

Introduction

Why entrepreneurship?

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Entrepreneurship gives birth to new commodities, techniques and goods, booting human progress forward and rendering the old obsolete, leading to the extinction of whole branches of industry and the creation of new ones. It is the use of innovation that makes many of our goods today not only better, but also cheaper, than they were even a decade ago. This process is so powerful that many large corporations are beginning to ask how they can use their employees' talents for innovation.

Innovation and the evolution of business

Existing large firms are seldom capable of using innovation, e.g. of the largest ('Fortune 100') companies from 1930, only one – General Electric – still exists. New industries evolve out of start-ups. Few succeed. As new industries arise, they displace the old. The 'first world' technologies are being copied globally, meaning that 'first world' countries must constantly improve efficiency and create new industries in order to survive. In order to succeed, companies must constantly change and innovate; this is not impossible, but examples are few, e.g. the Preussische Bergwerks und Hutten Aktiengesellschaft (Prussian Society for Mining and Steel) became tourist giant TUI and the Nokianvirta Paper Mill became the mobile telephony giant Nokia.

Traditionally, the focus of classical microeconomics is price; capitalists, owners and other businessmen choose labour-intensive production when labour is cheap and interest rates high, or capital-intensive production techniques in the opposite circumstances. Guided by price, then they can choose to make fewer goods, or more. However, they rarely invent new goods or

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radicalize production; those who use innovation to introduce something new are often called entrepreneurs. But introducing new products is a risky business; experience shows that less than 10 per cent of all inventions will result in a product and indeed only 0.5 per cent will return a significant profit. Clearly this is not an area that interests a manager of any traditional company, where stability, smooth adjustments and uninterrupted production are of the utmost priority. Most organizations or individuals do not want to change unless forced to – and logical, rational reasons alone are certainly insufficient to generate and sustain change. It is mostly the entrepreneurs, following their visions, who are ready to tackle such odds.

If entrepreneurs – using innovation – take this step, then the question may be ‘How can we get more of them?’. That is the aim of this book – to teach and inform about entrepreneurship both those who wish to start a business, large or small, and those who wish to work in innovative companies. Fortunately, however, learning entrepreneurship goes further than that; entrepreneurship training teaches you how to be more enterprising, more creative, more innovative, more commercially aware and more self-motivated. These are skills that can have a profound positive effect on your employability, as well as on your private life.

Some years ago there was a debate among academics about whether entrepreneurs are ‘born or made’. Obviously, if entrepreneurs became so by virtue of their genes, then there would be little point in trying to teach it – one cannot teach blue-eyed people to have brown eyes! However, as I discussed in one book (Mellor, 2005: Chapter 1.4), entrepreneurial behaviour does not follow Mendelian inheritance patterns and I believe that the data in question (for review, see Bridge et al., 2002: Chapter 3) can best be explained by social imprinting – similar to a Pavlovian reflex – from entrepreneurial role models during childhood.

Entrepreneurship during one’s early twenties is also relatively popular; ‘nothing ventured, nothing gained’ is an attractive philosophy when you have little to lose. However, there is a dip in numbers of new entrepreneurs in their thirties and forties; risking everything is less attractive when your house and family are part of the stakes. A relatively recent noted phenomenon is later-life entrepreneurship among the 45+ age group (‘senior entrepreneurship’). Such mature people often have some financial resources, but more importantly, they master their subject with massive competence and expertise, are psychologically very stable and have realistic expectations. Companies started by entrepreneurs in this category show a higher average success rate and above-normal growth rates. Indeed, the Australian organization EGC (www.egc.net.au) specializes in venturing with mature and experienced returning ex-pats.

Thus it can be seen that anybody can be an entrepreneur at any stage in their life and indeed it could be argued that learning the tools of business creation is a skill that, if learnt now, may come in useful if not in the immediate future, then perhaps in 20 years time. Indeed, one factor this book expressly covers is entrepreneurial management; the overlap between entrepreneurship and management, in the realization that individuals can shift from one to the other (Figure 0.1).

To illustrate its importance, 1,500 colleges and universities in the USA offer some form of entrepreneurship training. Growth in the UK has been even more explosive, with over 500 courses being offered at over 100 UK universities and interest in entrepreneurship education spreading to non-business disciplines, where students in engineering, life sciences and liberal

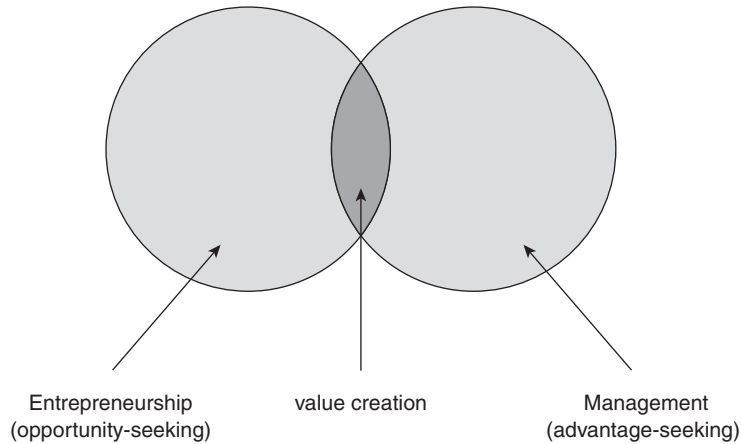


Figure 0.1 A Venn diagram illustrating that efficient value creation often occurs at the overlap of entrepreneurial and managerial behaviour (often called 'strategic innovation', 'entrepreneurial management' or 'strategic entrepreneurship')

arts are interested in becoming entrepreneurs, fostering a 'comparative entrepreneurship' approach. This module will give you a good grounding in entrepreneurship, regardless of your background.

A sound mastery of technical fundamentals is needed for success and the core competencies for new ventures must include the technical skills involved. This has led to a bit of a quandary, because the Business Schools claim 'ownership' regarding the teaching of the commercial activity called entrepreneurship, but unfortunately the Business Schools – per definition – are incapable of teaching the wide variety of deeply technical skills needed for successful entrepreneurship. These technical skills are provided by what I call 'the ABC Schools' e.g. Architecture, Biology, Chemistry, etc., where A, B and C can be any academic discipline. Thus this book is aimed at technical experts learning technical 'ABC' subjects and it is hoped that the number of disciplines covered will expand with subsequent editions, so 'A' may cover Aerospace, Architecture, Art and Archaeology; 'B', Building, Beauty and Biology; 'C', Chemistry, Cloning and Clothing, etc. We call this approach 'Embedded Entrepreneurship' and feel that only in this way – offering optional modules as 'Entrepreneurship & X' – can we ensure that aspiring student entrepreneurs possess the required technical background.

Teaching innovation, like innovation itself, flourishes on discontinuities, e.g. sudden unemployment. For final-year students one major discontinuity involves 'employability'; leaving the cosy education system behind and graduating into the cold harsh world. Experience shows clearly that – especially for non-business students – entrepreneurship courses are by far most effective in the final year, or final semester and this module will help prepare you as a new graduate for this large discontinuity. The module instructor will guide participants through the course in such a way that you, upon graduation, will be in a better position to be able to see more clearly the choices and paths open to you.

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This book follows the European concept of ‘course book’, with a chapter for each class lesson. To Anglo-Saxons this may appear as lecture notes expanded into a standalone text and indeed optimal value will be gained when you read it during a module where your lecturer uses the presentations and instructor guides downloaded from the companion web site. The text itself is divided into four generic parts for all students, and a specialist part. This structure uses the first three generic parts – Principles, Practice and Context – to introduce concepts common for students of all disciplines. In Part IV, you then concentrate on the chapter most related to the discipline you are studying and you may like to read the extra case studies related to the specialist chapters in Appendix B. The specialist strands re-join in Part V (‘Action’), which is about the young venture and academically forms a connection between the disciplines of entrepreneurship and small business research.

There is much to learn, so you must read the appropriate chapter before each class lesson; first, Chapters 1–9, then the chapter on your specialist discipline, then Chapter 16. If you are not certain what an acronym stands for, look it up in the list of abbreviations. If you do not understand a piece of jargon, e.g. ‘market shakeout’, ‘entropy’ or ‘goodwill’, then Google it and try find out before asking your instructor. The text is sprinkled with ‘think boxes’ containing cases, definitions, etc. that illustrate the surrounding text and prompt you to investigate the subject further. This is also the point of the references, the further reading lists and web links contained at the end of every chapter. It is a challenge, but only by reading around the subject will you master it!