

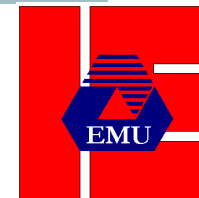
The Nature and Importance of Entrepreneurship

Chapter 1

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EASTERN MEDITERRANEAN UNIVERSITY
DEPARTMENT OF INDUSTRIAL ENGINEERING
IENG212/MANE212 MODELING AND OPTIMIZATION
COURSE OUTLINE



COURSE CODE	IENG452	COURSE LEVEL	4th Year
COURSE TITLE	Introduction to Entrepreneurship	COURSE TYPE	Area Core
CREDIT VALUE	(3, 0, 0) 3	ECTS Credit Value	6
PRE-REQUISITE(S)	---	CO-REQUISITE(S)	---
PREPARED BY	Dr. Faramarz KHOSRAVI	SEMESTER / ACADEMIC YEAR	Spring 2021-22

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ASSISTANT(S)	---			

COURSE SCHEDULE Tuesday 8:30-10:20 (IE-D201); Thursday 8:30-9:20 (IE-D201), Office Hour: Thursday 9:30-11:30

COURSE WEB LINK <http://staff.emu.edu.tr/faramarzkhosravi/en>

COURSE DESCRIPTION

This interdisciplinary course is designed to help students to evaluate the business skills and commitment necessary to successfully operate an entrepreneurial venture and review the challenges and rewards of entrepreneurship. The core of the course focuses on the discovery and understanding of entrepreneurial attitudes and behaviors within oneself. Students will also be introduced to entrepreneurship from an economic perspective and the concepts of environmentally sustainable practices and social entrepreneurship. The students will be given the competencies required to be an entrepreneur through a project, creative problem solving and exercises aimed at self-development.

COURSE OBJECTIVES

The main aim of this course is to:

Identify and apply the elements of entrepreneurship and to entrepreneurial processes;

Recognize the importance of entrepreneurship and identify the profile of entrepreneurs and their role in economic growth;

Use the entrepreneurial mind-set and behave responsibly and ethically in their roles as entrepreneurs.

Creatively analyze the business environment, opportunity recognition, and the business idea-generation process;

Know how to acquire necessary resources and organizational matters of new venture creation process;

Write a business plan that creates and starts a new venture.

Apply a strategy for growth and manage the implications of growth;

Use capital budgeting that includes cost of capital, leverage and dividend policy in a financial management context;

Know how to acquire resources for growth from external sources.

GRADING CRITERIA

All Examinations will be based on lectures, discussions, case studies and assigned work such as project

Quizzes: There will be **four** quizzes designed to test familiarity and basic understanding of various topics.. There will be no quiz make-ups.

Midterm Exam: The midterm exam will be held in the week designated by the university administration. It will cover all of the material up to the date of examination.

Final Exam: The final exam will cover all after mid-term materials. In form it will be a longer version of the midterm exam.

Make-up Exams: Make-up examinations will only be offered to students who provided adequate documentation for the reason of their absence within four working days at the latest after the examination date. One final exam type make-up exam will be offered after the final exams for the missed midterm and/or final exam. University regulations apply for graduate make-ups.

Resit Exam: The resit examination will cover all the material studied throughout the semester and has the same structure as in the midterm and final examinations. This exam will be scheduled for a day in the designated resit exams week.

Note: The voluntary presentation has up to 5 points bonus. Topics will be selected and presented by the student from the relevant content (After confirming by instructor).

METHOD OF ASSESSMENT

Although the student's overall grade will be based on the general assessment of the instructor, the following percentages may give an idea about the relative importance of various assessment tools.

Quizzes (4*7.5)	30%
Project	20 %
Mid-term Exam	20 %
Final Exam	30 %
TOTAL	100 points

WEEK	TOPICS
1	Chapter 1: The Nature and Importance of Entrepreneurship
2	Chapter 1: The Nature and Importance of Entrepreneurship
3	Chapter 2: The Entrepreneurial Mindset
4	Chapter 2: The Entrepreneurial Mindset
5	Chapter 3: Entrepreneurial Intentions and Corporate Entrepreneurship
6	Chapter 4: Creativity, The Business Idea, and Opportunity Analysis
7	Chapter 4: Creativity, The Business Idea, and Opportunity Analysis
8-9	MIDTERM EXAM WEEK
9	Chapter 5: The Business Plan: Creating, and Starting a Venture
10	Chapter 5: The Business Plan: Creating, and Starting a Venture
11	Chapter 6: The Marketing Plan
12	Chapter 7: The Financial Plan
13	Chapter 8: Sources of Capital
14-15	Project Presentation

I have not failed. I've just found 10,000 ways that won't work.

Thomas Alva Edison

No matter the obstacle, you can overcome it

Andrew Carnegie

Nature and Development of Entrepreneurship

- Who is an entrepreneur?
- What is entrepreneurship?
- What is an entrepreneurial process?
 - These frequently asked questions reflect the increased national and international interest in entrepreneurs by individuals, university professors and students, and government officials.

Nature and Development of Entrepreneurship

- Entrepreneur: individual who takes risks and starts something new.
- An entrepreneur creates a firm, which aggregates capital and labor in order to produce goods or services for profit.

Earliest Period

- An example of earliest definition of entrepreneur as a go-between is Marco Polo who attempted to establish trade routes to the Far East (China). Marco Polo signed a contract with a money person (today's venture capitalist) to sell his goods.

Middle Ages

- In the middle ages , the term entrepreneur was used to describe both an actor and a person who managed large production projects. In such large production projects, this individual did not take risks, but merely managed the project using the resources provided, usually by the government of the country.
- A typical entrepreneur in the Middle Ages was the cleric-the person who in charge of great architectural works, such as castles and fortifications, public buildings, abbeys and cathedrals.

17th Century

- The connection of risk with entrepreneurship developed in the 17th century, with an entrepreneur being a person who entered into a contractual arrangement with the government to perform a service or to supply stipulated products.
- Richard Cantillon, a noted economist and author in the 1700's, developed one of the early theories of entrepreneur and is regarded by some as the founder of the term. He viewed the entrepreneur as a risk-taker, observing that merchants, farmers, craftsmen, and other sole proprietors 'buy at a certain price and sell at an uncertain price, therefore operating at risk'.

18th Century

- In the 18th century, the person with capital was differentiated from the one who needed capital. In other words, the entrepreneur was distinguished from the capital provider (the present-day venture capitalist). One reason for this differentiation was the industrialization occurring throughout the world. Many of the inventions developed during this time were reactions to the changing world, as was the case with the inventions of Eli Whitney and Thomas Edison.
- Both Whitney and Edison were developing new technologies and were unable to finance their inventions themselves. Whereas Whitney financed his cotton gin with expropriated British crown property. Edison raised capital from private sources to develop and experiment in the fields of electricity and chemistry.
- Both Edison and Whitney were capital users (entrepreneurs) not providers (venture capitalist).
- A venture capitalist is a professional money manager who makes risk investments from a pool of equity capital to obtain a high rate of return on the investments.

19th and 20th Centuries

- In the late 19th and early 20th centuries, entrepreneurs were frequently not distinguished from managers and were viewed mostly from an economic perspective:
 - Briefly stated, the entrepreneur organizes and operates an enterprise for personal gain.
- Andrew Carnegie is one of the best examples of this definition. Carnegie invented nothing, but rather adapted and developed new technology in the creation of products to achieve economic vitality. Carnegie, who descended from a poor Scottish family, made the American steel industry one of the wonders of the industrial world, primarily through his unremitting competitiveness rather than his inventiveness or creativity.

20th Century

- In the middle of the 20th century , the notion of an *entrepreneur as an innovator* was established.
- the function of an entrepreneur is to *reform or revolutionize* the pattern of production by exploiting an invention or more generally, an *untried technological method of producing new commodity or producing an old one in a new way*, opening a new source of supply of materials or a new outlet for products, by organizing a new industry.
- This ability to innovate can be observed throughout history, from the Egyptians who designed and built *great pyramids out of stone blocks weighing many tons each, to the Apollo lunar module, to laser surgery, to wireless communication*. Although the tools have changed with advances in science and technology , the ability to innovate has been present in every civilization.

Definition of Entrepreneurship- Today

- The concept of an entrepreneur is further refined when principles and terms from a business, managerial, and personal perspective are considered.
- Entrepreneurship is the process of creating something new and assuming the risks and rewards

Kinds of behavior in all definitions of Entrepreneurship

1. Initiative taking
2. The organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account,
3. The acceptance of risk or failure

Entrepreneurship

- To an economist, an entrepreneur is one who brings resources, labor, materials and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order.
- To a psychologist, such a person is typically driven by certain forces- the need to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others.
- To one businessman , an entrepreneur appears as a threat, an aggressive competitor, whereas to another businessman the same entrepreneur may be an ally, a source of supply, a customer, or someone who creates wealth for others as well as finds better ways to utilize resources, reduce waste and produce jobs other are glad to get.

Entrepreneurship

- Although each of these definitions views the entrepreneur from a slightly different perspective, they all contain similar notions, such as newness, organizing, creating, wealth, and risk taking.
- Entrepreneurs are found in all professions- education, medicine, research, law, architecture, engineering, social work, distribution and the government.
- To include all types of entrepreneurial behavior, the following definition of entrepreneurship will be the foundation of this course:
 - **Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence.**

Entrepreneurs versus Inventors

- Inventor: is an individual who creates something for the first time, a highly driven individual motivated by his or her own work and personal ideas.
- Inventor differs considerably from an entrepreneur. Whereas an entrepreneur falls in love with the organization (new venture) and will do almost anything to ensure its survival and growth, an inventor falls in love with the new invention and will only reluctantly modify the invention to make it more commercially feasible.
- Inventors really enjoy the process of inventing, not implementing.

Entrepreneurial Process

- The process has four distinct phases
 1. Identification and evaluation of the opportunity
 2. Development of the business plan
 3. Determination of required resources
 4. Management of the resulting enterprise

Identification and evaluation of the opportunity

- The assessment of the opportunity requires answering the following questions:
 - What market need does it fill?
 - What personal observations have you experienced or recorded with regard to that market need?
 - What social condition underlies this market need?
 - What market research data can be marshaled to describe this market need?
 - What patents might be available to fulfill this need?
 - What competition exists in this market? How would you describe the behavior of this competition?
 - What does the international market look like?
 - What does the international competition look like?
 - Where is the money to be made in this activity?

Develop a Business Plan

- Business plan is the description of the future direction of the business.
- A good business plan must be developed in order to exploit the defined opportunity.
- A good business plan is essential to developing the opportunity and determining the resources required, obtaining those resources, and successfully managing the resulting venture.

Develop a Business Plan

- Title page
- Table of contents
- Executive summary
- Major section
 1. Description of Business
 2. Description of Industry
 3. Technology Plan
 4. Marketing Plan
 5. Financial Plan
 6. Production Plan
 7. Organization Plan
 8. Operational Plan
 9. Summary
- Appendixes (Exhibits)

Determine Resources Required

- Determine the resources needed
- Determine existing resources
- Identify resource gaps and available suppliers
- Develop access to needed resources

Manage the Enterprise

- After resources are acquired, the entrepreneur must use them to implement the business plan. The operational problems of the growing enterprise must also be examined. This involves implementing a management style and structure, as well as determining the key variables for success. A control system must be established, so that any problem areas can be quickly identified and resolved. Some entrepreneurs have difficulty managing and growing the venture they created.

Managing the Enterprise

- Develop management style
- Understand key variables for success
- Identify problems and potential problems
- Implement control systems
- Develop growth strategy

Types of Start-Ups

- **Lifestyle firms:** privately held and usually achieves only modest growth due to the nature of the business, the objectives of the entrepreneur and the limited money devoted to research and development. A lifestyle firm exist primarily to support the owners and usually has little opportunity for significant growth and expansion.
 - They are small venture that supports the owners and usually does not grow.
- **Foundation companies:** is created from research and development and lays the foundation for a new business area. This firm can grow in 5 to 10 years from 40 to 400 employees and from 10 million dollars to 20 million dollars in yearly revenue. Since this type of startup rarely goes public, it usually draws the interest of private investors only, not the venture capital community.
 - They are formed from research and development that usually does not go public.
- **High-potential ventures:** are the ones that receives the greatest investment interest and publicity. While the company may start out like a foundation company, its growth is far more rapid. After 5 to 10 years, the company could employ around 500 employees, with 20 million to 30 million in revenue. These firms are also integral to the economic development of an area.
 - They have high growth potential and therefore receives great investor interest.

Role of Entrepreneurship in Economic Development

- **Product-evolution process:** process for developing and commercializing an innovation
- **Iterative synthesis :** the intersection of knowledge and social need that starts the product development process.
- **Ordinary Innovations:** new products with significant technological advancement
- **Breakthrough Innovations:** new products with some technological change

Government as an Innovator

- A government active in commercializing technology
- Technology transfer: commercializing the technology in the laboratories into new products
- E.g: recently to help their scientists commercialize their technology and think more entrepreneurially, some labs are providing entrepreneurial training and are working with university entrepreneurial centers.

Corporate Entrepreneurship

- Corporate entrepreneurship can also bridge the gap between science and the marketplace. Existing businesses have financial resources, business skills, and frequently the marketing and distribution systems to commercialize innovation successfully.
- In the present era of hyper competition, the need for new products and the entrepreneurial spirit have become so great that more and more companies are developing an entrepreneurial corporate environment, often in the form of strategic business units (SBU's)

Ethics and Social Responsibility of Entrepreneurs

- The life of an entrepreneur is not easy. An entrepreneur must take risks with his or her own capital in order to sell and deliver products and services while expending greater energy than the average businessperson in order to innovate.
- Entrepreneurs tend to depend on their own personal value systems much more than other managers when determining ethically appropriate courses of action.
- **Business ethics:** the study of behavior and morals in a business situation