

Entrepreneurial Initiatives

Start-ups, Spin-offs, MSMEs and many more

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Outline

- **The Entrepreneurial Initiative**
- Technology Entrepreneurship and Professional Entrepreneur
- Types of Entrepreneurial Initiatives and Structures
- Core Principles of Business Practices

Chapters

- The Entrepreneurial Initiative
 - Motto of Entrepreneurship
 - What is Entrepreneurship?
 - Entrepreneurship and Creative Destruction
 - New Venture Creation
- Technology Entrepreneurship and Professional Entrepreneur
 - What is Technology Entrepreneurship?
 - Tech Entrepreneurial Venture
 - The Four Phases of Entrepreneurial Venture
 - Entrepreneurial Process
 - Who is (the) Entrepreneur?
 - Personal Entrepreneurial Competencies (PEC)
 - The Global Entrepreneur
 - Competencies of Global Entrepreneurs
 - Risks Specific to Entrepreneurship
- Types of Entrepreneurial Initiatives and Structures
 - Business Start-up / Tech start-up
 - The Triple Helix Model
- Core Principles of Business Practices

The Entrepreneurial Initiative

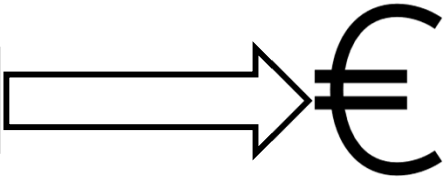
- Motto of Entrepreneurship
- What is Entrepreneurship?
- Entrepreneurship and Creative Destruction
- New Venture Creation

StartUp vs. SpinOff vs. Small Business

- Both StartUps and SpinOffs are Small Businesses.
- Their age is several years, while for SMEs, it can be anything.
- They have a large degree of innovation.
- Expansive growth.
- StartUps and SpinOffs are made by innovative business ideas, but the creation of a SpinOffs takes place within **another organisation**, which can be an university, a research institute or a company.
- In general, a spinoff tries to take advantage of several purposes, such as retaining talent, developing and exploiting new services and technologies discovered at the institution or company and seeking new business opportunities



Converting Ideas into Value



Bull's Eye / Success 5



On the Way / Opportunities 4



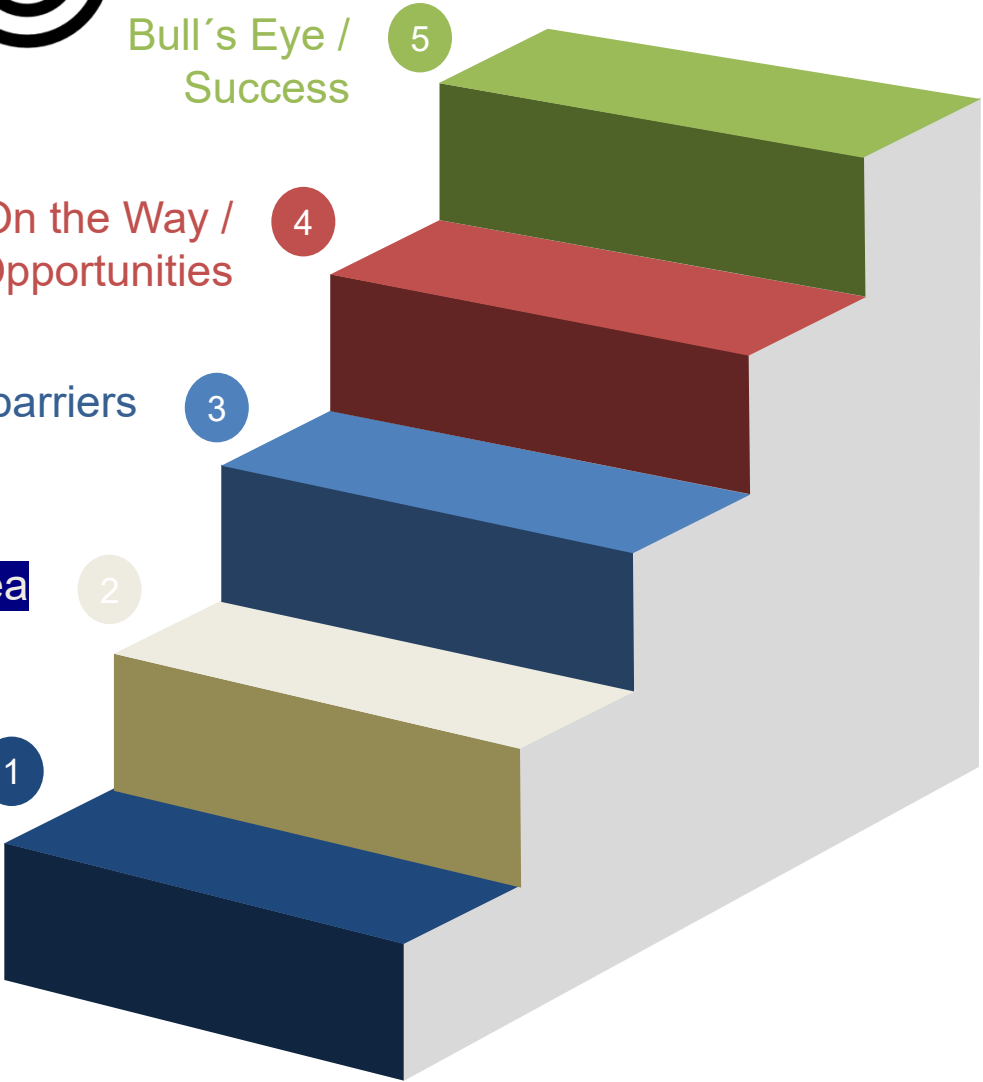
Surpassing barriers 3



Choosing the right Idea 2



Entrepreneurial thoughts / Opportunities 1



What is Entrepreneurship?

- A process not a person (“The Entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” *Jean-Baptiste Say*)
- About big companies that happen to be small

Definitions:

- „The pursuit of opportunity beyond the resources one currently has under control“ *Professor Howard Stevenson*
- "Entrepreneurship is jumping off a cliff and assembling a plane on the way down." *Reid Hoffman, one of the founders of LinkedIn*

Question: Can entrepreneurship be taught?

Answer: YES! Students can practice the entrepreneurial process

Value of failure!!!!

Entrepreneurship Bridges the Gap



Opportunity is the driver of start-ups

i The opportunity has to be followed by the **intention** and **action** to seize it. **!**



start-up,
new venture creation

Entrepreneurship and Creative Destruction (1)

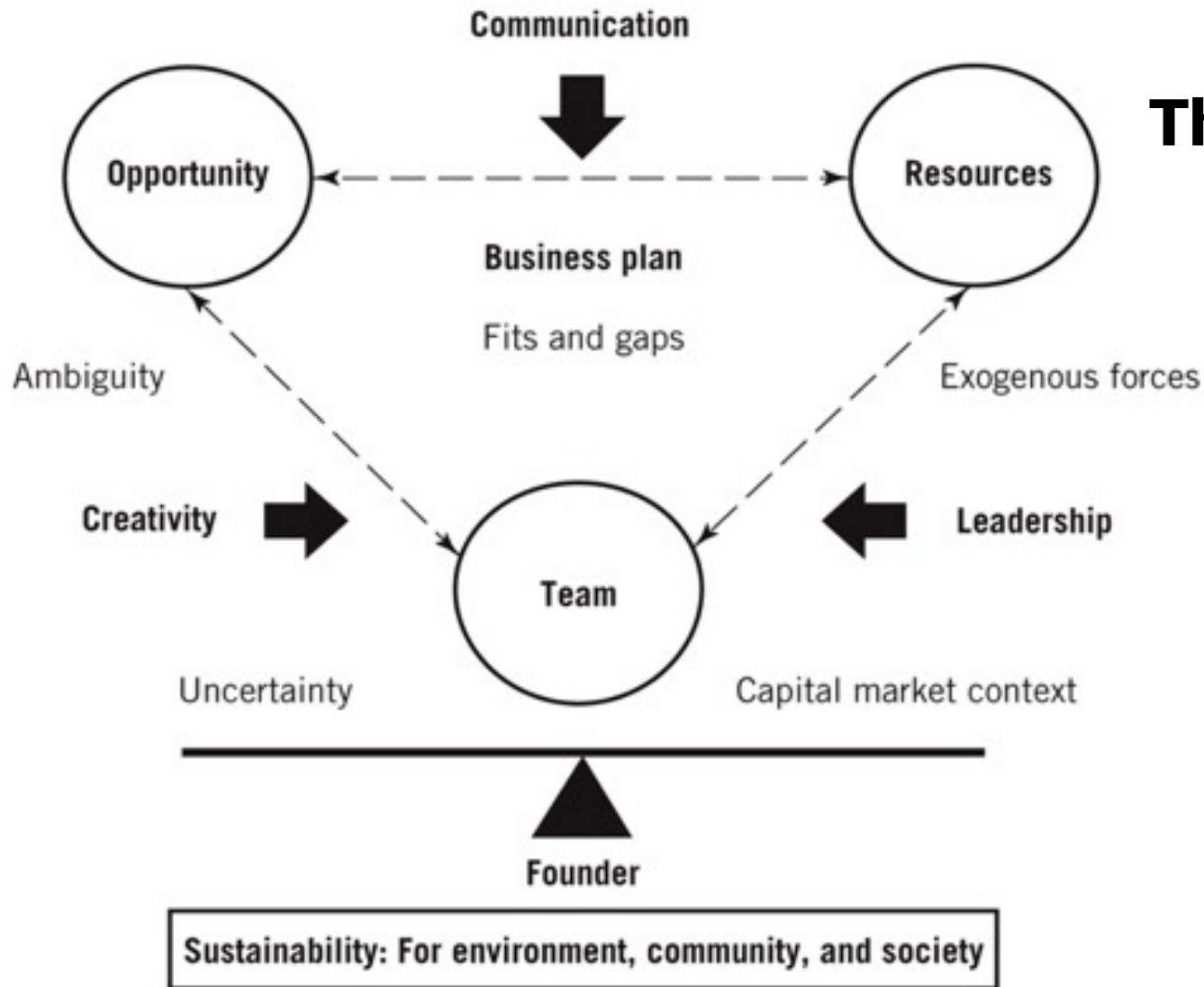
- **Joseph Schumpeter** (1883–1950) coined the paradoxical term “**creative destruction**”
 - The opening up of new markets, foreign or domestic, and the organizational development from the craft shop to such concerns as U.S. Steel illustrate the same process of industrial mutation—if I may use that biological term—that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism.

Joseph Schumpeter Capitalism, Socialism, and Democracy (1942, p. 83)

Entrepreneurship and Creative Destruction (2)

- Lost jobs, ruined companies, and vanishing industries are inherent parts of the growth system
- But over time, societies that allow creative destruction to operate grow more productive and richer; their citizens see the benefits of new and better products, shorter work weeks, better jobs, and higher living standards.
- Ultimately, the “creative destruction” is the innovation process
- „Innovations, not inventions are the basic characteristics of entrepreneurs.“
- Innovation is the change agent of the economy

New Venture Creation



The Timmons Model

- opportunity driven;
- driven by a lead entrepreneur and an entrepreneurial team
- resource parsimonious and creative
- dependent on the fit and balance among these
- integrated and holistic

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Technology Entrepreneurship and Professional Entrepreneur

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What is Technology Entrepreneurship? (1)

- **Lab to Market** (empirical definition)
- is an **investment** in projects that assemble and deploy **specialized individuals** and **heterogeneous assets** to **produce and adopt technology** and thus **create and capture value** for the firm
- projects search for problems or applications for a particular technology, launch new ventures, introduce new applications, and **exploit opportunities** that rely on **scientific and technical knowledge** provided that their ultimate outcome is to create and capture value for the firm

What is Technology Entrepreneurship? (2)

- it has more to do with **collaborative experimentation** and production of new products, new assets, and their attributes, which are intricately linked to **scientific and technology advances** and the firm's **asset ownership rights**
- production is based on a *shared vision of future changes in technology*
- it is not about the general management practices used to operate small businesses owned by engineers or scientists or just about small businesses
- it is knowledge-intensive entrepreneurship

What is Technology Entrepreneurship? (3)

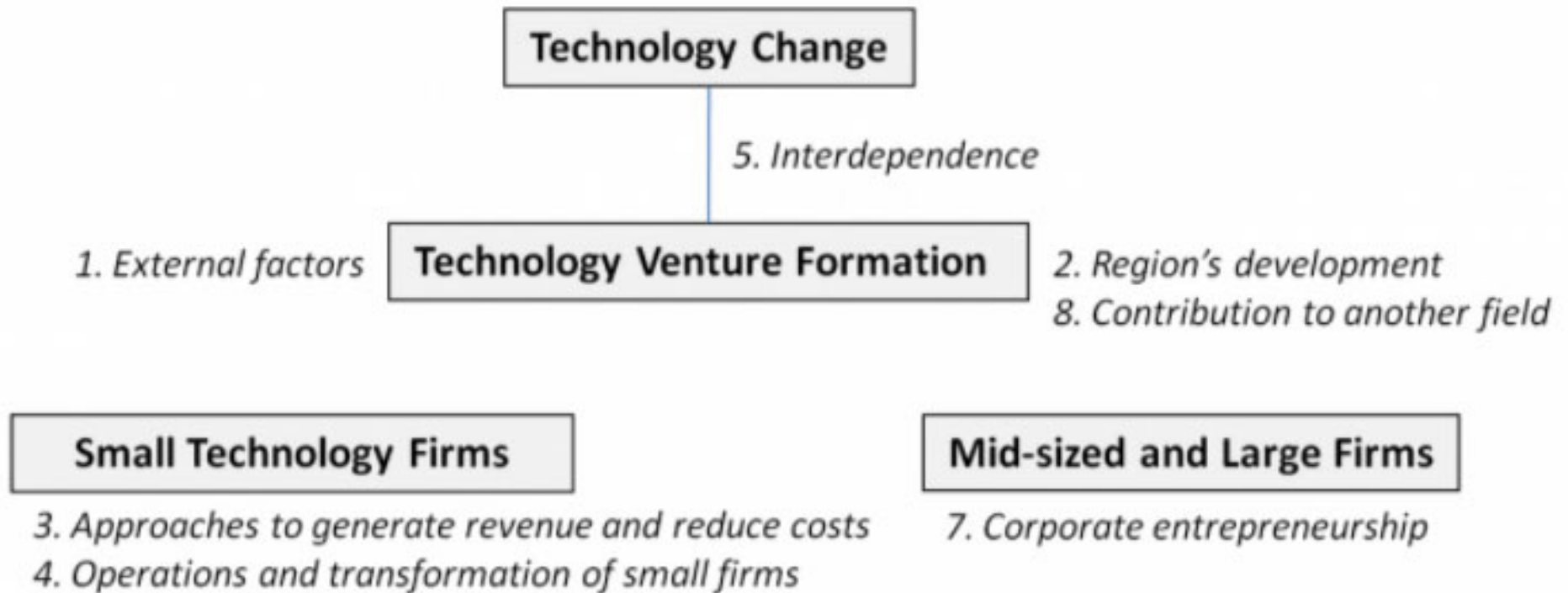
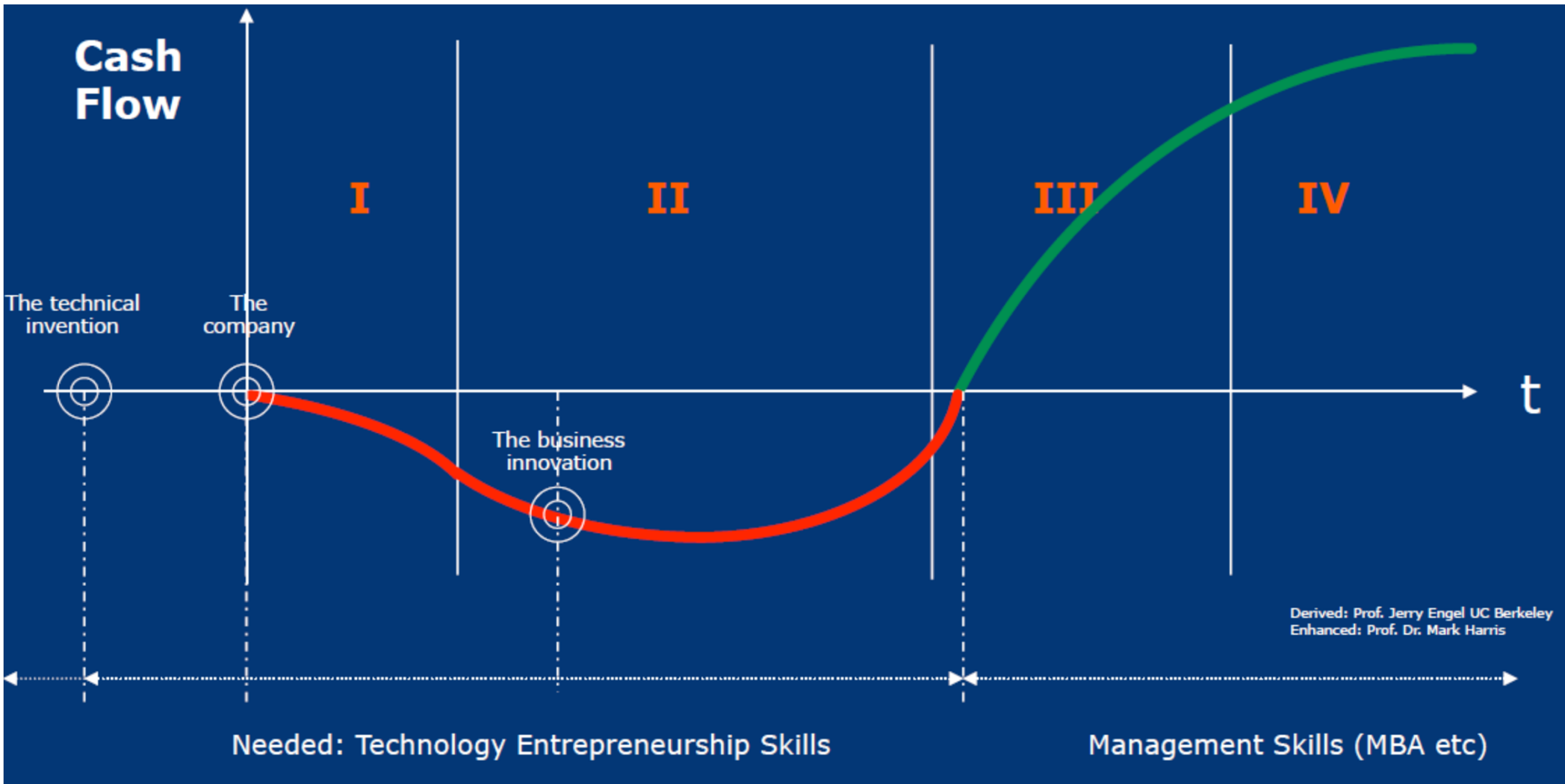
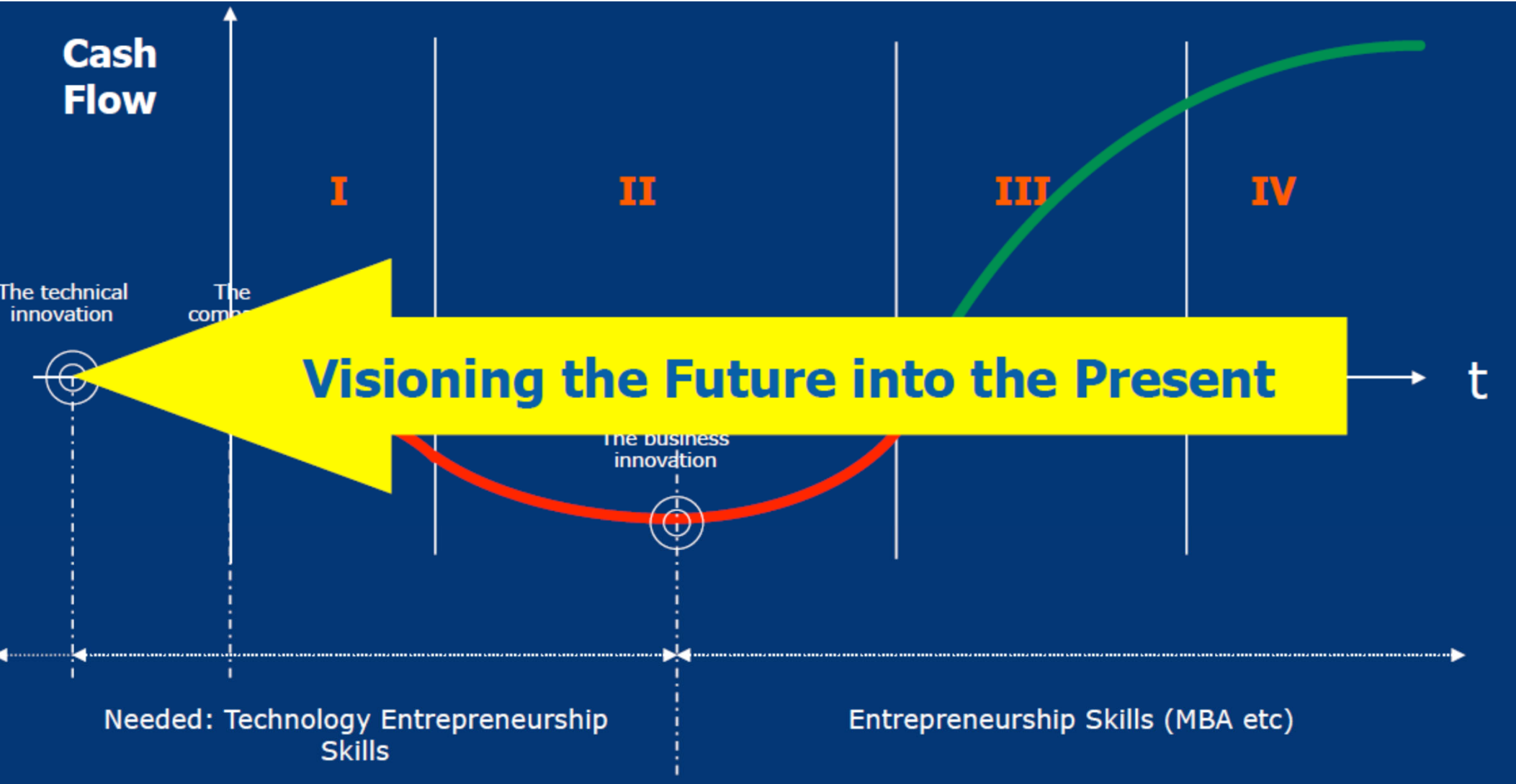


Figure 2. Themes of technology entrepreneurship

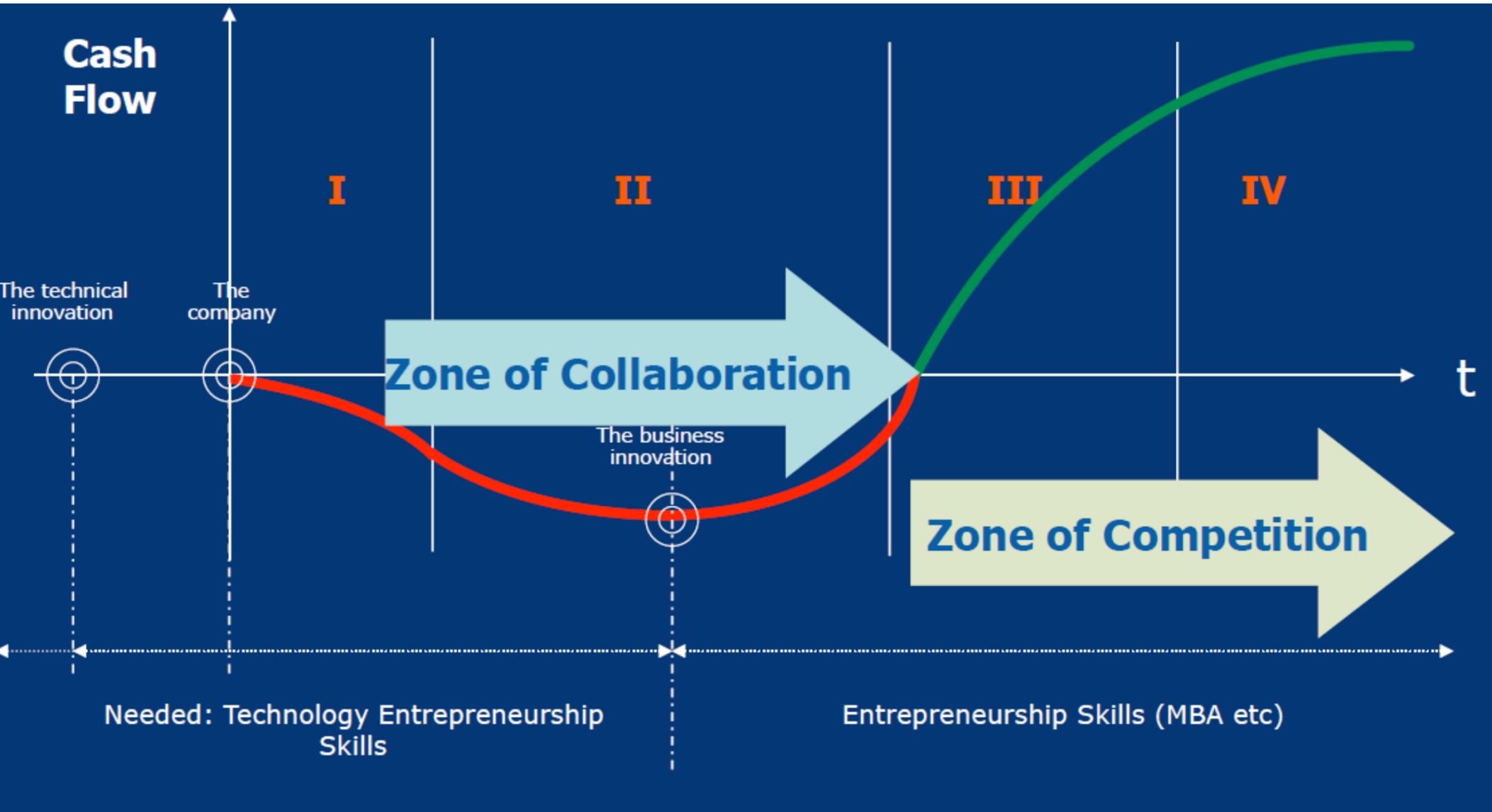
Tech Entrepreneurial Venture (1)



Tech Entrepreneurial Venture (2)



Tech Entrepreneurial Venture (3)

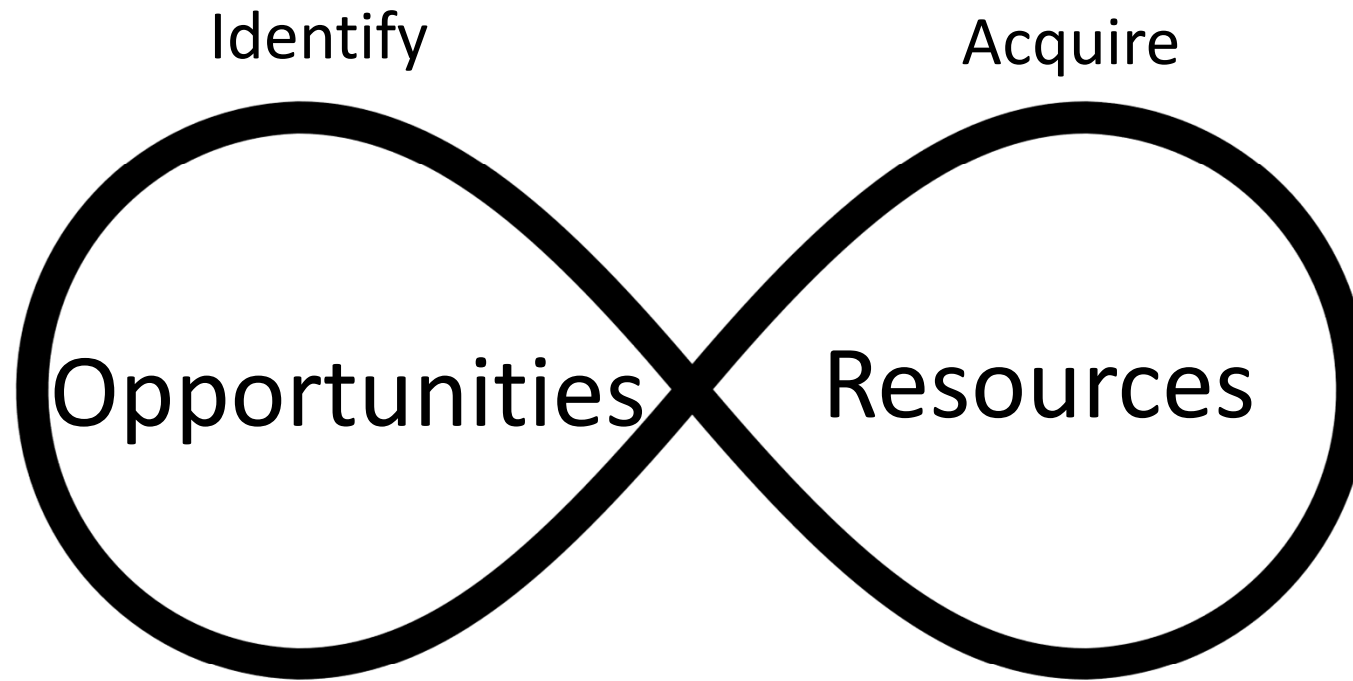


The Four Phases of Entrepreneurial Venture

Period I: Pure Entrepreneurship	Period II: Strategic Focus	Period III: System Building	Period IV: Corporate Management
Defining the concept of the business	What business aren't we in?	Financial Controls	Hiring „outsider“
Gathering Financial Resources	IMPLEMENTING the business we are in!	Stable division of labor	Going Public
Assembling the startup Team	Knowing better than ANYONE else:	Reporting relationship and authorities	Making acquisitions
Identifying customers	What will people pay	Developing systems of internal control	Adding the follow-on Products(
Analyzing the competition	How many will they buy	Formalizing the terms of a sale	Shedding those who can't keep up
Building the prototype	How to distribute	Operational systems	Formalizing the culture
Getting your first customer	How to service the customer	Production, Outsourcing	Rationalizing the strategy
		Distribution, Sales	
		Service, Warranties	

Source: Professor John Freeman, Professor Jerry Engel - UC Berkeley

Entrepreneurial Process (1)



- needs (customers)
- solutions
- unique selling feature
- technology rights (intellectual property)
- human resources
- financial resources

Entrepreneurial Process (2)

Technology	Human Resources	Financial Resources
transfer of technology from research institutions to commercial application	entrepreneurial management team	Private equity: Venture Capital, Business Angels
Formal: through licensing	Multiple employers	Public funding
Informal: through people	Equity compensation	Bank loans
	Acceptance of risk of failure	Public-Private Partnerships
	Intrapreneurship	

Being an **intrapreneur** is considered to be beneficial for both intrapreneurs and large organizations. Companies support intrapreneurs with finance and access to corporate resources, while intrapreneurs create innovation for companies (overlapping with spin-offs?!)

Who is (the) Entrepreneur?



Being an entrepreneur simply means starting your *own* business, rather than being an employee of someone else. Being a *successful* entrepreneur might lead you to stop being one and become a captain of industry; if you build the business and then manage it for the rest of your working life you aren't an entrepreneur anymore!

The Technology Entrepreneur differs from Manager or Expert, yet he/she might be a Leader and is pursuing innovation and innovative technology for a technological advantage over competitor players.

- All entrepreneurs must be able to
 - identify opportunities
 - gather resources
 - strike deals
 - soft skills: vision, leadership, passion

Personal Entrepreneurial Competencies (PEC) (1)

Before embarking on the first business, it's worth to evaluate your preparedness for entrepreneurship

Profile of the entrepreneur

- Risk takers (high personal risks)
- High workload (Workaholic ??) and effort
- Committed to an idea (non-stop contract)
- Fast movers
- Pursuers of a long-time goal
- Learner from mistakes
- Team-player (!!)
- Networking talent

Personal Entrepreneurial Competencies (PEC) (2)

Functions of Entrepreneurs (versions)	
Risk taking	Creation
Organization and management	Management
Innovation	Innovation

The high-performance **entrepreneurial team**:

- Each member chooses/changes the right role (lead or follow)
- Flexible
- Self-disciplined
- Common goal
- Common priorities
- Common values
- Enabled by shared ownership

The Global Entrepreneur

- Start-ups can do business in many countries before they dominate the local markets.
- Reasons for crossing the borders:
 - Competitiveness: need for globalizing some aspects of the business - manufacturing, service delivery, capital sourcing, or talent acquisition
 - New business opportunity abroad
- Key Challenges
 - Distance (geographical and psychic distance)
 - Context (Nations' political, regulatory, judicial, tax, environmental, and labor systems vary)
 - Resources

Competencies of Global Entrepreneurs

- **Articulating a global purpose** (e.g. core functions can be globalized, to gain economies of scale, develop a larger product portfolio, and be first to market with the products as they came off patent)
- **Alliance building** (partnerships with companies abroad)
- **Supply-chain creation** (supply networks might be difficult to manage, but offer competitive advantage, start-ups are buying intellectual property from across the world)
- **Multinational organization** (virtual teams managed on the internet)

Risks Specific to Entrepreneurship (1)

- Without risk the free enterprise system cannot function
- Not all risks and challenges can be anticipated, but once identified, they can be managed by lead entrepreneurs, executives, and boards working together
- Estimates from the Small Business Administration (SBA)'s database suggest that of the 850,000 new businesses started each year, about 60 percent fail in the first six years and more than 70 percent fail in the first eight years
- Risks that are specific to entrepreneurial capitalism are listed on the next slide

Risks Specific to Entrepreneurship (2)

Economic Risk

- How is the business world today? What is the window of opportunity for this venture? Includes geopolitical threats, economic cycles, interest rates, and governmental regulations.

People Risk

- What about the venture team? How did they come together? Have they worked together before? Can they make through the growth stage, or will there be too many cooks in the kitchen?

Market Risk

- How are the dynamics of this industry sector? Is there going to be room for growth in this market? What about the risks of other competitors?

Technical/ Invention Risk

- Does the product work? What about some technology coming along in the future that will make this product/technology worthless like a buggy whip?

Strategic Risk

- Is there a sustainable competitive advantage? Includes sharing the risk with strategic alliances and finding the right operations strategy with a viable business model.

Financial Risk

- Can this venture or activity get funded now? What about later rounds of financing, when growth kicks in and it needs fed with cash?

Personal Risk

- Can the lead entrepreneurs truly commit? There are many sacrifices, as other priorities in life, like family, friends, and vacations that will have to come second.

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Types of Entrepreneurial Initiatives and Structures

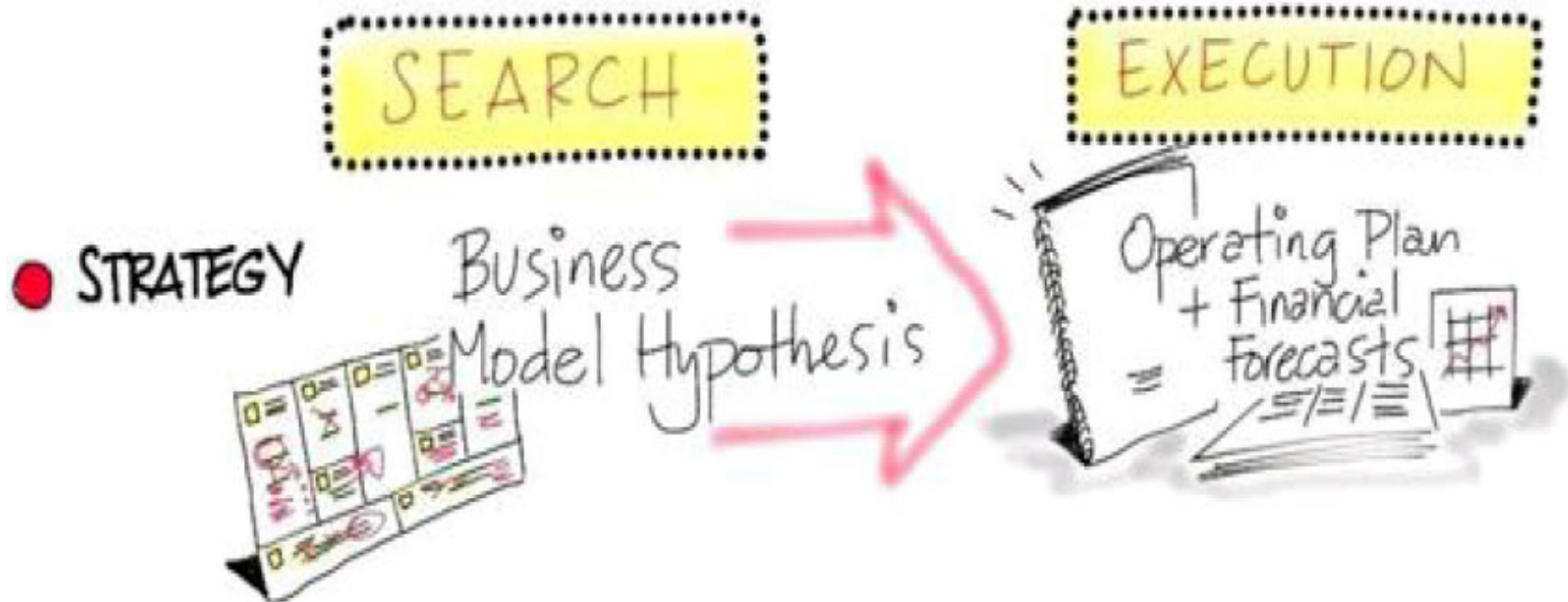
- Business Start-up / Tech start-up
 - Microenterprise
 - Small and Mid-Size Enterprise (SME)
 - Intrapreneurship
 - Spin-off
 - Business Incubators, Excubators, Start-up Accelerators
- The Triple Helix Model
 - The Model per se
 - Technology Parks, Science Parks
 - Science Cities

Business start-up (1)

- is not a small version of a Big Company
- is a temporary organization designed to **search for a repeatable and scalable business model**
 - a new venture
 - a new division or business unit in an existing company
- Essential for a start-up is the **Business Model**
- The primary objective of a start-up is **to validate its business model hypotheses** (and iterate and pivot until it does). Then it moves into execution mode. It's at this point the business needs an operating plan, financial forecasts and other well-understood management tools.

Business start-up (2)

- If your business model is unknown – that is, just a set of untested hypotheses — you are a startup searching for a repeatable business model. Once your business model (market, customers, features, channels, pricing, Get/Keep/Grow strategy, etc.) is known, you will be executing it. **Search** versus **execution** is what differentiates a new venture from an existing business unit.



Business start-up (3)

- Ideally (for success), the perfect business idea should consist of **three things**:
 - It should be something **one likes** doing
 - It should be something **one is good at**
 - It should be something that **is in demand** (i.e., people would pay for)
- Business Checklist:
 - Research
 - Business plan and timeline
 - Financing
 - Choose business structure
 - Register business name (and/or domain name)
 - Set up bank account & payment processing
 - Red tape: Licenses, permits insurance
 - Location / store front
 - Hiring
 - Promotion / Marketing

Tech start-up

- is a company whose purpose is to bring technology products or services to market
- These companies deliver new technology products or services or deliver existing technology products or services in new ways

A Tech start-up is "an organization formed to search for a repeatable and scalable business model, that is potentially producing and selling technological products - whether those are software, hardware or both"

Examples: some flavor about UK start-ups:

<https://www.theguardian.com/technology/startups>

The One Page Business Plan

- The Problem: What pain point does your business solve?
- Your Solution: (Your idea in 2 sentences or less)
- Target Market: (Who are your potential customers?)
- What will you charge, and how will you get paid?
- Start up costs: (Insurance, licensing, stock, etc.)
- How will you market your product or service?
- What are the biggest risks and obstacles?
- What does success look like?

Microenterprise/micro-company (RO)

- Is a very small business
- In order to become a micro-company you must comply with the following:
 - The subscribed capital must be owned by persons who are not the state or territorial-administrative unities
 - In the precedent fiscal year did not exceed 1.000.000 euro in revenue
 - It is not in dissolution, followed by liquidation, registered in the trade registry or courts
- Regarding the taxation regime, there are 2 options for micro companies, depending on the number of employees:
 - 1% for companies with at least one employee
 - 3% for companies with no employees

Small and Mid-size Enterprise (SME)

- US - no distinct way to identify SMEs, these firms are referred to as small-to-mid-size businesses (SMBs)
- EU - a small-sized enterprise is a company with fewer than 50 employees and a medium-sized enterprise as one with less than 250 employees
- Just as the requirements for the categories differ per nation, so do the names and abbreviations
- SME is commonly used by the EU, the UN and the WTO
- Kenya - micro, small, and medium-sized enterprises (MSME)
- India - micro, small, and medium enterprise development (MSMED)
- Despite the differences in nomenclature, countries share the commonality of separating businesses according to size or structure.

Intrapreneurs

- "... are dreamers who do. Those who take responsibility for creating an innovation of any kind within an organization." *Gifford Pinchot (1985)*
- "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" *The American Heritage Dictionary (1992)*
- "an employee of a large corporation who is given freedom and financial support to create new products, services, systems, etc., and does not have to follow the corporation's usual routines or protocols." *Dictionary.com*
- "... are the secret weapon of the business world. *Koch (2014)*
- The conceptualization between Intrapreneurship and Spin-off remain disputed

Spin-offs (1)

- The creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company
- It is a type of divestiture.
- Businesses wishing to “streamline” their operations often sell less productive or unrelated subsidiary businesses as spin-offs
- The spin-off companies are expected to be worth more as independent entities than as parts of a larger business

Spin-offs (2)

- A University spin-off is a company which is started based on the research activities of academic staff
- Benefitting from its research results, the University can try to implement its inventions into a pilot enterprise
- These actions will create new jobs opportunities and on the other hand will launch into the market innovative products that better satisfy market needs

Business Incubators (1)

- Business incubators exist to help companies to grow. Although many people think of them as startup incubators, in fact, they can also offer services and resources to established ventures
- For example, if a mature company wants to expand into a new market by creating an innovative product, a business incubator may choose to provide the support needed to do this
- In either case, the business incubator is there as a catalyst. It can be a driving force behind the rapid growth of a new company or a new division in an existing business

Business Incubators (2)

- Characteristics of the Business Incubators:
 - Business incubators help new business ventures to survive and succeed
 - Incubation often takes place at physical premises with co-working spaces
 - The incubator provides relevant support services under the same roof
- Services provided by an incubator can include professional advice (lawyers, accountants), as well as business mentorship and valuable networking opportunities
- Economic development is just one goal of the incubator. Beyond just generating sales, the shared workspace enables greater collaboration between entrepreneurs and can help to bring innovations to market faster and more successfully

Excubators (1)

- Start-ups usually have the problem of focusing on building the product and getting out of cash quite after launch to afford the sales and marketing activities that will be required to help them achieve their proof-of-concept
- A new kind of model has begun to emerge to jumpstart startups: “one-stop-shop” for key services for start-ups
- It is designed to support startups from the very beginning with ideation to the very end of what hopes to be a successful exit

Excubators (2)

- A model where 20-40% discounts would apply for bundling your services needs into one “digital services suite” of expert vendors, where the excubator would also consider taking an **equity position** in these businesses, so it actually had skin in the game, and were motivated to help these businesses succeed, as partners with entrepreneurs over the long term
- This evolves the excubator members’ revenue models from “short term fee driven” to “long term venture return” driven, which if done correctly, should improve the typical venture odds of success from 10%, to 20-30% in the process.

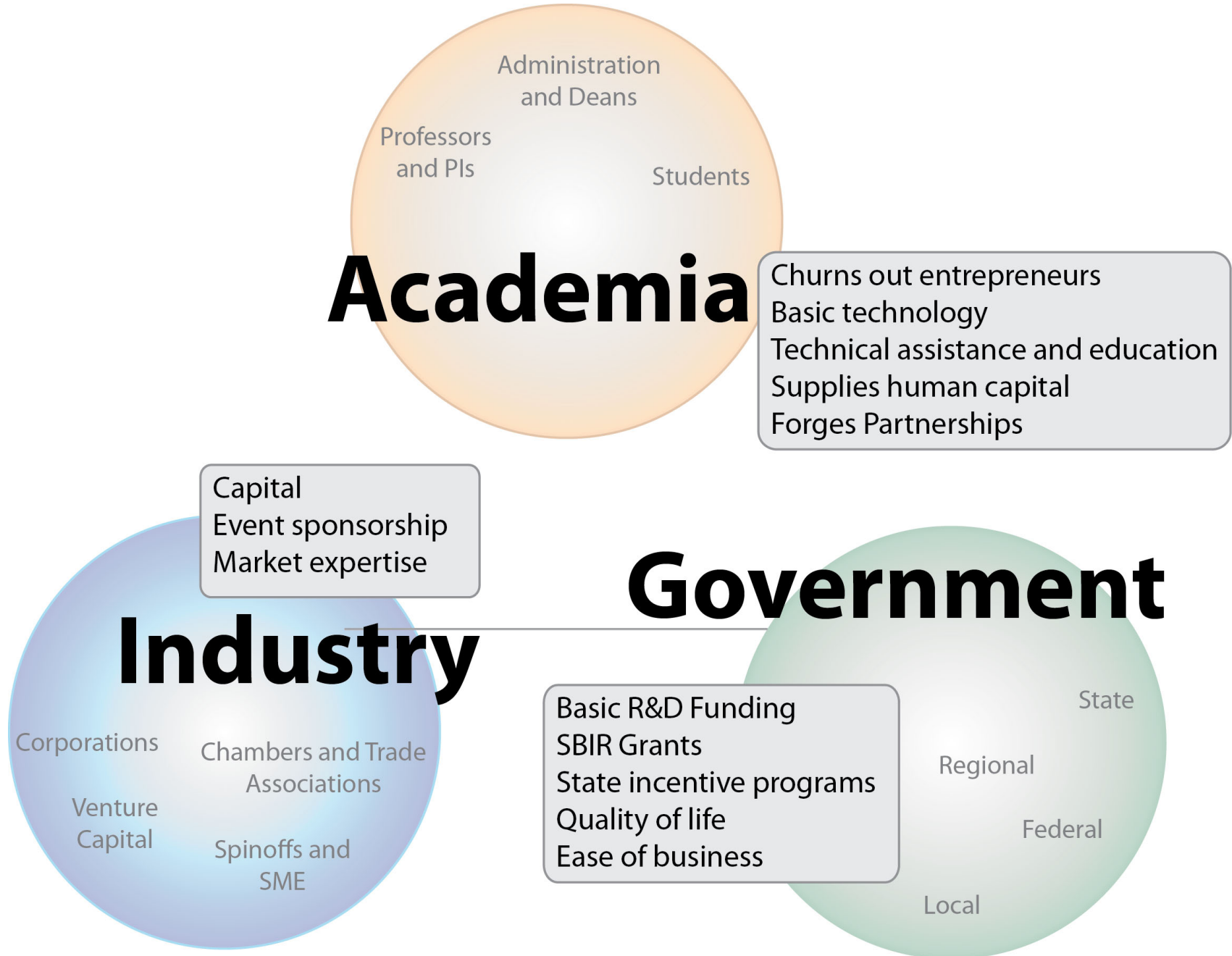
Start-up Accelerators

- get involved early in the life of a new company, but there are other sources of finance at that early stage too.
- So what sets accelerators apart from angel investors, venture capitalists, and venture capital firms? What is the unique definition of a startup accelerator?

Characteristics of Start-up Accelerators include:

- Fixed-term (often as short as three-month program)
 - A clear structure that includes education, training or mentorship
 - Minimal to zero joining fees
 - Competitive application process
- These kinds of characteristics clearly set the startup accelerator business model apart from open-ended seed finance like equity investing

Triple Helix Model (1)



Triple Helix Model (2)

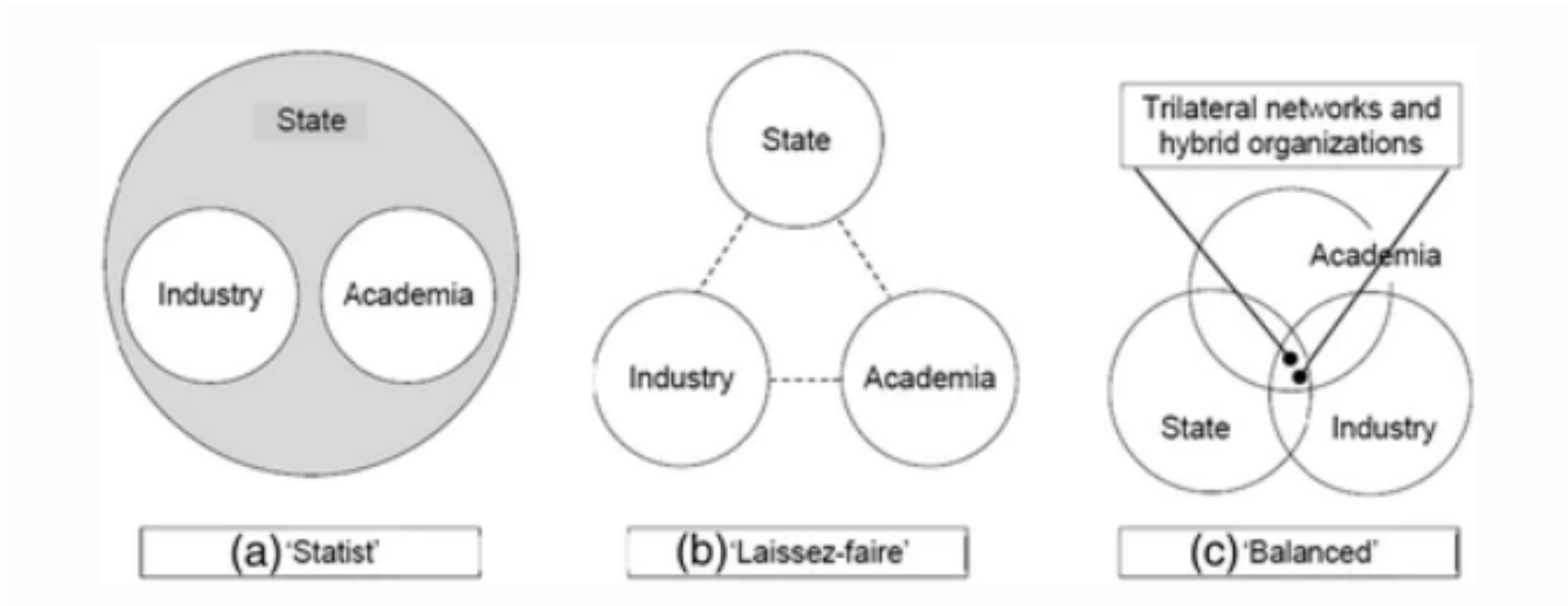


Figure 3. Three models of a triple helix

Technology Parks (Science Parks)

- are elements of the infrastructure of the global "knowledge economy"
- Are open spaces that serve as business incubators for startups that are affiliated with a university
- They provide locations that foster innovation and the development and commercialization of technology and where governments, universities and private companies may collaborate

Science Cities

- Science cities are the next step up: knowledge-based forms of urban settlement.
- In a science city, in addition to the establishment of science-based institutions, the socio-cultural areas of housing and leisure are integrated into the urban development context. Their design is based on an idealized image of cities as places of innovation, with
- a particular focus on characteristics that stimulate the genesis of innovation, creativity and new knowledge

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Core Principles of Business Practices

- Business Ethics
- Corporate Social Responsibility/(CS & Environmental R)
- Sustainability (5 domains, Ecological Footprint)
- Excellency in Company Performance

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