

Module 2 Introduction to entrepreneurship: turning ideas into business opportunities



Purpose - The aim of the module is to introduce students to entrepreneurship and strengthen specific competences (e.g., entrepreneurial motivation) for the identification of an opportunity that could be transformed in a new venture. Furthermore, students will be introduced to the technique of the Lean Start Up Approach through which they will become familiar with the design of their products and test the underlying assumptions of their business models.

Skills and competences - To highlight and strengthen specific entrepreneurial competences of the participants focusing in particular on the identification of a business opportunity, entrepreneurial motivation. 1. Understand the definition of entrepreneurship and its process (4 steps), as well as entrepreneurship motivation. 2. Understand the purpose and the methodology of the Lean Start Up Approach.

TOPICS:

1. Introduction to entrepreneurship: What is it? Why is it important? 2. Entrepreneurial motivation. The cognitive process of the entrepreneur 3. Methodology of Lean Start Up Approach.

1. Introduction to entrepreneurship: What is it? Why is it important?

Whilst there is no universally accepted definition of entrepreneurship, it is fair to say that it is multi-dimensional. Entrepreneurs are those with the skills and capabilities to see and evaluate business opportunities. They are individuals who can strategically identify products or services needed by the community and have the capacity to deliver them at the right time and at the right place. Some of the good qualities of entrepreneurs are: opportunity-seeker, risk-taker, goal-setter, excellent planner, confident problem-solver, hardworking, persistent and committed. Entrepreneurship, on the other hand, is not just a simple business activity but a strategic process of innovation and new product creation. Basically, entrepreneurship is both an art and science of converting business ideas into marketable products or services to improve the quality of living.

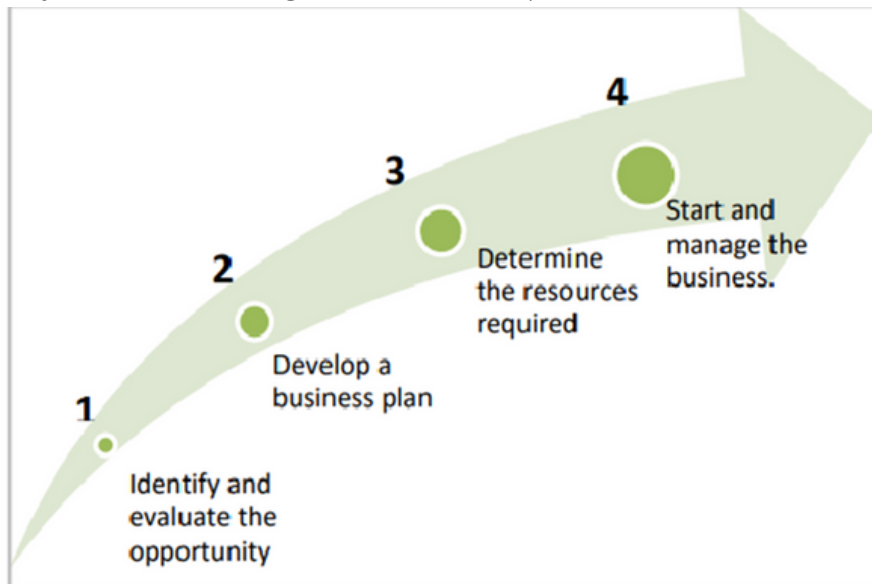
In the Lee A. Swanson book *Entrepreneurship and Innovation Toolkit*, entrepreneurs and entrepreneurship concepts are discussed. Gartner (1990) identified 90 attributes that showed up in definitions of entrepreneurs and entrepreneurship provided by entrepreneurs and other experts in the field. The following are a few of these attributes:

- Innovation – Does a person need to be innovative to be considered an entrepreneur? Can an activity be considered to be entrepreneurial if it is not innovative?
- Activities – What activities does a person need to do to be considered an entrepreneur?

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- Creation of a new business – Does someone need to start a new business to be considered to be an entrepreneur, or can someone who buys a business, buys into a franchise, or takes over an existing family business be considered an entrepreneur?
- Starts an innovative venture within an established organization – Can someone who works within an existing organization that they don't own be considered an entrepreneur if they start an innovative venture for their organization?
- Creation of a not-for-profit business – Can a venture be considered to be entrepreneurial if it is a not-for-profit, or should only for-profit businesses be considered entrepreneurial?

The entrepreneurial process itself is very complex. It is divided into 4 phases: from opportunity identification, business plan development, determining the resources required to finally start and manage business (see picture). :



Picture taken from Nieman, Hough, and Nieuwenhuizen (2003) 4 phases of entrepreneurial process.

In order to successfully coordinate the entrepreneurial process, there is a need to develop necessary competences. Entrepreneurial competencies refer to the important characteristics that should be possessed by an individual in order to perform entrepreneurial functions effectively. Personal effectiveness competencies are particularly important for entrepreneurial success, as entrepreneurs do not have a manager or supervisor to assist with the development of these abilities. According to the Entrepreneurial Competency Model, designed by the Consortium for Entrepreneurial Education (Schneider, Albornoz, 2018) there are six core personal effectiveness competencies.

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- **Interpersonal skills:** An entrepreneur with strong interpersonal skills has a knack for working well with people from diverse backgrounds. These entrepreneurs are very insightful with regards to the behavior of others – understanding motives and actions, quickly aware of strained relationships, and well attuned to both verbal and nonverbal behaviors.
- **Strong initiative:** Entrepreneurs with high initiative are often driven to work hard. These entrepreneurs frequently work independently and are often driven to achieve task mastery, regardless of the extra effort necessary to do so. Entrepreneurs with strong initiative set specific, time bound, challenging goals. These entrepreneurs are often very confident in their capabilities to perform well and enjoy seeking out novel opportunities.
- **Ambition:** Ambitious entrepreneurs are motivated, persistent, and persevere even in the face of difficult challenges. These entrepreneurs are patient and persistent, passionate and driven. They embrace new challenges while striving to exceed set expectations and standards.
- **Adaptability & flexibility:** Entrepreneurs who are highly flexible and adaptable often deal very well with ambiguity and have a unique ability to choose actions even without all necessary information. These types of entrepreneurs are innovative and creative, often developing novel solutions to complex problems. They handle change well, often generating new goals and actions to deal with unforeseen events.
- **Willingness to take risks:** Not only are successful entrepreneurs willing to take risks, they are also capable of identifying and calculating risk assessments. They are typically skilled at developing alternative plans and articulating worst-case scenarios. These types of entrepreneurs take calculated risks and learn from past mistakes.
- **Willingness to learn:** An entrepreneur with a strong willingness to learn often pursues opportunities that allow him or her to acquire new skills and expertise. These entrepreneurs initiate personal career development and often employ the feedback of others to help them make shrewd career decisions.

A successful entrepreneur needs to possess certain abilities and qualities. These qualities include:

- A clear vision of goals.
- Motivated to achieve goals, coupled with having a high degree of self-confidence.
- Prepared to take moderate risks.
- Resilience: being able to take “no” for an answer without giving up.
- Having initiative and independence.
- Possessing leadership and organisational skills.
- Seeking creative solutions to problems.
- A positive outlook.
- Taking responsibility for decisions.
- A positive attitude to all tasks.
- Being enterprising (recognising business opportunities).

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2. Entrepreneurial motivation. The cognitive process of the entrepreneur

Since the term motivation is multidisciplinary and can be analysed from different perspectives, it is useful, first of all, to specify our point of view: we are interested in motivation as a determinant of human behaviour, in this case, concerning the initiative to undertake an entrepreneurial activity (Barba-Sánchez & Atienza-Sahuquillo, 2011). In general terms, motivation deals with the psychological processes that cause the stimulation, direction and persistence of voluntary goal-directed actions. The activation of behaviour constitutes the drive to set in motion, an activating dimension that is generally confused with motivation itself. Thus, motivation is activated according to the drive (internal state) and the incentive (external factor). The directional aspect, on the other hand, refers to the purpose or goal of the behaviour and implies that it is directed towards the achievement of some desired future state. Finally, persistence refers to the constancy of energy that maintains the development of the effort, since it is not enough to set the action in motion (activation), but it is necessary to carry it through to completion.

Associated with the concept of motivation is that of motive, complementing this goal-oriented impulse - motivation - with the source of possible satisfaction for the subject who acts - motive. The decision to create a company involves two levels: rational and motivational. The first level focuses on the objective reasons for adopting such behaviour; reasons that are found in the environmental conditions, which reinforce or penalise certain behaviour. The second refers to the subjective reasons derived from the decision maker's expectations, i.e. motivations.

Regarding the reasons for entrepreneurship, Barba-Sánchez and Atienza-Saquillo (2012) identified the main reasons entrepreneurs start their businesses, based on Amabile's Work Preference Inventory (WPI) and measured on a five-point Likert scale (Table 1). The highest average score was that of Create my job (4.15 out of 5), which reflects the prevailing economic and social situation in Spain, with high unemployment rates, especially among young people.

Necessity entrepreneurship is motivated by personal subsistence in the absence of other types of work (Barba-Sánchez & Molina Ramírez, 2014, 2016), while opportunity entrepreneurship is derived from the desire to implement an idea or to go further in professional development than a job as an employee might allow (Barba-Sánchez, Arias-Antúnez, Orozco, 2019). Companies created under this second type of entrepreneurship tend to have a greater capacity for growth and innovation, with a better survival rate, which is why the specialised literature considers this type of entrepreneurship to be of higher quality (Barba-Sánchez & Martínez-Ruiz, 2009). In addition, opportunity entrepreneurs tend to be repeat entrepreneurs, creating several companies throughout their lives.

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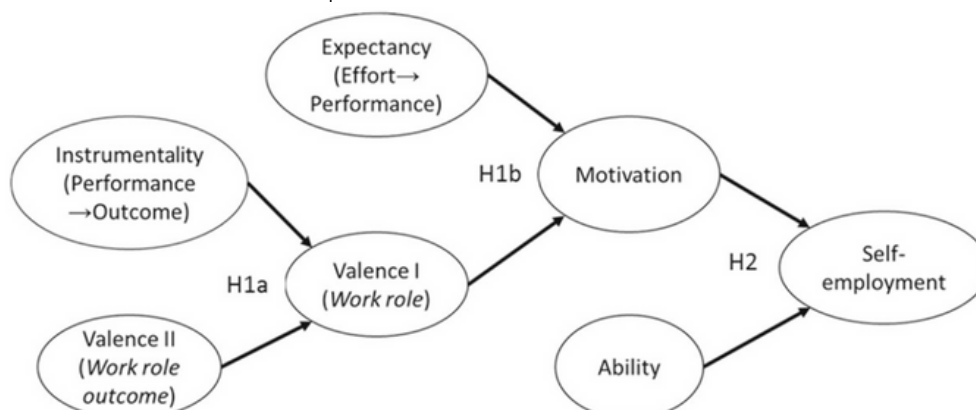
The motivational process

The motivational process is structured in three phases (Barba-Sánchez & Atienza-Sahuquillo, 2011):

1. Deficiency phase. This refers to the needs that manifest themselves when an individual lacks something necessary for his or her normal personality development. The needs that can alter it are practically infinite. If the lack is of physical elements, biological needs arise. If what is lacking is social values, social needs appear.
2. Dynamic phase. The need provokes in the person an impulse to direct the activities of his or her acts towards the satisfaction of these needs. This produces the desire to carry out certain activities aimed at a specific objective.
3. Achievement of the objective. Finally, the motivational process tends to the achievement of an objective congruent with the previous needs, which totally or partially calms the desire, producing satisfaction in the individual.

However, the cognitive process followed by the person who decides to undertake is more complex, according to Expectancy Theory (Figure 1): the decision depends on the individual's aptitude and motivation. The individual's motivation will depend on the subjective perception of the probability that a certain act will be followed by a certain outcome (expectancy), the greater the value of the individual's certainty (instrumentality) that by adopting a certain behaviour, such as entrepreneurship, he or she will achieve a certain outcome, such as the rewards or penalties derived from entrepreneurship. These results acquire value (valence) for a given person insofar as, through them, he/she satisfies his/her active needs or achieves the objectives he/she has set for him/herself.

In short, the behaviour that maximises expectancy and valence at the same time will be the one chosen by the individual, provided that the individual's aptitude to carry out this action is adequate. Whether a person decides to undertake an action depends not only on his motivation, i.e. whether he wants to but also on his ability, i.e. whether he can. Source: Barba-Sánchez & Atienza-Sahuquillo (2017: 1102).



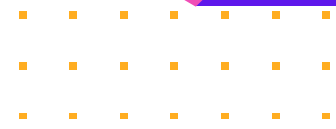
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Table 1. Motives for entrepreneurship
a 5 = extremely important, 4 = very important, 3 = mildly important, 2 = not very important, 1 = unimportant

Source: Barba-Sánchez & Atienza-Sahuquillo (2012: 134).

Code	Items	Meana (Standard Deviation)	
MOT8L	To create my job	4.15	(1.23)
MOT8L	To develop an idea	4.02	(1.20)
MOT10L	To do things my way	3.93	(1.22)
MOT23L	Personal growth	3.80	(1.31)
MOT4L	To exploit a business opportunity	3.66	(1.26)
MOT1L	To have an interesting job	3.58	(1.23)
MOT15L	Personal self-realization	3.54	(1.49)
MOT20L	To be my boss	3.54	(1.36)
MOT13L	A desire to be independent	3.50	(1.43)
MOT19L	To cover my personal needs	3.43	(1.25)
MOT7L	To have economic security	3.36	(1.32)
MOT17L	To overcome a challenge	3.36	(1.49)
MOT16L	To have financial autonomy	3.35	(1.25)
MOT9L	To gain more flexibility in my personal life	3.26	(1.44)
MOT2L	Warm work relations	3.24	(1.26)
MOT21L	To fulfil a dream	3.12	(1.46)
MOT3L	To contribute to the welfare of the community	2.97	(1.24)
MOT22L	To earn a lot of money	2.75	(1.28)
MOT11L	Social status and prestige	2.36	(1.24)
MOT12L	Family tradition	2.36	(1.54)
MOT5L	To follow the example of someone who admired	2.20	(1.41)
MOT14L	To be accepted socially	2.06	(1.14)
MOT6L	Work frustration	1.70	(1.17)

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The relationship between motivation, personality and entrepreneurship

Personality trait theory stresses that personal characteristics have a clear influence not only on the decision to start or not to start a business but also on the type of business that is created and how it is managed. This theory is framed within the cognitive approach to entrepreneurship which states that the process of setting up a business is directly influenced by mental processes, such as motivation, perceptions or attitudes. Furthermore, this approach establishes psychological traits, such as the need for autonomy and achievement, internal locus of control or moderate risk perception, as well as demographic and environmental variables, to explain entrepreneurial behaviour.

However, before entrepreneurship, entrepreneurial intentions are the key to understanding the entrepreneurial process and can be seen as the first step in creating a company (Barba-Sanchez, Mitre, & Del Brio, 2022). The Entrepreneurship Potential Model (EPM), based on Shapero and Azjen's models, integrates the concepts of perception, feasibility and desirability. Although a person may perceive that the creation of a company is desirable and viable, he or she may not decide due to the lack of a triggering event that would mark a turning point in his or her professional career.

For its part, the systemic model defends the interdependence between psychological traits, capacities and context, the entrepreneurial process not being a sequential process, provoked by a determined event, but a process developed through a process of continuous cycles of interaction between different variables, such as knowledge about the entrepreneurial process, the capacities to tackle this process, the attitudes towards it or the opportunities detected in the environment; until the person is mature enough to leap into entrepreneurship. From this conception, an improvement in any of these variables (for example, an increase in their knowledge or their capacity, through a training course), can positively affect the rest, increasing their perception of opportunity, or influencing their attitudes in the sense of giving them greater confidence, until they finally become entrepreneurs (Barba-Sánchez & Atienza-Sahuquillo, 2018).

In addition, the country's effect needs to be taken into account. Previous research has examined the motivations that guide entrepreneurs in different countries, concluding that different cultural environments generate different reasons for entrepreneurs to start a business. Three types of countries are identified: the Anglo-Saxon countries, where the key factors in deciding to start a business are the desire for power and autonomy; the Scandinavian countries, where the main attraction of starting a business is to seize an opportunity; and the developing countries, where the main motives are social recognition, community altruism and the desire to make money.

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In short, what motivates entrepreneurs cannot be identified in a homogeneous way for all, not even for one if we observe the evolution of their business career since the needs that each person has are different and they change according to the circumstances of each moment; thus, what may fully satisfy a person today, tomorrow may only be the first step towards the total satisfaction of their needs. Traditionally, it was thought that entrepreneurs were born, that is to say, that the qualities and attributes required to be an entrepreneur were innate, so that any public action to promote the entrepreneurial spirit was useless; nowadays, the results of a multitude of empirical research show that the entrepreneurial phenomenon is a social process, favoured in certain cases by these innate characteristics. Hence, initiatives such as this Entrepreneur project to encourage and promote entrepreneurship from the political and educational sphere are a good instrument to increase entrepreneurial intentions, in this case, in the European university environment.

Practical case: Abono Café

Abono Cafés was a Spanish cooperative created in 2018 by people with intellectual disabilities (see Barba-Sánchez, Salinero and Jiménez-Estevez, 2021) that finally had to close due to the Covid-19 pandemic. This company was committed to a business model based on the Circular Economy, as it was dedicated to the production of ecological humus from coffee grounds and using Californian red earthworms.

This was the first experience of entrepreneurship and socio-occupational inclusion arising from the first edition of the training course for people with intellectual disabilities organised by the University of Castilla-La Mancha in the 2016/2017 academic year. This cooperative was formed exclusively by the students who attended the course.

Entrepreneurship was chosen as a response to the economic, social and employment reality, where the group of people with disabilities face very high unemployment rates, especially if the disability is intellectual. The students attending this course decided to stop waiting for someone to give them an opportunity to work and decided to create their own company.

Although it was a venture out of necessity and with public-private funding and support, this company generated an integrated social value that was five times higher than the public funding received. Thus, for every euro invested by public institutions, Abono Café generated at least €5.37 (Barba Barba-Sánchez, Salinero and Jiménez-Estevez, 2021).

In addition, the personal experience of these young people as entrepreneurs allowed them to increase their self-esteem and job skills, which has had a very positive influence on their level of employability and even on their health and quality of life. One of the biggest problems faced by this group is marginalisation and social isolation, but thanks to entrepreneurship they have multiplied their social networks exponentially, facilitating their social insertion, as well as their labour market insertion (Barba-Sánchez, Salinero, Jiménez-Estevez & Galindo, 2021).

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The last topic we want to discuss in this module is the methodology of Lean Start Up approach, as entrepreneurs often invest a lot of resources into untested business models (production facilities, human resources, advertisement etc.) so that they run out of money if the assumptions on which the model is based turn out to be wrong. Therefore a small scale approach should be used to test if the business model is valid and has traction with the customers. Only when the model is validated the business invests in expansion.

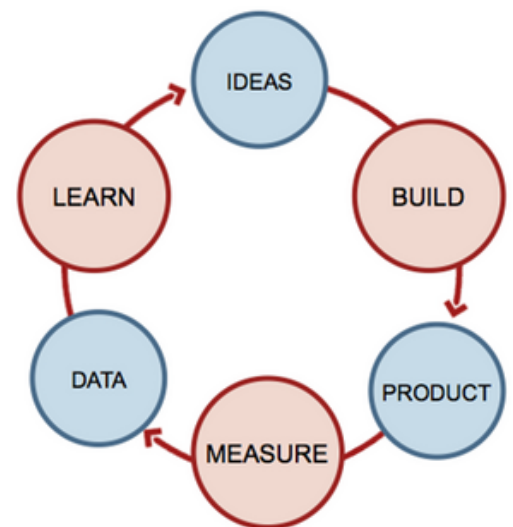
3. Methodology of Lean Start Up Approach

The lean start-up is a methodology for developing businesses and products, aims to shorten product development cycles. Entrepreneurs are encouraged to hypothesize, prototype, get feedback and adapt their product and service as fast as possible. The main idea is to fail as long as it is cheap to fail and then do better. The lean startup method considers experimentation to be more valuable than detailed planning. The lean startup method was developed by American entrepreneur Eric Ries, founder, and CEO of the Long-Term Stock Exchange (LTSE). He fully explains the method in his bestselling book, *The Lean Startup*, which has been translated into 30 languages. Inspired by ideas from lean production the method seeks to eliminate everything that is not necessary for producing the core value and/or for testing the traction of the early business model. Customer feedback should be collected early on so that the company makes sure that it does not invest in features that in fact nobody wants (except the inventors). Saving such costs can also reduce the dependency on external investors and therefore maintain the freedom of the founders and the flexibility to adapt, but also to limit the individual risk. One key concept in this concept is the „minimum viable product“(MVP), which is a prototype that is developed just to the degree that meaningful customer feedback can be collected. This feedback can include desirable or core features, design, uses and price point (what does the customer think he/she would pay for such a product/service?) A related concept of the lean start-up methodology is „Split testing“, the idea being that potential customers are confronted with various versions of the potential product to observe which one they prefer. Such testing can be done with varying scientific rigour, depending on budget and ambition. Entrepreneurs following this method test their hypotheses by engaging with potential customers, purchasers, and partners to gauge their reactions about product features, pricing, distribution, and customer acquisition. With the information, entrepreneurs make small adjustments called iterations to products, and large adjustments called pivots correct any major concerns. This testing phase might result in changing the target customer or modifying the product to better serve the current target customer.

The lean startup method first identifies a problem that needs to be solved. It then develops a minimum viable product or the smallest form of the product that allows entrepreneurs to introduce it to potential customers for feedback. This method is faster and less expensive than developing the final product for testing and reduces the risk that startups face by decreasing their typical high failure rate.

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The methodology is based on cycles “plan-do-check-act” or “build-measure-learn”, which is provided in the scheme below, which was adapted from Ries (2011). The following steps are described: (1) Building the business vision: also known as ideation, it is the stage where there is the creative process of generating ideas and designing the business that the entrepreneur wants to develop. (2) Formulating the business model and hypotheses: in this step, the delivery model of value to customers is designed. The results of this step are always ideas. (3) Building experiments: an activity of scientific nature in which the researcher or entrepreneur use to test the business model hypotheses. (4) Measuring results: through data analysis and using statistical tools, the entrepreneur must measure and monitor the results of their experiments and confront them with previously defined hypotheses. (5) Learning: a key concept and goal in the early stages of a startup. It consists of confirming or ruling out hypotheses through experiments. Ries (2011) calls this validated learning, whose outcomes fall into four categories: pivoting, iterating, escalating and giving up.



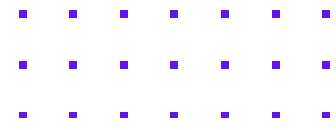
Overall the methodology can be summarised as a Build-Measure-Learn process, particularly as a process where this is done at high speed. Effectiveness and therefore chances of business success are measured by the mastery of this cycle.

Main key points and examples how to use Lean startup

The lean startup method is not to be used exclusively by startups. Companies such as General Electric, Qualcomm, and Intuit have all used the lean startup method; GE used the method to develop a new battery for use by cell phone companies in developing countries where electricity is unreliable. For example, if you provide a healthy meal delivery service that is targeting busy, single 20-somethings in urban areas, maybe you might learn that it has a better market in 30-something affluent mothers of newborns in the suburbs. What actions you can take? Your company might then change its delivery schedule and the types of foods it serves to provide optimal nutrition for new mothers.

It might also add on options for meals for whole family, etc. Finalising, you have to be aware of key points of Lean startup methodology: Lean startup is the process of developing a product or company based on the expressed desires of the market. The lean startup uses validated learning, which is a process by which companies assess consumer interest. Lean startup methods focus heavily on customer-related information such as customer churn rate, lifetime customer value, and product popularity.

Assignments



1 assignments

Take a couple of minutes and reflect on what you understand by the term Entrepreneurship. How would you define it? What competences needed to become an entrepreneur you possess? Make some notes in your personal journal.

2 assignments

The practical activity consists of analysing our entrepreneurial attitudes through General measure of Enterprising Tendency test. To measure general enterprising tendency (GET) we used Caird's scale*, which summarizes five entrepreneurial attributes: high need for achievement, high need for autonomy, calculated risk-taking, internal locus of control and creative tendency. This scale had 54 items, with the even-numbered and the odd-numbered items being formulated in a positive and a negative sense, respectively. If you score less than 27, you have a low GET; if you score between 27 and 43, you have a medium GET; and if you score more than 43, you have a high GET. Reflect on your results and discuss how best to increase your GET level.

*Caird, S. (2013), General measure of Enterprising Tendency test. www.get2test.net

3 assignments

Think of your business idea and reflect on how Lean startup methodology could be useful in starting your business?

#1

Questions for the discussion?

1. What do you think are the most important qualities for entrepreneurs?
2. How many features do you have?
3. What do you think makes a good idea?
4. Can all ideas be innovations?
5. What must an entrepreneur do to create an innovation?

#2

Useful links

- <https://www.shopify.com/blog/what-is-entrepreneurship>
- https://www.emerald.com/insight/content/doi/10.1108/MD-07-2017-0663/full/pdf?casa_token=3zQmqXJeWTEAAAAA:DDb9jMWSFXUSNei6cbPuYbXjFyYZvZD_DR1I3XffgEmd9f4Y-MI1u7aaGtUFycjMUPOXv0C3X-qbXT0mj5mLsxK7A-6oTZBbrCK9n9_zVHNsGEk5m_y8Kw
- [https://biz.libretexts.org/Bookshelves/Business/Entrepreneurship/Book%3A_Entrepreneurship_and_Innovation_Toolkit_\(Swanson\)](https://biz.libretexts.org/Bookshelves/Business/Entrepreneurship/Book%3A_Entrepreneurship_and_Innovation_Toolkit_(Swanson))

#3

Become a co-author

This handbook is unique in that we invite everyone to co-author it. If you are an expert and work in the field of entrepreneurship, if you want to share useful information with the readers, if you are a creator of unique tasks and believe that you can contribute to entrepreneurship in one way or another, we invite you to share your information and we will add a new chapter to the handbook that you have created.

More information: TTO Edvinas Samys edvinas.samys@vdu.lt