

1.2: Entrepreneurship Today

LEARNING OBJECTIVES

By the end of this section, you will be able to:

- Define entrepreneur and entrepreneurship
- Describe types of entrepreneurial careers and lifestyles
- Understand entrepreneurs as problem solvers
- Explain current factors driving the growth of entrepreneurship
- Compare differences in entrepreneurial opportunities around the globe

As we delve into the study of entrepreneurship, let's define what we mean by the word *entrepreneur*. An **entrepreneur** is someone who identifies and acts on an idea or problem that no one else has identified or acted on. This combination of recognizing an opportunity to bring something new to the world and acting on that opportunity is what distinguishes an entrepreneur from a small business owner. A small business owner is someone who owns or starts a business that already has an existing model, such as a restaurant, whereas an entrepreneur is someone who creates something new. This new creation can be a new process or product, a business that identifies a new or unique target market, or a combination of ideas that creates a new approach or method, for example.

In a broader sense, what people consider an *entrepreneur* can vary. Some scholars strictly differentiate between entrepreneurs and small business owners.⁵ Others acknowledge that a small business owner may also be an entrepreneur—they are not mutually exclusive. Someone may start a venture that is not a completely new idea, but that introduces a product or service to a new region or market. Where does a franchise fall in this discussion? Again, there is not complete agreement, with some claiming that a franchisee and entrepreneur cannot be the same, and others arguing that a franchise is, indeed, an entrepreneurial venture. According to an article in *Forbes*, “In the for-profit world, an entrepreneur is someone who creates and runs a new business where one did not exist before. And, no, the McDonald's franchisee didn't create McDonald's. But he certainly created a McDonald's where there never was one before. Franchisees are entrepreneurs.”⁶ The point is that small business owners and franchisees can be considered entrepreneurs. For the purposes of this textbook, you will learn the key principles of entrepreneurship alongside the concepts, strategies, and tools needed to succeed as a small business owner or franchisee.

Entrepreneurs have many different talents and focus on a variety of different areas, taking advantage of many opportunities for entrepreneurial ventures. An **entrepreneurial venture** is the creation of any business, organization, project, or operation of interest that includes a level of risk in acting on an opportunity that has not previously been established. For some entrepreneurs, this could be a for-profit venture; for other entrepreneurs, this could be a venture focused on social needs and take the form of a nonprofit endeavor. Entrepreneurs might take a variety of approaches to their entrepreneurial venture, such as those shown in Table 1.2.1.

Table 1.2.1: Types of Entrepreneurs

Type of Entrepreneur	Approach to Venture
Innovators	Find new approaches, methods, or products that add value through solving a problem in a unique manner
Creators	Make something new or see a problem that other people have not noticed
Market makers	Innovate or reinvent their market from a future perspective by asking what the market could evolve into
Expanders and scalers	Seek out opportunities to expand upon previously created methods, processes, or products

In this textbook, you will explore these myriad avenues toward entrepreneurship.

ARE YOU READY?

How Do You Define Success?

- What is your personal definition of success? How would you define success for your venture idea? Take time to consider these questions carefully.
- Write your answers to both questions as formal descriptions of your definition of success.
- After completing your definitions, meet with your family members or your personal support group (the important people whose support you need to achieve the defined success statement) to discuss your personal definition of success.
- After hearing their input, you might want to revise your personal success statements.
- Follow through with this activity by talking to your startup team or other supporting people about your venture's success definition. This activity may help guide you in decision-making throughout your life journey and the journey of starting your venture. It will also be helpful when you and your startup team create a vision statement for your venture.

The Entrepreneurial Lifestyle and Career

People often have thought of entrepreneurs as corporate rebels, nonconformists, or activists. Being an entrepreneur has become synonymous with being an innovator, a change agent, or a risk-taker. Regardless of job titles or descriptive characteristics, entrepreneurship has a universal appeal for how people think and engage with the world.

Choosing the path of entrepreneurship requires a willingness to take on calculated risks. The difference between risk and *calculated* risk is **due diligence**, or conducting the necessary research and investigation to make informed decisions that minimize risk. Not everyone is comfortable letting go of a steady paycheck, especially when we know that there is no long-term guarantee that the paycheck will continue into the future. In one approach to minimizing personal financial risk, some startup entrepreneurs continue with their current employment while working on the side to develop their idea into a venture that eventually will generate an income. Until the venture requires near full-time work and generates income, maintaining an outside income works well for many entrepreneurial teams.

Consider the eyeglass startup Warby Parker (Figure 1.2.1). Dave Gilboa and Neil Blumenthal, lead entrepreneurs for Warby Parker, were still working their normal jobs when they approached an angel investor with their idea. The angel investor asked a few questions and wasn't impressed. This investor believed that Gilboa and Blumenthal should demonstrate their solid commitment to the venture by quitting their day jobs to dedicate more time and energy to Warby Parker. Instead of following that advice, Gilboa and Blumenthal kept their day jobs while they continued to work toward building their venture, and Warby Parker eventually became highly successful. There are many paths to becoming an entrepreneur, and many paths to creating a successful venture. It is important to identify the path that works best in your life—and for the venture—and that supports your goals and your unique situation and visions.



(a)



(b)

Figure
1.2.1

: Co-founder and co-CEO Dave Gilboa helped push. Modification of “775208326EC00084_TechCrunch” by TechCrunch/Flickr.
Figure

1.2.2

: Warby Parker to become a successful entrepreneurial venture. Modification of “Warby Parker Aventura Mall” by Phillip Pessar/Flickr

Figure 1.2.1 Within the entrepreneurial world, the idea of a **lifestyle venture** has evolved to mean a business in which the founders' primary focus is the lifestyle they will attain through becoming entrepreneurs, rather than a primary interest in financial rewards through the selling of the business. Within the entrepreneurial world, harvesting is the typical exit strategy. The **harvest** is the point at which the investors and entrepreneurial team receive their return on creating and building the venture.

For a lifestyle venture, the entrepreneur is more likely to be a solo entrepreneur, someone who moves forward in starting a new venture without the support of a team or group of likeminded individuals who recognize the value or potential of an entrepreneurial idea that could potentially result in significant returns. A lifestyle venture is also more likely to be funded through family and friends, and more traditional methods such as a bank loan or a small business loan. This lifestyle includes greater freedom to decide areas of responsibilities, hours of contribution to the venture, and other decisions that support the desired lifestyle. An example of a startup lifestyle venture is The Wander Girls, a company that identified the unique concerns of women traveling alone.⁷ The Wander Girls organizes trips and events for groups of women traveling in India. A team member organizes the trip, travels with the female tourists, and handles daily interactions and transactions.

Another example of a lifestyle venture is based on how an entrepreneur aligns values, interests, and passions to create a balance between enjoying life and earning enough money to support those passions. Roxanne Quimby had a passion for living off the grid, creating her own life in the woods of Maine, and not being restricted by the rules and regulations required when working as an employee. After becoming a parent, Quimby faced the challenges presented by her lifestyle choices and started making candles to earn enough money to support her family. Eventually, Quimby's lifestyle candle-making business expanded into the highly successful Burt's Bees Corporation, moving her lifestyle business into a career as the CEO of Burt's Bees (Figure 1.2.3). After selling Burt's Bees to Clorox Co., Quimby continued her passion for the north woods of Maine by donating land and money to create a wildlife sanctuary and preserve that land from development.



Figure
1.2.3

: The Burt's Bees product line grew from an idea for a lifestyle entrepreneurial venture into a major company. by "Burt's Bees" by Carol Bleistine/Flickr

Quimby's latest endeavors include creating a pasta company, My Pasta Art, focused on increasing employment opportunities for people in northern Maine,⁸ and building the tourist industry to encourage people to enjoy the region's beautiful habitat and scenery. Although she is highly successful from a financial perspective, money was never the motivation for her ventures. As you can see, there are many paths to finding your career in entrepreneurship, and multiple trigger points at which you might make the decision to become an entrepreneur.

WHAT CAN YOU DO?

How Can You Put Your Strengths to Work?

Create a list of ten strengths that you currently possess. If you need help creating your list, ask your friends or family what they believe you are good at doing. Think about what achievements you have accomplished, what compliments you have received, and what people say about you. The answers to these questions will help you identify your strengths.

- Create a list of ideas that build off your strengths or are related to your strengths.
- Then analyze this list to create another list of possible businesses that you could start that relate to your strengths.

The Entrepreneur as a Problem Solver

What are some challenges you face in your life? Have you ever actively thought about how you could solve those problems? Or have you actively identified exactly what the problem is from an analytical perspective? We often have a tendency to jump quickly from noticing a problem to selecting a solution, with little understanding of whether we have even correctly identified the problem. Identifying the problem—and testing the potential, novelty, and feasibility of your solution—is an important part of resolving the problem. Often, when we start to explore the problem, we find that it has multiple causes. Among them are:

- The need for something to be better, faster, or easier
- The effects of changes in world on your industry, product, or service
- Market trends based on geography, demographics, or the psychology of the customers

One characteristic of a savvy entrepreneur is recognizing the ability to identify a problem from an opportunity-identification perspective. We might identify feeling hungry as a problem, but an entrepreneur would identify the problem using an **opportunity-identifying perspective** by determining how the problem could be translated into an opportunity to create a new venture—perhaps combining the problem of feeling hungry between meals into a street kiosk or a vending machine with food choices or creating a new snack that is nutritious, satisfying, and portable. People need to eat, and they get hungry, but during a busy day with no open time or convenient food, people end up hungry. Rephrasing the problem, or need, from an opportunity viewpoint opens the search for a sustainable solution beyond the simple awareness of feeling hungry. We might solve this problem by opening a snack bar with offerings that contain essential vitamins and proteins, and is easy to transport with a long shelf life. Understanding the problem from the perspective of how to solve it for one person into how to solve it for multiple people rephrases the problem into an opportunity-identification perspective.

You might also have an interest in solving food-related problems on a larger scale. People trapped in a war-torn region may not be able to leave the safety of their shelters to find food, grow food, or barter for food, or they may not have the money to buy food. How could you reach your target market within a war-torn area? Red Cross emergency response vehicles traveled 2.5 million miles to deliver food, relief supplies, and support to communities affected by disasters during 2017.⁹ That's the equivalent of driving around the globe 103 times. Could your idea of creating a snack bar fit into a partnership with the Red Cross?

Although this might seem like a simple problem with a simple solution, persevering from the recognition of a problem to finding a realistic solution, then moving that solution forward into a successful venture, requires an entrepreneurial mindset. Every day, people become entrepreneurs as they identify and solve problems, or face new challenges or frustrations, and resolve them in creating products or services to address these issues.

WHAT CAN YOU DO?

Recognizing Problems

In your daily life, what problems do you encounter? What would make your life easier? How would you finish this sentence: “If only _____ existed, my life would be better or easier”? To spur your creativity, you might research global problems to find an area that interests you, that sparks your passion for living a fulfilling life. When identifying a problem, consider process-related problems as well as service-related problems.

For more ideas like Chloe Huang's, visit the UNESCO Global Action Program on Education for Sustainable Development (<https://en.unesco.org/gap>) and review other submissions that may activate your own creativity in thinking about how you want to contribute your skills and knowledge to improve our world.

- What problem have you identified?
- What can you do to resolve that problem?

Factors Driving the Growth of Entrepreneurship

Do you know anyone who has lost their job? Or who has been rejected or mistreated at work? Or had their income reduced, or benefits removed? Research shows that 47 percent of all US employment is at risk through artificial intelligence and other technologies, although there will also be new opportunities for jobs that currently don't exist.¹⁰ These types of experiences and outlooks have provided the impetus for many people to start their own businesses. When we work for someone else, we are at the mercy of their decisions and actions, but we get paid and don't carry the full risk of their decisions. When we work for ourselves, we get to make the decisions (not that making decisions is easy). But when we have our own business, we have greater control—in

exchange, we also carry the risk for all decisions we make. This control over decision-making is one reason that some people find the world of entrepreneurship attractive.

Another contributing factor to the desire to become an entrepreneur is the excitement and fun of creating something new. Many entrepreneurs are excited at the idea of moving the concept through to the materialization of the idea.

A third factor that supports the growth in entrepreneurship is the combination of retirement and longer life expectancies. Many people enjoy working. For them, retirement consists of too much open time and not enough activities or the type of engagement with the outside world that fulfilled their needs during their working lives. Retirement also presents unique financial considerations, depending on an individual's lifetime savings and planning. The combination of having available time and a desire for continued earnings encourages some older adults to explore their own entrepreneurial opportunities.

A fourth factor driving the growth of entrepreneurship is the expanding awareness and support of entrepreneurship as a viable career choice. In much of the twentieth century, families encouraged their children to find a stable career with a large corporation. During this era, there was a certain expectation of reciprocal loyalty between the employer and the employee based on some traditional employee-employer roles in that century. The general, informal agreement was that if employees came to work every day and fulfilled their responsibilities, they would have long-term employment with that corporation. But as competition increased and new business practices evolved, this unspoken guarantee no longer held true. The model of certainty of employment gradually disappeared. As people acquired a new perspective on their careers and income, they increasingly realized that we are all responsible for our own paths. Most studies suggest that people change their careers between three and seven times.¹¹ Note that this is not how often people change jobs, but how often they change their careers, moving from one industry to another, or moving from one type of work to a different type of work. The older model of stability through working hard for someone else has vanished. This awareness and acceptance have encouraged recent generations to consider creating their own futures through entrepreneurial ventures.

Just as individuals have become aware of the benefits of entrepreneurship, communities and organizations have also become aware of how entrepreneurial ventures add economic development and enhancements worth supporting, bolstering opportunities for those who decide on this path.

Entrepreneurship around the Globe

In the United States, entrepreneurial opportunities abound, relatively speaking. Between 1990 and 2014, the number of campus-based entrepreneurship education programs increased from 180 to over 2,000.¹² Comparing globally, the United States has the greatest number of entrepreneurial ventures, with Switzerland, Canada, Sweden, Denmark, and Australia following in order, according to Global Entrepreneurship Index, a global consulting firm Figure 1.2.4

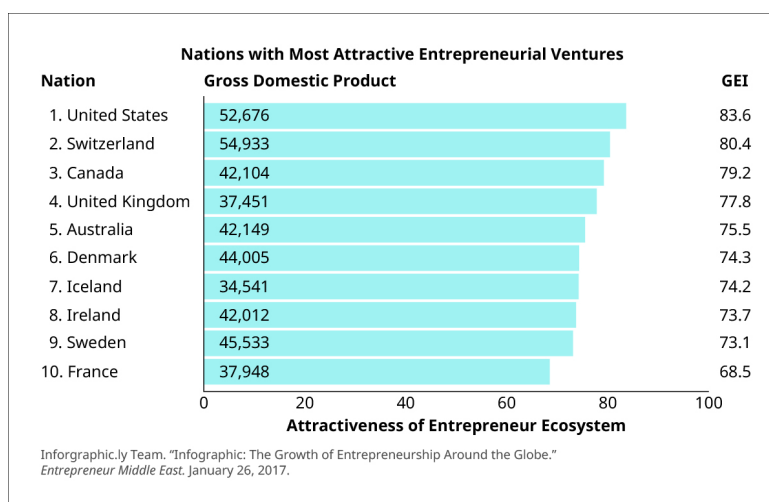


Figure
1.2.4

: The number of entrepreneurial businesses, in millions, is shown for several countries. Copyright by Rice University, OpenStax.

Why is the United States leading with the greatest number of entrepreneurial ventures? What does it take to become an entrepreneur? In addition to having an entrepreneurial mindset, entrepreneurs also need education and funding to support their new ventures.

As an introduction to funding, you should know there are three primary sources of outside funding: family and friends, angel investors, and venture capitalists. Some family members and friends are willing and able to invest money in helping the entrepreneurial team. An angel investor is someone who has available funds and an interest in supporting a new venture. They are often entrepreneurs who have successfully launched and harvested their own ventures, and who have an interest in helping other entrepreneurs in their startups, staying active in the entrepreneurial world, and a desire to receive a return on their investment in the venture. Angel investors often provide funding early in the life of a venture. As the venture grows, it typically requires more funding, at which time venture capitalists may invest in the venture. A venture capitalist (VC) is a group of people (or organizations) who pool resources to invest in entrepreneurial ventures, contributing larger sums of funds than are available through angel investors. In each funding round, investors receive an equity stake in the venture with expectations that at some point in the future, the venture will be sold, or harvested, at which time the investors will receive a return on their investment. Because they tend to be in larger groups, VCs typically have access to larger amounts of money and resources than individual angel investors.

In the United States, VCs contributed \$72.3 billion in 2015 for 3,916 deals, or funding rounds. In China that same year, \$49.2 billion were invested in 1,611 ventures.¹³ European VC investment totaled \$14.4 billion and 1,598 deals. Tracking these numbers over time shows steady increases in VC funding as entrepreneurial ventures have become more common Figure 1.2.5.

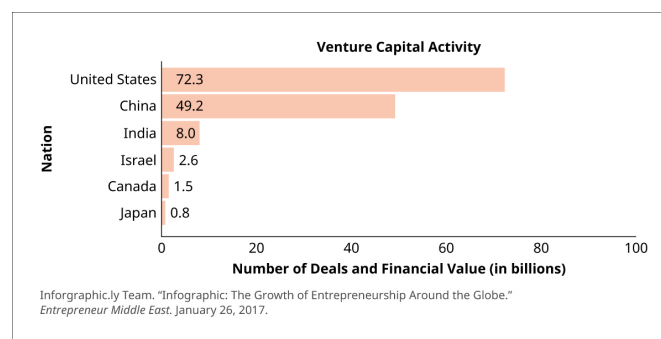


Figure
1.2.5

: The total venture capitalist investment and number of deals for several countries are shown. Attribution: Copyright Rice University, OpenStax.

Other factors that can affect entrepreneurial opportunity include employment rates, government policies, and trade issues. For example, in the Middle Eastern kingdom of Saudi Arabia, a newer driver of entrepreneurship includes a high unemployment rate with a large percentage of the population in its prime earning years. In the past, employment was less of a concern because of dependency on state support from oil revenue. The population received monthly allotments to cover expenses from state-owned oil production. More recently, the population has become restless, with a desire to become productive and have greater control over their own resources. And the rulers recognize that oil production income is volatile and unsustainable. Today, with more future-oriented leaders, countries in the Middle East desire to encourage their citizens to consider starting their own businesses.¹⁴ The example of entrepreneurship in the United States has spread around the globe, with other countries taking an interest in developing support systems to encourage their populations to become entrepreneurs.

As noted, the United States is a world leader in entrepreneurial innovation. Perhaps because the United States is, in large part, a nation of immigrants, with people arriving from all over the world, Americans have few prescribed traditions that encourage conformity. America's longstanding traditions and reputation for individualism, ingenuity, and self-reliance have reinforced this mindset. However, the governments of other nations have discouraged their citizens from independent or innovative thinking. Some cultures emphasize political, cultural, and economic unity, and place a strong value on not being noticed, blending in, and following prescribed habits and traditions. Countries like Japan, France, Russia, China, and others continue to reflect these norms. Other countries have complex bureaucracies that prevent quick responses and place barriers to entrepreneurial activities. Parts of worldwide economic structures (banking, investments, and technology) are not accessible or even explicitly exclude some nations and the poor. Systems like this discourage people from coming forward with entrepreneurial ideas because the culture and bureaucracy prevent people from finding access to information necessary for the successful advancement of an idea. In contrast, other countries are noticing the benefits of encouraging their populations to become more open-minded and creative through new ventures.

LINK TO LEARN

Transparency International is an organization that tracks corruption, which can be an inhibitor to entrepreneurship. The [Transparency International website](#) provides information to rank 180 countries in identifying the abuse of entrusted power for private gain.¹

Key characteristics that encourage entrepreneurship include support for freedom to create and innovate. What conditions encourage creativity and innovation? Acceptance of failure is a key characteristic for success as an entrepreneur. Many of the great inventions in the United States resulted after dozens of failures, as when Thomas Edison eventually developed a working light bulb. Edison identified a problem: Once the sun set, working hours were restricted, as were daily activities such as reading a book or washing dishes. Edison, along with many other inventors, recognized the need for an artificial light source. Consider how complex this idea was and how many failures must have occurred before creating a product that emitted light.

Another condition that encourages entrepreneurial behavior is the ability and opportunity to connect with other people to discuss ideas, problems, challenges, and solutions. This connection with other people, in an open environment that supports the exchange of ideas, is essential for encouraging creativity and innovation.

With the advent of the Internet, people around the planet are becoming increasingly aware of geopolitical and environmental situations across the globe. As more people observe these changes and situations, more people exchange ideas. These discussions can generate new opportunities for people to discover methods for solving problems. Any one of us could be living in one country but identifying a problem in another country. Given our interests and backgrounds, we could actively choose to develop a solution for that problem. What we need, as a general approach, is an efficient and transparent way to form companies and enable constructive competition, along with continued free and fair trade.

These are just some of the areas that many nations and organizations consider as they seek to encourage a transition away from group-prescribed thinking toward uniquely individual entrepreneurial ideas. Each of us encounters life from a different perspective. Although we all might recognize the restrictions presented by the sun setting every night, only a few people might question why we couldn't change that situation by creating our own light. Similarly, someone in another country may observe our country (or vice versa) and ask why that country has a particular problem. Meanwhile, people living with that problem may have become so accustomed to it that they might not recognize the opportunity to seek solutions.

Increasing opportunities in entrepreneurial education are also driving growth. More colleges and universities are teaching entrepreneurial studies and opening entrepreneurial centers that encourage students from every discipline to become entrepreneurs.^{16,17} As the employment and entrepreneurial landscape continue to evolve, some institutions have started offering courses to prepare students for work in the gig economy.¹⁸ In fact, some of the best new entrepreneurial ideas come from groups of students in different majors who collaborate to create new, innovative business ideas that meet specific needs and challenges in today's world. In some cases, students from different universities around the globe are connecting to come up with business ideas to solve global problems, such as the lack of clean drinking water and the need for medical vaccination programs. Technology and global travel have made such partnerships more common and very productive.

The world of entrepreneurship opens doors for each of us to look beyond our own self-created barriers and explore opportunities around the world. Consider the creation of Starbucks, borne from the realization of how pleasant it can be to sit at a European café and drink excellent coffee. Awareness of an idea that is commonplace in one country, but new to a different country, presents the possibility of introducing that idea to another nation. In the Starbucks example, was there a problem that needed to be solved? Not necessarily, but the founder, Howard Schultz, had a desire to bring a specific quality-of-life element from one country to another, a business idea with an entrepreneurial aspect. One of the entrepreneurial aspects of creating Starbucks was the idea of mass expansion of coffee shops. Prior to Starbucks, the idea of creating a high-quality coffee drink hadn't been developed. Even more significant was the idea of expanding the business across the United States and then around the world.

Given the growth of coffee shops throughout the United States, we might not think that this idea is innovative, but before Starbucks, coffee typically was served at a diner, and it was served out of habit, rather than as the main attraction. With Starbucks, people changed their ideas about coffee and their coffee-drinking habits. Although businesses like Dunkin' Donuts served coffee, their focus was on selling donuts, not coffee. As Starbucks grew through repositioning coffee as their main product, other companies like Dunkin' Donuts and McDonald's realized the missed opportunity in not reinventing the coffee market with multiple choices of high-quality coffee. In fact, Dunkin' Donuts has changed its name to just "Dunkin," removing the emphasis on doughnuts.¹⁹

Social and Environmental Issues and Opportunities

A **social entrepreneur** has an interest in solving a social, environmental, or economic problem. A social entrepreneur identifies a problem with a social or community focus, a concern for quality of life, or concern for our entire planet's health. One such person is Angad Daryani, a young serial inventor. Daryani left school in the ninth grade to join the Media Lab at the Massachusetts Institute of Technology (MIT), where he worked on an industrial-scale air filter to clean pollutants and carcinogens out of our planet's air. Daryani's home country of India is the world's third-largest emitter of carbon dioxide, according to Global Carbon Atlas, behind China and the United States (Figure 1.2.5).²⁰

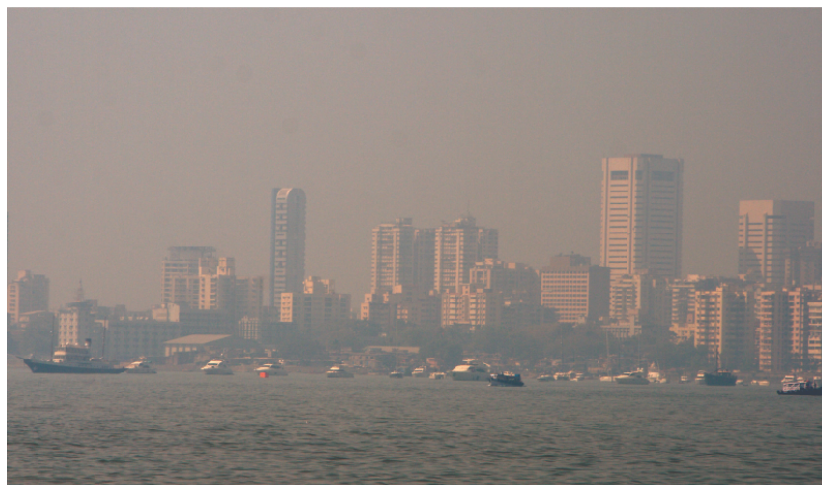


Figure
1.2.5

: The Mumbai skyline is clouded by hazy pollution. (credit: modification of “Smog over Mumbai” by Christian Haugen/Flickr,

WHAT CAN YOU DO?

Social Entrepreneurship

Consider a social issue that you might feel compelled to take on as a passion project. Some social issues include childhood hunger, access to clean water, access to education, or opioid abuse. Watch [Johann Hari's Ted Talk on addiction](#) to learn more.

- Do you have any ideas for creating an entrepreneurial venture around the idea of building quality relationships and communities?
- How would you balance a passion project with an entrepreneurial purpose?

Not only is Daryani interested in solutions for air pollution, but his product will also provide financial gains and add to his personal credibility as a **serial entrepreneur**, or someone who starts and harvests multiple entrepreneurial ventures. Daryani describes himself as an inventor and social entrepreneur, combining his interest in improving lives through a variety of entrepreneurial ventures including products like Sharkits (a do-it-yourself-kit company that teaches children how to build technology), the SharkBot 3D Printer (an attractive, low-cost, and reliable 3D printer), and several other projects that combine technology and human needs. As each of these products advances to commercialization, the products and technology are becoming more applicable for other uses as well. For more examples of projects that Daryani is working on, take a look at his website (<http://www.angadmakes.com>), which includes videos and articles, and highlights the international recognition he has received for his innovative work.

ENTREPRENEUR IN ACTION

Angad Daryani

Research Angad Daryani and his technology to remove air pollution (<https://www.cnn.com/2018/03/28/health/angad-daryani/index.html>).

- What other products could this technology or methodology be used for, besides the originally intended application of improving air quality?
- What critical decisions would you anticipate that Angad will face in creating and commercializing his product?
- How would you define success for Angad or this air-cleaning company?

1.2: Entrepreneurship Today is shared under a [not declared](#) license and was authored, remixed, and/or curated by LibreTexts.

- **1.1: Entrepreneurship Today** by Michael Lavery and Chris Littel et al. is licensed [CC BY 4.0](#). Original source: <https://openstax.org/details/books/entrepreneurship>.