry for hot companies, an excess of IPOs, and the inexperience of many venture capital fund managers contributed to the comparatively poor returns on venture capital investments by the end of the 1980s, especially when compared to their burgeoning relatives in leveraged buyouts. The venture capital business had very modest growth from 1983 to 1994, rising from $3 billion to just over $4 billion over a decade later. Its growth was constrained throughout the 1980s and the first part of the 1990s.

With a reorganisation of venture capital managers, the more prosperous firms cut staff and began to concentrate more of their attention on improving operations at the portfolio businesses than on making constant new investments. Outcomes would start to seem extremely promising and successful, which would ultimately lead to the 1990s venture capital

boom. The first 15 years of the contemporary venture capital sector, which began in 1980, are referred to as the "pre-boom era" by Yale School of Management Professor Andrew Metrick in anticipation of the boom that would start in 1995 and run until the bust of the Internet bubble in 2000.

Since companies in Silicon Valley and Menlo Park profited from a major upsurge in interest in the developing Internet and other computer technology, the late 1990s were a golden moment for venture capital. There were many initial public offerings of shares for technology and other development businesses, and venture capital firms were making substantial profits.

Crash in Private Equity

Almost the entire venture capital business was shaken by the Nasdaq crash and technology recession that began in March 2000 when fledgling technology company values fell. Several venture companies had to write down considerable amounts of their assets over the course of the next two years, and many funds were considerably "under water" (the value of the investments in the fund was lower than the cash invested). Venture capital investors often tried to sell their current commitments for pennies on the dollar on the secondary market in order to lower the amount of the commitments they had made to venture capital firms. The venture capital sector had shrunk to nearly half its capacity by the middle of 2003. Despite this, the second quarter of 2005 saw overall venture capital investments remain at 2003 levels, according to PricewaterhouseCoopers' MoneyTree Survey.

The post-boom years nonetheless show an increase above the levels of investment from 1980 through 1995, even if they only make up a tiny portion of the peak levels of venture investment attained in 2000. Venture investment as a percentage of GDP was 0.058% in 1994, to a high in 2000 of 1.087% (almost 19 times the 1994 level), and varied between 0.164% and 0.182% in 2003 and 2004. The venture capital climate was assisted by the resurgence of an Internet-driven ecosystem from 2004 to 2007. Venture capital, as a share of the whole private equity market, hasn't, however, attained its level from the middle of the 1990s, much alone its high from 2000.

Just $25.1 billion was raised by venture capital funds in 2006, a considerable drop from the peak and a 2% fall from the fundraising volume in 2000 (the top of the dot-com boom).

Funding

Raising debt or a loan is quite different from obtaining venture money. Whether a corporation succeeds or fails, lenders have a legal right to interest on loans and capital payback. Investments in venture capital are made in return for an ownership share in the company. The expansion and profitability of the company determine the venture capitalist's return as a stakeholder. Typically, the venture capitalist "exits" by selling its shareholdings when the company is transferred to a new owner.

Due to the fact that venture capitalists are typically very picky about what they invest in, businesses are searching for extremely uncommon but desirable characteristics like cutting-edge technology, the potential for rapid growth, a well-developed business model, and an outstanding management team. Funds are especially interested in projects with extraordinarily high growth potential among these attributes since only such possibilities are likely to be able to provide financial returns and a successful exit within the necessary time frame (usually 3–7 years) that venture capitalists demand.

Venture capitalists are required to do thorough due diligence before investing since investments are illiquid and take a long time to pay off. Moreover, venture capitalists are

expected to support the businesses in which they invest to improve the possibility that they will reach the IPO stage at a time when values are favourable. Typically, venture capitalists provide assistance to businesses at four phases of development:

Due to the lack of public exchanges that list their securities, private companies must find venture capital firms and other private equity investors in a variety of ways, such as warm referrals from the investors' trusted sources and other business contacts, investor conferences and symposia, and summits where companies pitch directly to investor groups in face-to-face meetings, including a variant known as "Speed Venturing," which is similar to speed-dating for capital, where the companies present their ideas to investor groups in a short period of New private internet networks are also starting to emerge, offering more chances to meet investors.

The desire for high returns makes venture capital a costly type of investment for enterprises. It is best suited for those with significant up-front financial needs that cannot be met by less expensive options like loans. Intangible assets with an unknown value, like software and other intellectual property, often fall into this category. This in turn explains why venture capital is most common in the rapidly developing disciplines of technology and the life sciences or biotechnology.

It will be simpler for a company to raise venture capital if it possesses the traits that venture capitalists look for, such as a strong business plan, an excellent management team, investment and passion from the founders, a good potential to exit the investment before the end of their funding cycle, and target minimum returns in excess of 40% per year.

Finance Phases

These phases of a company's growth generally correlate to the six venture round funding rounds that are commonly available in venture capital.

The first round of funding—often donated by angel investors—needed to test a novel concept. Another developing alternative for initial finance is equity crowdsourcing.

Start-up: Early-stage businesses that need money for marketing and product development costs

Growth (Series A round): Initial production and sales funding. VCs generally step in at this point. Series A is comparable to the first institutional round. Series B, Series C, and so forth are the names of succeeding investment rounds.

Working capital for startups who are selling their products but aren't yet making a profit. Series B round, for example, is another name for this.

Expansion: Also known as Mezzanine finance, this is capital for a business that has just turned a profit. Venture capitalists' exit options include secondary sales, IPOs, and acquisitions. When new investors (VCs or Private Equity investors) purchase the shares of existing investors, early stage VCs may exit in later rounds. Occasionally a firm that is really close to going public may let some venture capitalists go and other investors may join in in the hopes of making money from the IPO.

When a firm looks for money between complete VC rounds, this is known as bridge financing. Instead of a complete round, a reduced amount of funding is sought, and often existing investors join. Venture-backed businesses may also try to take on venture debt between the first and fourth rounds.

Venture Capitalists

A person who makes venture investments is known as a venture capitalist, and these venture capitalists are expected to offer both cash and management and technical experience to their ventures. A venture capital fund is a kind of pooled investment vehicle (typically an LP or LLC in the United States) that invests largely in businesses that are deemed to be too risky for traditional capital markets or bank loans. A venture capital company, which often hires people with technological credentials (scientists, researchers), business training, and/or extensive industry experience, generally oversees these funds. Finding unique or disruptive technologies with the potential to provide substantial commercial returns at an early stage is a basic competency in venture capital (VC). By definition, VCs manage entrepreneurial businesses at an early stage, bringing expertise as well as finance to the table. This distinguishes VC from buy-out private equity, which often invests in businesses with established revenues, and may result in much greater rates of return. Realizing unusually high rates of return carries with it the potential loss of one's whole investment in a particular new business. Thus, the majority of venture capital investments are made in a pool arrangement, where numerous investors pool their funds into a single sizable fund that makes investments in a variety of new businesses. Instead of risking the risk of investing all of their money in one Start-up Company, the investors distribute their risk over a variety of assets by participating in the pool structure.

Many types of venture capital companies use different techniques. There are several variables, and every company is unique.

Among the elements affecting VC choices are:

Business scenario Certain VCs often fund innovative, game-changing concepts or start-up businesses. Others favour making investments in well-established businesses that need help to expand or go public.

Some people only invest in certain sectors. Although some want to operate locally, others choose to do so nationally or even internationally.

VC expectations might often differ. Some people may want the firm to go public more quickly or anticipate rapid development. The level of assistance a VC offers varies from one company to the next.

Roles

The general partners and other investment professionals of a venture capital company are often referred to as "venture capitalists" or "VCs" in the venture capital sector. While typical employment backgrounds might vary, venture capitalists often come from either an operational or a financial experience. Venture capitalists with operational experience (operating partner) are often former founders, executives, or management consultants of businesses the partnership invests. Finance-trained venture capitalists often have expertise in corporate finance or investment banking.

Organization of the Funding

The typical lifespan of venture capital funds is 10 years, with the option of a few year-long extensions to accommodate private enterprises still looking for financing. Most funds invest for three to five years before focusing on managing and making further investments in an existing portfolio. Successful funds in Silicon Valley developed this technique in the 1980s to invest in technical trends generally but only when they were on the rise and to reduce

exposure to the management and marketing risks of any one company or its product.

In such a fund, the investors make a certain investment that is initially unfunded but is later "called down" by the venture capital fund when the firm makes its investments over time. If a limited partner (or investor) declines to contribute to a capital call, there are severe consequences.

Venture capitalists may gather money from limited partners for their fund in as little as a month or as long as many years. The fund is stated to be closed after all of the money has been collected, at which point the 10-year lifespan officially starts. After a certain percentage (or another quantity) of a fund has been raised, some funds have partial closures. The vintage year may be used to categorise VC funds for comparison and typically relates to the year the fund was closed. This demonstrates how a venture capital fund management organisation differs from the venture capital funds they manage.

From the perspective of investors, funds may be classified as either (1) conventional, where each investment has the same terms, or (2) asymmetric, where each investor has a separate set of terms. The asymmetry is often present when an investor has additional interests, such as tax revenue in the case of public investors.

Larger venture capital companies often maintain numerous overlapping funds at the same time since a fund may run out of cash before its end of life; doing so enables the bigger business to have experts in all phases of the growth of enterprises nearly continually active. By the time the fund cashes out, a completely new generation of technologies and people is ascending, whom the general partners may not know well. As a result, it is prudent to reassess and shift industries or personnel rather than trying to simply invest more in the industry or people the partners already know. Smaller businesses often succeed or fail with their initial industry contacts. Many entrepreneurs seek seed money from angel investors because they may be more prepared to invest in extremely speculative possibilities or because they may already know the entrepreneur because of the tight standards venture capitalists have for possible investments.

In addition, many venture capital companies won't give a start-up business they've never heard of a serious look at an investment unless it can back up at least some of its claims about the technology and/or market potential for its goods or services. Many start-ups seek to self-finance sweat equity until they reach a point where they can credibly approach outside capital providers such as venture capitalists or angel investors. This is done for various reasons, including to achieve the goal mentioned above or even just to avoid the dilutive effects of receiving funding before such claims are proven. Bootstrapping is the term for this method.

One alternative to conventional venture financing is equity crowdsourcing. The traditional method of crowdfunding involves asking a large number of average people for modest contributions in order to raise the money needed for a new initiative or business. Although though this strategy has a long history in the world of charity, business owners are paying it fresh attention now that social media and online communities make it feasible to connect with a group of prospective supporters at a very cheap cost. Certain equity crowdfunding strategies, including those outlined at Comparison of crowd financing platforms, are also being used expressly for startup investment. The issue with the conventional VC model is only one of the reasons for searching for venture capital alternatives. Traditional VCs are focusing more on later-stage investments, and many VC firms have seen poor or negative returns on their investments.

Media for equity is a limited substitute for venture capital investment in Europe and India.

Startups may get frequent large-scale advertising efforts from media seeking equity investors in exchange for stock. Young ventures in Europe have the option of exchanging stock for services investments from investment advisory firms, whose goal is to mentor ventures through the growth stage and help them reach a significant fundraising, mergers and acquisitions, or other exit plan.

Businesses may more easily be able to obtain debt to fund their expansion in sectors where assets may be efficiently securitized because they consistently provide future income streams or have a strong possibility for resale in the event of default. Manufacturing and asset-intensive extractive sectors, such as mining, are good examples. Offshore finance is provided by specialised venture capital trusts, which aim to use securitization in structuring hybrid multi-market transactions via an SPV (special purpose vehicle), a corporate organisation created specifically for the financing.

In addition to conventional venture capital and angel networks, organisations have developed that enable associations of small investors or company owners to participate in a privatised business plan competition, with the group acting democratically as the investor. Also, law firms are increasingly serving as a middleman between customers looking for venture money and the companies offering it. Venture resources are one kind of additional form that aims to provide non-financial help for starting a new enterprise.

CHAPTER 10

CLASSIFICATION OF CROWD-FUNDING

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The practice of funding a project or venture by soliciting financial contributions from a large number of people is known as crowdsourcing. Today, this is frequently done through online registries, but the idea can also be implemented through mail-order subscriptions, charity events, and other means. Alternative finance, which has developed outside of the established financial system, includes crowdfunding. The crowdfunding concept is built on three different sorts of actors: the project initiator who suggests the idea and/or project to be financed, people or organisations that support the idea, and a regulating organisation (the "platform") that brings the parties together to launch the proposal.

Types of Crowd-funding

In its May 2014 study, the Crowdfunding Centre recognised two main categories of crowdfunding:

Crowdfunding offers rewards for company owners who want to launch a project without taking on debt or giving up ownership.

Equity crowdfunding: In return for the money promised, the supporter obtains shares of a firm that is often in its early stages.

Reward-Based

Crowdfunding with rewards has been utilised for many different things, including the promotion of movies, the creation of free software, the development of new inventions, scientific research, and community initiatives. Two types of reward-based crowdfunding were identified for a joint study by York University, Toronto, Ontario, and Universite Lille Nord de France, in Lille, France, published on June 2, 2014: "'Keep-it-All' (KIA) where the entrepreneurial firm sets a fundraising goal and keeps the entire amount raised regardless of whether they meet their goal, and 'All-or-Nothing' (AON) where the entrepreneurial firm sets a fundraising goal and keeps nothing less than the amount raised. Researchers looked at 22,875 campaigns with funding goals ranging from $5,000 to $200,000 and came to the following conclusion after analysing the data: "Overall, [all-or-nothing] fundraising campaigns involved substantially larger capital goals, and were much more likely to be successful at achieving their goals." A subpar product won't be produced if the fundraising target is not met, according to the Inc. com publication's analysis of the study's findings. As a result, prospective investors are more likely to support such efforts. According to the Inc.com evaluation, "AON" initiatives often include more specific details about the campaign.

Research studies have shown several characteristics of rewards-based crowdfunding, also known as non-equity crowdfunding. The financing for rewards-based crowdfunding is independent of location. When Sellaband offered royalty sharing, there were around 3,000

kilometres between artists and investors. These initiatives get unequal financing, with a small number of them receiving the bulk of the total. Moreover, financing rises as a project gets closer to its objective, promoting "herding behaviour". Also, research demonstrates that a significant, if not the majority, of early fundraising comes from friends and family. The project may attract further funding as a result of this cash. While geography is not a factor in funding, observation reveals that money is closely related to the locations of conventional finance choices. Funders of reward-based crowdfunding are often too optimistic about project returns and must reevaluate expectations when returns fall short.

Equity

Equity crowdfunding is the process through which a group of people band together to provide capital in the form of equity to projects that have been started by other people or organisations. If the 2012 JOBS Act is put into effect, more small investors will be able to invest in the United States with less limitations. This is due to the law that is listed in the act.

Equity crowdfunding has more "information asymmetries" than nonequity crowdfunding. The creator is required to build a business as well as the product for which they are seeking money in order to generate equity.

Syndicates, which have several investors adopting a single lead investor's approach, might be useful in decreasing information asymmetry and preventing the market failure associated with equity crowdfunding.

Computer software token

To gather money for a project where backers will get a digital or software-based value token as a reward, there is another kind of crowdfunding. These value tokens could already be in existence at the time of the crowdsale, but before becoming live and establishing a market value, they may need to undergo a significant amount of development work and eventually release software. Funds obtained via blockchain-based crowdfunding may represent shares, bonds, or even "market-maker seats of governance" for the business being financed, however they can alternatively be raised only for the value token itself.

Examples of these crowdsales include the Ethereum blockchain, the decentralised, distributed Augur prediction market software, Digix/Digix- DAO, and "The DAO," which raised $4 million from more than 3500 people.

Debt-Based

Debt-based crowdfunding, commonly referred to as "peer to peer," "P2P," "marketplace lending," or "crowd-lending," emerged with the establishment of Zopa in the UK in 2005 and Lending Club and Prosper.com in the States in 2006.

Online applications are normally free, and an automated system reviews and verifies each one before calculating the borrower's credit risk and interest rate. Investors purchase assets in a fund that lends money to single borrowers or groups of borrowers. Investors profit from the unsecured loans' interest rates; system operators profit by taking a cut of each loan and a charge for loan service.

Institutional investors began to participate in the P2P lending market in 2009. Google, for instance, invested $125 million in Lending Club in 2013. P2P lending in the US reached a total of $5 billion in 2014. P2P platforms in the UK loaned companies £749 million in 2014, up 250% from 2012, and retail consumers £547 million, up 108% from 2012 to 2014. In both nations in 2014, P2P platforms were used to transmit around 75% of all crowdsourcing funds.

In December 2014, Lending Club went public at a value of around $9 billion.

Litigation

Using litigation crowdfunding, plaintiffs or defendants may simultaneously reach out to hundreds of their peers in a semiprivate and confidential way to raise money by asking for donations or offering a reward in exchange for financing. Moreover, it enables investors to buy an interest in a claim they have supported, potentially allowing them to recover more money than their initial investment should the case be successful (the reward is based on the compensation received by the litigant at the end of his or her case, known as a contingent fee in the United States, a success fee in the United Kingdom, or a pactum de quota litis in many civil law systems).

Donation-Based

Crowdfunding that is based on charity donations brings people together to support charitable projects. Civic crowdfunding is a kind of charity crowdfunding where money is gathered to improve public life and space.

Impact of the Public

The crowd's contributions start the crowdfunding process and have an impact on how valuable the final offers or results are. Each person chooses and promotes the initiatives in which they have faith as an agent of the giving. They sometimes take on the role of a donor, offering support for charitable causes. They may eventually become shareholders and aid in the expansion and development of the business. People share information about the initiatives they support in their online networks, which increases support (promoters).

Consumer participation is motivated by the desire to feel at least partially responsible for the success of others' initiatives (desire for patronage), the desire to take part in social initiatives as a group (desire for social participation), and the desire to benefit financially from contributions (desire for investment).

Participants in crowdfunding also get to witness cutting-edge items before the general public. Early access often enables donors to have a more active role in the product's development. Also, donors who are close relatives and friends of an artist find crowdfunding to be extremely appealing. It aids in managing each group's project expectations and the conditions of their financial agreement.

An individual who participates in crowdfunding initiatives typically demonstrates a number of distinctive characteristics, including an innovative orientation, which stimulates the desire to try new ways of interacting with businesses and other consumers, social identification with the content, cause, or project selected for funding, which sparks the desire to be a part of the initiative, and (monetary) exploitation, which encourages participation by promising a reward.

By attracting deserving projects and generous investors, crowdfunding platforms are driven to make money. Also, these websites aim to draw a large audience to their initiatives and platforms.

Crowdfunding platforms assisted businesses and people across the globe in raising US$89 million in 2010, $1.47 billion in 2011, and $2.66 billion in 2012, $1.6 billion of which came from North America. Globally, more than a million distinct campaigns were launched in

2012, and it was predicted that the market will increase to US$5.1 billion in 2013 and US$1 trillion in 2025.

According to statistics given in a study titled "The State of the Crowdfunding Nation" published by the UK-based The Crowdfunding Centre in May 2014, more than US$60,000 per hour was collected via international crowdfunding efforts in March 2014. At this time, 442 new crowdfunding projects were started every single day worldwide.

Crowdfunding Websites

Around 450 crowdfunding sites were operational as of 2012. In order to know which platform is ideal to employ for the kind of project they intend to create, project creators must do their own due diligence. There are significant disparities in the services offered by various crowdfunding sites. Online platforms like CrowdCube and Seedrs, for instance, allow small businesses to issue shares online and get token contributions in exchange from registered users. Although Seedrs aggregates the money to invest in new businesses as a designated agent, CrowdCube is designed for individuals to deposit modest sums and buy shares directly in start-up firms.

By selecting just the items that are permitted on the platform, curated crowdfunding platforms act as "network orchestrators." They provide the organisational frameworks and circumstances required for resource integration among other participants. Between supply and demand, relational mediators operate as a middleman. They take the role of conventional middlemen (such as traditional record companies, venture capitalists). These platforms connect emerging designers, artists, and project initiators with devoted patrons who have enough faith in the people driving the initiatives to donate money to them.

Growth engines place a heavy emphasis on investor participation. By stopping a service provider's past involvement in the network, they "disintermediate." platforms that unite high net worth private investors with project initiators in order to raise money via crowdsourcing.

Prominent Campaigns

Initial Campaigns

By promising them a lifelong membership on the band's guestlist, 100 fans of the Japanese rock band Electric Eel Shock (the Samurai 100) helped the band collect £10,000. They broke the record for the quickest band to generate a $50,000 budget on SellaBand two years later.

A contribution mechanism was subsequently developed by Franny Armstrong for her feature film The Age of Dumb. She raised £1,500,000 during a five-year period, from June 2004 to June 2009 (the release date). In order to raise money for their short science fiction film, Demain la Veille, French businessmen and producers Guillaume Colboc and Benjamin Pommeraud started a public Internet contribution drive in December 2004. (Wait- ing for Yesterday). They were able to finance the film's production using €17,000 raised online in less than a month.

Most Successful Campaigns

As of 7 April 2016, Chris Roberts and Cloud Imperium Games' online space trade and warfare computer game Star Citizen claimed to have raised over USD$111,600,000, breaking the previous record of $10,266,844 established by Pebble Watch. This is the most recorded fundraising by a crowdfunded project to date. Eric Migicovsky designed the watch, which enables users to connect to their smartphones. Before launching a Kickstarter campaign on April 11, 2012, Migicovsky secured $375,000 via angel funding. The campaign promised to

send a watch for any donation above a specific amount and set a target of $100,000. In only 37 days, the Pebble Watch campaign collected more than $10 million. Unfortunately, it took Migicovsky more than a year after the campaign's conclusion to finally be able to deliver the timepieces.

In November 2015, the Glowforge 3D laser printer broke the previous record for the most crowdfunded sales in a 30-day period with preorder purchases totaling $27.9 million.

Crowdfunding Applications

Crowdfunding is being investigated as a possible source of finance for artistic endeavours including blogging and journalism, music, indie films, and startup businesses. The majority of community music labels are for-profit businesses where "fans adopt the conventional financier role of a record label for artists they believe in by sponsoring the recording process."

Spanner Films started the practise of crowdsourcing in the film business and has since written a "how to" manual. According to a Financialist article from mid-September 2013, crowdfunding campaigns are "much more likely to be successful if they tap into a significant pre-existing fan base and fill an existing gap in the market" and that "the niche for crowdfunding exists in financing films with budgets in the [US]$1 to $10 million range." The emergence of cutting-edge platforms like RocketHub, which meld conventional finance for creative work with branded crowdsourcing, has made it possible for brands and artists to connect "without the need for a middle man."

Exposure to Intellectual Property

It might be difficult to upload original ideas on crowdfunding websites since the sites may provide little to no intellectual property (IP) protection. An idea may be duplicated after it has been submitted. We often hear the question, "How can you prevent me from someone stealing my concept," stated IndieGoGo founder Slava Rubin. We're not responsible for any of it. Inventor advocates advise that ideas can be protected on crowdfunding websites through early filing of patent applications, use of copyright and trademark protection, as well as a new type of idea protection supported by the World Intellectual Property Organization called Creative Barcode. Simon Brown, founder of the UK-based United Innovation Association, is one such advocate.

Risks and Rewards Advantages to the Maker

Beyond only financial rewards, crowdfunding campaigns offer manufacturers a lot of advantages. The following are crowdfunding's non-financial advantages.

Profile: A standout production may help a producer build their reputation and increase their profile.

Project initiators may demonstrate that there is a market and audience for their initiative via marketing. It offers useful market feedback in the event of a failed campaign.

Engagement of the audience: Crowdfunding gives project initiators a platform to interact with their audiences. By reading updates from the creators and leaving comments on the project's crowdfunding website, viewers may participate in the creation process by monitoring progress.

Feedback: Giving project supporter’s early access to material or the chance to beta-test it as part of the fundraising incentives gives the project's creators quick access to useful market

testing input.

The inventor also reaps financial rewards. One benefit of crowdfunding is that it enables producers to access cheap financing. The traditional sources of funding for an artist were "personal savings, home equity loans, personal credit cards, friends and family, angel investors, and venture capitalists." Using crowdfunding, entrepreneurs may connect with investors from all around the globe, sell their goods and stock, and have access to more information. Also, pre-buying crowdfunding enables producers to get early feedback on their products.

Supporters of the crowdfunding strategy claim that it enables excellent ideas that don't fit the mould of traditional financiers to stand out and raise money using the wisdom of the public. If it succeeds in gaining "traction" in this manner, the business will not only be able to get seed finance to launch its project, but it may also be able to gather support from prospective clients and capitalise on word-of-mouth marketing to raise the necessary funds. As observed by author James Surowiecki in his book The Wisdom of Crowds, another possible positive consequence is the capacity of groups to "create an accurate aggregate forecast" about market outcomes, putting financial support behind endeavours likely to succeed.

A possible result of crowdsourcing, according to supporters, might be an exponential rise in the amount of venture capital that is available. One study asserts that if every American household contributed 1% of their investable assets to crowdsourcing, venture capital would expand by 10X to $300 billion. While voting rights are not transferred along with ownership when crowdfunding, supporters also point out that one advantage for businesses accepting assistance is that they keep control over their operations.

Albini expressed his support for crowdfunding for musicians in response to the Amanda Palmer Kickstarter controversy, saying: "I've said many times that I think they're part of the new way bands and their audience interact and they can be a fantastic resource, en- enabling bands to do things essentially in cooperation with their audience." The idea of crowdsourcing, according to Albini, is "quite great." Investors and other interested parties who watch a project's progress—or lack thereof—are attracted by crowdfunding. Sometimes it turns out to be simpler to get funding for a project than to ensure its success. It may be difficult and even distracting to manage relations with a big number of perhaps disappointed investors and supporters. Some of the most well-liked fundraising events are for for-profit businesses that utilise the method to attract clients and simultaneously sell their goods and services. This benefits businesses like microbreweries and specialty eateries, effectively forming a "club" of patrons and investors. 2015 will see the implementation of new SEC regulations governing equity crowd-funding in the USA, which will require bigger companies with more than 500 investors and $25 million in assets to publish reports much like public companies. "It is all the hardship of an IPO without the rewards of the IPO," the Wall Street Journal said. These two patterns could indicate that modest consumer-facing businesses rather than tech start-ups are the best candidates for crowdfunding.

Hedging fund

A hedge fund is a kind of Investment Company that pools money from a small number of certified individuals or institutions and makes investments in a range of assets, often using sophisticated risk management and portfolio construction strategies. It is managed by a specialised management business and often organised as a limited partnership, limited liability corporation, or similar entity. Hedge funds usually differ from mutual funds in that regulators do not place a limit on the amount of leverage they may employ, and they differ from private equity funds in that most hedge funds invest in reasonably liquid assets. The

earliest of these funds employed matched long and short positions to reduce market risk, giving rise to the term "hedge fund." As the many forms of investment vehicles evolved throughout time, so did the sorts and nature of hedging principles. The markets and tactics that hedge funds operate in today are diversified, and they use a wide range of financial instruments and risk management tools.

Hedge funds cannot be issued or sold to the general public and are only made accessible to certain approved investors. As a result, they often operate with more freedom than mutual funds and other investment funds do, sidestep licencing requirements that apply to investment businesses, and evade direct regulatory monitoring. To improve government control of hedge funds and close certain regulatory loopholes, laws were implemented in the US and Europe during the financial crisis of 2007–2008. Hedge fund industry assets decreased "by $95 billion to 2.87 trillion in the third quarter, making this their worst year since 2008," according to a report by Hedge Fund Research, published in October 2015. Hedge funds have been around for many years and have grown in popularity, becoming one of the largest asset management classes in the world by 2014. William Ackman's Pershing Square Holdings portfolio, one of the top-performing hedge funds in 2014, had its assets fall by 12.6 percent by October to $16.5 billion from almost $20 billion earlier in 2015.

The majority of hedge funds are open-ended, allowing investors to add to or subtract from their investments (generally on a monthly or quarterly basis). The amount an investor may subsequently take from a hedge fund is determined as a share of the fund's net asset value, which means that gains and declines in the value of the fund's investment assets (and fund expenditures) are immediately reflected in that amount.

Several hedge fund investing methods pursue good returns on capital independent of market inclination (sometimes known as an "absolute return"). Hedge fund managers often make personal investments in the funds they oversee, which helps to align their interests with those of the firm's investors. A hedge fund often pays its investment manager a management fee annually (for example, 1% of the fund's assets) as well as a performance fee (for instance, 20% of the gain in the fund's net asset value over the course of the year). Some hedge funds handle assets worth several billion dollars (AUM). Hedge funds made for 1.1% of the money and assets that financial institutions owned as of 2009. The projected value of the global hedge fund market in June 2013 was US$2.4 trillion.

Principal Hedge Fund Managers

Forbes listed Ray Dalio of Bridgewater Associates, Steven A. Cohen of Point72 Asset Management, formerly known as S.A.C. Capital Advisors, George Soros of Quantum Group of Funds, John Paulson of Paulson & Co., whose hedge funds as of December 2015 had $19 billion assets under management, compared to $18 billion in September, and Steven A. Cohen of Point72 Asset Management in June 2015. Michael Platt of BlueCrest Capital Management (UK), Europe's third-largest hedge-fund firm, Stanley Druckenmiller, Daniel Loeb of Third Point LLC with a portfolio worth $14 billion, James Din, David Tepper of Appaloosa Management, Paul Tudor Jones II of Tudor Investment Corporation, Daniel Och of Och-Ziff Capital Management Group with more than $40 billion in assets under management in 2013, Israel Englander of Millennium Management, Leon G. Cooperman of Omega Advisors, and James Din

Strategies

Global macro, directive, event-driven, and relative value are the four main categories used to categorise hedge fund strategies (arbitrage). Each of these groups' strategies has distinct risk

and return characteristics. For flexibility, risk management, or diversification, a fund may use a single strategy or a combination of methods. The prospectus for a hedge fund, often called an offering memorandum, provides information to prospective investors on important characteristics of the fund, such as its investing strategy, investment type, and leverage cap. A hedge fund's approach to the market, the specific instrument employed, the market sector the fund specialises in (such as healthcare), the process used to choose assets, and the degree of fund diversification are all factors that go into its strategy. There are several market strategies for various asset classes, such as stock, fixed income, commodities, and currencies. Equities, fixed income, futures, options, and swaps are some of the instruments employed. There are two types of strategies: "dis-cretionary/qualitative," which allows managers to choose assets, and "systematic/quantitative," which uses a computerised method to choose investments. A fund's level of diversity may vary; it might be multi-strategy, multi-fund, multi-market, multi-manager, or a mix of these.

Market neutral or directional hedge fund strategies are also referred to as absolute return strategies. By "neutralising" the impact of market swings, market neutral funds have a lower connection to overall market performance than directional funds, which take advantage of market trends and inconsistencies and are more susceptible to market changes.

Global Macro Hedge funds that use a global macro investment approach take significant positions in the share, bond, or currency markets in anticipation of major global macroeconomic developments in an effort to maximise returns while minimising risk. Global macro fund managers look for investment possibilities that would benefit from expected price changes using macroeconomic ("big picture") research based on global market events and trends. The timing of the adoption of global macro strategies is crucial in order to provide enticing, risk-adjusted returns despite the fact that they have a great deal of flexibility owing to their capacity to employ leverage to take significant positions in a variety of assets across numerous markets. The classification of global macro as a directed investing strategy is common.

There are two types of global macro strategies: arbitrary and methodical. Systematic trading is based on mathematical models and carried out by software with little human participation outside of the design and maintenance of the software. Discretionary trading is carried out by investment managers who discover and choose assets. Depending on whether the fund seeks to benefit from following trends (long- or short-term) or seeks to predict and profit from trend reversals, these strategies may alternatively be classified as trend or counter-trend methods.

There are further sub-strategies within global macro strategies, such as "systematic diversified," where the fund trades in a variety of markets, and "systematic currency," where the fund invests in currency markets. There are further sub-strategies used by commodity trading advisors (CTAs), in which the fund trades swaps or futures (or options) on commodities markets. An alternative name for this is a managed future fund. Commodities (like gold) and financial instruments, such as stock indexes, are traded by CTAs. They also take both long and short bets, which enables them to benefit from both market upswings and downswings.

Directional

While selecting stocks across several markets, directional investing techniques take into account market fluctuations, patterns, or inconsistencies. Investing decisions may be made by fund managers or by using computer models. Compared to market neutral strategies, these methods are more susceptible to changes in the general market. Long equity holdings are hedged through short sales of shares or equity index options in directional hedge fund

strategies, which include US and foreign long/short equity hedge funds.

There are several sub-strategies that fall under directed strategies. Whereas "sector funds" specialise in certain industries including technology, healthcare, biotechnology, pharmaceuticals, energy, and basic materials, "emerging markets" funds concentrate on developing nations like China and India. Although funds using a "fundamental value" approach invest in discounted firms, funds using a "fundamental growth" strategy invest in businesses that have more profits growth than the broader stock market or the industry in question. A "quantitative directional" approach is used by funds that combine quantitative and financial signal processing methods for equities trading. Using short positions, funds with a "short bias" approach profit from falling share prices.

Event-Driven

Event-driven methods are used when the risk and opportunity of the underlying investment are tied to an event. Investment opportunities are found in business transactional events including mergers, acquisitions, recapitalizations, bankruptcies, and liquidations using an event-driven investing approach. In order to take a position based on the anticipated movement of the asset or securities in question, managers using this method profit from valuation inconsistencies in the market before or after such occurrences. Since they have the knowledge and resources to study business transactional events for investment possibilities, large institutional investors like hedge funds are more likely to adopt event-driven investing strategies than ordinary stock investors. Distressed securities, risk catastrophes, and exceptional circumstances are the three categories into which corporate transactional events often fall. Restructurings, recapitalizations, and bankruptcies are examples of situations that result in distressed securities. When bonds or loans of firms that are in bankruptcy or significant financial difficulties are being sold at a discount to their value, investors might use this method to purchase distressed securities. By investing in distressed debt, hedge fund managers hope to profit from falling bond prices. Hedge funds buying distressed debt may stop such businesses from filing for bankruptcy since doing so prevents bank foreclosure. Even while event-driven investment often does better in bull markets, distressed investing does best in negative markets.

Events like mergers, acquisitions, liquidations, and hostile takeovers are all included in risk arbitrage or merger arbitrage. Purchasing and selling the stocks of two or more merging firms in order to profit from market differences between acquisition price and stock price is known as risk arbitrage. The probability that the merger or acquisition will not proceed as anticipated is the risk factor; hedge fund managers will utilise research and analysis to ascertain if the event will occur.

Events known as "special circumstances" have an effect on a company's stock price. Examples include restructuring a business or engaging in corporate transactions like spin-offs, share buybacks, security issuance/repurchase, asset sales, or other catalyst-oriented scenarios. The hedge fund manager must predict an impending occurrence that will raise or lower the value of the company's shares and equity-related instruments in order to take advantage of unique circumstances.

Other event-driven strategies include credit arbitrage strategies, which concentrate on corporate fixed income securities; an activist strategy, in which the fund purchases significant stakes in companies and uses the ownership to influence management; a strategy based on foreseeing the approval of new pharmaceutical drugs; and a legal catalyst strategy, which focuses on businesses with significant litigation.

Comparative Value

Relative price differences between securities are exploited by relative value arbitrage schemes. The mispricing of securities in comparison to similar securities, the underlying security, or the market as a whole may all contribute to price discrepancies. Hedge fund managers may employ a variety of analytical tools, such as mathematical, technical, or fundamental ones, to spot price disparities in assets. As strategies in this category often have very little or no directional market exposure to the market as a whole, relative value is sometimes used as a synonym for "market neutral." Some other relative value sub-strategies are:

Exploit price inefficiencies between linked fixed income securities by engaging in fixed income arbitrage.

Stock market neutral: takes advantage of price variations in equities by holding long and short positions in those belonging to the same sector, industry, market capitalization, and nation. This also acts as a hedge against market-wide influences.

Exploit price inefficiencies between convertible instruments and the related equities by engaging in convertible arbitrage. Fixed income arbitrage method using asset-backed securities, often known as asset-backed securities (Fixed-Income). Long and short positions in the credit market are equivalent to those in the stock market. Finding price inefficiencies between securities using mathematical modelling approaches is known as statistical arbitrage. Arbitrage in volatility takes advantage of changes in implied volatility rather than price changes. Alternatives to yield: non-fixed income arbitrage methods that focus their decisions on yield rather than price. Taking advantage of regulatory disparities between two or more marketplaces is known as regulatory arbitrage. Exploiting market differences between the purchase price and the stock price is known as risk arbitrage.

CHAPTER 11

MANAGEMENT OF RISK

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In most nations, persons who participate in hedge funds must be qualified investors who are assumed to be aware of the investment risks and accept them because of the possible rewards they may provide. Fund managers may use sophisticated risk management techniques to safeguard the fund and investors. Big hedge funds, according to the Financial Times, have some of the most advanced and stringent risk management procedures available in asset management. Hedge fund managers are likely to have a very thorough risk management system in place and may retain a high number of investment positions for short periods of time. Funds may use tactics like formal portfolio risk models and may have "risk officers" who manage risks but are not otherwise engaged in trading. The risk sustained by a hedge fund's operations may be estimated using a range of measurement approaches and models; fund managers may choose to utilise various models based on the structure and investing philosophy of their particular fund. The normalcy of return is one characteristic that is not often taken into consideration by traditional risk measuring methodologies. Funds that evaluate risk using value at risk may make up for this by using other models like drawdown and "time under water" to make sure all hazards are taken into account.

Investors sometimes use operational due diligence to evaluate the possibility that a mistake or fraud at a hedge fund can cause the investor to lose money, in addition to examining the market-related risks that may come from an investment. The structure and administration of operations at the hedge fund manager, the likelihood that the investment strategy can be sustained, and the fund's potential for growth as a business will all be taken into account.

Factors for Transparency and Regulation

As hedge funds are private organisations with limited standards for public disclosure, this is sometimes seen as a lack of transparency. Another common misconception about hedge funds is that their managers are more vulnerable to manager-specific idiosyncratic risks like style drifts, poor operations, and fraud because they are not subject to the same regulatory oversight and/or registration requirements as other financial investment managers. Since 2010 there have been new laws in the US and the EU that require hedge fund managers to provide more data, increasing transparency. Moreover, via internal procedures and external regulatory constraints, investors, especially institutional investors, are driving further advancements in hedge fund risk management. More openness has resulted from institutional investors' growing influence, as hedge funds are increasingly sharing information with investors about their valuation methods, positions, and leverage exposure.

Shared Risks with Different Investment Types

Hedge funds are subject to many of the same risks as other investment classes, such as management and liquidity risk. The degree of an asset's liquidity determines how easily it

may be purchased, sold, or converted into cash. Like private equity funds, hedge funds have a lock-up period during which an investor cannot withdraw assets. Risks associated with managing money are referred to as manager risks. A fund manager's "drifting" away from a particular area of competence is referred to as style drift. Other risk considerations for managers include concentration risk, leverage risk, capacity risk, and valuation risk. The term "valuation risk" refers to the worry that an investment's net asset value may be incorrect; "capacity risk" refers to the possibility that investing too much money in one strategy will have a negative impact on fund performance; and "concentration risk" refers to the possibility that an investment's exposure to a specific investment, industry, trading strategy, or group of correlated funds may be excessive. By established controls over conflicts of interest, limitations on the distribution of money, and predetermined exposure limits for strategies, these risks may be addressed. Leverage, often known as borrowing money, margin trading, or the use of derivatives, is a strategy that many investment funds use to get market exposure beyond what their investors' cash can afford. Leverage may boost prospective profits, but the chance of bigger gains must be evaluated against the risk of bigger losses. Leverage-using hedge firms are probably involved in elaborate risk management procedures. Hedge fund leverage is quite low when compared to investment banks; a working paper from the National Bureau of Economic Research states that the average leverage for investment banks is 14.2 compared to 1.5 to 2.5 for hedge funds.

Hedge funds, among other kinds of funds, are said to have a higher stomach for risk with the goal of maximizing returns, according to the level of risk-taking tolerance of investors and the fund management. When managers put their own money in the fund, they will have an even greater motivation to improve risk management.

Payments Made to Hedge Funds in Fees and Remuneration

Typically, hedge fund management companies charge their funds a management fee as well as a performance fee. The annual range of management fees, which are expressed as a percentage of the net asset value of the fund, normally ranges from 1% to 4%, with 2% being the norm. They are typically computed and paid on a monthly or quarterly basis and stated as an annual percentage. Although performance fees generate the manager's income, management fees for hedge funds are intended to offset the manager's overhead expenditures. Yet, because of economies of scale, management fees from bigger funds may contribute significantly to a manager's earnings. As a consequence, certain public pension funds, including CalPERS, have challenged some fees as being too expensive.

The performance fee, which may vary between 10% and 50% of the fund's earnings in any given year, is normally 20%. The purpose of performance fees is to encourage managers to produce profits. Warren Buffett has opposed performance fees, arguing that they encourage high-risk investment management since hedge funds only split earnings rather than losses. The cost of performance fees has decreased since the financial crisis began. Most hedge fund performance fees contain a "high water mark" (also known as a "loss carryforward provision"), which limits its use to net gains only (i.e., profits after losses in previous years have been recovered). This stops managers from being paid for erratic performance, although sometimes a manager may shut down a fund that has incurred significant losses and launch a new fund rather than try to make up the losses over a number of years without getting paid for performance.

Certain performance fees come with a "hurdle," meaning that they are only paid when a fund outperforms a benchmark rate (like LIBOR) or a set percentage. A "soft" hurdle is one where the performance fee is applied to all fund returns in the event that the hurdle rate is met. Only

returns over the hurdle rate are considered when calculating a "hard" obstacle. A hurdle is designed to make sure that a manager is only compensated if the fund provides returns that are higher than the returns the investor would have gotten if they had put their money somewhere else. For early withdrawals made within a certain time frame (usually a year) or when withdrawals surpass a certain proportion of the initial investment, some hedge funds impose a redemption fee (or withdrawal fee). The fee's objectives are to discourage short-term investment, lower turnover, and discourage withdrawals after periods of underwhelming performance. Unlike management fees and performance fees, redemption fees are normally maintained by the fund.

Payment to Portfolio Managers

Typically, the portfolio managers of hedge fund management companies control the company, making them the rightful owners of any profits generated by the operation. Performance fees (and any surplus management fees) are often distributed to the firm's owners as profits as management fees are meant to cover the running expenses of the business. Large holdings in their own funds are also held by several managers. The highest-grossing hedge fund managers make what have been referred to as "extraordinary" sums of money, up to $4 billion annually. More money is made at the top of the financial business than everywhere else. According to Richard Anderson of the BBC Business, "they wouldn't even contemplate getting out of bed for the $13m (£8m) Goldman Sachs chief Lloyd Blankfein was paid last year." The top 25 hedge fund managers routinely make more money than all 500 chief executives of the S&P 500 put together. Yet, the majority of hedge fund managers are paid substantially less, and since the market is so competitive and because of the way financial incentives are set up, failing may result in not being paid. According to a business source quoted by the BBC, "a lot of managers are not generating any money at all."

In 2011, the top manager made $3,000 million, the tenth made $210 million, and the thirty-first made $80 million. The 25 American hedge fund managers that were paid the most on average in 2011 made $576 million. In 2011, the mean total remuneration for all hedge fund investment professionals was $690,786 and the median compensation was $312,329. This information comes from Absolute Return + Alpha. The same values were $1,037,151 and $600,000 for hedge fund CEOs and $1,039,974 and $300,000 for chief investment officers, respectively.

36 of the financiers classified as having "derived large portions" of their money from hedge fund management were among the 1,226 persons on the Forbes World's Billionaires list for 2012. The 2012 Sunday Times Rich List included 54 hedge fund managers among the top 1,000 wealthiest persons in the United Kingdom. (Funds often don't disclose pay. Estimates used in published rankings of top managers' earnings are based on things like the fees their funds charge and the cash they are believed to have put in them).

An investment instrument called a hedge fund is most often set up as an offshore corporation, limited partnership, or limited liability company. A firm or organisation that is legally and financially separate from the hedge fund and its asset portfolio serves as the fund's investment manager. For operational help, many investment managers turn to service providers. Prime brokers, banks, administrators, wholesalers, and accounting organisations are examples of service providers.

In addition to offering leverage and short-term credit, prime brokers settle deals. Often, they are divisions of big investment banks. In derivative contracts, the prime broker serves as the counterparty and loans assets for certain investing strategies, such as long/short equity arbitrage and convertible bond arbitrage. It may provide execution and clearing services for

the hedge fund management as well as custodial services for the assets of the fund.

Management, accounting, and valuation services are the responsibility of hedge fund administrators. Fund managers can focus on trading thanks to this back office assistance. Moreover, administrators handle subscriptions and redemptions as well as provide a range of shareholder services. All of these duties may be carried out by an investment manager instead of appointing an administrator for US hedge funds. This setup may lead to a variety of conflict of interest concerns, especially when determining a fund's net asset value (NAV). Several American funds voluntarily hire outside auditors, increasing the level of openness.

An underwriter, broker, dealer, or other participant in the distribution of securities is referred to as a distributor. Marketing the fund to prospective investors is another duty of the distributor. Although many hedge funds also utilise placement agencies and broker-dealers for distribution, in many situations the investment manager will be responsible for marketing and distribution of securities.

Most funds use an independent accounting firm to do a thorough audit of their financial statements, offer tax services, and audit their assets. Depending on where the fund was founded, the year-end audit is often carried out in line with either US generally accepted accounting principles (US GAAP) or international financial reporting standards (IFRS). The fund's NAV and assets under management may be checked by the auditor (AUM). Some auditors only provide "NAV lite" services, which means that the value is determined by the manager's pricing rather than by independent analysis.

Taxes and Domicile

The tax expectations of the fund's investors often dictate the legal structure of a particular hedge fund, including its domicile and the kind of legal organisation used. Regulation-related factors will also be important. In order to protect their international and tax-exempt investors from unfavourable tax repercussions, many hedge funds are founded in offshore financial hubs. For some kinds of investment income, offshore funds that invest in the US often withhold taxes, but they do not pay US capital gains tax. Investors in the fund, however, must pay taxes in their own countries on any growth in the value of their assets. US tax-exempt investors (such as pension plans and endowments) invest primarily in offshore hedge funds to maintain their tax exempt status and avoid unrelated business taxable income. This tax treatment encourages cross-border investments by limiting the potential for multiple jurisdictions to layer taxes on investors. The investment manager, which is often situated in a significant financial hub, is required to pay tax on its management fees in accordance with the local and national tax regulations. Half of the currently operating hedge funds were registered offshore and half onshore as of 2011. With 34% of all hedge funds worldwide, the Cayman Islands were the most popular destination for offshore funds. At 24%, the US was followed by Luxembourg (10%), Ireland (7%), the British Virgin Islands (6%), and Bermuda (3%).

Basket choices

"Deutsche Bank and Barclays constructed specialised options accounts for hedge fund customers in the names of the banks and claimed ownership of the assets, but the assets were really under the complete control of the hedge fund clients, who also received the profits. The hedge funds would then carry out deals, many of them lasting only a few seconds, but would delay exercising the options until just after a year had elapsed. This would enable them to report the profits at a reduced long-term capital gains tax rate.

Locations of Investment Managers

Unlike the funds themselves, investment managers are usually situated domestically. The United States continues to be the world's biggest investment hub; by the end of 2011, US-based funds were in charge of managing around 70% of the world's assets. There were around 3,990 investment advisors managing one or more registered private hedge funds as of April 2012, according to the Securities and Exchange Commission. Among American hedge fund managers, New York City and the Gold Coast region of Connecticut are the top places. The most important hub in Europe for hedge fund managers is London. In 2011, 85% of European-based hedge fund assets were handled by almost 800 UK-based firms, according to EuroHedge statistics. Since 2003, Asia has seen a major rise in interest in hedge funds, particularly in Japan, Hong Kong, and Singapore. Yet, the primary venues for managing Asian hedge fund assets continue to be the US and the UK.

The Business Entity

Legal frameworks for hedge funds differ by region and investor (s). The majority of American hedge funds that target taxable investors with US addresses are set up as limited partnerships or limited liability corporations. Investors in hedge funds are ensured that they are not subject to both entity-level and personal-level taxes via the use of limited partnerships and other flow-through taxation arrangements. A general partner is required for a hedge fund set up as a limited partnership. A person or a business might be the general partner. The limited partnership's management, who bears unlimited responsibility, is the general partner. The fund's investors are the limited partners; they are not responsible for management or investment choices. Their financial commitment for partnership interests serves as their liability limit. Domestic U.S. hedge funds may be set up as limited liability corporations instead of limited partnerships, with members functioning as corporate shareholders and being shielded from personal responsibility. On the other hand, offshore corporate funds are often utilised by non-US investors, and when they are based in a recognised offshore tax haven, no entity-level tax is levied. Several offshore fund managers allow tax-exempt US investors, such pension funds, institutional endowments, and charity trusts, to participate. Other legal structures for offshore money include open-ended unit trusts created via mutual funds that are not corporations. Unit trusts, like those offered in the Cayman Islands, are preferred by Japanese investors.

As the general partner of a limited partnership or as the owner of "founder shares" in a corporate fund, the investment manager who founded the hedge fund may continue to keep a stake in the fund. The fund may designate a board of directors for offshore funds set up as business companies. The board's main responsibility is to act as an additional layer of supervision while standing up for the interests of the shareholders. In actuality, however, board members may not have the necessary skills to carry out those responsibilities well. Both linked directors, who work for the fund, and independent directors, who have a limited connection to the fund, may serve on the board.

Lateral Pockets

With a side pocket, a fund may compartmentalize assets that are often difficult to value or illiquid. When a side-pocket investment is made, its value is determined independently of the value of the fund's primary portfolio. Investors do not have the same normal redemption rights with regard to side pocket assets as they have with regard to the fund's main portfolio since side pockets are meant to keep illiquid investments. Earnings or losses from the investment are only shared with existing investors and are awarded pro rata solely to those who were investors at the time the investment was put into the side pocket. To determine

management costs and publish net asset values, funds often hold side pocket assets "at cost." Fund managers may avoid trying to evaluate the underlying assets, which might not always have an easily accessible market value, in this fashion. In the face of a deluge of withdrawal requests during the 2008 financial crisis, hedge funds often deployed side pockets. Fund managers were able to minimise losses by storing illiquid assets in side pockets until market liquidity increased.

Notwithstanding these advantages, several investors said the method was exploited and sometimes opaque. However, the SEC has raised concern about the excessive usage of side pockets and has penalised several fund managers for doing so.

Measuring of Performance

Individual hedge funds have historically not been required to report their performance to a central repository, and restrictions on public offerings and advertising have led many managers to decline to make performance data available to the public. As a result, performance statistics for individual hedge funds are difficult to come by. Nonetheless, summaries of the success of certain hedge funds may sometimes be found in trade publications, databases, and the Hennessee Group's investment research.

Based on performance data from 8,400 hedge funds, it has been estimated that the average hedge fund returned 11.4% annually, which is a 6.7% increase over the entire market performance before fees. Another is that, whereas equities lost 2.62% annually during the decade, hedge funds gained 6.54%, outperforming other assets between January 2000 and December 2009, while stocks underperformed.

The effectiveness of hedge funds is evaluated by contrasting their returns with an estimate of their risk. The Treynor measure, Jensen's alpha, and the Sharpe ratio are common metrics. These measurements perform best when returns have normal distributions without autocorrelation, but in reality, these conditions are often not realised. Modified Sharpe ratios, the Omega ratio, Alternative Investments Risk Adjusted Performance (AIRAP), developed by Kaplan and Knowles in 2004, and Kappa also introduced in 2004 are new performance measures that make an effort to address some of the theoretical concerns with traditional indicators.

Impact of Sector Size

There is disagreement about whether the growth of the hedge fund sector has diluted alpha, which is the manager's element of skill in performance. There are two explanations. Secondly, the rise in traded volume may have reduced market anomalies, which are a factor in the success of hedge funds. In addition, the pay model is drawing more managers, which might dilute the pool of skill in the sector.

Indexes of Hedge Funds

Indicators that measure hedge fund results are classified as Non-investable, Invest- able, and Clone in that sequence of development. In conventional asset markets, where they are commonly accepted as indicative of their underlying portfolios, indices serve a vital and clear function.

The majority of developed markets in these asset classes are accessible via the equity and debt index fund products. Yet, because hedge funds are actively managed, tracking is not practical. On the other hand, non-investable hedge fund indexes could be more or less representative, but returns information for many of the funds in the reference group is private.

This might lead to inaccurate returns estimations. Clone indices have been developed as a solution to this issue in an effort to duplicate the statistical characteristics of hedge funds without directly relying on their return data. None of these methods can match the accuracy of indexes in other asset classes, where the available data on the underlying returns is more comprehensive.

Indexes Not Investable

Non-investable indexes are suggestive in nature and seek to depict the performance of a database of hedge funds using a metric like mean, median, or weighted mean. No one database collects all funds due to the various selection criteria and building techniques used in the databases. This causes considerable variations in reported performance between various indexes. Non-investable indices, despite their intent to be representative, have a long list of biases that are essentially impossible to prevent. Since participation in databases is entirely up to the funds involved, there is a risk of self-selection bias as not all funds will opt to report. For instance, some people choose not to report because of bad results or because they have already surpassed their fundraising goal and do not want to continue. Due to the short lifespans of many hedge funds, an issue known as survivorship bias arises every year as a result of the large number of new entry and exits. The observed correlation between fund youth and performance implies that this bias may be significant. If we only look at funds that have survived to the present, we would overstate historical returns as many of the worst-performing funds have not.

All or some of a fund's history data is captured ex-post in a database when it is added for the first time. It is possible that funds overstate their average performances throughout their incubation period since they only release their findings when they are favourable. Backfill bias or "immediate history bias" are terms used to describe this.

Investment-grade Indices

By guaranteeing that shareholders have access to the index return, investable indices aim to lessen these issues. The index provider chooses funds and creates structured products or derivative instruments that provide the index's performance in order to generate an investable index. An investable index resembles a fund or hedge fund portfolio in some aspects because when investors purchase these products, the index provider invests in the underlying funds. Hedge funds must agree to accept investments under the conditions specified by the function Object () {[native code]} in order for the index to be investable. These agreements must contain redemption clauses that some managers would deem too onerous to be acceptable in order to keep the index liquid. This implies that investable securities do not include the whole world of hedge funds. Most importantly, they underrepresent more accomplished managers, who often reject such investing rules.

Replication of Hedge Funds

The most recent advancement in the discipline takes a new approach to the issue. Instead of reflecting the performance of real hedge funds, they analyse historical hedge fund returns statistically and utilise the results to build a model of how hedge fund returns react to changes in the prices of different investable financial assets. After that, an investable portfolio of those assets is created using this approach. In theory, they may be as representative as the hedge fund database from which they were derived, making the index investable. These clone indices, however, are based on a statistical modelling procedure. The track record of these indexes is insufficient to predict whether this strategy would be deemed effective.

Systemic Risk

Systemic risk, as opposed to internal corporate risk, refers to the possibility of instability throughout the whole financial system. A destabilising incident or series of related events that impact a group of financial institutions connected via investment activity may give rise to this risk. Hedge funds are alleged to pose systemic risks to the financial sector by organisations like the National Bureau of Economic Research and the European Central Bank. After the collapse of the hedge fund Long-Term Capital Management (LTCM) in 1998, there was widespread concern about the possibility of systemic risk if a hedge fund failure resulted in the failure of its counterparties. Actually, the US Federal Reserve did not offer any financial support to LTCM, therefore there was no direct cost to US taxpayers, but several financial institutions had to undertake a significant rescue.

These assertions, however, are vigorously disputed by the financial sector, which typically views hedge funds as "small enough to fail" due to the fact that the majority manage relatively small amounts of assets and employ low levels of leverage, limiting the potential harm to the economy should one of them fail. Hedge fund leverage is reportedly both small and countercyclical to the market leverage of investment banks and the wider financial industry, according to formal research of hedge fund leverage before and after the 2008 financial crisis. Prior to the financial crisis, hedge funds' leverage declined while other financial intermediaries' leverage kept rising. Hedge funds often collapse, and the financial crisis saw a large number of hedge funds fail. Ben Bernanke, the chairman of the Federal Reserve Board, said that he "would not believe that any hedge fund or private equity fund would be- come a systemically essential institution alone" in testimony to the House Financial Services Committee in 2009.

Nonetheless, even while hedge funds go to tremendous efforts to lower the risk to return ratio, unavoidably certain dangers still exist. If there is "herd" behaviour during a crisis, which results in many comparable hedge funds losing money on similar investments, systemic risk is enhanced. Hedge funds also differ from many other market participants, such as banks and mutual funds, in that there are no regulatory restrictions on their use of leverage, and some hedge funds seek large amounts of leverage as part of their market strategy, even though most of them only use modest amounts of it. For hedge funds that invest at least in part in illiquid assets, the heavy use of leverage might result in forced liquidations during a crisis. In a crisis, the intimate ties between hedge funds and their prime brokers, often investment banks, may have domino consequences, and failing counterparty banks can even cause hedge funds to become frozen. The prominence of hedge funds in the financial markets is a factor that exacerbates these worries about systemic risk. Around $2 trillion in assets are held by the worldwide hedge fund sector, and this does not account for the entire impact of leverage, which is defined as market exposure above the amount invested.

According to a Financial Services Authority report from August 2012, risks were minimal and had decreased as a consequence of, among other things, the greater margins demanded by counterparty banks, but they may alter quickly depending on market circumstances. Investors may abruptly withdraw significant amounts during times of market crisis, forcing forced asset sales. If it happened in many funds or one big highly leveraged fund, it may lead to liquidity and pricing issues.

Transparency

Hedge funds are designed to escape the majority of direct regulation (although their managers

may be subject to regulation) and are not obliged to publicly disclose their investing activities, with the exception of the degree to which investors are normally obligated to do so. In contrast, a regulated mutual fund or exchange-traded fund will often need to comply with regulatory disclosure standards. In contrast to investors in retail investment funds, a hedge fund investor often has direct access to the firm's investment manager and may get more individualised reporting. This could include in-depth talks of risks taken and important viewpoints. While some hedge funds have very little transparency even for investors, this high degree of information is not accessible to non-investors, which contributes to the reputation of secrecy of hedge funds. In an effort to draw in more investors, funds may decide to reveal certain information. A large portion of the information included in consolidated databases is unreliable and self-reported. Two significant databases with information on hedge funds were studied. According to the research, 465 common funds had 465 reported informational discrepancies that were substantial (e.g., returns, inception date, net asset value, incentive fee, management fee, investing methods, etc.), and 5% of return figures and 5% of NAV data were radically different. Because to these restrictions, investors must do their own research, which might cost as much as US$50,000 for an unproven fund.

In certain instances, fraud has been aided by investors' or independent auditors' failure to verify financial documentation. Kirk Wright of International Management Associates was charged with mail fraud and other securities offences in the middle of the 2000s, reportedly defrauding customers of about US$180 million. Bernie Madoff was detained in December 2008 for operating a $50 billion Ponzi scam that was misrepresented as a hedge fund and received funding from various feeder hedge firms, the biggest of which being Fairfield Sentry. After the Madoff scandal, the SEC passed regulations in December 2009 that mandated competent custodianship of assets and audit requirements for hedge funds run by registered investment advisors. Hedge fund matching has historically been extremely opaque, with investments often being motivated by personal relationships or the advice of portfolio managers. Although specific holdings are not usually revealed, many funds make their holdings, strategy, and historical performance in comparison to market indexes available to investors, providing them some insight into how their money is being used. Investors are sometimes attracted to hedge funds by the potential for significant rewards or hedging against market volatility. Hedge fund fees and complexity are driving some investors out of the market. The biggest pension fund in the US, Calpers, revealed intentions for a 2014 total divestment from hedge funds. A few services are working to enhance investor and hedge fund matching: While iMatchative seeks to match investors to funds using algorithms that take into account an investor's goals and behavioural profile in the hopes of assisting funds and investors in understanding how their perceptions and motivations drive investment decisions, HedgeZ is made to enable investors to quickly search and sort through funds.

Connections to Analysts

The Senate Judiciary Committee started an inquiry into the connections between hedge funds and independent analysts in June 2006 after receiving a letter from Gary J. Aguirre. When Aguirre attempted to interview John Mack, who was then being sought for chief executive officer at Morgan Stanley, while serving as lead investigator of insider trading claims against Pequot Capital Management, he was sacked from his position with the SEC. Aguirre had been dismissed unlawfully in retaliation for his pursuit of Mack, according to a damning report from the Judiciary Committee and The Senate Finance Committee that was released in 2007. In 2009, the SEC was compelled to reopen its investigation against Pequot. The SEC and Pequot reached a settlement for US$28 million, and Pequot's chief investment officer Arthur J. Samberg was disqualified from serving as an investment adviser. Under the weight

of influxes, Pequot shut its doors. The New York Times reported in July 2012 on the widespread practise of hedge funds sending stock analysts recurring electronic questionnaires as part of market research. The study states that obtaining subjective information that was unavailable to the general public and maybe receiving early notice of trading suggestions that would result in short-term market swings were two reasons for the surveys.

Optimal Mean/Variance Efficient Portfolio Value

Modern portfolio theory states that rational investors will want to own mean/variance efficient portfolios (that is, portfolios that offer the highest level of return per unit of risk). The fact that certain hedge funds (especially market neutral and similar funds) have a little connection with conventional assets like stocks makes them appealing. As diversifiers, hedge funds may thus potentially play a very significant function in investment portfolios by lowering total portfolio risk.

Yet there are three reasons one would not want to put a significant amount of their money into hedge funds. Some factors include: Because of the high level of individuality in hedge funds, it is difficult to predict potential returns or hazards. Hedge funds are far less effective for diversification than they may first seem because of their low connection with other assets, which tends to dissolve during stressful market situations. The high fee structures that are generally paid significantly lower hedge fund returns.

Several studies have argued that hedge funds offer sufficient diversification to be included in investor portfolios, but Mark Kritzman disputes this claim by running a mean-variance optimization calculation on an opportunity set made up of ten hypothetical hedge funds, a stock index fund, and a bond index fund. Due in large part to the influence of performance fees, the optimizer discovered that a mean-variance efficient portfolio did not include any allocation to hedge funds. Kritzman performed the optimization on the supposition that the hedge funds paid no performance fees to illustrate this. This second optimization led to a 74% allocation to hedge funds as the outcome. The fact that hedge funds often underperform during equities bear markets—exactly when an investor needs a portion of their portfolio to create value—reduces their appeal in a diversified portfolio. For instance, the Credit Suisse/Tremont Hedge Fund Index fell 9.87% between January and September 2008. Even "dedicated short bias" funds had a return of 6.08% in September 2008, based on the same index series. To put it another way, even if low average correlations could seem to make hedge funds appealing, this might not be the case during a tumultuous period, like in the time before Lehman Brothers' collapse in September 2008.

SME Finance

The financing of small and medium-sized businesses (SME) is a key function of the broader business finance market, where capital is supplied, acquired, and costed or priced for various sorts of corporations. The business finance market provides money in the form of bank loans and overdrafts, leasing and hire-purchase contracts, stock/corporate bond issuance, venture capital or private equity, and asset-based financing including factoring and in-voice discounting.

Yet, not all company financing is provided externally or commercially by the market. Businesses create a significant amount of financing internally from their own revenues and/or provide it legally as trade credit, which is the extension of the payment terms for products and services.

The Control of Commercial Lending

The development and profitability of banks may be greatly boosted by the efficient management of loans to SMEs. The techniques used by banks to evaluate and monitor business loans, manage business financing risks, and price their goods, as well as how these methods may be improved and further developed, have been the subject of much study and analysis.

The types of firm financial data that banks use when deciding whether to lend money has come under close examination, as well as the veracity of such data.

For evaluating and overseeing company loans, banks have historically used a mix of documented sources of information, interviews, site inspections, and the in-depth knowledge and experience of managers. Nonetheless, banks may heavily depend on standardised credit scoring methods (quantifying factors like the traits, assets, and cash flows of businesses/owners) when evaluating relatively simple and small company loan applications. These methods, together with the overall centralization or rationalisation of company banking processes, may dramatically save processing costs. Also, standardised computer-based evaluation could be more reliable and impartial than relying on the subjective opinions of nearby bank management. Banks may now be able to issue more loans, quicker, and for greater sums, and they may also be able to lower the formerly stringent security criteria.

Yet, compared to personal and residential mortgage financing, corporate lending is far more varied and complicated. This tends to restrict the use and appeal of computerised credit scoring in evaluation and monitoring due to the scale and intrinsically hazardous character of many corporate loans.

CHAPTER 12

ENTREPRENEURSHIP SUCCESS PREDICTORS

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There are a few essential components to entrepreneurial success. Competitive advantage, business plans, strategic plans, cash flow, and other elements are included in this chapter. In business, the idea of competitive advantage refers to the ability of organisations to outperform their rivals. All of these tactics are crucial to the development of a successful entrepreneur's firm.

Competitive Benefit

A business concept known as competitive advantage describes the qualities that enable a firm to outperform its rivals. These characteristics might include the availability of natural resources like high-grade ores or cheap electricity, highly qualified employees, a strategic location, strong entry barriers, etc. As a component of the product, as a benefit to the manufacturing process, or as a competitive assistance in the business process (for instance, improved customer identification and comprehension), new technologies like robots and information technology may also provide businesses a competitive edge.

Competitive Strategies in General

Michael Porter, a Harvard University alumnus, wrote a book in 1985 that outlined three ways to deal with competition. The ninth most influential management book of the 20th century was this one. These strategies are adaptable to all companies, whether they provide goods or services. These methods, which include cost leadership, distinctiveness, and concentration, are referred to as generic tactics by the speaker. These tactics were developed to outperform rivals and acquire a competitive edge. These tactics are also known as the differential advantage and the comparative advantage.

Cost Leadership Technique

A business's capacity to produce goods or services at a lower cost than rivals is known as cost leadership. Businesses have a competitive edge over rivals if they can make goods of same quality but charge less for them. As a result, this gives the consumers a pricing value. As firms are still generating a profit on each commodity or service sold, lower costs will lead to bigger profits. Porter suggests looking for a low-cost basis, such as labour, supplies, or buildings, if enterprises are not turning a sufficient profit. Businesses benefit from cheaper production costs compared to those of rivals. By passing along the cost and benefit to the client, the business may provide value.

Differential Approach

When a company's goods or services are distinct from those of comparable rivals, it has a differential advantage. Making such products or services appealing and distinctive from rivals is advised by Michael Porter in his 1985 methods. To generate creative new concepts, the

company will need great research, development, and design thinking. Delivering top-notch customer service is one of these product or service upgrades. Customers are prepared to pay extra for advantages if they perceive this product or service to be unique from competing goods.

Focus Technique

Instead of attempting to reach everyone, a focus strategy should encourage firms to concentrate on a small number of target markets. Smaller firms often choose this tactic since they could lack the necessary resources and capabilities. Companies that use this strategy often concentrate on the demands of the client and how the goods or services might enhance their standard of living. Using this, certain businesses could let customers to provide feedback on their good or service. This approach, which incorporates geographic, demographic, behavioural, and physical segmentations, is also known as a segmentation strategy. Businesses are able to satisfy these customer wants by segmenting the market into smaller subsets. After deciding which groups to target, organisations must, in Porter's opinion, determine whether to adopt a cost leadership strategy or a differentiation strategy. A company will not be successful via a focus approach. Porter points out that it's crucial to avoid using all three general strategies since there's a good probability that businesses will end up with no plans rather than success. The firm won't be able to get a competitive edge since it would be "stuck in the midst" of everything.

Businesses often produce profitable goods and services when they can strike the ideal balance between "price and quality." For a product or service to be successful in the market, it must provide value via either price or quality. Being "just as excellent as" another firm is insufficient for success. It pertains to businesses that can provide a product or service to clients in a more significant and unique way depending on their requirements and preferences. Choosing the right pricing and quality will be determined by the company's brand image and the advantages it hopes to gain over its rivals.

Enterprise Plan

A formal description of company objectives, justifications for why they are doable, and strategies for doing so may be found in a business plan. It could also provide background data about the group or organisation making such efforts.

Changes in branding and perception among customers, clients, taxpayers, and the general public may be the focus of business strategy. A 3 to 5 year business plan is necessary when starting a new endeavour or making significant changes to an existing firm since investors will expect for a return on their investment over that period.

Audience

Plans for businesses may have an internal or outward emphasis. Plans with an external emphasis prioritise objectives that are significant to external stakeholders, especially those with a financial interest. They often provide comprehensive information on the team or organisation making the effort to accomplish the objectives. Investors and clients are examples of external stakeholders in for-profit businesses. Donors and customers of the non-services profits are examples of external stakeholders. Taxpayers, higher-level government agencies, and foreign lending organisations like the International Monetary Fund, the World Bank, other United Nations economic agencies, and development banks are examples of external stakeholders for government agencies. Internally oriented business plans concentrate on the intermediate objectives needed to achieve the exterior objectives. They might deal

with the creation of a new service, a new product, a new IT system, a financial restructuring, a factory renovation, or an organisational restructure. It's common practise to create an internal company strategy including a balanced scorecard or a list of crucial success elements. This enables non-financial metrics to be used to evaluate the plan's performance. Strategic plans are business plans that define and prioritise internal objectives but only provide broad recommendations for how they will be achieved.

The objectives of a working group, department, or internal organisation are described in operational plans. Project plans, sometimes referred to as project frameworks, outline the objectives of a certain project. They could also talk about how the project fits into the organization's overall strategic objectives.

Business plans are instruments for making decisions. The objectives and target audience determine the content and presentation of the business plan. An organization's goal and business strategy could be discussed in a business plan for a non-profit, for instance. A business plan for a bank loan will provide a strong case for the organization's capacity to repay the loan since banks are very worried about errors. Initial money, viability, and exit value are the three main concerns for venture investors. A business plan for a project seeking equity finance must justify how the enterprise will have a high exit value given its existing resources, potential for future development, and sustained competitive advantage.

The creation of a business plan requires extensive expertise from a variety of business disciplines, including finance, marketing, operations management, supply chain management, human resource management, and intellectual property management. The business plan may be seen as a collection of smaller plans, one for each of the key business disciplines. A strong business plan may assist in making a strong company credible, intelligible, and alluring to a potential customer. While it cannot ensure success, a strong business strategy may significantly lower the likelihood of failure.

Accessible Business Plans

Business strategies have often been quite private and targeted to a small group of people. The business plan itself is often considered to be confidential. An open business strategy is one that may be seen by anybody. The standard practise is to post the business plan online and make it public.

Nonprofit Organizations

Business objectives may be set for both for-profit and nonprofit businesses. Plans for for-profit businesses often concentrate on monetary objectives like profit or wealth growth. While non-profits may also be concerned with maximizing income, non-profit business strategies often centre on the "organisational purpose" that underlies their tax-exempt status or governmental status, respectively.

The main distinction between profit-making and nonprofit organisations is that the former seeks to increase money while the latter seeks to advance society more broadly. In non-profit organisations, the need to strike a balance between purpose and "margin" may lead to creative difficulties (or revenue).

Satires

Many satires have been written on the business strategy. Satires are utilised as a teaching technique to raise the quality of business strategies as well as to show scepticism about them. For instance, Dr. Roger Bernier utilises Dilbert comic strips in his presentation, "Five Criteria

for a Successful Business Plan in Biotech," to remind participants of the mistakes they should avoid making while doing their research and creating their business plans for biotech start-ups.

The "Underpants Gnomes" are used in Selena Maranjian's "Fool on the Hill" piece in The Motley Fool, "'South Park's' Investing Lesson" (November 8, 2001), to highlight the error of concentrating on objectives without a clear execution approach. The "Gnomes" episode mocks the Dot-com era's business strategies.

Planning Strategically

The process through which an organisation determines its strategy, or direction, and decides how to allocate its resources to follow this goal is known as strategic planning. It could also include control systems that direct how the plan is put into practise. In the 1960s, strategic planning rose to prominence in businesses, and it continues to be a crucial component of strategic management. It is carried out by strategic planners or strategists who do extensive study of the company and how it interacts with its competitive environment.

There are several definitions of strategy, but in general, it entails deciding on actions to carry out in order to attain objectives and mobilising resources to carry them out. A plan outlines the ways by which the outcomes (goals) will be accomplished (resources). Usually, a company's top leadership is in charge of formulating its strategy. As an organisation adapts to its environment or competes, strategy may be planned or it may arise through a pattern of action.

Strategy comprises procedures of development and execution; strategic planning helps coordinate both. Yet, strategic planning is analytical in nature (i.e., it includes "finding the dots"); strategy formulation itself requires synthesis (i.e., "connecting the dots") through strategic thinking. As such, strategic planning happens around the strategy creation activity.

Strategic Planning vs. Financial Planning

Merely extending financial statement predictions into the future without consideration of the competitive environment is a kind of financial planning or budgeting, not strategic planning. In business, the phrase "financial plan" is typically used to characterise the predicted financial performance of an organization for future years. The word "budget" is used for a financial strategy for the following year. A "fore- cast" is normally a mix of actual performance year-to-date with predicted performance for the rest of the year, therefore is generally measured against plan or budget and historical performance. The financial plans supporting a strategy plan may comprise 3–5 years of expected performance.

McKinsey & Company established a capacity maturity model in the 1970s to define the sophistication of planning processes, with strategic management ranking the highest. The four phases include: Financial planning, which is essentially about yearly budgets and a functional emphasis, with minimal concern for the environment; Forecast-based planning, which includes multi-year financial plans and more rigorous capital allocation across business units; Externally oriented planning, where a thorough situation analysis and competitive assessment is performed; Strategic management, where widespread strategic thinking occurs and a well-defined strategic framework is used.

Categories 3 and 4 are strategic planning, while the first two categories are non-strategic or essentially financial planning. Each stage builds on the previous stages; that is, a stage 4 organisation completes activities in all four categories.

Cash Flow Analysis

Cash flows are often transformed into measures that give information e.g. on a company's value and situation: to determine a project's rate of return or value. The time of cash flows into and out of projects are used as inputs in financial models such as internal rate of return and net present value to determine problems with a business's liquidity. Being profitable does not necessarily mean being liquid. A company can fail because of a shortage of cash even while profitable. As an alternative measure of a business's profits when it is believed that accrual accounting concepts do not represent economic realities. For instance, a company may be notionally profitable but generating little operational cash (as may be the case for a company that barters its products rather than selling for cash) (as may be the case for a company that barters its products rather than selling for cash). In such a case, the company may be deriving additional operating cash by issuing shares or raising additional debt finance. Cash flow can be used to evaluate the 'quality' of income generated by accrual accounting. When net income is composed of large non-cash items it is considered low quality to evaluate the risks within a financial product, e.g., matching cash requirements, evaluaing default risk, re-investment requirements, etc.

Cash flow notion is based loosely on cash flow statement accounting standards. The term is flexible and can refer to time intervals spanning over past-future. It can refer to the total of all flows involved or a subset of those flows. Subset terms include net cash flow, operating cash flow and free cash flow.

Symptoms of cash flow problems. There are many reasons a business can suffer cash flow problems some are down to mismanagement and poor decisions, and in some cases factors outside of your control. Any of the following symptoms can indicate that a business is experiencing cash flow problems:

Business Incubator

According to business jargon, a business incubator is an organisation that offers services like management training or office space in order to assist new and beginning businesses in growing. The focus on startup and early-stage businesses that business incubators place on them sets them apart from research and technology parks. On the other hand, research and technology parks are often massive undertakings that contain anything from very tiny businesses to corporate, government, or academic facilities. The majority of research and technology parks do not provide business support services, which are the cornerstone of an incubation programme for startups. Incubation programmes are located in many research and technology parks, however. Incubators are distinct from Small Business Development Centers run by the U.S. Small Business Administration (and other company assistance programmes) in that they only work with a limited number of customers. By law, SBDCs must provide general business support to any firm that approaches them for assistance. Also, SBDCs assist with all small businesses, not just those that are just starting out. A lot of business incubator programmes collaborate with their neighbourhood SBDC to provide a "one-stop shop" for help for entrepreneurs. Several EU and state-funded initiatives that provide assistance in the form of advising, mentorship, prototype building, and other services as well as co-funding for them are available throughout the nations that make up the European Union. One example of an IT company and concept is Tec Hub.

Incubation Procedure

Business incubators don't cater to all companies, unlike many other programmes that provide aid to small businesses. Entrepreneurs who want to enrol in a programme for company

incubation must submit an application. The requirements for admission vary from school to programme, but in general, only those with realistic business concepts and plans are accepted. This makes comparing the success rates of incubated businesses to conventional company survival data challenging.

The core of a real business incubation programme is the services it offers to new enterprises, even if the majority of incubators give their customers with office space and shared administrative functions.

The National Business Incubation Association surveyed incubation programmes in 2006, and more than half of those programmes reported serving affiliate or virtual customers as well. These businesses are not housed in the incubation building. Affiliate customers might be small enterprises operating from their homes or developing firms with their own locations who can take use of incubator services. Virtual clients may live too far away from an incubator to engage in on-site activities; instead, they get therapy and other support remotely.

Depending on a variety of variables, including the kind of business and the entrepreneur's degree of business experience, the length of time a firm stays in an incubation programme may vary significantly. More time is needed in an incubation programme for life science and other businesses with lengthy R&D cycles than for manufacturing or service businesses that can quickly manufacture and enter the market. Incubator customers typically participate in a programme for 33 months. The graduation criteria for many incubation programmes are determined by development milestones rather than time, such as firm sales or workforce numbers.

Objectives and Sponsors

Business incubation has been identified as a way to address a variety of economic and socioeconomic policy needs, including job creation, promoting an entrepreneurial climate in a community, technology commercialization, diversifying local economies, building or accelerating the growth of local industry clusters, business creation and retention, encouraging women or minority entrepreneurship, identifying potential spin-in or spin-out business opportunities, or promoting community economic development.

Economic development organisations fund around one-third of company incubator programmes. Governmental organisations (such counties or cities) make up 21% of programme sponsors. Another 20% are supported by academic institutions, such as universities, technical institutes, and two- and four-year colleges. In many nations, regional or national governments provide funding for incubation programmes as a component of a larger economic development plan.

The majority of incubation programmes, however, are autonomous, community-based, and resourced initiatives in the United States. The U.S. Economic Development Administration is often a source of money for incubation programmes' development, but once a programme is up and running, it seldom gets federal support; few states provide centralised funding for incubators. 59% of incubator income come from rents and/or client fees, followed by service agreements or grants (18%) and monetary operational subsidies (15%). Legislation to "reconstitute Project Socrates" was introduced as part of a significant attempt to solve the current economic crisis in the US. By providing users with technology-based information on the market, rival strategies, potential partners, and technological routes to gain competitive advantage, the new version of Socrates aids incubators. According to Michael Sekora, the

program's original designer and director, one of Socrates' main goals is to help government economic planners manage economic and social difficulties with previously unheard-of speed, efficiency, and agility.

In the late 1990s, several "private" or for-profit incubation programmes were established by financiers and other for-profit businesspeople looking to fast start new ventures and reap substantial profits. Almost 30% of all incubation programmes, according to the NBIA's estimation at the time, were for-profit businesses. Yet many of such projects came to an end with the dot-com crash. Just 16% of incubators responding to the NBIA's 2002 Status of the Business Incubation study were for-profit initiatives. Only 6% of responders in the SOI from 2006 were for-profit. Despite the fact that certain incubation programmes (regardless of whether they are charity or for-profit) accept stock in client firms, the majority do not. Incubation programmes that take ownership in part or all of their customers are only 25% of the total.

An entrepreneurial mindset

The term "entrepreneurial orientation" (EO) refers to a company-level strategic orientation that encapsulates an organization's management philosophies, firm behaviours, and strategy-making methods that are entrepreneurial in character. One of the most well-established and extensively studied constructs in the literature on entrepreneurship is entrepreneurial orientation. Innovation, proactivity, and risk-taking have often been included as key defining characteristics or features of EO in earlier conceptualizations. A meta-analysis of prior studies revealed that EO is a powerful predictor of company performance, with a correlation in magnitude about comparable to the recommendation of using sleeping drugs and having better sleep.

The most popular method for evaluating entrepreneurial inclination is the nine-item psychometric test that Jeff Covin and Dennis Slevin created. This tool illustrates Danny Miller's viewpoint that EO is a "collective catchall" concept that encapsulates what it means for a company to be seen as entrepreneurial in a variety of circumstances. A crucial Miller quotation. In general, experts would not classify a company as entrepreneurial if it modified its technology or product line by merely copying rivals without taking any chances. Moreover, some pro- ac- tiveness would be necessary. In the same vein, risk-taking businesses with significant financial leverage are not always entrepreneurial. They must also participate in technology or product market innovation. The bulk of earlier research have embraced Miller's concept of entrepreneurial orientation (EO) as the fusion of innovativeness, reactivity, and risk-taking, according to reviews of the entrepreneurial orientation literature. As the idea is embraced to comprehend the impacts of being entrepreneurial across an expanding variety of study settings, the depth of research on EO continues to increase.

Ecosystem in Entrepreneurship

The social and economic circumstances influencing local entrepreneurship are referred to as an ecosystem for entrepreneurship. The important subjects connected to the idea of an entrepreneurial environment are the entrepreneurial ecosystem and startup ecosystem. The key details are presented in the chapter that follows in a critical but orderly fashion. The social and economic circumstances influencing local and regional entrepreneurship are referred to as an entrepreneurial ecosystem or entrepreneurship ecosystem. In order to investigate economies of scale mixed with flexibility and entrepreneurial "drive," it may also be a collection of businesses, including start-ups, and one or more coordinating bodies that have similar aims. While each participating start-up focuses on R&D, product management, sales, and pre-sales/after-sales support, economies of scale can be explored in business

functions like business development, financing, market analysis, marketing communications, IT / MIS infrastructure, human capital management, legal support, financial & accounting management.

Ecosystem: The term "ecosystem" describes the people, organisations, or institutions that are independent of the individual entrepreneur and that either support or limit their decision to become an entrepreneur or the likelihood of their success after they have launched their business. Entrepreneurship stakeholders are the businesses and people who represent these factors. Every organisation that has a real or future interest in seeing greater entrepreneurship in the area is considered a stakeholder. The private sector, family businesses, investors, banks, entrepreneurs, social leaders, research centres, military, labour representatives, students, lawyers, cooperatives, communes, multinationals, private foundations, and international aid organisations are just a few examples of the stakeholders in entrepreneurship. One solitary component of the eco-system is seldom enough to describe or develop sustainable enterprise. Silicon Valley, Boston, New York City, and Israel are just a few places with high rates of entrepreneurship where numerous ecosystem components are robust and have traditionally developed together. In a similar vein, the development of these ecosystems suggests that governments or other society leaders who wish to promote greater entrepreneurship as part of economic policy must concurrently boost a number of these components. Recent research, however, demonstrates that the ability of government policies to foster entrepreneurial ecosystems is often constrained.

Daniel Isenberg, a professor of entrepreneurial practise at Babson College, wrote an essay titled "How to Launch an Entrepreneurial Revolution" that was published in the Harvard Business Review in July 2010. Isenberg outlines the setting that generally fosters entrepreneurship in this essay. The article makes the argument that entrepreneurs are most successful when they have access to the human, financial, and professional resources they need and work in an environment where government laws support and protect them. It does this by using examples from throughout the globe. The entrepreneurial ecosystem is what this network is called. In order to explore economies of scale while maintaining flexibility and a strong entrepreneurial drive, a collection of businesses, including start-ups, and one or more coordinating bodies may opt to join an organisation or network known as a "entrepreneurship ecosystem." While each participating start-up focuses on R&D, product management, sales, pre-sales, and after-sales support, economies of scale can be explored in business functions like business development, financing, market analysis, marketing communications, IT / MIS infrastructure, human capital management, legal support, financial & accounting management.

Launchpad Ecosystem

People, startups at different stages, and other sorts of organisations come together in a place (physical or virtual) and interact as a system to establish new startup companies. Universities, financing organisations, support organisations (such as incubators, accelerators, co-working spaces, etc.), research organisations, service provider organisations (such as legal, financial services, etc.), and significant businesses may all be further subdivided into this group. Several organisations often concentrate on certain functions of the ecosystem and startups at their particular developmental stages (s).

Variables both internal and external

Ecosystems at the startup phase are influenced by both internal and external variables. The general structure of an ecosystem and how things function inside it are controlled by external forces, such as the state of the economy, substantial market disruptions, and significant

transformations. Start-up ecosystems are dynamic systems that go through phases of development, periodic perturbations (like financial bubbles), and then phases of recovery.

Since they have a varied entrepreneurial culture and resource pool, startup ecosystems in comparable circumstances but in different areas of the globe may end up operating differently. The knowledge and abilities of non-native peoples may also bring about significant changes in how the environment operates.

Within every specific start-up ecosystem, internal components serve as feedback loops. In addition to controlling ecological processes, they are also under their influence. The availability of resources inside the ecosystem is governed by each organization's capacity to contribute to the ecosystem, although some of the resource inputs are often regulated by external processes like the financial environment and market shocks. Despite the fact that people live and work in ecosystems, their combined impacts are significant enough to affect other elements, such as the economy.

Employee Diversity's Function

The operations of the startup ecosystem are also impacted by employee diversity and the disruption and succession processes. Startup Ecosystems provide a range of products and services that other individuals and businesses rely on. So, according to the tenets of start-up ecosystem management, resources should be handled at the level of the startup ecosystem as a whole rather than at the level of specific individuals or organisations. In order to manage ecosystems effectively, it is crucial to group startup ecosystems into structurally comparable groups.

New Ecosystem Studies

Many independent studies have been conducted to assess start-up ecosystems in order to better understand, compare, and provide useful insights into the advantages and disadvantages of distinct start-up ecosystems. Start-up ecosystems may be investigated using a range of methods, including theoretical studies, studies that observe particular start-up ecosystems over extended periods of time, and studies that compare start-up ecosystems to clarify how they function.

Startup Genome published a thorough analysis comparing startup environments in 2012. Silicon Valley, Tel Aviv, and Los Angeles were identified as the top three startup ecosystems, however Asian markets were left out owing to a lack of data.

Starting from scratch as an entrepreneur

A comprehensive understanding of bootstrapping in business. Entrepreneurs often try to fund themselves on their own rather than looking for outside investors. One of the main reasons they choose bootstrap funding is because in order to get equity financing, the entrepreneur must give investors ownership stakes in their business. Owner financing, sweat equity, deferring bill payments, and personal debt are examples of bootstrapping. In this chapter, the key elements of bootstrapping are covered.

Utilized Buyout

A leveraged buyout (LBO) is a transaction in which a business or one asset (such as a piece of real estate) is bought using a combination of equity and a sizable amount of borrowed funds. The transaction is structured so that the target's assets or cash flows are used as collateral (or "leverage") to secure and repay the borrowed funds. The returns on equity rise as the amount of borrowed money rises until the ideal capital structure is attained since debt

(whether senior or mezzanine) has a lower cost of capital than equity. The debt thus effectively acts as a lever to raise returns on investment. The phrase "LBO" is often used to describe a financial sponsor's acquisition of a firm. But, a lot of business deals use bank debt as a partial funding source, essentially making them an LBO as well. LBOs may take on a variety of shapes, including management buyout (MBO), management buy-in (MBI), secondary buyout, and tertiary buyout, among others, and can take place under expansion-related circumstances, reorganization-related circumstances, and insolvency-related circumstances. LBOs mostly occur in private businesses, however they may also be used in publicly traded ones (in a so-called PtP transaction – Public to Private). Financial sponsors have an incentive to use as much debt as possible to fund an acquisition since they may maximise their profits by using extremely high leverage (i.e., a high ratio of debt to equity). This has often resulted in instances where businesses were "over-leveraged," unable to produce enough cash flows to pay their debts in a timely manner, which eventually led to bankruptcy or debt-to-equity swaps in which the equity owners lost control of the company to the lenders.

Characteristics

LBOs have gained popularity because they typically present a win-win scenario for both the financial sponsor and the banks: the financial sponsor can increase the rate of returns on his equity by using leverage; banks can make significantly higher margins when supporting the financing of LBOs compared to usual corporate lending because the interest charged is that much higher.

Banks' willingness to fund an LBO with debt varies widely and is influenced by a number of factors, including: The standard of the asset that will be purchased (stability of cash flows, history, growth prospects, hard assets, etc.) the amount of equity that the financial sponsor has provided. The background and qualifications of the financial sponsor. The general state of the economy Debt volumes of up to 100% of the acquisition price have been made available for businesses with exceptionally steady and secured cash flows (such as real estate portfolios with rental income guaranteed by long-term rental agreements). Debt of 40% to 60% of the acquisition price is typical in instances of "average" enterprises with regular business risks. The potential debt ratios vary considerably across the target sectors and geographical areas. The debt is issued in several tranches according to the acquisition's size and price.

Senior Debt: This debt has the lowest interest rates and is backed by the target company's assets. Junior debt, often mezzanine, typically carries higher interest rates since it lacks security.

Sometimes high yield bonds are used in lieu of all or a portion of these two debt categories in bigger deals. Depending on the amount of the transaction, more than one party may contribute debt as well as stock. Debt is often syndicated in bigger transactions, which means that the bank that provides the credit sells all or part of the debt in parts to other banks in an effort to diversify and so reduce its risk. Seller notes (also known as vendor loans), in which the seller effectively utilises a portion of the selling proceeds to issue a loan to the buyer, are another kind of debt that is utilised in LBOs. These seller notes are often used in management buyouts and other circumstances when access to bank finance is severely constrained. Keep in mind that in almost all LBO transactions, the company's assets and cash flows serve as the only form of loan collateralization. Among other forms of securities, the financial sponsor may regard their investment as ordinary stock or preferred equity. Preferred stock gets priority over ordinary equity when it comes to dividend payments.

According to general guidelines, senior debt often has interest margins of 3–5% (on top of Libor or Euribor) and must be repaid over a period of 5–7 years; junior debt, on the other hand, typically has margins of 7–16% and must be repaid in a single payment (as a bullet) after 7–10 years. Junior debt sometimes contains warrants in addition, and its interest is frequently wholly or partially of a PIK type.

Understanding the kinds of businesses that private equity firms seek for when contemplating leveraged buyouts is vital, in addition to the amount of debt that may be utilised to finance such transactions. Notwithstanding the fact that many businesses use various techniques, the following traits apply to several forms of leveraged buyouts:

Steady cash flows are necessary for the company being bought in a leveraged buyout to be able to cover its interest costs and gradually pay back the debt's principal. As a result, established businesses with long-term client relationships and/or predictable cost structures are often bought in LBOs.

Low fixed expenses: Fixed costs pose a significant risk to private equity firms since businesses must continue to pay them even when their revenues fall.

Relatively little existing debt: It's harder to make a deal work when a company already has a high debt balance. The "math" in an LBO works because the private equity firm adds more debt to a company's capital structure, which the company then repays over time, resulting in a lower effective purchase price.

Private equity firms prefer to invest in companies that are moderately undervalued as opposed to those that are appropriately valued. Because of the possibility that valuations could decline, they prefer not to buy companies that are trading at extremely high valuation multiples (relative to the sector).

Solid management team - Ideally, the C-level executives will have worked together for a significant amount of time and will also have some "skin in the game" by taking part in the LBO by rolling over their shares when the transaction closes.

CHAPTER 13

MANAGEMENT BUYOUT

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A management buyout is an exception to the rule of a leveraged purchase (MBO). In an MBO, the in-charge management team, which often holds no or very few shares in the firm, buys a sizable chunk of the stock. An MBI (Management Buy In), in which the shares are purchased by an outside management team, is comparable to an MBO. An MBO may happen for a variety of causes, including the company's owners want to sell it to the management group they trust in order to fund their retirement (and with whom they have worked for years). The company's owners no longer have trust in it and are ready to sell it to the management, who still has hope for its future, in order to get some compensation. The management see a potential for the company that the existing owners do not and do not choose to explore.

The majority of the time, management teams partner with financial sponsors to partially finance acquisitions since they lack the funds to pay the acquisition's equity, which will be coupled with bank loans to form the purchase price. The negotiation of the agreement with the financial sponsor (i.e., who receives how many shares of the firm) is seen by the management team as a significant lever for value development. Financial sponsors often support MBOs because they are reassured that management believes in the company's future and is interested in creating value (as opposed to being solely employed by the company). There are no established standards for how much of the acquired company's equity the management team must hold to qualify as an MBO as opposed to a standard leveraged buy-out, in which the management team invests alongside the financial sponsor. Yet, in the context of the term's typical use, an MBO refers to a circumstance in which the management team drives the purchase from the outset.

Management teams in MBO circumstances sometimes find themselves in a pickle because they have a conflict of interest since they individually have an interest in a low purchase price while working for owners who plainly have an interest in a high purchase price. In this situation, owners often respond by providing the management group a deal fee if a certain price barrier is met. Financial sponsors often respond to this by making an offer to make up for the lost deal fee to the management team if the acquisition price is low. Earn-outs are one more tool to address this issue (purchase price being contingent on reaching certain future profit abilities).

Very likely, there are just as many successful MBOs as failed ones. The management team must negotiate the acquisition price, the transaction structure (including the envy ratio), and the choice of the financial sponsor early on in the process.

Buyouts in the Secondary and Tertiary

A secondary buyout is a kind of leveraged buyout in which the buyer and the seller are either

financial sponsors or private equity companies (i.e., a leveraged buyout of a company that was acquired through a leveraged buyout). In many cases, a secondary buyout will provide the selling private equity firms and its limited partner investors a clear break. Traditionally, limited partner investors found secondary buyouts unattractive and typically avoided them since they were seen as distressed deals by both the seller and the bidder.

The rise in financing available for leveraged buyouts in the 2000s was a major contributor to the surge in secondary buyout activity. For a variety of reasons, selling private equity firms often seek a secondary buyout:

For specialist or small enterprises, it may not be viable to sell to strategic buyers or go public.

Secondary buyouts could provide liquidity faster than other methods (i.e., IPOs).

Private equity companies may be more interested in certain company types than public stock investors or other enterprises, such as those with relatively moderate growth but significant cash flows. If the investment has reached an age where it is essential or desirable to sell rather than keep the investment longer or if the investment has already created considerable value for the selling business, secondary buyouts have often been successful.

Secondary buyouts vary from secondary or secondary market acquisitions, which often entail the purchase of private equity asset portfolios, including direct investments in business stocks and limited partnership holdings. A tertiary buyout is the process through which a firm that was bought in a secondary buyout is sold to another financial sponsor.

Failures

Before the year 2000, several LBOs, including Robert Campeau's 1986 purchase of Revco Drug Stores and his 1988 acquisition of Federated Department Stores, led to company bankruptcy. During the boom years of 2005 to 2007, several LBOs were also funded with an excessive amount of debt. The exorbitant debt financing, which made up around 97% of the entire price and resulted in high interest payments that surpassed the company's operational cash flow, was the cause of the Federated buyout's collapse.

Instead of filing for bankruptcy, the corporation often works out a debt restructure with its lenders. The equity owners may have to invest more money in the firm as a result of the financial restructuring, and the lenders may have to give up some of their rights. In other cases, the lenders add more funds and take over the company's ownership, losing the current equity owners' shares and investments in the process. The financial reorganisation has no impact on the company's operations. Yet, the financial reorganisation requires serious managerial attention and might result in clients losing trust in the brand. The original overvaluation of the target company and/or its assets might be the reason why debt in an LBO cannot be repaid. Overly optimistic revenue projections for the target business might potentially result in post-acquisition financial hardship. Depending on the circumstances, some courts have concluded that an LBO debt may be considered a fraudulent transfer under U.S. bankruptcy law if it is shown to be the reason why the acquired business failed.

The financial condition of the target at the time of the transaction that is, whether the risk of failure was significant and known at the time of the LBO, or whether subsequent unforeseeable events caused the failure, will typically determine the outcome of litigation attacking a leveraged buyout as a fraudulent transfer. Historically, the analysis was based on "duelling" expert witnesses and was infamous for being subjective, expensive, and unpredictable. But, courts are moving more and more in the direction of unbiased, market-based standards.

However, a "safe harbour" clause in the Bankruptcy Act prohibits bankruptcy trustees from recouping settlement payments made to shareholders who were bought out. Regardless of whether they took place in an LBO of a private or public corporation, the U.S. Court of Appeals for the Sixth Circuit ruled in 2009 that such settlement payments could not be avoided. Insiders and secured lenders become the main targets of fraudulent transfer proceedings as long as public shareholders are protected.

Banks have responded to unsuccessful LBOs by mandating a lower debt-to-equity ratio, raising the financial sponsor's "skin in the game" and lowering the debt load.

Widely used references

Several cultural works are built on LBOs. As was already noted, both the book Barbarians at the Gate: The Collapse of RJR Nabisco and the movie version are based on true stories. Japanese film High and Low, released in 1963, and is loosely based on a fictitious LBO. The procedure was discussed during the 2012 presidential election in the United States since Mitt Romney had previously worked in the industry for Bain Capital.

Varieties of Sweat Equity Bootstrapping

Sweat equity, as opposed to financial equity, such as paying others to complete the work, is a party's contribution to a project in the form of labour and toil. Sweat equity may be used in business, for instance, when the owners work hard to develop the company, in real estate, where owners might make do-it-yourself modifications and raise the value of the property, and in other contexts, such as when a car owner works hard to raise the worth of the vehicle. Sweat equity is a word used to describe the quantifiable market-rate gain in home value that occurs from unpaid effort done to improve one's own home. The more sweat equity has been invested in a property, the more effort has been put into it, and the larger the value gain that has resulted. The American Friends Service Committee used the idea of sweat equity for the first time in the United States in the Penn Craft self-help housing project starting in 1937. By assisting migrant farmers in California to construct their own houses in the 1950s, the AFSC first used the word. Most often, it is linked to the successful Habitat for Humanity model, in which families who would otherwise be unable to afford a home contribute sweat equity hours to the construction of their own home, the homes of other Habitat for Humanity partner families, or by volunteering to help the organisation in other ways. After moving into their new house, the family pays their mortgage interest-free into a revolving fund, which then uses the money to support the construction of houses for other families.

In contrast to financial equity, which is a commitment in the form of money, sweat equity is more recently used to indicate a party's effort-based contribution to a project. In a partnership, some partners could provide the company with just finance, while others would only provide labour. In a startup company structured as a corporation, workers may take stock or stock options in exchange for taking salaries that are below their respective market values, therefore becoming part-owners of the business (this includes zero wages). The phrase used to describe a kind of payment made by companies to its owners or workers. The phrase is sometimes used to characterise the work done by the founders of a start-up firm in return for ownership shares in the business. As described in "Idea Makers and Idea Brokers in High Technology Entrepreneurship" by Todd L. Juneau et al., Greenwood Press, 2003, which describes equity for service programmes, startups use their stock to persuade service providers to provide necessary corporate services in exchange for a discount or by deferring payment until a later date. This practise is also known as "stock for services" and occasionally "equity compensation" or "sweat equity."

Accounts Payable

Money owing by a corporation to its suppliers and shown as a liability on the balance sheet is known as accounts payable. It differs from liabilities for notes payable, which are obligations made by formal legal instrument papers.

When an invoice is vouched for payment, an accounts payable is entered in the account payable sub-ledger. An invoice that has been authorised for payment and entered in the general ledger or the AP subledger as an outstanding, or open, obligation is said to be "vouched," sometimes known as "vouched." Trade payables, or payables for the purchase of tangible products that are documented in inventory, and Expense payables, or payables for the purchase of goods or services that are expensed, are two common categories for payables. Expense Payables include things like utilities, office supplies, travel, entertainment, and advertising. A/P, or accounts payable, is a kind of credit that suppliers provide to their clients by enabling them to pay for goods or services after they have already been delivered. Several payment conditions are provided by suppliers for an invoice. The offer of a monetary discount for paying an invoice within a certain number of days is one example of a payment term. For instance, 2%, Net 30 conditions signify that 2% of the invoice would be subtracted if payment is completed within 30 days. The whole sum is paid if the payment is made on Day 31.

Bills from the power company, Telephone Company, cable television or satellite dish service, newspaper subscription, and other similar regular services are often accounts due in houses. Most homeowners utilise checks, credit cards, or online banking to manually monitor and pay on a monthly basis. Accountants or bookkeepers often utilise accounting software to monitor the movement of money into this liability account when they get invoices and out of it when they make payments since the A/P file typically contains a much wider variety of services in a firm. Large companies are increasingly automating the manual and paper processes associated with processing an organization's invoices via the use of specialist accounts payable automation systems, often known as E-Payables. When a supplier ships a product, sends an invoice, and then receives payment later, this is referred to as a cash conversion cycle. During this time, the supplier has already paid for the raw materials, but hasn't received money from the ultimate client.

The invoice is compared to the packing slip and purchase order when it is received by the buyer, and if everything is in order, the invoice is paid. The three-way match is what is known as here. The three-way match may be changed since it slows down the payment procedure. For instance, three-way matching might be restricted to large-value invoices only, or it could be pre-approved if the quantity received is within a particular percentage of the purchase order's permitted amount.

Internal Measures

To stop employees of accounts payable from embezzling funds, certain safeguards are often in place. One such control is the separation of roles. In almost all businesses, a junior employee processes and prints a check, which is then reviewed and signed by a senior employee. The accounting software often restricts each employee to carrying out just the tasks that have been delegated to them, making it impossible for any one employee—not even the controller—to make a payment on their own.

Also, some businesses divide the tasks of adding new suppliers and processing vouchers. This prevents an employee from adding oneself as a vendor and cutting themself a check without working with another employee to do so. The master vendor file is what this

document is known as. It houses all pertinent information regarding the suppliers to the business. When it comes to paying bills, it serves as the accounts payable department's reference point. Also, most businesses need a second signature for checks with amounts higher than a certain threshold.

Accounts payable staff members must keep an eye out for phoney invoices. The authorizing manager is the first line of defence in the absence of a purchase order system. Nonetheless, A/P staff members have to get aware with a few typical issues, such "Yellow Pages" scams where dishonest operators promise to publish an advertising. There are several Yellow Pages-style directories, most of which have a tiny circulation, and the walking-fingers logo has never been registered as a trademark. An article in the winter 2000 issue of Employer Practices of the American Payroll Association states that "Vendors may deliver papers that look like invoices but say in tiny text "this is not a bill." They could be fees for listings in directories or for adverts. Lately, some businesses have started delivering what looks to be a rebate or refund check, but which is really a registration for services that is activated upon receipt of the document and signature.

A little error in accounts payable might result in a significant overpayment. Duplicate invoices are a frequent illustration. When the vendor contacts to ask about the status of an invoice's payment, it's possible that it has been temporarily lost or is still in the approval stage. The vendor sends a duplicate invoice when the A/P employee checks it and discovers it hasn't been paid; in the meanwhile, the original invoice appears and is paid. The second invoice then shows up and unintentionally receives payment as well, maybe under a slightly different invoice.

Accounts Payable audits

The presence of authorised invoices, expense reports, and other supporting documents to back up checks that were cut is often a focus of auditors. A reasonable evidence of the account's existence is the presence of a confirmation or statement from the provider. By the time the audit comes around, it is not unusual for some of this material to have been misplaced or misfiled. Under these circumstances, an auditor can decide to increase the sample size. Accounts payable ageing structures are frequently created by auditors to help them comprehend the outstanding obligations across certain time periods (30, 60, 90 days, etc.). These frameworks aid in the accurate reporting of the balance sheet as of the fiscal year's conclusion.

Development of new businesses

Product or service creation, business model design, and marketing are just a few of the processes involved in developing new business opportunities. We have "business" and "development" when we divide "business development" into two sections. When considering business, the first things that spring to mind are: economics, money, management tasks, competition, costs, marketing, etc. These terms, which all have something to do with risk and entrepreneurship, make it abundantly evident what the phrase "enterprise development" is most often used for. The term "development" is somewhat ambiguous, yet it may be associated with terms like "technological advancement," "cost reduction," "general welfare," "better relations," and "moving in a (good) direction," among others.

According to the conventional definition, business development primarily refers to the use of various ways to expand a firm. While the aforementioned strategies are different, they nonetheless revolve around conventional marketing. How to locate, approach, and make consumers satisfied possibly with new products and how to keep them that way are the

essential questions in these situations. Kottir (2006) a whole new definition of "enterprise development" will be presented since existing one is inadequate and omits several crucial elements of the process. Of course, the old notion of "conventional" marketing may still be used and the principle behind it is still valid. It's crucial to concentrate on your whole solution rather than just the product or service you provide while providing a solution. An offering is a bundle that includes varying amounts of the physical goods, service, guidance, delivery, and associated expenses, including pricing, for use. Here, getting the proper mix within the offering depends mostly on guidance, client adaption, and expenses. According to the concept of contingency theory, different product-market-technology combinations may necessitate various marketing approaches and business structures in order to be successful (Tidd et al., 2005). New business development primarily utilises the domains of technology and business networks to map the components involved and build synergy between them. The goal of the new company development process is to identify possibilities and chances in a rapidly evolving technology environment. Because of new technologies and its new markets, uncertainty often occurs.

Enterprise Networks

Economic models are often the foundation of conventional marketing (Williamson, 1975). There is no space for bargaining or preferential treatment for various enterprises under such strict economic frameworks. Nonetheless, a technical environment may be quite unpredictable, forcing rivals to significantly depend on their business networks. Then, specific considerations and agreements are required.

Understanding how social interactions affect economic activity, particularly business growth, is crucial. In addition, Granovetter makes the case that social connections inside a network foster partner trust, which is crucial for steady growth in a changing environment. It becomes challenging to keep every activity up-to-date and to preserve the competitive edge by concentrating on these new tasks (Ford et al., 2006). Because of this, businesses are increasingly focusing their investments and efforts on a small number of what they consider to be their core businesses. Otherwise, they risk losing their competitive edge. They need business relationships for the other operations since they focus on a small number of activities.

Relationships often rest on relationships to resources, activities, or actors. Hence, a corporation should examine its own organisation, its partnerships, and its business networks in terms of its operations, players, and resources. A business may then identify new partnerships and areas where resources, technology, and/or talents can be produced, incorporated, or used from other businesses. With the aid of this business network, business growth may be developed in this manner.

The interchange of diverse resources between active, cooperating partners in network-like organisations is the main focus of marketing today. Relationships, not the sale of goods, are the focus. Business marketers must thus actively seek out, nurture, and manage connections within the intricate network that surrounds those. According to Blois (2004), a corporation may transition from a market to a network mechanism in one of three methods. They include replaceability, path dependency (historical events lead to solutions to issues that get "locked in"), and entrepreneurial awareness (being attentive to value-creating possibilities.

As the aforementioned writers don't all agree, it is still unclear how much social interaction these networks include. Because of this, businesses must deal with the issue of how to preserve their network relationships.

Ecopreneurship

The word "ecopreneurship" was created to describe the process of using entrepreneurial concepts to build enterprises that address environmental issues or are run sustainably. It is also known as "environmental entrepreneurship," and the word first became popular in the 1990s. Ecopreneurs are described as entrepreneurs whose business activities are not just motivated by profit but also by a concern for the environment in Gwyn Schuyler's 1998 book Integrating Economic and Environmental Issues via Ecopreneurship. As a new market-based strategy for locating possibilities for enhancing environmental quality and taking use of them in the private sector for profit, ecopreneurship also known as environmental entrepreneurship and eco-capitalism is growing in popularity.

Ecopreneurship efforts often adhere to recurring environmental concepts like systems thinking, cradle to cradle product design, triple bottom line accounting, etc. despite the fact that they may address a broad variety of challenges, such as ocean pollution, recycling, and food waste.

Systems Analysis

Every firm that cares about sustainability and the environment must adhere to the fundamental idea of systems thinking. It is a method of addressing problems that looks at how anything interacts with the environment as a whole, whether that environment is social, economic, or natural. In contrast, a linear thinking paradigm would isolate an issue and focus solely on processes that were directly connected to it in order to identify answers. It is the idea that, in order to comprehend vertical difficulties (looking closely at a single problem), one must first comprehend and assess the horizontal environment as a whole (the entire system and its interrelated functions). The book Entrepreneurship and Sustainability by Andrea Larsen serves as the greatest example of this concept as it relates to business. The use of systems thinking to new enterprises serves as a reminder that businesses function inside intricate webs of interconnected living and non-living systems, including supply chains, marketplaces, and non-living systems. A systems viewpoint serves as a reminder that we are used to conceptualising business in terms of separate entities with distinct boundaries. We fail to remember that these boundaries are mostly mental or constructed by law.

Sustainable product design is included by many businesses that follow ecopreneurship concepts. At all step of the business, including resource extraction, shipping, the production process, disposal, etc., product design may include sustainability. Using cutting-edge technology (also known as eco-innovation), cradle-to-cradle design, biomimicry, etc., one may create sustainable products. The department of innovation, science, and economic development of the Canadian government provides the following further explanation of sustainable product design:

The ability to include environmentally friendly and socially conscious elements into a product is provided by product design. Design for Sustainability (D4S) is a method that incorporates environmental and social concerns from the very beginning of the product development process in order to reduce any unfavourable effects on the environment and society over the course of the product's life cycle and to adhere to the principles of economic, social, and ecological sustainability.

Materials selection, resource use, production needs, and planning for the eventual disposition (recycling, reuse, remanufacturing, or disposal) of a product may all be included in sustainable product design. It considers the company's socioeconomic situation as well as the possibility for the business to solve social issues including poverty, safety, inequity, health,

and the working environment. It is not a stand-alone process; rather, it must be integrated with a company's current product design in order to combine conventional product qualities like quality, affordability, and functionality with environmental and social considerations.

Modern Technology

Several businesses that engage in ecopreneurship make an effort to address environmental problems via the development of new technology or the innovation of previously existing technologies. The construction of solar panels and hybrid vehicles to lessen reliance on fossil fuels are the two most common instances of this. There are many additional examples, such as anaerobic food waste systems and portable air purifiers. An ecopreneurship company's competitive advantage or core competence is often connected to a technology they have created. Here in the Business Examples section are more instances of businesses using cutting-edge technology.

Design from Cradle to Cradle

The popular environmental design philosophy known as "cradle-to-cradle" aims to eliminate waste by creating items that can be perpetually recycled throughout our economy. Contrast this with a "cradle to grave" design, which generally contains single-use items or items constructed of a variety of materials that cannot be effectively separated for recycling. The Cradle to Cradle design is modelled after natural processes that do not produce trash but rather use every product as an input for another living thing. Using non-toxic, ecologically friendly elements that can either be recycled into new items or composted is how Cradle to Cradle design is often accomplished. Making items simple to disassemble for greater reuse and developing with durability in mind are also crucial aspects of cradle to cradle design. The 2002 book Cradle to Cradle: Remaking the Way We Create Things, published by William McDonough and Michael Braungart, popularised this concept.

Bio-Mimicry

Otto Schmitt, an American biophysicist, coined the word "bio-mimicry" (also known as "biomimetics") to describe the practise of imitating natural solutions to problems. The Institute for Biomimicry, a nonprofit organisation, gave the following definition: Biomimicry is an innovation strategy that imitates nature's time-tested patterns and tactics in an effort to find long-lasting answers to human problems. Examples include researching how ants construct sand mounds to minimise the cost of air circulation for buildings and designing trains with curved fronts that resemble bird beaks to boost speed. The Ted Talk on biomimicry by Janine Benyus has other examples.

Three Bottom Lines Accounting

The three bottom lines accounting is a system of accounting that combines conventional methods of calculating profit with those that include account for social and environmental benefits. With his business SustainAbility, John Elkington coined the word in 1994. How to quantify the effects on the environment and the community has drawn some criticism.

Legal Documents

Ecopreneurs may choose to establish their firm using more modern business legal structures, such as the LLC or a single proprietorship, as detailed below. Due to their focus on social good, these business models are well-liked in the environmentalist community. A low-profit limited liability company, also known as an L3C, is a business that adheres to the same laws and tax regulations as a typical LLC but whose primary objective is to advance social welfare

in a manner similar to that of a non-profit organisation. As of 2013, this kind of company is not permitted in every state in the USA.

Benefit Corporation is a for-profit legal organisation that varies from other corporations in terms of its mission and level of responsibility. It has a distinct responsibility to stakeholders since it places a lot of focus on mission-driven purpose. As of 2013, this kind of company is not permitted in every state in the USA. The official website of benefit-corp has further details.

Several Kinds of Entrepreneurs in Business

The key concepts provided in the next chapter will help you understand entrepreneurs the best. Entrepreneurs oversee businesses and operate their own companies. In this chapter, the main categories of entrepreneurs covered are creative entrepreneurs, fashion entrepreneurs, female entrepreneurs, intrapreneurs, etc. This chapter contains a collection of the several types of entrepreneurship that are essential to the topic at hand.

Innovative business people

A UK-based online and event platform called Creative Entrepreneurs offers information for those beginning and expanding creative companies. The website for creative entrepreneurs compiles and organizes business materials that may be looked up by type or specialised creative industry. The website also offers magazine-style material, such as interviews with prominent creative company owners and subject matter specialists, including financiers and business consultants. To encourage entrepreneurship in the UK creative industry, Creative Entrepreneurs also organises events.

Fashion business owner

A fashion entrepreneur is someone who owns a fashion business, project, or concept and takes substantial responsibility for the risks and results. An individual whose main activities are related to the fashion business is known as a fashion entrepreneur, a term that derives from the word "entrepreneur." For instance, a fashion designer who organises, develops, and manages enterprises throughout associated and linked sectors of the fashion business. Among the fashion-related businesses are publications for fashion designers.

Current Technique

Fashion entrepreneurs put a lot of effort into forming networks within the business and connecting initiatives that have a variety of goals, such as education, profitability, and profile-building. Some business owners in the fashion industry aim to create a network of knowledge-sharing platforms, while others focus on resolving social and structural problems. Fashion entrepreneurs' core business practises centre on issues like innovation and creativity, business planning, obtaining capital, sales and marketing, and the small business management skills required to manage a creative firm. Entrepreneurs in the fashion industry aim to provide retail, manufacturing, financial, and marketing skills. The 21st century has witnessed an increase in organisations and award ceremonies that encourage, inspire, and test online entrepreneurship by showcasing the entrepreneurial qualities, creativity, ingenuity, and success of today's entrepreneurs as well as their commitment to give back to society.

CHAPTER 14

WOMEN ENTREPRENEUR

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Women ran enterprises before the 20th century as a method to increase their income. They often sought to escape poverty or to make up for lost income due to the death of a spouse. The businesses these women started at the time were not seen as entrepreneurial endeavors. Several of them had to submit to their obligations at home. A person who develops their ideas for goods and/or services into a successful company is referred to as an entrepreneur. This phrase was formerly only used to refer to males.

It's true that there were no female entrepreneurs prior to the general public's acceptance of women in business, but this does not indicate that women became more active in the commercial world at that point. Dutch immigrants who settled in what is now New York City in the 17th century lived in a matriarchal culture. Many women in this era received money and property, and as a result of this inheritance, they became company owners. Margaret Hardenbrook Philipse, who was a merchant, a ship owner, and engaged in the trade of products, was one of the most successful women of her day.

It was common for women to run specific establishments including brothels, alehouses, taverns, and retail stores around the middle of the 18th century. Since it was stigmatised for women to hold these jobs, the majority of these enterprises did not have favourable reputations. Women working in these industries were looked upon by society because they diminished the image of women as delicate, helpless beings. More women started to break free from society's restrictions and into the public spotlight in the 18th and 19th centuries. Women succeeded against society's disdain, including Rebecca Lukens. Lukens acquired the iron works, a family company, in 1825 and transformed it into a steel enterprise. Due to a more progressive mindset and the emergence of feminism in the 1900s, the phrase "female entrepreneurs" started to be extensively used. Although serving mostly female consumers, these women business owners were making significant progress. In an effort to educate women how to manage their finances, Clara and Lillian Westropp founded the Women's Savings & Loan institution two years after women were granted the right to vote. Female entrepreneurs gained power as society developed. Women like Madame C. J. Walker benefited from the changing times as a result of the growth of the textile industry, the construction of the railroad, and the development of the telegraph system. Walker became the first Black American woman to earn a million dollars by successfully marketing her hair care products. Owner of an employment agency established in 1918, Carrie Crawford Smith, like Madame

Several of the options available to women during the Great Depression were reduced, and society seemed to change its mind and return to more conventional roles. This had an impact on women who worked in business, but it also gave those who were active in entrepreneurship a boost. In an effort to survive in these trying times, many women started their own enterprises. When her husband passed away, Hattie Moseley Austin started selling

chicken and biscuits, and in 1938 she built Hattie's Chicken Shack in Saratoga Springs, New York. Many women joined the workforce during World War II, taking up positions that males had left vacant to join the war. Some women accepted these professions of their own will as a responsibility to their country, while others formed their own enterprises. Pauline Trigere, one of these women, established a high-end fashion label after immigrating to New York from Paris in 1937 and opening a tailoring business. Estée Lauder was another lady working on the concept for her cosmetics, which were formally introduced in 1946, a year after the war ended. Since so many of the men who returned from the war were wounded, many women still had to hold down jobs in the business sector after the war. For women entrepreneurs, the Federation of Business and Professional Women's Clubs was a source of inspiration. They often held seminars where renowned businesspeople, like Elizabeth Arden, would provide guidance. Women in the 1950s were confronted with signals everywhere telling them what their position should be. Women had to balance their careers with concurrent household duties at a period when domesticity was the general public concern and a subject that was heavily emphasised.

For those women who were concerned about having children, home-based companies provided a significant portion of the solution. Lillian Vernon, who was expecting her first child, used money from wedding presents to start her own catalogue company. She began processing orders at her kitchen table. Mary Crowley established Home Decorating and Interiors to enable women to work from home by hosting sales events in the convenience of their own homes. Bette Nesmith, the inventor of "Mistake Out," a liquid that covered typing errors, signed her orders B. Smith so no one would know she was a woman in an attempt to avoid criticism and lost revenue from individuals who did not support women in business.

Another shift occurred between the 1960s and the late 1970s as a result of an increase in divorce rates and the need for many women to once again serve as the primary breadwinner. They were not warmly greeted when they returned to the job world as a result. Several of these ladies were among the first to lose their jobs when the crisis began. Once again, women's entrepreneurial activities saved the day as a means of self-expression and to support other women in entering the workforce. Its movement included Mary Kay Ash and Ruth Fertel of Ruth's Chris Steak Restaurant. The 1980s and 1990s saw women finally starting to profit from their arduous efforts to get recognition as workers and business owners in the workplace. Vera Bradley and Martha Stewart were two of the twenty-one percent of women company owners. The general public was also starting to accept and support these female entrepreneurs, recognising the significant contribution they were making to the economy. The Women's Business Ownership Act, which was passed by Congress in 1988 and ended lending discrimination as well as legislation requiring married women to get their husbands' assent for all loans, was influenced by the National Organization of Women Business Owners. The Act also provided women-owned companies with an opportunity to compete for government contracts.

The 1989 nomination of Susan Engeleiter as the leader of the Small Business Administration was a watershed event for women in business. In the field of female entrepreneurs, there was a greater emphasis on networking possibilities in the late 1980s and into the 1990s. Opportunities arose often to support folks who were interested in launching their own firms. Many organisations, such the Women's Business Development Center and Count Me In, offered support groups, organisations that educated female entrepreneurs, and other options, including seminars and assistance with finance. Notwithstanding all these improvements, female entrepreneurs still lagged behind their male counterparts in terms of success. When the 1990s began, the accessibility of computers and the rising use of the internet provided

women in business a much-needed boost. By the use of technology, they were able to outperform their rivals and be more dominant in the corporate world. Female entrepreneurs today still face challenges, despite the growing acceptance of women in business, the accessibility of technology, and the backing of many groups. They were unsuccessful in their search as a result of the 2008 financial crisis. Yet, there is a lot of information and support accessible because to the ongoing focus on female entrepreneurs and the training opportunities provided to women who want to launch their own business endeavours. Since 2000, more women have started both small and large businesses, overcoming one of their major challenges: funding.

Challenges Particular to Launching New Companies Sex discrimination and outside funding:

Women often have less personal wealth than men do. For a given chance and an equally talented person, this implies that women must obtain more resources than men do in order to take advantage of the opportunity since they have less capital. If women have a tougher difficulty obtaining financing than males for the same company opportunity, it has become a topic of study in women's entrepreneurship literature. The fact that 96% of senior venture capitalists are males and may not have as much understanding of female-centric enterprises is one potential problem with seeking outside financing. Yet, things seem to be getting better. Less than 5% of venture capital investments in 1999, according to a research by Babson College, went to businesses with women on the executive team. It was 9% in 2011; by 2013, it had increased to 18%.

Microfinancing has been a special answer to the problem of women's challenges in acquiring finance. Particularly in developing nations, the financial institution known as microfinance has seen tremendous growth. Also, female business owners have had particular success raising money on crowdfunding websites like Kickstarter.

Challenges Particular to Leading a Small Company

Research on women business owners reveal that these women deal with stereotypes about them on a regular basis. Business contacts, such as clients, suppliers, and lenders, often point out the entrepreneur's uniqueness, sometimes in a flattering manner such by applauding her for being a successful businesswoman despite being a woman. Workers sometimes confuse their opinions of the boss with those of their idealised female role models, which results in conflicting expectations for the woman manager to perform the dual roles of manager and "mother."

The amount of effort required to run a small company is also difficult to balance with caring for a family and children. Even still, women business owners report feeling more in control and content with their lives than they would if they were employed. It has been acknowledged that female entrepreneurs are a significant driver of economic expansion. In addition to creating new employment for themselves and others, women entrepreneurs offer society many answers to managerial, organisational, and business-related issues. They are still a small portion of all entrepreneurs. Due to discriminatory property, matrimonial and inheritance laws, cultural practises, lack of access to formal financial mechanisms, restricted mobility, limited access to information and networks, etc., women entrepreneurs frequently encounter gender-based barriers when starting and expanding their businesses.

Women's entrepreneurship has the potential to significantly contribute to the Millennium Development Goals by reducing poverty, empowering women, and improving the economic well-being of families and communities (MDGs). As a result, governments all over the globe, as well as a number of development organisations, are aggressively promoting women

entrepreneurs via a variety of programmes, incentives, and marketing strategies. Almost 50% of all women-led small-scale industrial businesses in India are owned and operated by women in the four southern states and Maharashtra.

Challenges Particular to Expanding Companies

Women entrepreneurs seem to have a particular trouble with growth, especially sales growth. Finance is another concern, and as was already said, the entrepreneurial process is partially reliant on the circumstances at the outset. In other words, women start out as less ambitious enterprises that can be supported to a larger extent by their own personal resources since they often struggle to assemble external resources. This has repercussions for the company's potential development in the future. In general, businesses with greater resources at launch have a better chance of expanding than businesses with less resources. Social standing, human resources, and financial resources are examples of resources. For the company to survive and, more importantly, to expand, this initial endowment is crucial. According to a research by the Kauffman Foundation of 570 high-tech companies founded in 2004, women-owned businesses were more likely to be set up as sole proprietorships, both in the first year of operation and in the years that followed. Moreover, women entrepreneurs were considerably more likely to launch their businesses from their homes and to hire fewer people. This finding would suggest that women were either planning on starting smaller businesses or were experiencing resource limitations that prevented them from starting businesses that needed more assets, workers, or financial resources. According to this research, women raised just 70% of the money that males did to launch their businesses, which ultimately limited their potential to provide new goods and services and grow their company in terms of both workers and locations.

While many female entrepreneurs encounter development obstacles, they are nonetheless able to accomplish significant business growth. Both more established countries like the United States and emerging economies like Ethiopia, Tanzania, and Zambia that the ILO studied include instances of these.

Promotion of female entrepreneurs

"Investing in women is not only morally good, but also financially wise." (Hillary Clinton, quoting the UN Foundation) According to research, there are a lot of support groups available for women in business, female entrepreneurs, and women seeking business guidance. Women from all backgrounds are eager to provide the support that, in some circumstances, they have never had. They promote, counsel, and assist mothers who want to sustain their families via their own business ideas. Washington, D.C.-based HerCorner may be found online at http://www.hercorner.org. This organisation aims to unite female company owners so that they may work together to advance their enterprises. Female entrepreneurs may take advantage of government-backed programmes; details are accessible on the SBA's website (http://www.sba.gov/about-of- fices-content/1/2895) and on their Facebook page (https://www.facebook.com/SBAgov?ref=br tf). In Brazil, the UAE, and India, there are taxi firms that solely employ women. The Infolady Social Entrepreneurship Program is one illustration of prosperous female entrepreneurs in rural Bangladesh areas (ISEP).

Motivators for Women Entrepreneurship

Women create their own enterprises for a number of reasons, according to several studies. These reasons include the following: having an idea for a business plan, having passion for solving a specifically related career problem, wanting to be more in control of their careers, maintaining a more balanced life, having a flexible work schedule, and taking a personal

vision and turning it into a lucrative business. These women have a strong ability to multitask and are not afraid of the risks associated with being self-employed, in addition to having a strong desire to see their vision realised. Being their own boss is undoubtedly more tempting than some of the daily problems women still face outside of business. Women still encounter several challenges in the workplace. Gender roles are still very much a part of their life, but for some female entrepreneurs, they feel more in control while working for themselves.

Internal Entrepreneur

An internal entrepreneur is a sort of entrepreneur that works within the boundaries of an organisation such as a corporate unit or a government entity.

Internal Entrepreneur

An internal entrepreneur is known as an entrepreneur (makes part of intrapreneurship) and is described as "a person inside a huge organisation who takes direct responsibility for converting an idea into a lucrative completed product via aggressive risk-taking and innovation". They are usually very motivated, with a high drive towards completing the job at a fast pace with efficiency (action oriented) who are comfortable with taking the initiative, regardless of the boundaries that the organisation or the entrepreneurial world imposes over them, they are in a constant pursuit of an innovative product or service. Their conduct may be classified by the capacity of thinking outside the box which includes clever and clear headed risk-taking with a focus on leader- ship, these attributes coupled are also what constitute a successful entrepreneur.

"Intrapreneurship" in Practice

Forbes Insights surveys suggest that internal entrepreneurs form around one in every six CEOs in Europe. They tend to be innovators with new ideas and a mind bent on the development of creative and distinctive strategies for the growth of the firm. The complicated task of an internal entrepreneur is pushing the idea to corporate bureaucracy which is proven to be an environment which lacks hospitality for new ideas; however, "intrapreneurs" are trying to bring the company to fruition through this. The main difference between an internal entrepreneur (intrapreneur) and an entrepreneur is the environment, which represents the sphere in which they work. An entrepreneur's aim in general terms is to create a successful organisation, while an internal entrepreneur on the other hand has to find solutions to existing problems within the company and provide improvements for the benefit of the existing organisation. Another significant difference factor is the risk, intrapreneurs aren't responsible for the fate of the company at the same level as entrepreneurs do and usually work within a safe environment with guaranteed payment. Due to this fact, even in case of success they rarely get any additional benefits or additions but companies that support innovation tend to include additional bonuses. However, internal entrepreneurs tend to manifest themselves as the owners of the business, this makes them believe in their own influence and the fact that they are doing it in their own interests instead of the company's. This results in productiveness and huge efficiency during work.

Internal intrepreneurs can be characterised through a large variety of skills and competencies that set them apart from the rest of the organisation. Typically they do not resemble the standard employee; however, they oftentimes result in being overlooked because the management branch might think that they're trying to get ahead or promoted. Several studies show that only a small percentage of employees are actually doing what they are supposed to do according to their duty, mostly engaged remain the individuals who possess "intrepreneurship" skills and work efficiently. A significant portion of current entrepreneurs

were once internal entrepreneurs who weren't satisfied with their work or the limits put on innovation. Companies start to accommodate to the idea of internal entrepreneurs as they understand that it is in their own benefit to have prosperous minds. This resulted in Chief Executive Officers across various large organisation to have Innovation departments led by Chief Innovation Officer. In the past 10 years, this trend has been continuously growing, mainly due to business researches and successful examples from practice. Currently the majority of consulting companies and law firms have innovation offices in practise.

Traits of Internal Entrepreneurs

Internal entrepreneurs represent a vital part of any organisation and make it flourish, even though there's a wide range of them there's specific characteristics that make them alike because they think and behave like owners; they represent an integral element of a company's wealth. Even though one of main things that drives "entrepreneurs" is passion towards a subject or area that they're very knowledgeable about due to interest, there are some other key traits that influence them:

Money Is Not the Measurement - their determination is not driven by the money, payment is a sign that they are doing their job well; however, they are mainly motivated by influence with freedom.

Strategic Scanning - constant curiosity is what makes an internal entrepreneur stand out, they keep learning new things and applying them within their area of knowledge which benefits both themselves and the organisation.

Greenhousing: People are not open to new and radical ideas, therefore internal entrepreneurs upon coming up with a new idea tend to keep it and let it flourish in their mind so when the right time comes, they can share it with the rest.

Visual Thinking: They don't act on an idea or solution immediately, they weigh the pros and cons, try to come up with more solutions. They have to go through a branin storming, mind mapping and designing process to achieve what they need.

Pivoting: Stands for shifting radically from the current strategic method of a business and it is one of the key characteristics of any internal entrepreneur. This means that they are open for change if it is in the benefit of the company, be it in long or short run.

Authenticity and Integrity: Internal entrepreneurs are familiar with both confidence and humility, their wide aspect and range of understanding allows them to act efficiently, makes them smart risk-takers.

Entrepreneurship

Entrepreneurship is the act of behaving like an entrepreneur while working within a large organization. Intrapreneurship is known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques that are more traditionally thought of as being the province of entrepreneurship Pinchot (1984) defined entrepreneurs as "dreamers who do. Those who take hands-on responsibility for creating innovation of any kind, within a business". In 1992, The American Heritage Dictionary acknowledged the popular use of a new word, entrepreneur, to mean "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation". Koch (2014) goes further, claiming that entrepreneurs are the "secret weapon" of the business world. Based on these definitions, being an entrepreneur is considered to be beneficial for both entrepreneurs

and large organisations. Companies support entrepreneurs with finance and access to corporate resources, while entrepreneurs create innovation for companies.

Employee Entrepreneur

"Intrapreneurship refers to employee initiatives in organisations to undertake something new, without being asked to do so." Hence, the entrepreneur focuses on innovation and creativity, and transforms an idea into a profitable venture, while operating within the organizational environment. Thus, entrepreneurs are inside entrepreneurs who follow the goal of the organisation. Intrapreneurship is an example of motivation through job design, either formally or informally. Employees, such as marketing executives or perhaps those engaged in a special project within a larger firm, are encouraged to behave as entrepreneurs, even though they have the resources, capabilities and security of the larger firm to draw upon. Capturing a little of the dynamic nature of entrepreneurial management (trying things until successful, learning from failures, attempting to conserve resources, etc.) adds to the potential of an otherwise static organisation, without exposing those employees to the risks or accountability normally associated with entrepreneurial failure.

Another characteristic of entrepreneurs is their courage and flexibility to think outside of the box, which allows them to work on ideas that may change strategic direction. Even though many man- agers are afraid of radical changes, they are often the only way to help companies grow. This is exemplified by Wipro in India, a small vegetable company that ended up being a software outsourcing powerhouse. Another example is Tony Hsieh of Zappos, who started as a commercial footwear vendor and became the CEO of Zappos, which has expanded into an online customer experience company. According to Pinchot, entrepreneurs are both employees and leaders of a large organisations that act similar to entrepreneurs in terms of e.g. self-motivation, creativity and pro-activity. Pinchot claims that while entrepreneurs must be leaders, they differ very much from managers. Strong leadership skills are needed to strengthen teams and to persuade others to follow and execute their ideas. Leadership skills are also important to support rapid decision making under uncertainty. Managers, on the contrary, consider more risks than uncertainty and often work within established patterns. Moreover, traditional managers get their authority from the above; entrepreneurs, by contrast, start without the recognition of the same degree of power. Entrepreneurs are able to search for opportunities and shape them into high-potential innovations through teamwork and with access to corporate resources. This assumes the right conditions of good leadership, communication and the appropriate environment to support creativity, these are essential for entrepreneurial outcomes to take place. The win-win situation of entrepreneurial motivation leading to corporate benefits are considered idealistic by some. According to Smedley, only a few companies know how to encourage intrapreneurs. Some examples are listed below.

Recognizing Entrepreneurs

Entrepreneurs often remain hidden and unrecognized, because they often display behavior contrary to what is considered as "corporate". Accenture states that recognizing and supporting entrepreneurs is the biggest challenge for Entrepreneurial Leadership. However, Sinha & Srivastava may have a solution. Sinha & Srivastava's study evaluates personality factors such as extroversion; work values such as the need for intellectual stimulation and creativity; and, socio-cultural factors such as individualism and power distance and the relationship between these factors and an organisation's Entrepreneurial Orientation (the extent to which employees act in an entrepreneurial manner within their place of employment) (the extent to which employees act in an entrepreneurial manner within their place of employment). The results of the study indicate a strong association between these

personality factors and an organization's entrepreneurial Orientation. In practical terms, this implies that organisations can influence their entrepreneurial Orientation through se- lection at recruitment and through ongoing training and development.

Intrapreneurship a Contemporary

The topic of intrapreneurship is urgently relevant for business managers today. Intrapreneurship positively affects organisational development and profitability, according to Antoncic and Hisrich. So, organisations with a high entrepreneurial Orientation are more likely to have it than those with a low entrepreneurial Orientation, and they are also more likely to have growth. Entrepreneurial organisations are more creative and constantly refresh themselves, and this proactive attitude results in new business opportunities. Surprisingly, their results suggest that intrapreneurship may be especially advantageous for economies in transition.

According to Antoncic & Hisrich, formal structure, excellent quality open communications, environmental scanning, and management support all contribute to an organization becoming more entrepreneurial. This claim is supported by Barringer et al., who outline the connection between corporate entrepreneurship and strategic management. They discovered that control attributes, locus of planning, planning flexibility, scanning intensity, and planning horizon may all have an impact on the organisation. According to the McKinsey study, organisations with established processes claim better success rates. Generally speaking, the academic approach to entrepreneurship is centered mostly on the company-wide restructuring necessary to promote intrapreneurship. The corporate viewpoint, on the other hand, often sees innovation as a means rather than an objective. This is discussed in Capozzi et al. where the strategic requirement to expand the core business is named as the motivator for innovation. As a result, there is often a terminology gap, with practitioners using the term innovation and academics preferring intrapreneurship.

Altringer's "New model for innovation," which depends on successful entrepreneurs hosting innovation sessions, is a useful resource for practising managers wishing to improve their organization's Intrapreneurial Orientation or capacity for innovation. Instead of a company-wide culture transformation needing organisational re-design, this pragmatic method depends on timely interventions to spark creative ideas. The paradigm put forward by Anthony et al. is an additional strategy for bridging the gap between practitioners and academics. The Minimum Viable Innovation System (MVIS) aims to distil academic models down to their core and show how organisations may adopt an MVIS in less than 90 days.

Cultivate entrepreneurs

The capacity to interact eventually results in organisational learning as a component of non-routine work processes as cooperation grows. Several businesses encourage workers to use greater creativity and flexibility in the course of their everyday activities and regular duties, in addition to empowering management. Employees who are empowered take ownership of their work. In a broader sense, we might speak about identity construction. In other words, chances for educated decision-making are necessary for workers. As would be the case for typical business owners operating in many marketplaces, they must bear personal responsibility for their actions and the consequences. A strong management commitment is necessary for fostering intrapreneurship inside the firm and generating long-term value. In order to encourage individual entrepreneurial attitude and broaden the minds of the workforce, the management of the company is ultimately responsible for creating the necessary circumstances.

Infopreneur

An information entrepreneur is a businessperson who seeks for chances to launch innovative information-based enterprises by spotting knowledge gaps and marketing information goods and services to those gaps, primarily online. A human or a person operating a bot whose main business is collecting and selling electronic information may also be understood as an infopreneur. Notwithstanding the aforementioned statement, there are several instances of infopreneurs selling material online in the form of paperback or hardback books. The terms "information" and "entrepreneur" have been combined to generate the neologism "infopreneur."

Web publishing

Some infopreneurs believe themselves to be in the publishing industry since the infopreneur is also his or her own developer, marketer, producer, and distributor. In contrast to conventional print publishing, the infopreneur documents what he or she has learned or gained via experience in electronic form (typically) and disseminates the information to the public through publication on websites, blogs, ebooks, emails, etc.

By slicing through the traditional publishing business, which consists of agents, publishers, distribution channels, and retailers, these infopreneurs have also had a disruptive effect. Entrepreneurial businesses have thus appeared to assist artists and writers who wish to self-publish. The Nonfiction Writers Association is one of the several self-publishing organisations.

Information traffickers do consider themselves infopreneurs. They are, after all, profiting from the knowledge. Several of them make use of the Internet's potential by building websites and blogs that serve as their online shop. The information entrepreneur may increase traffic to his or her website by optimising it to rank better in search engine results. This may be achieved by building an information-rich website and configuring META tags with descriptive keywords and descriptions that appropriately describe the web page. Entrepreneurs looking to make a "fast buck" will often publish popular, in-demand material and include RSS feeds from more well-known websites to create a mash-up of information. The infopreneur then generates income by selling ebooks that are relevant to the search terms and AdSense advertisements, affiliate links, referrals, and leads. These infopreneurs essentially "piggy-back" on knowledge that has previously been developed.

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The Creative Commons Attribution Share Alike License or a similar license was used for the publication of all chapters in this book. Our specialists have carefully reviewed each chapter that has been published in this book. Their importance has been hotly contested. The subjects discussed here provide important information for a thorough comprehension. These may even be implemented as actual applications or may be referred to as a launching point for subsequent study. We would like to express our gratitude to the editing staff for contributing their skills to create a genuinely unique book. They were very important in the creation of this work. It would not have been feasible to write this book without their great assistance. To ensure that this book will be a beneficial addition to the libraries of many professionals and students, they made crucial efforts to gather up-to-date material on the many facets of this topic.

The goal of this publication was to provide comprehensive, up-to-date knowledge in this area. An unmatched editorial board was established to guarantee the same. Each member of

the board underwent arduous rounds of evaluation to establish their merit. The majority of their time was then spent doing research and gathering the most pertinent information for our readers. This book's editorial board has been engaged in its creation from the beginning. They put in many hours of diligent investigation and exploration into the wide range of themes, which led to the successful publication of this book. In this book, they have disseminated their decades-long wisdom. The publisher helped the crew along the way at every stage to complete this difficult work quickly. To further streamline the editing process and provide the greatest outcomes for the readers, a small group of assistant editors was also hired. In addition to the editorial board, the creative team has spent a lot of time researching the topic to produce the most relevant covers. To choose the best depiction of the topic and design a good book cover, they carefully examined each photograph. The editing, designing, and production teams have received fervent support from the publishing team. This book is the product of their tireless efforts to find the finest candidates for the job. They are a veteran in the world of academics and their reservoir of information is as broad as their expertise in printing. Their knowledge and direction have been helpful at every stage. This book is a remarkable effort as a result of their unwavering quality standards. Everyone has been inspired by their sporadic words of support.

Become a business owner

To be their own boss, follow their own ideas, and reap financial advantages are the three main motives for individuals starting their own businesses. Make Oneself the Boss Most often, the first justification—being one's own boss—is cited. Nonetheless, this does not imply that business owners are difficult to deal with or have a hard time accepting authority. Instead, a lot of entrepreneurs desire to be their own boss because they are either dissatisfied with their regular occupations or because they have always wanted to operate their own business. Wendy DeFeudis, the creator of Very Wendy, a business that creates personalized social invites, is a prime example of the kind of aggravation that some entrepreneurs experience working in traditional positions. DeFeudis said, "I always wanted to be my own boss. I've found working for myself to be more gratifying than working for a big company." I experienced corporate structure as constraining. I found it annoying and a total waste of time to have to pitch my ideas to various individuals and attend many internal meetings before going ahead. 14 Sometimes the urge to be one's own boss comes from the awareness that starting a company is the only option to accomplish a significant personal or professional objective. For this reason, Mary McGrath, David LaBat, and Christopher Jones established a firm. The three educational psychologists were employed at a well-established public school in the Santa Clarita Valley, which is located north of Los Angeles. As time went on, they began to feel constrained by the selection of services they could provide children in a school context, so they quit their positions and founded Dynamic Interventions, a more comprehensive educational psychology and counselling facility. When asked why he and his coworkers had to quit their employment and become their own bosses, Jones recalled:

Follow Their Own Thoughts

The pursuit of one's own ideas is the second motive for founding one's own business. Some individuals have an innate sense of innovation, and when they see concepts for brand-new goods or services, they want to see those concepts come to fruition. Corporate innovators that work inside an established company often have a method of disseminating their ideas. Yet, long-standing businesses often oppose innovation. Employees are left with excellent ideas that are not implemented when this occurs. Some workers decide to quit the company they work for in order to start their own business as a way to explore their own ideas because of their enthusiasm and dedication. This cycle of events may take happen in noncorporate

contexts, too. For instance, some individuals become aware of the demand for a product or service that is not offered in the market via a hobby, leisure activity, or just daily living. They invest a lot of time and effort into turning the concept into a part-time or full-time company if it can sustain one.

Characteristics of Successful

Entrepreneurs Despite the fact that numerous traits have been associated with entrepreneurs, certain traits are shared by successful people. These traits, which are shown in Figure 1.1 and detailed in the next section, are shared by people who are starting new businesses and those who are currently a member of an entrepreneurial enterprise. Enthusiasm for the Industry Passion for their business, whether it be in the setting of a new company or an established business, is the top trait shared by successful entrepreneurs. This enthusiasm usually results from the company owner's conviction that his or her enterprise will have a good impact on people's lives. A business that enables individuals with life-changing conditions to communicate with one another, exchange their experiences, and learn coping mechanisms from one another that help them more effectively manage their diseases. Many social businesses, which are often founded by individuals who forgo lucrative employment to pursue a social aim, are motivated primarily by a desire to improve people's lives. John Wood, the founder of Room to Read and the author of the book Leaving Microsoft to Change the World, is an example of this. Even before he left Microsoft, Wood began selling tiny quantities of Microsoft shares to fund the purchase of books and the construction of schools because of his intense desire to aid children in the developing countries. During an interview with Forbes magazine in 2007, Wood made the following comments: "Wood finally left Microsoft to focus on Room to Read full-time." In poor nations as of May 2011, Room to Read has constructed over 1,440 classrooms and given over 9.4 million books. While launching a business or creating a social enterprise requires a lot of work, passion is crucial for both for-profit and non-profit entrepreneurial enterprises. Passion is significant for five main reasons. Each of these explanations highlights a character trait that passion fosters. It would be far more difficult to start and maintain a successful entrepreneurial company if just one of these characteristics were eliminated.

Here's where a word of caution is in order: Entrepreneurs should be passionate, but they shouldn't have unrealistic expectations. To think that one just needs desire to achieve anything would be a mistake. A company concept should excite you, but it should also be understood for what it may potentially be vulnerable to. Entrepreneurs should also be aware that the best company ideas emerge when their passion is in line with their talents and is in a field where there is a real commercial potential. We add a boxed feature named "What Went Wrong?" in each chapter to highlight the significance of passion as well as other elements that are crucial in deciding a firm's success or failure. The chapter's feature demonstrates how YouCastr, a website where users could contribute live commentary for sports events, finally failed in part because its creators were unable to maintain their enthusiasm for their business concept.

Customer/Product Focus

A focus on products and customers is a second quality that distinguishes successful businesses. Steven Jobs, a cofounder of Apple Inc., best represented this attribute when he said, "The computer is the most incredible tool we've ever made... but the most important thing is to get them in the hands of as many people as possible." This statement emphasizes the importance of comprehending the two components that make up any business the goods and the clients. Even while it's crucial to consider aspects of administration, marketing,

finance, and the like, none of these activities matter if a company doesn't have high-quality goods that can please consumers. It's also crucial to concentrate on the proper topics. Like the digital entertainment business JibJab, which was established in 1999 by Evan and Gregg Spiridellis. As the animated video of George W. Bush and John Kerry singing "This Land Is Your Land" became popular, it attracted notice during the 2004 presidential election. (It has received over 2.1 million YouTube views.) Building a scalable platform for producing and distributing digital entertainment items was the company's first focus. The founders' issue was that since they were excellent animators, they often received requests to perform side projects in addition to their primary duties. They discovered that because it took time away from their true love, they needed to be disciplined and stop doing it: A product/customer focus also entails taking the initiative to identify and pursue product possibilities. The concept for the Apple Macintosh, for example, emerged in the early 1980s when Steven Jobs and several other Apple workers conducted a tour of a Xerox research centre. They were shocked to see computers with pull-down menus and colourful icons. Users of the PCs may also move about their desktops using a mouse, a tiny, wheeled device. The Macintosh was the first user-friendly computer that Jobs chose to build using these technologies. An rigorous product/customer focus was maintained by the Macintosh team during the two and a half years it took to build this new product, resulting in a high-quality computer that is simple to use, enjoyable to learn, and suitable for a broad range of prospective consumers.

Willpower despite Failure

Entrepreneurs often attempt new things, thus there is a great likelihood that their endeavors will fail. Also, the process of creating a new firm is somewhat comparable to what a scientist goes through in the lab. For instance, a chemist often needs to experiment with many chemical mixtures before settling on one that is the best for achieving a certain goal. Similar to this, before a new company concept succeeds, it may need to go through a period of experimenting. Failures and setbacks are unavoidable throughout this process. The litmus test for entrepreneurs is their capacity to endure despite setbacks and failures.

Kyle Smitley, the owner of barley & birch, a company that provides organic children's clothes, serves as an illustration of the kind of perseverance required to start a successful business. At the age of 22, Smitley founded barley & birch with the intention of providing parents and kids with the most ecologically friendly clothes. She was rejected by every bank she tried, despite having perfect credit. Finally, ACCION, a microfinance company, gave her a $10,000 loan. She then started on a huge marketing drive, sending 500 hand-signed letters with material about her goods to ecologically friendly retailers. The endeavour failed. She eventually got in touch with parent bloggers, who publicized her business and encouraged their followers to start inquiring about barley & birch goods in children's apparel retailers. Smitley's goods were available in 30 outlets by the end of 2009. Smitley was only kept from quitting up before she attained this important milestone by sheer persistence and willpower. The boxed bonus named "Savvy Entrepreneurial Company" offers two further instances of tenacity. This feature will provide an example of one or more entrepreneurial enterprises' outstanding conduct or a tool or approach that well-managed entrepreneurial firms employ to enhance their performance in each chapter.

Intelligence in execution

Successful entrepreneurs possess the capacity to transform a good concept into a workable firm. Generally, this talent is thought of as execution intelligence. Execution intelligence is often the deciding element in whether a start-up succeeds or fails. "To begin a business is very simple; to keep it open is extremely tough," says an old Chinese proverb. The capacity

to successfully carry out a company concept include creating a business model, assembling a new venture team, acquiring capital, forming partnerships, managing finances, leading and inspiring personnel, and other related tasks. It also calls for the capacity to convert ideas, imagination, and creativity into definable actions and tangible outcomes. Ideas are simple, as Amazon.com founder Jeff Bezos famously said. Execution is challenging. The most difficult period for many business owners is just after they start their company. The owner of a lingerie firm, Jodi Gallaer, summed up this situation by saying, "The most difficult aspect of my work is doing everything for the first time." Let's look at Starbucks as an example of good implementation. While Starbucks is not expanding as swiftly and profitably as it once did, it is still a spectacular success story. The business concept of Howard Schultz, the entrepreneur who acquired Starbucks in 1987, was his understanding of the reality that most Americans didn't have a place to sip coffee in a nice, peaceful atmosphere. Schultz aggressively targeted the market after seeing a significant potential to meet consumer demands and position Starbucks as the market leader and a household name. In order to provide his outlets with top-quality coffee beans, he first engaged an experienced management team, built a top-notch roasting plant, and concentrated on creating a strong organisational infrastructure. After that, Schultz hired a McDonald's management information systems specialist to develop a point-of-sale system that could monitor customer purchases across 300 shops. The company's capacity to continue experiencing tremendous development over the next years depended on this choice. Starbucks' success may be attributed to Howard Schultz's ability to carry out business ideas. He developed a seasoned management team, adopted an effective plan, and leveraged information technology properly to make his organisation prosper. When it comes to handling the competitive difficulties the company will face in 2011 and beyond, Schultz and Starbucks should be able to rely on these core components of operational excellence. The penalty of disregarding execution is tremendous, in contrast to what Schultz has done at Starbucks, according to Bob Young, the creator of several entrepreneurial businesses. What was your worst mistake or toughest lesson you learned? Young said, "With my first two firms, I wasn't paying attention to details since my focus was constantly in 'the new thing. We never made a profit as we should have since I wasn't interested in doing the tedious tasks correctly.

CHAPTER 15

CHARACTERISTICS OF NEW BUSINESSES

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Small businesses known as salary-substitute enterprises provide an income for its owner or owners that is comparable to what they would make working for an employer. Examples of companies that provide employees with pay substitutes include dry cleaners, convenience shops, restaurants, accountancy firms, retail businesses, and hair salons. This group includes the overwhelming majority of small enterprises. Salary-substitute businesses provide unexceptional clients with typical, commonly accessible goods or services. Lifestyle businesses provide its owner(s) the chance to live out a certain lifestyle and make a livelihood doing so. Ski instructors, tennis and golf professionals, wine bars, and tour guides are examples of lifestyle businesses. These businesses neither innovate nor expand swiftly. Lifestyle businesses often promote a certain sport, activity, or leisure and may only employ the owner or a small number of individuals. Hanna Sullivan is the owner of Tahoe Trips & Trails, an illustration of a lifestyle business. The organization organizes multiday outdoor adventure tours to places like Lake Tahoe, Yosemite, Death Valley, Jackson Hole, and similar ones for private parties and business customers. Sullivan founded Tahoe Trips & Trails in order to better suit her chosen lifestyle after leaving a prominent position with the private investment firm Freemont Ventures. Entrepreneurial businesses provide novel goods and services to the market. The core of entrepreneurship is producing value and then sharing that value with clients, as we said previously in this chapter. Value here refers to worth, significance, or usefulness. Entrepreneurial businesses create opportunities before grabbing them to sell new goods and services. Well-known and very successful examples of entrepreneurial businesses include Google, Facebook, and Zynga. The business owners who run these kinds of organisations seize opportunities by developing goods and services that are valuable, significant to their clients, and helpful in a way that they otherwise wouldn't be.

Changing Demographics of Entrepreneurs

The demographics of entrepreneurial enterprises have altered both domestically and internationally during the last ten years. Among the 27.5 million enterprises in the United States, women, minorities, elderly, and young people control a rising growing share of them. For the U.S. economy's entrepreneurial sector, this is a promising trend.

Women Business Owners

Although while males are still more likely than women to launch firms, the proportion of women-owned companies is growing. In 2002, the most recent year for which the U.S. Census Bureau gathered ownership data, there were 6.5 million privately held women-owned businesses in the US. These businesses employed 7.1 million people and produced an estimated $940 billion in revenue. The number of women-owned enterprises climbed by 19.8 percent from 1997 to 2002, compared with a growth rate of 10.3 percent for United States firms overall. The average age of the people in charge of women-owned enterprises is 44.7

years old, according to a study of both men- and women-owned businesses in the United States. A total of 52.7 percent of women-owned enterprises are home-based, 31.9 percent are multi-owner firms, and 19.5 percent were launched for less than $2,000. Retail accounts for 19 percent of all women-owned businesses, followed by professional, managerial, and educational services (16.3 percent). In terms of sales and earnings, female-owned companies still lag behind those controlled by males. The typical female-owned company generates yearly sales of $60,264 and earnings of $14,549, as opposed to male-owned enterprises, which generate annual sales of $118,987 and profits of $30,373. A rising number of organisations assist and promote the interests of women-owned enterprises.

Minority Business Owners

Between 1996 and 2010, the number of minority business owners in the US significantly increased. The highest gain has occurred in Latina entrepreneurs, which climbed from 11 percent to 23 percent from 1996 to 2010, followed by Asian entrepreneurs, which went from 4 percent to 6 percent over the same time. These figures are positive, but in terms of economic metrics, minority-owned businesses often do worse than average. The Kauffman Foundation is one organisation that is actively involved in research to not only monitor the rise in minority entrepreneurs, but to better understand how to enhance the infrastructures and networks to allow minority entrepreneurs to attain greater levels of financial success. Similar to women entrepreneurs, a key aspect aiding the development of minority entrepreneurs is the number of organisations that encourage and give help. The National Council of Asian American Business Associations, the Hispanic Business Association, the Black Business Association, the National Indian Business Association, and the Minority Business Development Agency, which is a division of the US Department of Commerce, are a few examples. Senior businesspeople between 1996 and 2010, elderly entrepreneurs, defined as those 55 and older, significantly increased their entrepreneurial activities (from 14 percent to 23 percent). This rise is ascribed to a variety of causes, including company downsizing, older employees' increased desire for more personal satisfaction, and seniors' growing concern that they need to earn more money to cover future health care costs and other expenditures. Many individuals in the 55+ age group have a wealth of business expertise, access to financial resources, and outstanding energy and health. The rising prevalence of older entrepreneurs is accompanied by a number of intriguing data. For instance, the founders of technological enterprises in the United States are now, on average, 39 years old, with twice as many being over 50 as under 25. In a similar vein, the steadily rising life expectancy implies that Americans are not only living longer but also healthier lives, and they are more likely to continue working or starting their own business later in life than previous generations. Young businesspeople surprisingly, there was a decline in new entrepreneurial activity among those aged 20 to 34 between 1996 and 2010 (from 35% in 1996), although the number of young individuals engaged in entrepreneurship is still high. According to a Harris Interactive study of 2,438 people in high school and below (aged 8 to 21), 40% stated they'd want to own their own company eventually. Of the 8 to 21-year-olds, 59 percent indicated they knew someone who had started their own company. Both public and private high schools are increasingly offering entrepreneurship classes to their students. These initiatives also include non-profit organisations. Young people from low-income neighborhoods may access entrepreneurial education programmes via organisations like the Network for Teaching Entrepreneurship (NFTE). "Lemonade Day," the organization's biggest yearly celebration, takes place in May. Almost 120,000 children participated in one-day workshops on entrepreneurship in 31 locations in 2011. The programme teaches young people how to borrow money, pay back investors who helped them launch their stalls, and decide what to do with the proceeds, such as giving it to charitable organisations. The NFTE presently operates programmes in 21 states

and 10 other countries, and since its foundation, it has touched more than 300,000 young people. In addition to the NFTE, an increasing number of colleges and institutions are providing high school students with entrepreneurship-focused programmes. For instance, three summer study programmes are available to high school students via Babson College. For high school students entering their junior or senior year, the first two programs—Babson Entrepreneur Development Experience and Babsons Idea Generation Program—are residential. Each programme lasts seven weeks and is taught by Babson faculty members. The third programme, called Service Learning Experience, is a non-residency programme for sophomores in high school who are enthusiastic about charitable work. As will be discussed throughout this book, entrepreneurship education is attracting unprecedented attention on college campuses. Almost two-thirds of the colleges and universities in the US, or more than 2,000 institutions, offer at least one entrepreneurship course. Whereas business schools account for the majority of entrepreneurship education, several other colleges and departments, including those in engineering, agriculture, theatre, dance, education, law, and nursing, also offer entrepreneurship courses.

Effect of entrepreneurial firms on the economy Entrepreneurial conduct significantly affects the health and stability of an economy for two reasons. Innovation The process of innovation, which is essential to the entrepreneurial process, is the act of producing something new. A 2010 Small Business Administration research claims that a significant portion of innovations produced in the US is produced by small businesses (those with less than 500 workers). The Office of Advocacy for the Small Business Administration-funded research have also revealed that small firms outperform their bigger counterparts in terms of patent activity (issuance). Creating Jobs More than half of all workers in the private sector are employed by small enterprises, which are also responsible for most new job creation in the country. In this region, small businesses are highly regarded. A Kauffman Foundation poll found that 92 percent of Americans believe that entrepreneurs play a crucial role in the development of new jobs. A total of 75% think that another flurry of entrepreneurship is necessary for the United States to have a long-term economic recovery. 58 The numbers are convincing when it comes to the contribution of small businesses to employment creation. All net employment growth in the United States from 1980 to 2005 was attributable to businesses that were under five years old. During their first year, new businesses together provide an average of 3 million jobs to the US economy, whereas more established businesses shed 1 million jobs yearly.

Effect of Entrepreneurial Companies on Society

Entrepreneurial businesses' inventions significantly alter a society. Consider all the innovative goods and services that improve our quality of life, increase our job productivity, promote our health, and provide entertainment. For instance, Amgen, a forerunner in the biotechnology sector, has created a variety of medicines that have significantly enhanced people's quality of life. As an example, consider NEUPOGEN, a medication that lowers the risk of infection in cancer patients receiving chemotherapy. Think about cellphones, social media, online shopping, overnight package delivery, and digital photography in addition to better health care. While each of these items is novel to our age, it is difficult to envision our existence without them. Innovations do, however, lead to moral and ethical problems that communities must resolve. For instance, the Internet and bar-code scanning technologies have made it simpler for businesses to monitor the shopping habits of their clients, but this presents privacy issues. Similar to this, bioengineering has made it simpler to increase the shelf life of many food items, however some consumers and experts are concerned about the long-term effects of bioengineered foods on health.

Influence of Entrepreneurial Businesses on Bigger Companies

Entrepreneurial enterprises have a favorable influence on the efficiency of bigger companies in addition to the economy and society as a whole. As an example, some entrepreneurial businesses serve as original equipment manufacturers, creating components for goods that bigger businesses make and market. As a consequence, many innovative new goods, like cellphones, digital cameras, and enhanced prescription medications, are not only the work of big businesses with well-known brands like Samsung, Canon, and Johnson & Johnson. They were created using cutting-edge components or R&D work contributed by innovative businesses. The data demonstrates that a considerable number of entrepreneurial businesses have developed their whole business models around offering goods and services that improve the productivity or efficiency of bigger businesses. For instance, more American businesses are entering international marketplaces to compete. To facilitate communication with their international counterparts, these efforts often call on businesses to hire translators. A 2008 start-up company called SpeakLike has developed an internet service that offers real-time translation services for two or more persons who speak various languages, at a price that is far lower than hiring human translators. Similar to this, the 2007 start-up Equipois, which is the subject of the "You Be the VC 3.2" section, offers mechanical arms that can be controlled by workers executing precise tasks like riveting fuselages and polishing metal, while holding items like heavy tools as if they were weightless. The goods made by Equipois, which are mostly utilised by big businesses in factories, boost output and reduce accidents associated to production. Entrepreneurial businesses often collaborate with bigger businesses to achieve mutually beneficial objectives. Involvement in commercial partnerships promotes a firm's development by providing it access to some of its partner's resources, management ability, and intellectual capabilities. We investigate the topic of collaborating throughout this book. To learn how entrepreneurial organisations utilise business relationships to increase their chances of success, check for the boxed feature named "Partnering for Success" in each chapter. This chapter's topic explores how collaboration between big and small pharmaceutical companies helps bring new drugs to market.

Creating a business plan

There are no set guidelines for how a company in a certain sector should compete, no accepted business strategy. In fact, even if the other company is the market leader, it's risky for the entrepreneur starting a new endeavour to believe that the venture may be successful by only duplicating the business model of another firm. Two things support this. First of all, it might be challenging to fully comprehend the many parts of another company's business strategy. Second, a company's business strategy is inextricably linked to the resources it has under control and the skills it has. For instance, UPS could be the only corporation in the world that can successfully execute its business model if it has the finest set of supply chain managers in the nation and has built long-lasting relationships of trust with important suppliers. This particular collection of skills would be exclusive to our company, at least at first. Nonetheless, all company models must be adjusted over time in order to be successful over the long run. This is because rivals may ultimately figure out how to reproduce the advantages that a certain organisation is able to provide according to its business model. For instance, financial results in the late 2000s revealed that rivals like Hewlett-Packard had figured out how to effectively mimic the advantages of Dell Inc.'s "build-to-order" (BTO) business model. When Dell's BTO business model was initially presented, it was a business model innovation—a business model that completely alters how a product is created, offered for sale, or serviced after the fact. Comparing Dell's first strategy to that of conventional manufacturers, see Figure 15.1. As we've said, Dell's rivals have been able to imitate the

advantages of Dell's business model, including Hewlett-Packard, Lenovo, Sony, Toshiba, and others. Nonetheless, Dell's business plan was quite novel when it was first introduced. Businesses are always coming up with new business models to discover new ways to provide value and transform the way goods and services are offered in their sectors. This chapter's "Savvy Entrepreneurial Company" topic gives examples of new business models in the fields of solar energy, retail sales, and eyeglasses. A firm's business model is formed following the feasibility study stage of beginning a new enterprise. The business model stage focuses on how to surround a product or service with a core strategy, a partnership model, a customer interface, distinctive resources, and an approach to creating value that represents a viable business if a company has successfully completed a feasibility analysis and is aware of its potential.

Figure 15.1: illustrates the Dell's Approach to Selling Traditional Manufacturers.

Business Model Diversity and Its Significance

While some models are superior to others, it is risky to only attribute a company's success to the design of its business model. Most of the time, the choice of a business model and how well it is applied determine performance. For instance, eBay has a simple business model. It receives payment in return for offering a virtual marketplace where users may swap goods. That is not a challenging model. The difficulty is in carrying out the strategy in a manner that pleases clients and generates income for eBay. The business concept collapses if the clients aren't happy. The eBay business model collapses if it can't turn a profit. Developing and successfully implementing a sound business strategy is a challenge for all businesses. Four:

The Value of Business Models:

Having a properly described business model is vital since it accomplishes the following:

extends feasibility research across time (a business model continuously probes the question, "Does the business make sense?"). Focuses on how a business's components all fit together and function as a cohesive whole. Explains the motivations behind the willingness of the network of players required to make a company concept successful to collaborate. Explains a business's fundamental principles to all parties involved, including the staff of the corporation using an unsuccessful company model as an example can help to highlight how important these ideas are. Jay Walker, the creator of Priceline.com, introduced WebHouse Club in the autumn of 1999, but it collapsed after squandering around $350 million from its investors. WebHouse was established to imitate Priceline.com's business model and expand it to grocery store products. Priceline.com allows users to "bid" for airline tickets, hotel rooms, and house mortgages. WebHouse operated as follows: At a neighbourhood grocery store or a newspaper insert, a customer may get a plastic card with a magnetic strip and a unique number. On the WebHouse website, the card was used to activate an account. After creating an account, the customer might then place a bid on a grocery item, for example, $3.75 for a box of toasted corn flakes cereal. The consumer may select the price but not the brand. The customer would quickly find if the manufacturer of toasted corn flakes cereal would agree to the pricing. The customer would then use the WebHouse card to pick up the cereal at a participating retailer after paying WebHouse with a credit card. Any brand of cereal will do, including Kellogg's, General Mills, and others. In the background, WebHouse used the same strategy that Priceline.com had used to sell hotel rooms and airline tickets. WebHouse could go to companies like Kellogg's and General Mills and bargain for discounts by aggregating consumer demand for goods like cereal, tuna, or diapers. The business might then pass on the savings to customers and charge a modest commission for connecting buyers and sellers. 5 Why wasn't the WebHouse business plan successful? The failure of the business model in grocery shops may be attributed to a number of factors.

When you consider that Kellogg's has spent millions of dollars over many years trying to persuade customers that Kellogg's Corn Flakes are superior to rival brands, it was first expected that firms like Kellogg's would be eager to cooperate. The WebHouse approach trains customers to pick items exclusively on the basis of pricing rather than brand recognition. What makes Kellogg's or any other manufacturer want to support WebHouse in doing that, then? Second, the WebHouse concept made the erroneous assumption that millions of customers would set aside the time to utilise their computers to place bids on groceries. It's simple to understand why a shopper may take the effort to seek a better price on an aeroplane ticket or a stay in a four-star hotel room. But, how many individuals have the time to sit down, turn on their computer, and navigate a website in order to save 50 cents on a box of cereal without even getting to choose the brand? It turns out that few individuals were eager to accomplish this. WebHouse ultimately collapsed due of a faulty business concept. Simply put, the firm was unable to compel enough suppliers or consumers to engage in order to cover operating costs. WebHouse demanded that vendors operate against their own interests and that consumers spend too much time saving too little money. Given how busy everyone is nowadays, consumers want to spend their limited time as efficiently as possible, thus they are likely to reject a time-consuming procedure that doesn't directly benefit them.

Several Business Models

As previously stated, there is no universal business strategy that, when applied to a given company or industrial sector, ensures success. Companies approach their markets in various ways and invent diverse strategies to generate money. For instance, there are six different methods for internet businesses to generate revenue. These strategies, which are shown Figure 15.2, form the foundation of each company's business model. The table demonstrates

one of the benefits of the Internet: you may generate money without having a product or service to offer. You may build a website, fill it with articles, tips, and other helpful information, and earn money online by effectively selling access to the visitors you draw to your website if you have a lot of knowledge about a certain subject, like cooking or house maintenance. Becoming an affiliate of another business, enabling pay-per-click advertisements to be shown on your website, or selling direct ads that are displayed on your website are all ways to do this. Business model pioneers created and popularised each of these strategies. As a consequence, the Internet may be seen of as an ecosystem of different business models that enable both online and offline businesses to be profitable. For instance, a website that promotes BMX riding earns money by selling advertising space to businesses that produce BMX bikes and associated gear. When viewers react to the advertising and purchase the marketers' goods, the advertisers profit as a result. By connecting advertising with websites, search engines like Google and Bing are able to generate revenue. The industry's strongest business model (or models) eventually take over, while the less effective ones go away. Business model innovation is always possible, as is seen in the "Savvy Entrepreneurial Company" feature. Successful business model developments include Netflix in movie rentals, Kindle in digital books, Cirque du Soleil in live entertainment, and Apple's iTunes in music sales.

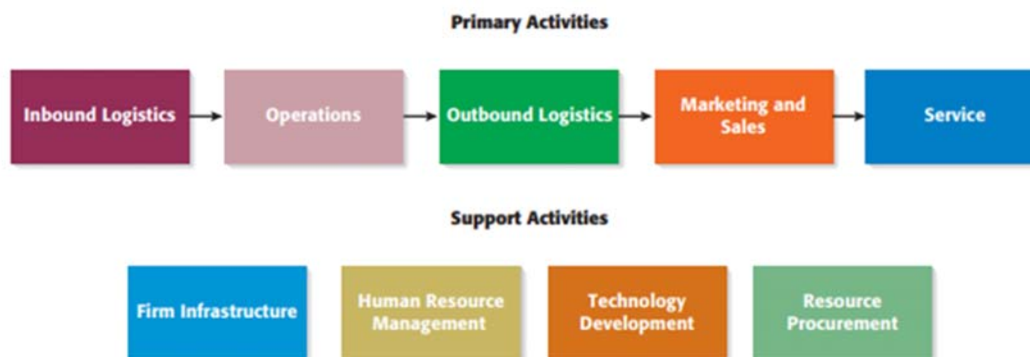

Figure 15.2: Illustrates the activities required to manufacture a product.

Potential Fatal Flaws of Business Models

A total misinterpretation of the consumer and entirely flawed economics might make a company strategy unworkable from the start. Business concepts that suffer from any of these two weaknesses have already lost the race before it has even begun. To put it simply, a product needs consumers to succeed. The discounts that might be achieved via bidding on grocery store products in the aforementioned Web House example just weren't substantial enough to make it profitable for a significant number of paying consumers to participate. Pets.com, a well-known E-commerce failure, was doomed by a similar consumer misinterpretation. While it was handy for clients to have pet food and supplies delivered right to their homes, it took too long for customers who could access the same goods at their local grocery store and pet superstores like PetSmart for orders to arrive. Pets.com was unaware that its clients need quick delivery. The collapse of several e-Bay drop-off businesses serves as an example of the second fatal error, which is the pursuit of incorrect economics. The concept behind eBay drop-off shops (like i-Soldit and Quick-Drop) was that almost everyone has something they'd like to sell on eBay, but many people don't want the hassles associated with creating an eBay account, listing an item, monitoring the auction, shipping the item to the buyer, and so forth. Some eBay drop-off businesses are still operational and, presumably,

profitable, but the majority of store owners were unable to make the concept profitable. Simply put, their profit margins were insufficient to warrant the time and effort they expended.

A Successful Company Model:

Notwithstanding differences of opinion on the specific components of a business model, most people agree that a successful business model has a certain set of characteristics. A business model, for instance, might be thought of by one group of academics as a coordinated approach to create strategy along three vectors: customer engagement, asset configuration, and knowledge leverage. Gary Hamel, a well-known management professor and author, agrees that a company model has four main parts: a core strategy, strategic resources, customer interface, and value network. We take a similar stance here and discuss a business strategy with the following elements: principal tactic (how a firm competes) resources for strategy (how a firm acquires and uses its resources) network of partnerships (how a firm structures and nurtures its partnerships) interaction with consumers (how a firm interfaces with its customers).

Core Approach

A business model's basic strategy, which outlines how a company competes in relation to its rivals, is its first element. A core strategy's main components are the firm's purpose statement, the breadth of its products and markets, and its differentiation approach. A corporation without a concentrated core strategy may have rapid problems, according to experience. Joost, the subject of this chapter's "What Went Wrong?" segment, experienced this. The failure of Joost was attributed to a core strategy that lacked focus and errors made in other areas involving the application of its business model, as shown in the feature.

Declaration of Purpose

The purpose of an organization and what its business model is meant to achieve are both outlined in its mission, or mission statement. These are five companies' mission statements from very diverse sectors as examples. The statements, to varied degrees, outline the overall goals of the businesses and establish performance standards. It's critical that a company's mission is not overly constrained. If so, the evolving business model might end up being excessively rigid and resistant to change. Consider Xerox, a company that advertised itself as "The Document Company," with an implied concentration on copiers and copying. This aim led to what some refer to as a "blind hole" in the business idea, which inhibits a company from seeing an opportunity that would match its business model. Since Xerox saw itself as a business that replicated already-existing papers, it entered the market for computer printers—which print original documents saved electronically—lately. Hewlett-Packard was able to dominate the printer industry because to its restricted focus.

Market/Product Coverage

The goods and markets that a firm will focus on are determined by the extent of its product and market offerings. A company's business model is significantly impacted by the product selection. As an example, Amazon.com began as an online bookshop but has now expanded to offer a wide range of goods, such as CDs, DVDs, shoes, clothing, furniture, groceries, and even upscale meals. Similar to Google, Yahoo! began as a business that provided free Internet search services in an effort to drive enough traffic to its website so that it could start charging for advertising space. This business strategy was successful up until the early 2000s when the e-commerce boom crashed and advertising revenues fell. The goal of adding more

subscription services to Yahoo business's model is to create a more stable revenue stream. A company's primary markets are also a key component of its core strategy. For instance, Hewlett-Packard targets people and small businesses, while Dell Inc. focuses on businesses and government organizations. Their decisions significantly influenced the development of the business models for both companies. New businesses should take extra care not to overextend the scope of their product or market offerings.

Base of Discrimination

A new business should stand out from its rivals in some way that is valuable to its target market and difficult to imitate. If a new business's goods or services are identical to those provided by its rivals, In order to build a strong position in the market, companies typically opt for one of two generic strategies (cost leadership or differentiation). Companies with a cost leadership strategy work to have the lowest expenses in their business, compared to their rivals' costs, and they often entice clients by charging them a low, if not the lowest price, for the goods they provide. Like other big businesses like Walmart and Dollar General, Warby Parker, which offers prescription glasses for $95 a pair, obviously employs a cost-leadership strategy. Companies who use a differentiation strategy, on the other hand, compete by offering distinctive or distinctive goods, often based on quality, service, promptness, or another factor that matters to consumers. A new venture has historically found it challenging to employ a cost leadership strategy because doing so effectively necessitates that a company create economies of scale as a means of steadily lowering its costs. The problem is that a company must develop economies of scale over time and with experience. Several generic tactics are often used by businesses in the same sector. For instance, Ross uses a cost leadership approach in the retail clothes sector by providing somewhat outdated goods at a significant discount. Abercrombie & Fitch, in contrast, employs a strategy of differentiation. It rarely lowers prices and instead competes on the grounds that its products are distinctive and fashionable enough to demand a premium price. A company's business model is greatly impacted by the strategy it selects. A business model that is concentrated on effectiveness, cost reduction, and high volume is necessary for a cost leadership strategy.

As a result, a cost leader's facilities are typically not fancy because the focus is on maintaining low costs rather than developing products with features that stand out significantly from those of competitors. A business model centered on creating goods and services that are distinctive in ways that matter to the targeted customers and that command a premium price is necessary for a differentiation strategy, on the other hand.

Questionnaires:

1. How many types of entrepreneurship?
2. How many stages of creative entrepreneurial activity?
3. What a factor to become an entrepreneur?
4. What are characteristics of entrepreneur?
5. What is the difference between the small businesses versus entrepreneurship?
6. What are the processes to build a team in a company?
7. What are factor of a perfect team in a company?
8. How to Identifying a winning team in businesses?
9. What are group characteristics of team?
10. What are difference between Differentiations versus efficiency based types of strategies?
11. How are effects of the breadth of the founding team?
12. What are common pivot strategies for small businesses?

Reference Books for Further Reading

1. The Lean Startup by Eric Ries.
2. Zero to One by Peter Thiel.
3. The Hard Thing about Hard Things by Ben Horowitz.
4. The $100 Startup by Chris Guillebeau.
5. The E-Myth Revisited by Michael E.
6. Crush It by Gary Vaynerchuk.
7. The Art of the Start by Guy Kawasaki.
8. The Power of Broke by Daymond John.