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HOWARD FREDERICK
ELLEN O'CONNOR
DONALD F. BURATON

4TH EDITION

Entrepreneurship



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PROCESS /
PRACTICE /**

**HOWARD FREDERICK
ALLAN O'CONNOR
DONALD F. KURATKO**

4TH EDITION

Entrepreneurship

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4th Edition

Howard Frederick

Allan O'Connor

Donald F. Kuratko

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Publishing editor: Michelle Aarons

Senior developmental editor: Jessica Brennan

Senior project editor: Nathan Katz

Cover designer: Chris Starr

Text designer: Jo Groud

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Cengage Learning Australia

Level 7, 80 Dorcas Street

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Cengage Learning New Zealand

Unit 4B Rosedale Office Park

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BRIEF CONTENTS

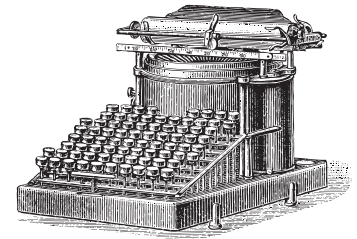
PART 1	ENTREPRENEURSHIP IN THE TWENTY-FIRST CENTURY.....	1
1	ENTREPRENEURSHIP: EVOLUTION AND REVOLUTION	2
2	THE ENTREPRENEURIAL MIND-SET: COGNITION AND CAREER	39
3	ENTREPRENEURSHIP AND SUSTAINABLE DEVELOPMENT	62
4	SOCIAL AND ETHICAL ENTREPRENEURSHIP	115
PART 2	INITIATING ENTREPRENEURIAL VENTURES.....	157
5	PATHWAYS TO ENTREPRENEURIAL VENTURES	158
6	OPPORTUNITY AND THE CREATIVE PURSUIT OF INNOVATIVE IDEAS	191
7	ENTREPRENEURIAL FAMILIES: SUCCESSION AND CONTINUITY.....	224
8	DEVELOPING ENTREPRENEURSHIP WITHIN ORGANISATIONS	252
PART 3	DEVELOPING ENTREPRENEURIAL VENTURES.....	289
9	THE ASSESSMENT OF ENTREPRENEURIAL OPPORTUNITIES	290
10	MARKETING FOR ENTREPRENEURIAL VENTURES	330
11	STRATEGIC ENTREPRENEURIAL GROWTH	370
12	GLOBAL OPPORTUNITIES FOR ENTREPRENEURS.....	412
PART 4	GROWTH STRATEGIES FOR ENTREPRENEURIAL VENTURES	451
13	LEGAL AND REGULATORY CHALLENGES FOR ENTREPRENEURIAL VENTURES	452
14	SOURCES OF CAPITAL FOR ENTREPRENEURIAL VENTURES	497
15	MEASURING PERFORMANCE FOR ENTREPRENEURIAL VENTURES	536
16	DEVELOPING A SUSTAINABLE BUSINESS PLAN	587

CONTENTS

FOREWORD BY CHARLIE HARGROVES.....	XV
GUIDE TO THE TEXT	XVIII
GUIDE TO THE ONLINE RESOURCES	XX
PREFACE	XXII
ACKNOWLEDGEMENTS	XXVII
ABOUT THE AUTHORS	XXVIII

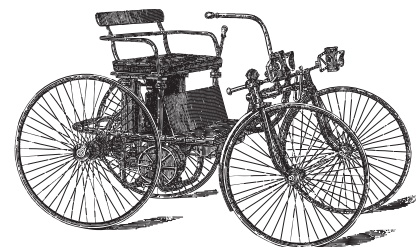
PART 1 ENTREPRENEURSHIP IN THE TWENTY-FIRST CENTURY 1

CHAPTER 1	ENTREPRENEURSHIP: EVOLUTION AND REVOLUTION	2
	CHAPTER OBJECTIVES.....	2
	Entrepreneurs facing the unknown	3
	ENTREPRENEURIAL EDGE: CAN 2.5 BILLION GADGETS A YEAR BE GREEN?.....	7
	Are you a business or social entrepreneur?	8
	Entrepreneurs have a particular enterprising mind-set	9
	The evolution of the 'under-taking'	10
	Entrepreneurship through the ages	11
	Early definitions of entrepreneurship	13
	Approaches to entrepreneurship	14
	ENTREPRENEURIAL EDGE: SPENDING THE OLD MAN'S DOUGH.....	18
	The entrepreneurial revolution: a global phenomenon	19
	CASE 1.1: GAZELLE ... OR TURTLE?.....	32
	CASE 1.2: PAUL CAVE	32
CHAPTER 2	THE ENTREPRENEURIAL MIND-SET: COGNITION AND CAREER	39
	CHAPTER OBJECTIVES.....	39
	The entrepreneurial mind, behaviour and career	40
	Who are entrepreneurs?.....	43
	ENTREPRENEURSHIP IN PRACTICE: ARE YOU CUT OUT TO BE AN ENTREPRENEUR?	48
	The dark side of entrepreneurship	48
	The entrepreneur's confrontation with risk	49
	Stress and the entrepreneur.....	49
	The entrepreneurial ego	50
	ENTREPRENEURIAL EDGE: DEALING WITH STRESS	51
	Pathways to your entrepreneurial career	52
	ENTREPRENEURSHIP IN PRACTICE: THE ENTREPRENEURIAL LIFE CYCLE	53
	CASE 2.1: JANE'S EVALUATION	57
	CASE 2.2: THE CASHEW CASE PART 1: ARE YOU NUTS?.....	58



CHAPTER 3	ENTREPRENEURSHIP AND SUSTAINABLE DEVELOPMENT	62
	CHAPTER OBJECTIVES.....	62
	Entrepreneurship as if the planet mattered.....	63
	Entrepreneurship in times of crisis	64
	Climate change effects for entrepreneurs.....	67
	ENTREPRENEURIAL EDGE: GLOBAL WARMING EFFECTS ON THE ECONOMY.....	67
	ENTREPRENEURIAL EDGE: TOIL-O-PRENEURS IN INDIA.....	72
	ENTREPRENEURIAL EDGE: HYDROPRENEURS	73
	ENTREPRENEURSHIP IN PRACTICE: ENTREPRENEURSHIP AND ECOCIDE.....	75
	ENTREPRENEURIAL EDGE: ENTREPRENEURS PROTECTING THE ENVIRONMENT	78
	Climate change economics for entrepreneurs	80
	ENTREPRENEURSHIP IN PRACTICE: SUSTAINABLE TOURISM ON AN AUSTRALIAN ISLE.....	83
	ENTREPRENEURSHIP IN PRACTICE: BUSINESS ADAPTATION TO CLIMATE CHANGE	85
	ENTREPRENEURSHIP IN PRACTICE: ARE OUR GREAT-GRANDCHILDREN AS VALUABLE AS WE ARE?.....	87
	Entrepreneurial ecology	88
	ENTREPRENEURSHIP IN PRACTICE: WAYS TO PROFIT FROM DE-GROWTH.....	93
	CASE 3.1: RUSS GEORGE: SAVE THE WORLD AND MAKE A LITTLE MONEY ON THE SIDE.....	103
	CASE 3.2: THE CARPET CLEANER	107
CHAPTER 4	SOCIAL AND ETHICAL ENTREPRENEURSHIP.....	115
	CHAPTER OBJECTIVES.....	115
	Social entrepreneurship.....	116
	The mind-set of social entrepreneurs.....	118
	ENTREPRENEURIAL EDGE: HOW UNREASONABLE ARE YOU?.....	119
	Ecopreneurs	120
	Ethics and entrepreneurship.....	121
	Defining entrepreneurial ethics	123
	Ethics in the cross-cultural business world	125
	ENTREPRENEURSHIP IN PRACTICE: SMALL BUSINESS IN CHINA IS ABOUT KNOWING HOW TO BRIBE	127
	Entrepreneurship and organised crime	128
	Environmental criminal entrepreneurs.....	129
	Entrepreneurship and disadvantaged groups.....	130
	Indigenous entrepreneurs.....	131
	ENTREPRENEURIAL EDGE: INDIGENOUS ENTREPRENEURS.....	133

	CASE 4.1: AUSTRALIAN BUCCANEER ENTREPRENEUR EATEN BY CANNIBALS	139
	CASE 4.2: A LIVING CULTURE, TAMAKI MĀORI VILLAGE	143
	ENTREPRENEURIAL CASE ANALYSIS PART 1	152
PART 2	INITIATING ENTREPRENEURIAL VENTURES.....	157
CHAPTER 5	PATHWAYS TO ENTREPRENEURIAL VENTURES.....	158
	CHAPTER OBJECTIVES.....	158
	Walking entrepreneurship pathways	159
	Bootstrapping.....	159
	ENTREPRENEURSHIP IN PRACTICE: HOW TO BOOTSTRAP A BUSINESS	159
	ENTREPRENEURSHIP IN PRACTICE: THE RISE OF THE MINIPRENEUR.....	162
	The classical pathway: Disruptive new venture creation	163
	ENTREPRENEURSHIP IN PRACTICE: TECHNOLOGY MEETS SOCIAL ENTERPRISE, BUT NOT FOREVER	165
	Acquiring an established entrepreneurial venture	167
	Franchising one's way into entrepreneurship.....	175
	ENTREPRENEURSHIP IN PRACTICE: GROWING ASIAN FRANCHISE OPPORTUNITIES	175
	ENTREPRENEURIAL EDGE: THE COFFEE CLUB – COFFEE GOES CLUBBY	177
	Social venturing as a pathway to entrepreneurship	179
	CASE 5.1: AN IDEA FOR THE BIRDS!	187
	CASE 5.2: CHECKING IT OUT	187
CHAPTER 6	OPPORTUNITY AND THE CREATIVE PURSUIT OF INNOVATIVE IDEAS	191
	CHAPTER OBJECTIVES.....	191
	Ideas and the search for opportunity.....	192
	Four models of market-based opportunities	194
	ENTREPRENEURIAL EDGE: EXPLOITING A DEMAND NICHE.....	196
	ENTREPRENEURIAL EDGE: STICKING TO A RADICAL PLAN	197
	ENTREPRENEURIAL EDGE: COMBINING UNIQUE INSIGHT, EMERGING TECHNOLOGY AND NETWORK KNOWLEDGE	199
	ENTREPRENEURIAL EDGE: CREATING A SOLUTION TO A SOCIAL PROBLEM THROUGH COMMERCIAL OPPORTUNITY.....	201
	Entrepreneurial imagination and creativity	203
	ENTREPRENEURSHIP IN PRACTICE: DEVELOPING CREATIVITY.....	205
	Arenas of creativity	208



	Creating the right setting for creativity.....	209
	Innovation and the entrepreneur	209
	The innovation process	210
	Innovation in the era of climate change	213
	ENTREPRENEURSHIP IN PRACTICE: USING CROWDFUNDING TO LAUNCH A SUSTAINABLE VENTURE IDEA.....	215
	CASE 6.1: INTERFACE ASIA–PACIFIC.....	219
	CASE 6.2: CREATIVITY IS NOT JUST FOR START-UP IDEAS.....	220
CHAPTER 7	ENTREPRENEURIAL FAMILIES: SUCCESSION AND CONTINUITY	224
	CHAPTER OBJECTIVES.....	224
	Entrepreneurship across the generations in the Asia–Pacific	225
	ENTREPRENEURIAL EDGE: THIRTEEN-HUNDRED-YEAR-OLD FAMILY BUSINESS: SUCCESSION SECRETS	229
	Challenges facing family businesses.....	229
	ENTREPRENEURIAL EDGE: WHAT IS A SUSTAINABLE–SUSTAINABLE FAMILY BUSINESS?.....	233
	Succession as a pathway to entrepreneurship	233
	Key factors in succession	235
	ENTREPRENEURSHIP IN PRACTICE: INDIAN BUSINESS FAMILIES GROOM THEIR YOUNGER GENERATION.....	237
	Developing a succession strategy.....	238
	Harvesting the venture: recycling wealth within the family	240
	CASE 7.1: JUST AS GOOD AS EVER.....	245
	CASE 7.2: NEEDING SOME HELP ON THIS ONE	246
	CASE 7.3: FAMILY TO FAMILY: THE FALL AND REBIRTH OF DARRELL LEA CHOCOLATES.....	246
CHAPTER 8	DEVELOPING ENTREPRENEURSHIP WITHIN ORGANISATIONS	252
	CHAPTER OBJECTIVES.....	252
	The entrepreneurial mind-set in organisations	253
	ENTREPRENEURIAL EDGE: ENTREPRENEURIAL EMPLOYEE ACTIVITY AT 3M.....	255
	ENTREPRENEURSHIP IN PRACTICE: DOES INTRAPRENEURSHIP EXIST IN ASIA?.....	258
	Re-engineering organisational thinking	259
	Not for businesses only: public sector entrepreneurship	263
	ENTREPRENEURSHIP IN PRACTICE: NEW ZEALAND’S SUCCESS IN COMMERCIALISING GOVERNMENT COMPANIES.....	265
	Intrapreneurial strategy.....	265
	Social intrapreneurship by creating shared value	272
	CASE 8.1: WHICH COMMANDMENTS APPLY?	280

CASE 8.2: SOUTHWEST AIRLINES: CREATING AN ENTREPRENEURIAL CULTURE..... 281

ENTREPRENEURIAL CASE ANALYSIS PART 2286

PART 3 DEVELOPING ENTREPRENEURIAL VENTURES 289

CHAPTER 9 THE ASSESSMENT OF ENTREPRENEURIAL OPPORTUNITIES.....290

CHAPTER OBJECTIVES..... 290

The elements of an opportunity assessment291

How do we model the entrepreneurial process?.....291

How to assess an opportunity293

When is an idea not an opportunity?.....296

The evaluation process297

ENTREPRENEURIAL EDGE: FACING YOUR FEARS! 299

ENTREPRENEURIAL EDGE: AN ENTREPRENEURIAL OPPORTUNITY OR AN OPPORTUNITY FOR LIFE?..... 306

The emergence of entrepreneurial ecosystems311

ENTREPRENEURSHIP IN PRACTICE: ENTREPRENEURIAL ECOSYSTEMS DO MATTER..... 313

CASE 9.1: EXAMINING THE INDUSTRY..... 319

CASE 9.2: NOTHING UNIQUE TO OFFER 319

APPENDIX 9A: FEASIBILITY PLAN OUTLINE 324

CHAPTER 10 MARKETING FOR ENTREPRENEURIAL VENTURES330

CHAPTER OBJECTIVES..... 330

Entrepreneurial marketing is essential.....331

Entrepreneurial marketing defined332

The components of effective marketing334

ENTREPRENEURSHIP IN PRACTICE: COMPETITIVE INFORMATION..... 335

Developing a marketing plan336

ENTREPRENEURSHIP IN PRACTICE: THE GUERRILLA MARKETING PLAN..... 337

ENTREPRENEURIAL EDGE: PERCEPTIONS OF A TARGET MARKET 339

ENTREPRENEURIAL EDGE: DELL LEARNS YOUNG 340

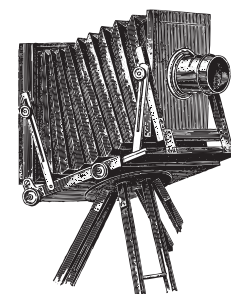
Marketing research343

Marketing on the Internet.....347

ENTREPRENEURSHIP IN PRACTICE: SMARTPHONE USERS: SEGMENT YOURSELF..... 348

Green entrepreneurial marketing.....352

ENTREPRENEURIAL EDGE: GREEN ENTREPRENEURSHIP: THREE KEYS TO STARTING A GREEN INTERNET BUSINESS..... 353



	ENTREPRENEURSHIP IN PRACTICE: WHY YOU MUST HAVE A GREEN BUSINESS BLOG.....	353
	ENTREPRENEURSHIP IN PRACTICE: WHAT DOES IT TAKE TO REVOLUTIONISE AN INDUSTRY? CHECK OUT ELON MUSK.....	356
	Pricing strategies.....	357
	CASE 10.1: DEALING WITH THE COMPETITION.....	363
	CASE 10.2: FOR COOKS ONLY.....	363
	CASE 10.3: THE CASHEW CASE PART 2: SO WE HAVE PRODUCTS BUT IS THERE A MARKET?.....	364
CHAPTER 11	STRATEGIC ENTREPRENEURIAL GROWTH.....	370
	CHAPTER OBJECTIVES.....	370
	Uncertainty and growth: key strategic drivers.....	371
	Entrepreneurial strategy design and planning.....	371
	ENTREPRENEURSHIP IN PRACTICE: CREATIVE DESTRUCTION IN THE SHARING ECONOMY.....	373
	Designing the business model.....	378
	ENTREPRENEURIAL EDGE: FINE-TUNING A BUSINESS MODEL.....	380
	Does an entrepreneur really want to be a manager?.....	380
	Managing entrepreneurial growth.....	384
	Entrepreneurs directly influence growth.....	386
	Key management issues encountered during the growth stage.....	386
	ENTREPRENEURSHIP IN PRACTICE: SUCCESSFUL COMPANIES DESIGN BLUEPRINTS FOR HIGH-TECH START-UPS.....	390
	Unique managerial concerns of growing ventures.....	391
	Achieving entrepreneurial leadership.....	393
	Strategic sustainable development.....	394
	ENTREPRENEURSHIP IN PRACTICE: A CLIMATE-CHANGE SWOT.....	396
	ENTREPRENEURSHIP IN PRACTICE: STAGES OF SUSTAINABILITY STRATEGY.....	401
	CASE 11.1: THE CASHEW CASE PART 3: IS THERE A VIABLE BUSINESS MODEL?.....	406
	CASE 11.2: KEEPING THINGS GOING.....	407
CHAPTER 12	GLOBAL OPPORTUNITIES FOR ENTREPRENEURS.....	412
	CHAPTER OBJECTIVES.....	412
	Asia–Pacific’s entrepreneurial century.....	413
	ENTREPRENEURSHIP IN PRACTICE: AUSTRALIA’S YOUNG ‘BORN GLOBAL’ ENTREPRENEURS.....	416
	ENTREPRENEURSHIP IN PRACTICE: HOW SUCCESSFUL CHINESE ENTREPRENEURS REALLY THINK.....	422
	How do I actually go global?.....	423
	ENTREPRENEURSHIP IN PRACTICE: THE PROS AND CONS OF FRANCHISING IN CHINA.....	431

ENTREPRENEURSHIP IN PRACTICE: IMMIGRANT AND REFUGEE
 ENTREPRENEURS IN AUSTRALIA 433
 How to become a born-global entrepreneur.....433
 ENTREPRENEURSHIP IN PRACTICE: WHERE TO FIND GOOD
 FOREIGN MARKET RESEARCH..... 436
 Born global social entrepreneurs439
 CASE 12.1: HOME AGAIN 442
 CASE 12.2: 'I DID IT BECAUSE I DIDN'T KNOW THAT I COULDN'T'..... 443
 CASE 12.3: A FOREIGN PROPOSAL..... 443
 CASE 12.4: BORN GLOBAL: THE WIGGLES..... 444
ENTREPRENEURIAL CASE ANALYSIS PART 3448

PART 4 GROWTH STRATEGIES FOR ENTREPRENEURIAL VENTURES.....451

CHAPTER 13 LEGAL AND REGULATORY CHALLENGES FOR
 ENTREPRENEURIAL VENTURES452
 CHAPTER OBJECTIVES..... 452
 Legal and regulatory challenges.....453
 Understanding Asia-Pacific regulatory environments453
 ENTREPRENEURIAL EDGE: ENTREPRENEURS FACE
 REGULATORY NIGHTMARES..... 455
 International protections for intellectual property455
 ENTREPRENEURSHIP IN PRACTICE: NOTORIOUS ASIAN MARKETS..... 457
 Patents.....459
 ENTREPRENEURSHIP IN PRACTICE: A GENERAL
 PATENT PROCESS: NOTES..... 461
 ENTREPRENEURSHIP IN PRACTICE: TOP PATENTS THAT
 INFLUENCED BUSINESS 464
 Copyrights.....466
 ENTREPRENEURSHIP IN PRACTICE: WATCH WHAT YOU SAY! 468
 ENTREPRENEURSHIP IN PRACTICE: GOOGLE WAS NOT AMUSED
 BY THE TRADEMARK PARODY..... 469
 Trademarks469
 ENTREPRENEURSHIP IN PRACTICE: WHO OWNS THE COPYRIGHT
 TO A MONKEY’S SELFIE?..... 471
 Domain names472
 ENTREPRENEURSHIP IN PRACTICE: SOME INTERESTING WIPO
 UDRP DECISIONS 472
 Trade secrets473
 Opportunities from changing intellectual
 property attitudes.....473
 Identifying legal structures for entrepreneurial ventures.....474



	Incorporated companies.....	475
	Unincorporated businesses.....	479
	Other business forms	481
	Insolvency and bankruptcy	483
	The legal framework regulating climate change	484
	ENTREPRENEURSHIP IN PRACTICE: EFFECTS OF CLIMATE CHANGE ARE RESTRUCTURING THE BUSINESS ENVIRONMENT IN ASIA-PACIFIC.....	486
	CASE 13.1: GLORIA'S DECISION.....	491
	CASE 13.2: A PATENT MATTER.....	491
	CASE 13.3: NEW ZEALAND AND KIWIFRUIT.....	492
CHAPTER 14	SOURCES OF CAPITAL FOR ENTREPRENEURIAL VENTURES	497
	CHAPTER OBJECTIVES.....	497
	The times, they are a-changin'.....	498
	What are the forms of entrepreneurial capital?	498
	Sources of financial capital	500
	ENTREPRENEURSHIP IN PRACTICE: WAYS TO FIND BOOTSTRAP CAPITAL	501
	Debt versus equity.....	502
	Equity financing	505
	The venture capital market	507
	ENTREPRENEURSHIP IN PRACTICE: VENTURE CAPITALISTS' DUE DILIGENCE 'DEAL KILLERS'	510
	ENTREPRENEURSHIP IN PRACTICE: ASKING VENTURE CAPITALISTS THE RIGHT QUESTIONS	513
	Angel financing.....	514
	New forms of entrepreneurial capital	517
	ENTREPRENEURSHIP IN PRACTICE: HOW MICRO-CREDIT WORKS.....	522
	Peer-to-peer lending	522
	ENTREPRENEURSHIP IN PRACTICE: NATURAL CAPITAL IN A CAN OF COLA	527
	CASE 14.1: LOOKING FOR CAPITAL IN MALAYSIA.....	530
	CASE 14.2: THE 120 MILLION BAHT VENTURE.....	531
CHAPTER 15	MEASURING PERFORMANCE FOR ENTREPRENEURIAL VENTURES	536
	CHAPTER OBJECTIVES.....	536
	The dimensions of performance measurement	537
	Measuring financial performance	537
	Understanding the key financial statements	539
	ENTREPRENEURIAL EDGE: HOW TO EVOLVE FROM CEO TO CFO	546
	ENTREPRENEURSHIP IN PRACTICE: WATCHING YOUR ACCOUNTS RECEIVABLE.....	551

	Preparing financial budgets	552
	ENTREPRENEURSHIP IN PRACTICE: CHARACTERISTICS OF CREDIBLE FINANCIALS	557
	Capital budgeting	560
	ENTREPRENEURIAL EDGE: THE INDIAN ENTREPRENEUR AND THE CUNNING NPV	562
	ENTREPRENEURSHIP IN PRACTICE: WHEN CURRENCY LOSES ITS GLOBAL VALUE	566
	Break-even analysis	566
	Financial ratio analysis	570
	Sustainability performance measures entrepreneurs	571
	Triple bottom line performance measures	574
	Sustainability performance measures.....	576
	CASE 15.1: IT'S ALL GREEK TO HER	582
	CASE 15.2: THE CONTRACT PROPOSAL.....	584
CHAPTER 16	DEVELOPING A SUSTAINABLE BUSINESS PLAN.....	587
	CHAPTER OBJECTIVES.....	587
	The need for a sustainable business plan.....	588
	ENTREPRENEURSHIP IN PRACTICE: RAY ANDERSON FINDS HIS NORTH STAR.....	589
	Contrarian views on business planning.....	590
	Benefits of the full-form business plan.....	592
	Writing a well-conceived business plan	594
	ENTREPRENEURSHIP IN PRACTICE: PUTTING THE PACKAGE TOGETHER.....	595
	How to structure a business plan	597
	ENTREPRENEURSHIP IN PRACTICE: HOW TO GATHER COMPETITIVE INTELLIGENCE IN THE ASIA-PACIFIC.....	601
	ENTREPRENEURSHIP IN PRACTICE: COMMON BUSINESS PLANNING MISTAKES.....	603
	Updating the business plan	614
	Presentation of the business plan: the 'pitch'	614
	ENTREPRENEURSHIP IN PRACTICE: BUSINESS PLANNING RESOURCES.....	616
	A practical example: Cocoa Samoa Ltd.....	616
	CASE 16.1: GETTING IT RIGHT BY DOING IT WRONG.....	619
	CASE 16.2: IT'S JUST A MATTER OF TIME.....	619
	CASE 16.3: THE INCOMPLETE PLAN.....	619
	ENTREPRENEURIAL CASE ANALYSIS PART 4	622
	APPENDIX: BUSINESS PLAN – REVIVING SAMOA'S COCOA INDUSTRY	625
	GLOSSARY.....	664
	INDEX	684

FOREWORD

Reading through this manuscript I was impressed with the authors' obvious passion for entrepreneurship, along with their rigorous approach in considering the opportunities for entrepreneurs to take a leading role in our world's transition to a sustainable future. When talking with the authors, one thing that really resonated with me was their belief that entrepreneurs could thrive in uncertainty, and this got me very excited. Sustainable development is perhaps the biggest and most uncertain challenge our species has ever faced.

Having first been inspired by the concept of sustainable development back in the early 2000s, I have dedicated my professional career to making a contribution to accelerating our world's transition to a sustainable future. During this time I have had the pleasure of working with some amazing world-changing people who have spent decades building the understanding we need to inform this transition. These dedicated people have included eco-entrepreneur and educator Hunter Lovins, scientist and politician Ernst von Weizsäcker, environmental physicist Amory Lovins, sustainable transport expert Peter Newman, eco-entrepreneur Gunter Pauli, Green Party leader Johnathan Porritt, cleaner production expert Don Huisingsh, and pioneering sustainability consultant Alan AtKission.

The work of these eco-revolutionaries, along with countless others across all disciplines and sectors, means that *we now have much of the technology and know-how needed to achieve sustainable development.*

However, many lament that applying this know-how to secure a sustainable future is not happening fast enough, and ask: why is that? After 15 years of asking myself the same question, I think part of the answer is the overwhelming complexity of changing our massive industrial systems, and part is the resistance from those who profit from pollution. The reason I am so excited about this book is that it presents tools to overcome both challenges. In order to take on the complexity involved in changing our systems we need to understand how to be entrepreneurial in the face of uncertainty, and in doing so create new opportunities for profit and economic development. I strongly believe that if teams around the world harness the tools of an entrepreneurial approach we can truly accelerate efforts and avoid the looming crisis. It may in fact be the case that entrepreneurship is *the missing link* that will unlock the available potential through a focus on sustainable development.

There is often debate around what 'sustainability' or 'sustainable development' actually means, and this debate over definitions has hindered progress. In simple terms, sustainability means the 'ability to sustain'. This is not as emotive as other definitions you may find, but the value of thinking of it this way is that it begs the question *what do we want to sustain?* And then comes the big second question: *How do we sustain it?* Most people would agree that we want to sustain and share ongoing prosperity, clean water and air, an educated and engaged workforce, and strong and vibrant communities. That question is pretty easy to answer. The tricky part comes when we ask: *how we will actually sustain it?*

Harking back to the early work of John Elkington on the 'Triple Bottom Line' may provide some guidance here, despite it often being reduced to a cliché. The reality is that we don't know what it means to be sustainable, but if we want to increase the likelihood of sustainability, we need to achieve strong performance in all three areas of economy, environment, and society – a challenge truly worthy of lifetime dedication, as Alan AtKission once told me.

In order to increase the likelihood of sustaining the quality of life we have spent centuries developing, and sharing this with the entire world, we need to focus on all three areas. Simply put, given that most of the world operates in a market-based system the projects, products and infrastructure of the future need to deliver acceptable economic returns. As we are generating pollution at a level that is affecting our planet's biosphere we need to ensure that such impacts are minimised, and given that our population is growing more rapidly than at any other time in human history we also need to ensure that people are involved and taken care of in the process.

On face value this may seem like a pretty simple task – a few green buildings here and a few solar panels there – however, the complexity of transitioning our societies to operate in a way that has a high likelihood of being sustained is enormous. Calling for new innovative approaches, it is truly the time of the entrepreneur. However, the world will not be saved by individual entrepreneurs alone. Yes, we need those people who can drive innovation and deliver revolutionary technology, like engineer and futurist Nicola Tesla or eco-entrepreneur Elon Musk. Yet, if we are to achieve the changes we need across our planet's enormous and complex economies, we will *need teams of creative and innovative people in every part of the economy taking an entrepreneurial approach*.

In order for entrepreneurs to navigate the uncertainty of the future, they will need to have a solid understanding of how sustainable development-related issues – such as climate change, resource shortages, poverty, population changes and biodiversity – will impact the economy. *Entrepreneurs need to identify viable areas for investment* that can deliver medium-to-long-term returns.

In the face of significant global challenges, this book provides a critical resource for those looking to harness the enormous power of the market to deliver ongoing prosperity. The realisation that the pollution created in our race to industrialise over the last 250 years – with entrepreneurs playing a key part – has had a real impact on the planet's very functioning, was quite a shock to many in the 1980s and 1990s. But it is worse than that. The growing level of industrial pollution is not only impacting the planet, it is now directly impacting the economy. The early decades of the twenty-first century have become a turning point in human history.

This book provides a valuable overview and training manual for entrepreneurs in a range of issues related to sustainable development that will enhance the understanding of the future conditions in the economy; a valuable resource indeed. The book lays out a clear framework for considering opportunities across many complex areas of sustainable development and I look forward to seeing the efforts of the students of this work as our species undertakes a mid-course correction. As Interface CEO Ray Anderson once put it: towards a way of life that can be sustained for all on this amazing little planet.

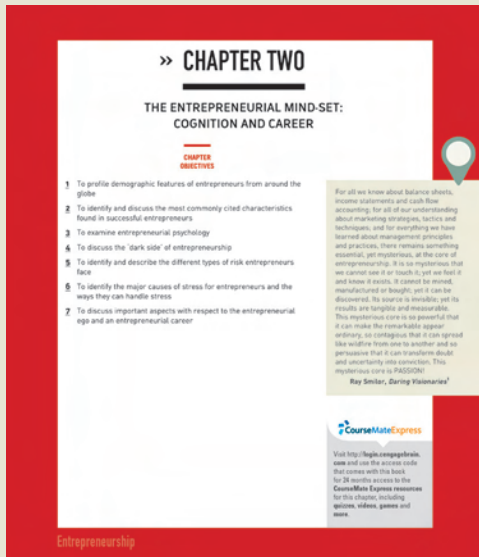
Dr Karlson 'Charlie' Hargroves

Sustainability Transitions Researcher, strategist and author (co-author of five international bestselling books on sustainable development, translated into six languages, including *The Natural Advantage of Nations*, *Factor 5* and *Cents and Sustainability*).

Guide to the text

As you read this text you will find a number of features in every chapter to enhance your study of entrepreneurship and help you understand how the theory is applied in the real world.

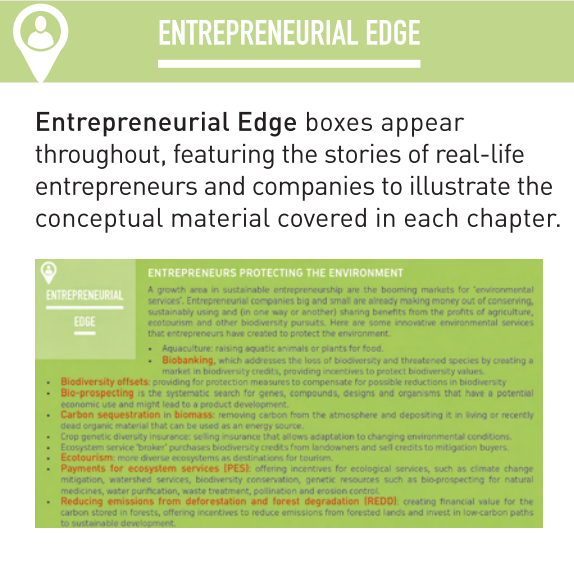
FEATURES WITHIN CHAPTERS



Chapter objectives give you a clear sense of what topics each chapter will cover and what you should be able to do after reading the chapter.

Business entrepreneurs are driven by the profit motive.

When **key terms** are used in the text for the first time, they are bolded for easy identification and listed at the end of each chapter. This will help you identify key concepts throughout the text. A full list of key terms is also available in the glossary found at the back of the book.





What are the twenty steps towards becoming a social entrepreneur? Learn what it takes on CourseMate Express.

Explore the online resources by following the **NEW CourseMate Express** margin icons throughout the text. Find additional content, activities, quizzes and more.

END OF CHAPTER FEATURES

At the end of each chapter you'll find several tools to help you to review, practise and extend your knowledge of the key learning outcomes.

- The end-of-chapter **Summary** lists key points from the chapter, giving you a snapshot of the important concepts covered.
- **Review and discussion** questions enable you to test your comprehension of the key concepts in the chapter and encourage group discussion.
- **Experiencing Entrepreneurship** activities emphasise learning by doing, giving you the opportunity to put your new skills into practice.
- **Case studies** provide real-world examples to aid your understanding of entrepreneurship. They conclude with questions to test your knowledge and understanding of the material covered in the chapter.

SUMMARY

The chapter has explored six pathways to gaining entrepreneurial experience. Three more specific and common pathways will be elaborated over the next three chapters. This chapter started with one of the most common pathways known as bootstrapping, also sometimes defined as simply starting a new business without financing. We also looked at the exciting new area of entrepreneurship which has been made possible by advances in technology and online communication which requires minimal funding. Also included was a discussion on business development assistance.

The chapter then went on to describe a conventional business start-up that raises capital to launch a unique product or service. Sometimes this involves what is called a *new-new approach* - that is, the development of an entirely new idea for a product or service (as was the case with MySpace and Google). In most instances, however, the prospective owner/manager must be content to use a *new-old approach* by piggybacking on someone else's ideas. This involves either expanding on what the competition is doing or offering a product or service in an area in which it is not presently available.

On the financial side, the prospective owner/manager needs to examine the enterprise's financial picture and determine the costs of setting up the operation and the amount of revenue that will be generated during the initial period. The prospective owner/manager must review a series of other operational considerations ranging from the building, merchandise and equipment needed for operations to record keeping, insurance, legal, marketing and personal matters.

Another opportunity is the purchase of an existing successful business, which has a number of advantages. Three of the most important are that to successful future operation is potentially more likely, the time and effort associated with starting a new enterprise are eliminated and a bargain price may be possible.

Before deciding whether to buy, however, the prospective owner needs to ask and answer a series of probing questions. These include: Why is the business being sold? What is the physical condition of the business? What is the condition of the inventory? What is the state of the company's other assets? How many of the employees will remain? What competition does the business face? What is the company's financial picture?


After all questions have been answered satisfactorily, the prospective buyer must negotiate for the business. In the final analysis, however, the prospective owner should be contented with buying the company's assets at market value then paying something for goodwill if it is deemed an asset.

The chapter then moved to franchising. A franchise can be a number of common legal structures and is often associated with entrepreneurs who wish to launch their careers to self-employment. We discussed the advantages and disadvantages as well as the legal aspects.

Finally, we examined the very interesting area of social venturing. Social ventures use similar planning tools to regular business ventures, but at each step there are different considerations and nuances. We looked at the models of social venturing and discussed the steps that a social entrepreneur would go through to create a social venture.

KEY TERMS AND CONCEPTS

bootstrapping	Long Tail	social venturing
cash flow	net profit margin	unscrupulous practices
double bottom line	new business start-up	upside gain and downside loss
due diligence	new-new approach	
financial ratios	new-old approach	
franchise	non-competitor clause	
franchise fee	Pfizer products	
franchisee	profit trend	
franchisor	profitability	
goodwill	risk versus reward	
legal restraint of trade	social enterprise	



REVIEW AND DISCUSSION QUESTIONS

- 1 Not all entrepreneurs start just with an idea and little else. Name three other pathways into entrepreneurship and describe the advantages of each.
- 2 What are some examples of bootstrapping that you could use in your business idea?
- 3 What has given rise to microenterprises and what kinds of businesses are they engaged in?
- 4 How does the new-new approach to starting a new venture differ from bootstrapping? Provide examples for your answer.
- 5 How does a new-old approach differ from the new-new pathway to starting a new venture and what are the advantages of the new-old approach?
- 6 How can an individual who is thinking of going into business evaluate the financial picture of the enterprise? Use the methodology of Table 5.3 to prepare your answer.
- 7 Explain why just the financial history is not sufficient in making a purchase decision for an operational business. Explain at least four other forms of investigation one should make.
- 8 What are the advantages of buying an ongoing business? Explain them.
- 9 What probing questions should you ask of a business owner when deciding whether to buy a business?
- 10 What are the types of assets of a company you should examine when considering purchasing a business and what should you look for?
- 11 What is meant by the term "franchise"?
- 12 In a franchising agreement, what is the franchisee often called on to do? What responsibility does the franchisor assume?
- 13 Explain why a would-be entrepreneur would explore the option of buying into a franchise. Cite and explain at least three advantages.
- 14 Explain the merits and pitfalls of purchasing a franchise brand.
- 15 How can a prospective franchisee evaluate a franchise opportunity? Explain.
- 16 In evaluating whether or not to buy a franchise operation, what questions should the potential investor ask about the franchisor, the franchise, the market and the potential investor (himself or herself)?
- 17 What are the distinguishing features of a social venture from a conventional business and what would motivate an entrepreneur to take this pathway?
- 18 Is the social enterprise development cycle different from that of a regular business?
- 19 What are the three social enterprise models?

EXPERIENCING ENTREPRENEURSHIP

Do you have what it takes to get on the pathway?

Studies of successful entrepreneurs reveal common characteristics - family backgrounds, experiences, motivations, personality traits, behaviour, values and beliefs. How do you fit these patterns? What is your EQ (Entrepreneurial Quotient)? A US insurance company, Northwestern Mutual Life, created the following test to predict how suited you are to entrepreneurship. This test cannot predict your success - it can only give you an idea whether you will have a head start or a handicap with which to work. Entrepreneurial skills can be learned. The test is intended to help you see how you compare with others who have been successful entrepreneurs.

Add or subtract your score as you evaluate yourself:

- 1 Significantly high numbers of entrepreneurs are children of first-generation immigrants. If your parents immigrated to your country, score one. If not, score minus one.
- 2 Successful entrepreneurs are not, as a rule, top achievers in school. If you were a top student, subtract four. If not, add four.
- 3 Entrepreneurs are not especially enthusiastic about participating in group activities in school. If you enjoyed group activities - clubs, team sports, double dates - subtract one. If not, add one.

Guide to the online resources

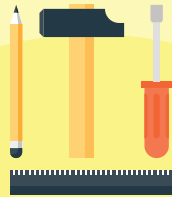
FOR THE INSTRUCTOR

Cengage Learning is pleased to provide you with a selection of resources that will help you prepare your lectures and assessments. These teaching tools are accessible via <http://login.cengage.com>.

INSTRUCTOR'S MANUAL

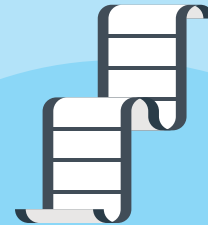
The Instructor's Manual includes:

- learning objectives
- chapter outlines
- case question solutions
- solutions and teaching notes for end of chapter problems and activities.



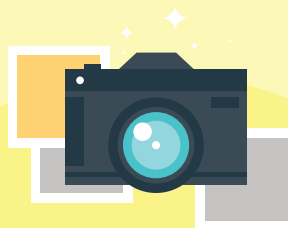
POWERPOINT™ PRESENTATIONS

Use the chapter-by-chapter PowerPoint presentations to enhance your lecture presentations and handouts to reinforce the key principles of your subject.



ARTWORK FROM THE TEXT

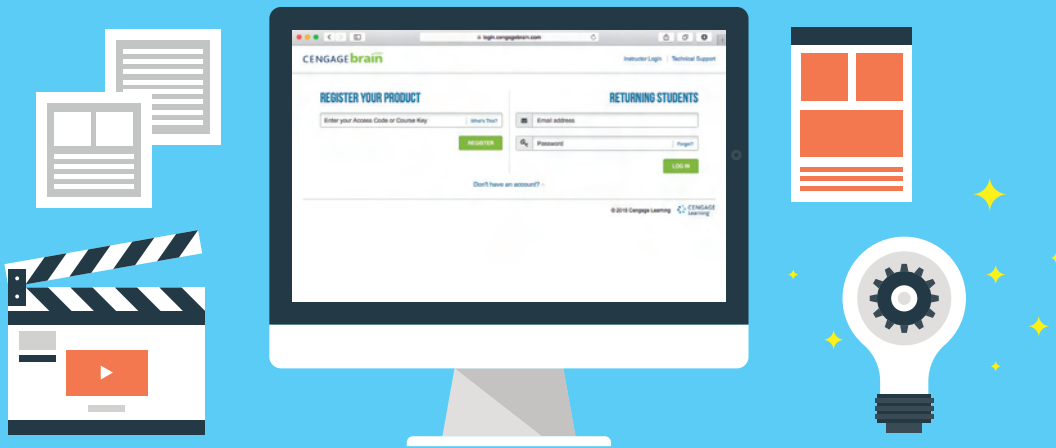
Add the digital files of graphs, pictures and flowcharts into your course management system, use them within student handouts or copy them into lecture presentations.



FOR THE STUDENT

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CourseMate Express

The **CourseMate Express website** for students includes a suite of interactive resources designed to support your learning, revision and further research.

Includes:

- Revision quizzes
- Online video activities
- Experiencing Entrepreneurship activities, including interactive self-tests
- Media quiz
- Weblinks
- Glossary, flashcards and more!

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PREFACE

Entrepreneurship is increasingly being recognised as a means to stimulate change and growth within and across national economies. This in turn elevates the expectations of teachers and students of entrepreneurship. Entrepreneurship teachers are expected to engage with more disciplines, developing skills among all those who may potentially have good ideas to start new businesses. The ultimate aim is to provide the human capital foundations of a new or renewed economy. Entrepreneurship students are in turn expected to engage in elevated risk for the benefit of the broader community and create businesses and social organisations that generate prosperity and wealth. In current times we also face the looming crisis of human-induced climate change.

The question this scenario raises for readers and users of this book is; are you ready to take on a career that calls for leadership, demands that you grow as an individual and be independent? Are you ready at the same time to rely on the support of others in order to create social and economic good for our world? If you are reading this, then you probably are, so let's get started.

Your authors, and entrepreneurship academics generally, are often asked two questions. First off, does education matter for an entrepreneur? Well, yes and no. There is a goodly portion of entrepreneurs (maybe as high as 15 per cent) who never had patience with education. Nor did their teachers have much patience with them! Research even indicates that some entrepreneurs have Attention Deficit Hyperactivity Disorder (ADHD) and they find it difficult to focus in school and complete their schoolwork. There also seems to be a higher incidence of dyslexia in young entrepreneurs than in the general population.¹ Another portion are simply so curious and adventuresome that they cannot tolerate the one-way flow of teaching from 'learned ones' and are, therefore, just turned off by education. Many famous entrepreneurs never finished school. But the fact is that *education and entrepreneurship are highly correlated* – the more education you have, the more likely you are to engage successfully in entrepreneurship. Even if you have just one class in entrepreneurship, you are more likely to become an entrepreneur, more likely be self-employed, have potentially higher annual incomes, and set up your own business after graduation, compared to your peers.

The next confronting question for any entrepreneurship academic is, can we actually teach entrepreneurship? Again, yes and no. Yes, students can learn it and it takes two forms. The first is education that helps learners to discover whether there is a spark within themselves. The second is that teaching facilitates learning the skills, both in mind and in practice that characterises your own personal form of entrepreneurship. What teachers can and should do is create a world where students can learn to be an entrepreneur by becoming more confident in their abilities and learning skills needed to achieve success in a social or business venture. But the answer is also no, when you think of most classrooms. It's not about PowerPoint presentations and lectures; instead, it's about having experiences and creating opportunities for entrepreneurship. In those precious minutes together with learners, an entrepreneurship educator needs to provide content that is both enabling and experiential, where you can sit at the elbow of real entrepreneurs, be challenged by the real problems of an entrepreneur, be given access to tools and techniques to work through those problems and ultimately, where you can learn the craft of entrepreneurship.

THE DISTINCTIVE CHARACTER OF THIS BOOK

This textbook illustrates the broadest variety of sustainable entrepreneurship in the Asia-Pacific in the twenty-first century in a manner as unique and creative as our region itself. We believe that this is the first entrepreneurship textbook with *people, planet and profits* – the 3P's – at its base.

The *leitmotif* of this book is personal enterprise; wherever it exists, whenever it exists, and whatever it is – social, environmental, business; the list is endless. It is about being the *sole proprietor of the rest of your life*. It is about the ‘enterprising spirit’ that everyone has at birth, and that some choose to nurture and others do not. It is that spirit of true creativity and inventiveness, of curiosity and daring, of calculated risk against great gain. Sadly, this burning spirit can be extinguished by parents, by the church or an oppressive society, by the conformism of the school system, by crime or civil war, or by cultural proscriptions. But it is always there in every person, even later in life, if only the right conditions should emerge and should they elect to take the journey.

Some people think that the spirit of enterprise is the world’s most powerful economic and social force. It is what marks us as human beings. For hundreds of years now, *The Entrepreneurial Revolution* has captured the imagination and now permeates society, culture, business and education. Here we are, well into the twenty-first century with hundreds of millions of entrepreneurs engaged in starting and running new businesses. Entrepreneurs’ roles are changing as the Earth and the economy change. Today’s entrepreneurs are faced with ever more complex challenges. The process of transforming creative ideas into commercially viable, socially just and environmentally sustainable enterprises continues to be a major force in the world economy.

From artists to zoologists, the enterprising spirit can emerge from any person. We believe that a basic course in entrepreneurship should be a required field of study for every student. After all, think of some of the professions that are highly self-employed – artists, real-estate brokers, photographers, musicians, designers, writers, financial advisors, management analysts and interior designers. Beyond this, think of the creative and innovative people in civil society groups, non-government organisations, not-for-profits, community trusts and social enterprises.

Our motto for this Asia-Pacific text edition continues to be *Entrepreneurship as if the planet mattered*. This is not just a matter that is talked about, but something we all can do something about. Think of it this way: virtually every phase of the production of this book contributed to global warming, from harvesting trees to production of pulp and paper, transportation, waste management and eventual disposal. The pulp, paper and publishing industries, not to mention readers themselves, have significant impacts on people and communities all around the world. As authors, we are committed to preventing negative impacts of book publishing on natural forests, the global climate or the rights of forest-dependent communities. We are happy that our publisher, Cengage Learning in Melbourne, has switched to 100 per cent post-consumer waste recycled paper for all office printing and that the content of this book is now available for download online.

Solving the problems of human-induced climate change requires our readers to share responsibility. The most effective way to reduce the negative impacts of this book is to use the knowledge in it very efficiently. In our teaching we are committed to a ‘3e’ learning environment that supports (e)learning, (e)nvironmentally friendly strategies, and (e)xperiential assignments. Our teachers and students are encouraged to submit assignments online, use online filing systems, reuse paper, adopt electronic note taking, adjust printing to greyscale, recycle classroom waste material, use electronic databases, and use of the library to avoid needless paper consumption. Moreover and importantly, we encourage our students to create ventures that improve, or at least do no further harm to, our natural world.

ORGANISATION

Text, cases and exercises that appear in this Asia-Pacific edition of *Entrepreneurship: Theory, Process, Practice* bring together, in one place, the most significant resources for exploring the

development of new and emerging business and social ventures. Our aim has been to present these resources in an exciting, organised and challenging manner that relates to our world's triple challenge: overcoming and reversing the effects of social, economic and environmental decline.

Every chapter – from performance measures to marketing, from strategy to start-up, from ethics to family business – includes an in-depth section relating this topic to the book's main theme of 'People, Planet and Profit'.

We put together this book in order to compact and synthesise a large body of knowledge for the budding entrepreneur and enterprising spirit of all types. Our aims are to simplify, condense, organise and translate a vast area of knowledge into a form useful for building commercially viable, socially and environmentally responsible projects of all sorts.

We have taken ideas from multiple sources – especially the North American edition of this book – and repackaged them to make a new whole. As the American Historical Association says, textbooks are different from other scholarly writing in the 'form of attribution, and the permissible extent of dependence on prior scholarship'.² Within our organisation and accumulation of knowledge on Asia-Pacific entrepreneurship, we have cited more than 2000 authors in the field and aim to provide ready access to their works, including hundreds of hyperlinks.

The chapter sequence in this fourth edition is systematically organised around 'Pathways to Entrepreneurship'. We all have our individual pathways and people follow different paths to become successful entrepreneurs (see below).

We believe the book can be used over two semesters at the undergraduate. The first eight chapters serve one academic course in 'Foundations of Innovation & Entrepreneurship'. The second eight chapters compose another course called 'New Venture Creation'. Or, the entire book can be covered in an accelerated fashion in master's level classes.

The 16 chapters compose four Parts to the book. Each contains four chapters that specifically address these pertinent concepts of entrepreneurship:

- Part 1 (Chapters 1–4) is named 'Entrepreneurship in the twenty-first century'. It introduces the entrepreneurial mind-set and examines entrepreneurship as evolution and revolution. This part reveals the evolving nature of entrepreneurship and its importance to the entire global economy, to civil society and to the planet itself. Part 1 reviews the fundamentals of the environment of the economy and the economy of entrepreneurship. This includes the basics of climate change and climate-change economics, as well as the emerging field of entrepreneurial ecology. Finally, we focus on social entrepreneurship and the ethical perspective that entrepreneurs need to take in developing a morally conscious approach to business, one that safeguards society and the planet.
- Part 2 (Chapters 5–8) is named 'Initiating entrepreneurial ventures'. Here, we spell out a major theme throughout the book by outlining the pathways to entrepreneurship and dealing with the question of how people become entrepreneurs. Starting with bootstrapping (starting a venture with minimal capital), micro-enterprise and mini-preneurs, we gradually build toward delving into more complex ventures with the pursuit of ideas and opportunity recognition by examining the creativity of individuals and the concept of innovation. We discuss the unique and culturally determined pathways that an entrepreneur might take to launch a new venture, whether starting a brand new venture, acquiring an existing firm, franchising or expanding a social enterprise. One common pathway is family business, so we look at their importance and unique problems. We look at intrapreneurship, also called 'corporate entrepreneurship', which exists and can be cultivated in every large organisation.

- Part 3 (Chapters 9–12) is entitled ‘Developing entrepreneurial ventures’. This part includes the methods of assessing new ventures and business opportunities, as well as a discussion of the issues in marketing that affect the preparing, planning and operating of entrepreneurial start-ups. The need for strategic planning, the challenge of managing entrepreneurial growth, and the global opportunities available to entrepreneurs are all discussed.
- Part 4 (Chapters 13–16) is called ‘Growth strategies for entrepreneurial ventures’ and reviews business and environmental regulations, looks at intellectual property, and compares legal forms of business organisation across the Asia–Pacific. This part has a thorough examination of the sources of capital, including social capital and natural capital, available to entrepreneurs. The performance measures that all entrepreneurs need also are discussed.

Finally, the development of a clear and comprehensive sustainable business plan is examined. Chapter 17, ‘Reviving Samoa’s Cocoa Industry: Cocoa Samoa Ltd’, contains a complete illustrative sustainable business plan that aims to attract capital to revitalise the Samoan Cocoa industry.

In an effort to make the fourth Asia–Pacific edition of *Entrepreneurship: Theory, Process, Practice* the most comprehensive text available in our region, at the end of each chapter you will find a wealth of endnotes with the Asia–Pacific region especially in mind. These references have been carefully selected and updated to 2016 in order to provide professors and students with a thorough background of the latest research that relates to the entrepreneurship material being presented. All hyperlinks were current as at July 2015.

NEW AND UPDATED CONTENT

A beautiful new set of teaching PowerPoints has been developed for teachers. These include copious notes relevant to lecture material. The slides include hundreds of images that make the PowerPoint slides a delight to look at. In addition to the experiential exercises, we know that teachers must convey serious content, and that reading and watching are two good ways to accomplish that.

A major innovation to this fourth edition has been the extensive development of the *Pathways Approach to Entrepreneurship*. While learning entrepreneurship from others is of course useful and beneficial, at some point to be an entrepreneur, you have to take the first steps into setting up and taking responsibility for your own venture or business initiative. To be ready to be the captain of your own venture there are a number of pathways that will contribute to your preparedness and development. The following outlines how the specific content for the pathways concept is distributed throughout the book:

- Chapter 1, page 18, discusses the pathways principle and on page 22, is detailed how entrepreneurship acts as a pathway to freedom.
- Chapter 3, page 65, deals with finding a pathway to your climate-resilient future.
- Chapter 4, page 130, includes pathways considerations for entrepreneurship and disadvantaged groups.
- Chapter 5 was promoted to fifth position as the dedicated Pathways Chapter to entrepreneurial ventures and includes several pathways discussion:
 - Page 159, keeping the cost down and finding ways to bootstrapping a pathway to entrepreneurship is outlined.
 - Page 160, discusses business assistance funding while page 161, focuses on Minipreneurship as a pathway before the classical pathway, disruptive new venture creation is specifically described on page 163.
 - Page 167, switches to discuss acquiring an established entrepreneurial venture as a pathway

- Page 175, covers the option of buying a franchise as a pathway, and
- Page 179, addresses establishing a social venture as a pathway.
- Chapter 7, takes one common pathway, the family business option in detail with particular discussion on page 233, on succession and page 240, harvesting the venture; that is, recycling wealth within the family.
- Chapter 8, also dedicates an entire chapter to entrepreneurship within established organisations as a pathway.

In addition to the pathways approach as a major new contribution, a number of specific topics have been updated and/or added to this edition. These include in Chapter 2 an expanded discussion on new venture stage transitions and the required competencies and skills that assist in making these transitions as an entrepreneur. Chapter 3 is entirely updated to the latest knowledge about our warming planet and about opportunities for entrepreneurs to take advantage of climate change.

In Chapter 6 a section is now included on Blue Ocean Strategy to assist entrepreneurs to think about the spaces and voids left by established competitors. Crowdfunding is also introduced in this chapter before a more extensive discussion of it occurs in Chapter 14.

In Chapter 9 the increasingly popular topic of entrepreneurial ecosystems is addressed to start entrepreneurs and their supporters thinking about the context within which they start ventures. Chapter 10 now extensively covers social media and mobile communications for marketing and in Chapter 11, more is dedicated to designing the business model.

Chapter 15 now includes an outline discussion on sensitivity analysis or the ‘what if’ scenario tool to assist entrepreneurs in thinking about assumptions embedded within their business plans. Along this same line, more is dedicated to the Lean Start-up in Chapter 16 that prompts entrepreneurs to systematically test their business models in conjunction with their planning processes. Lastly, a new, comprehensive business plan is added in Chapter 17 on the re-establishment of a Samoan Chocolate industry to provide the backbone of focused discussion on how business plans play a role in entrepreneurship.

COURSEMATE EXPRESS AND ONLINE RESOURCES

This edition also includes additional online resources called CourseMate Express for students and professors using this book. The online material facilitates a ‘blended learning approach’. The website has links, videos, quizzes, games, other cases and business plans and interactive exercises. It implements the authors’ philosophy that ‘teaching is best done online and learning is best done in the classroom’. Beyond the dozens of activities, cases and exercises that you will find in the text, there are more than 150 more that you will find in the online environment.

ENDNOTES

- 1 Brogan, C. (2010). The new attention deficit. *Entrepreneur*, 38(12), 70; Huber, J. (1994). Rebel with a business. *Entrepreneur*, 22(6), 148; Nicolaou, N., Shane, S., Adi, G., Mangino, M., & Harris, J. (2011). A polymorphism associated with entrepreneurship: Evidence from dopamine receptor candidate genes. *Small Business Economics*, 36(2), 151–55; Scudamore, B. (2009). Given to distraction. *Profit*, 28(2), 13; Logan J. (2009). Dyslexic entrepreneurs: The incidence, their coping strategies and their business skills. *Dyslexia*, 15, 328–46; Franks, K., & Frederick, H. (2012 in press) Dyslexic and entrepreneur: Typologies, commonalities and differences. *Journal of Asia Entrepreneurship and Sustainability*.
- 2 American Historical Association, ‘Statement on standards of professional conduct’, Approved by Professional Division, 9 December 2004 and adopted by Council, 6 January 2005 www.historians.org/PUBS/free/professionalstandards.cfm?pv=y.

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ABOUT THE AUTHORS

Professor Dr Howard H ‘Frederico’ Frederick is Research Professor in the Centre for Entrepreneurial Culture at Mexico’s leading private university, the Tecnológico de Monterrey, or Monterrey Institute of Technology. More entrepreneur than professor, he teaches Entrepreneurial Leadership and advises young entrepreneurs in the Technology Park, especially in the field of climate change entrepreneurship. Monterrey Tec is one of the select universities in the world where every one of the 98 000 students on 31 campuses takes the Entrepreneurial Leadership course.

Howard has been teaching Entrepreneurship for more than fifteen years. He was Professor of Entrepreneurship Education at Deakin University in Melbourne and New Zealand’s longest-serving Professor of Innovation & Entrepreneurship; and Director, New Zealand Centre for Innovation & Entrepreneurship, at Unitec New Zealand in Auckland. He was previously a Distinguished Fulbright Professor in Austria, Mexico and the German Democratic Republic; Senior Scholar, University of Southern California, USA; and Professor and Chair in Global Communication, Victoria University of Wellington, New Zealand.

However, Howard’s entrepreneurial true love is the Sweet Art. With his partner, for thirteen years he has co-managed and operated Melbourne’s leading chocolate and tea degustation environment, Mámor Chocolates & High Tea Szalón Pty Ltd, which you will see mentioned frequently in this book. Yes, somebody has to do it!

Howard is a graduate of Stanford University, San Francisco State University and The American University, and has broad European, Latin American and Asia-Pacific experience. Fluent in Spanish and German, he is recognised as an authority in the field of ICT, business innovation and economic development, especially in the developing areas of Latin America and Asia. His students have launched successful businesses ranging from water-testing equipment to cosmetic manufacturing, functional food products and an organic escalator cleaner.

Howard learned business skills from his forestry family in the Pacific Northwest of the USA. His grandfather ran a lumber mill and his father was a commercial lumberman. His mother was the ultimate creative industries entrepreneur, even running her own modelling agency. Frederick’s PhD work focused on economic development in developing economies.

Dr Allan J O’Connor is the Academic Director of post-graduate programs in Innovation and Entrepreneurship at the Entrepreneurship Commercialisation and Innovation Centre (ECIC), The University of Adelaide, Australia. With qualifications that include a Master in Enterprise Innovation and a PhD that focused on issues of public policy for entrepreneurship education and economic development, he has taught entrepreneurship topics that include Strategy, Innovation Management, Business Plan, Opportunity Evaluation, and New Ventures and Research Methods, since 2001. Allan’s research interests lie at the intersections between entrepreneurship and socioeconomic development.

Entrepreneurship has been at the core of much of Allan’s life experience. Entrepreneurship has served as a means of transition. From leveraging his skills at age 18 as a musician to buy a business and support his education and training in mechanical engineering, to undertaking an intrapreneurial venture to grow the market presence of his then-employer, and later venturing out on his own to develop and market innovative physical products and intangible consulting services, Allan has walked the path of innovation and entrepreneurship and faced market challenges that demand new thinking.

Later in life, Allan discovered the joy and passion of higher learning and is enjoying the challenges of an entrepreneurial academic career. Increasingly, Allan is engaged in research that is designed to advise governments in matters of innovation and entrepreneurship that drives regional competitiveness. With the assistance of funding from the South Australian state government, in 2014–15 Allan led the development of the Australian Cluster Observatory and has embarked on pioneering research into the entrepreneurial ecosystem in South Australia. His growing portfolio of more than fifty research publications including internationally peer reviewed journal articles, book chapters, conference papers, and research reports, is testament to the significance of his research agenda and contribution to his research field.

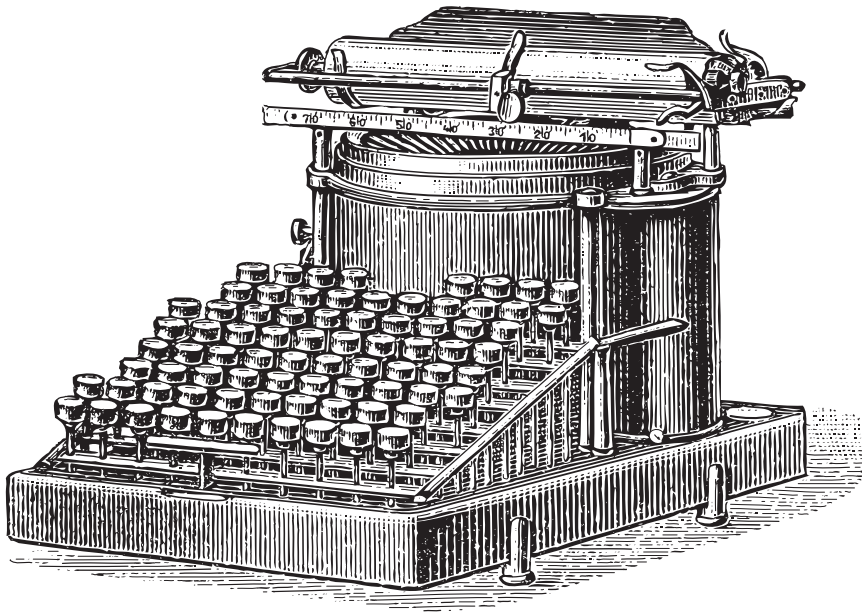
Dr Donald F Kuratko (known as ‘Dr K’) is the Jack M. Gill Chair of Entrepreneurship; Professor of Entrepreneurship and Executive Director, The Johnson Center for Entrepreneurship & Innovation, The Kelley School of Business, Indiana University, Bloomington, USA. Dr Kuratko is considered a prominent scholar and national leader in the field of entrepreneurship. He has published more than 180 articles on aspects of entrepreneurship, new venture development and corporate entrepreneurship. Professor Kuratko has authored 30 books, including the leading entrepreneurship book in American universities today, *Entrepreneurship: Theory, Process, Practice*, ninth edition (South-Western/Cengage Learning, 2014, 2009). In addition, Dr Kuratko has been consultant on corporate innovation and entrepreneurial strategies to a number of major corporations, such as Anthem Blue Cross/Blue Shield, AT&T, United Technologies, Ameritech, Walgreens, McKesson, Union Carbide Corporation, ServiceMaster and TruServ.

Under Dr Kuratko’s leadership, Indiana University’s Entrepreneurship Program has consistently been ranked as the #1 university for entrepreneurship research by the *Global Entrepreneurship Productivity Rankings*; the #1 University Entrepreneurship Program in the United States (public universities) by *Fortune*; and the #1 Graduate Business School (Public Institutions) for Entrepreneurship and the #1 Undergraduate Business School for Entrepreneurship (Public Institutions) by *U.S. News & World Report*. In addition, Indiana University was awarded the *National Model MBA Program in Entrepreneurship* for the MBA Program in Entrepreneurship & Innovation developed by Dr Kuratko.

Dr Kuratko’s honours include earning the Entrepreneur of the Year for the state of Indiana (sponsored by Ernst & Young and *Inc.* magazine) and being inducted into the Institute of American Entrepreneurs Hall of Fame. Dr Kuratko was named the National Outstanding Entrepreneurship Educator by the US Association for Small Business and Entrepreneurship and he has been honoured with the John E. Hughes Entrepreneurial Advocacy Award for his career achievements in entrepreneurship and corporate innovation. He was selected one of the Top Entrepreneurship Professors in the United States by *Fortune*. The National Academy of Management has honoured Dr Kuratko with one of their highest awards bestowed in entrepreneurship, the Entrepreneurship Advocate Award, for development and advancement of the discipline of entrepreneurship. Dr Kuratko has been named one of the Top 50 Entrepreneurship Scholars in the world and was the recipient of the Riata Distinguished Entrepreneurship Scholar Award (presented by the School of Entrepreneurship at Oklahoma State University) in 2010. In 2011 he was the inaugural recipient of the Karl Vesper Entrepreneurship Pioneer Award for his career dedication to developing the field of entrepreneurship.

» PART ONE «

ENTREPRENEURSHIP IN THE TWENTY-FIRST CENTURY



CHAPTER 1

Entrepreneurship:
evolution and
revolution

CHAPTER 2

The entrepreneurial
mind-set: cognition
and career

CHAPTER 3

Entrepreneurship
and sustainable
development

CHAPTER 4


Social and ethical
entrepreneurship

»» CHAPTER ONE

ENTREPRENEURSHIP: EVOLUTION AND REVOLUTION

CHAPTER OBJECTIVES

- 1 To begin our exploration of entrepreneurship and the environment
- 2 To distinguish between business and social entrepreneurs
- 3 To distinguish between entrepreneurs and small-business owners
- 4 To explain the importance of entrepreneurs for economic growth
- 5 To examine the historical development of entrepreneurs and of entrepreneurship
- 6 To define entrepreneurship and explore the major schools of entrepreneurial thought
- 7 To realise that entrepreneurship is a pathway to freedom



We are on the precipice of climate system tipping points beyond which there is no redemption.

James Hansen, Director, NASA Goddard Institute, President George W. Bush's top climate modeller¹

Most of what you hear about entrepreneurship is all wrong. It's not magic; it's not mysterious; and it has nothing to do with genes. It's a discipline and, like any discipline, it can be learned.

Peter F. Drucker²



Visit <http://login.cengagebrain.com> and use the access code that comes with this book for 24 months access to the **CourseMate Express resources** for this chapter, including **quizzes, videos, games** and **more**.

ENTREPRENEURS FACING THE UNKNOWN

Hold on to your hats. You are in for a roller-coaster ride. This book starts with some startling information and you may wonder what it means for entrepreneurs.



Source: The Jetstar roller coaster damaged by hurricane Sandy in October 2012, Seaside Heights, New Jersey, published by Flickr.com, © 2013.

FIGURE 1.1
ROLLER COASTER
ENTREPRENEUR CARL
MILER'S MASTERWORK
DESTROYED BY RISING
SEA LEVELS AFTER
GLOBAL WARMING
INDUCED HURRICANE
SANDY (US)

Let's start by looking at one of America's famous 'roller coaster entrepreneurs', Carl Miler and his brilliant idea that made him millions – the portable roller coaster. He recounted:

The market for roller coasters is a pretty risky financial venture; suppose the thing is a complete failure, what do you do with it? The secret is to come up with a good collapsible rig that's as exciting as any you've ever ridden, but that can be taken down and moved at short notice. And it's worth a lot of patents, I can assure you.³

How could Miler possibly guess that within half a century one of his great innovations, the Jet Star portable roller coaster at Casino Pier, New Jersey (USA), would be swept away by the rising seas of a global warming-induced hurricane? Today, entrepreneurs have to take such calamities into account. What is today's entrepreneur to do? Perhaps invent a floating portable roller coaster?

Human-induced **climate change** is one of the greatest challenges facing the human race in the twenty-first century.⁴ As this book goes to press, the World Meteorological Organization reported that 2014 was the hottest year since records were kept. Climate change contributes to increased frequency of natural disasters, rise in flows of refugees, and global conflict over food and water. The effects of climate change are felt from the Arctic to the Antarctic. Some even attribute the Syrian conflict to climate change because of that regime's failure to manage water and land, followed by a drought, and displacement of millions of people. Areas of the Asia-Pacific, including Australia, could face the displacement of millions of people due to sea-level rise, leading to a breakdown in security due to climate change. Climate change is a threat to our security, indeed to our very survival.⁵

All of us – entrepreneurs included – now face '**existential risks**'. Those are events that can cripple civilisation or even cause the extinction of the human race. Already recorded in history are such events as super-volcanoes and asteroids that led dinosaurs into extinction. But today, human-caused, or **anthropogenic**, events also threaten the survival of life on Earth. Three modern

existential risks are particularly threatening: nuclear war, bioterrorism and global warming. We will leave aside the first two as outside of this book's scope, but prognosticators of the third existential threat, global warming, put the risk of human extinction from climate change in the twenty-first century at 10–20 per cent.⁶ The authoritative Stern Review on the Economics of Climate Change (2006) used an extinction probability of 0.1 per cent per year in calculating an effective **social discount rate**. That makes a 9.5 per cent chance of human extinction by the end of a century.⁷ (See the discussion on discount rate in Chapter 3, 'Are our great-grandchildren as valuable as we are?', on page 87.)

You may ask what any of this has to do with entrepreneurs? Entrepreneurs are part of the problem and perhaps the greatest hope for the solutions. Since the **Industrial Revolution** in the late eighteenth and early nineteenth centuries, many business entrepreneurs around the world have simply plundered and exploited the environment in ignorance, without any thought for **sustainability**. Early entrepreneurs were the first to see the possibility that fossilised coal and gas could fuel industry as well as power our dreams and innovations. Before we started warming the planet, the global average temperature was about 14 degrees Celsius and the Earth's atmosphere contained about 280 parts per million of carbon dioxide. Once our entrepreneurial forefathers began to burn coal and gas to power their lives and realise their ambitions, the **carbon emissions** in the atmosphere started to increase. By the time scientists started measuring it in the 1950s, it had already risen to 315 parts per million. Now it's at 390–400 and increasing two points per year.⁸ By adding enormous quantities of CO₂ and other **greenhouse gases** to the atmosphere over the last 150 years, enterprising human beings have changed the world's climate and entrepreneurs must share some of the blame.












A few degrees of temperature increase may not sound much, but the extra heat that CO₂ traps is enough to warm the planet considerably. To date, international agreements have targets to limit global warming to 2 degrees Celsius above pre-industrial levels. Yet, that little bit per year has started melting almost every frozen region on Earth. It has already changed sea levels and seasons and has been linked to more ferocious storms (see **Figure 1.1**) and more extreme bushfires. Even modest temperature rises affect hundreds of millions of people, particularly in the developing world. What happens if we miss the agreed-upon 2 degrees Celsius goal and reach 4 or 8 degrees of warming? No human life can live at those temperatures, and Australia is the most vulnerable continent to climate change impacts.⁹

And so it is no exaggeration to say that entrepreneurs such as Thomas Edison and Henry Ford played a major role in contributing to the climate crisis, and that an entrepreneur (perhaps one like Elon Musk with his electric car using new battery technology – see Chapter 10, p. 356) can help ease the problem.

Let's look at it graphically. In 2013, the world was already emitting 9861 million tonnes of carbon. That is equivalent to 36 131 million tonnes of CO₂.¹⁰ Using the Greenhouse Gas Equivalencies Calculator,¹¹ we can visualise just how much that global output. For example, 7.6 billion passenger vehicles would produce that much carbon; or 927 billion new tree seedlings would sequester (take out and store) that much carbon (see **Figure 1.2**).

Who are the greatest carbon offenders? **Table 1.1** lists regions and countries that emit the most total carbon into the atmosphere. Asia-Pacific countries produce 46 per cent of the world's CO₂. The People's Republic of China now contributes around 28 per cent of global CO₂ emissions, compared with a US contribution of around 14 per cent and the 28 states of the European Union combining to produce a further 10 per cent. Looking at global emissions in per capita terms, the biggest emitters are Australia, the United States, Saudi Arabia and Canada.

FIGURE 1.2 WORLD CARBON EQUIVALENTS IN 2013

ANNUAL GREENHOUSE GAS EMISSIONS EQUATES TO:		CO ₂ GAS EMISSIONS EQUATES TO:		CARBON SEQUESTERED BY:	
Passenger vehicles 	7 612 000 000	Gallons of gasoline consumed 	4 068 527 062 001	Tree seedlings grown for 10 years 	927 102 564 103
Miles/year driven by average passenger vehicle 	86 088 095 238 090	Pounds of coal burned 	38 836 734 693 870	Acres of US forests in one year 	29 636 885 246
Tonnes of waste sent to the landfill 	12 959 498 208	Tanker trucks' worth of fuel 	478 647 074	Acres of US forest preserved from conversion to cropland in one year 	279 183 075
Rubbish trucks of waste recycled instead of landfill 	1 853 254 741	Homes' energy use for one year 	3 298 996 350		

Each cell in this table is equivalent to global yearly carbon output of 9861 million tonnes of carbon in 2013.

Sources: Adapted from Global Carbon Budget, Global Carbon project and Greenhouse Gas Equivalencies Calculator, Clean Energy Resources, EPA.

TABLE 1.1 CARBON EMISSIONS BY COUNTRY AND REGION

CARBON EMISSIONS BY COUNTRY AND REGION, 2013, MILLION METRIC TONNES		
World	9861	100%
Asia	4584	46%
OECD	3367	34%
China	2723	28%
North America	1693	17%
Europe	1600	16%
United States of America	1428	14%
EU28	951	10%
India	657	7%
Middle East	612	6%
Russian Federation	495	5%

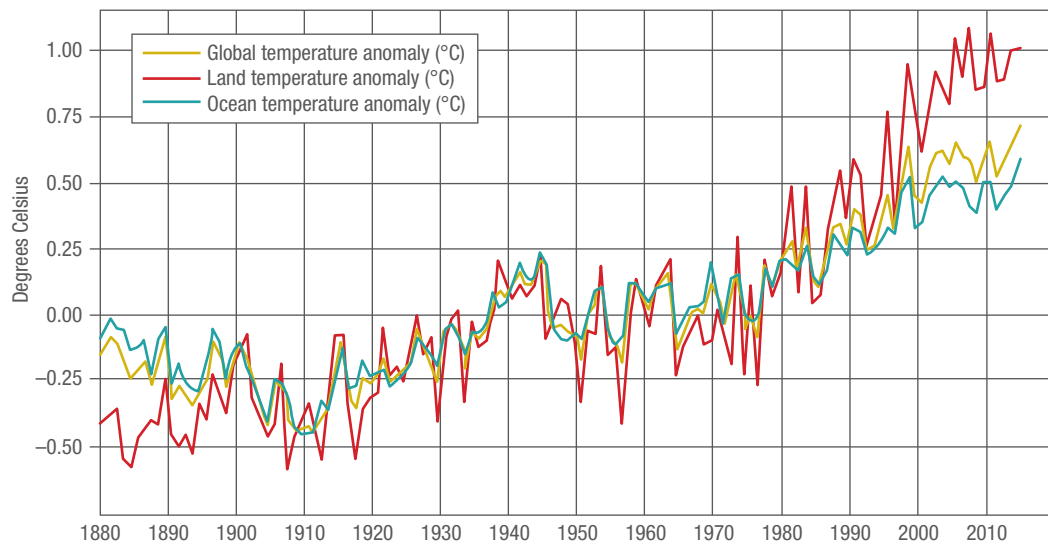
Source: Global Carbon Budget, <http://www.globalcarbonproject.org/carbonbudget/14/data.htm>.
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And it is not just large companies that are to blame. Small-scale entrepreneurs have made a 10 per cent contribution to the planetary crisis of global warming by helping to destroy areas of rainforest.¹² This alone is a significant contributor to climate change because tropical forests are best at **sequestering** carbon from the atmosphere. In an attempt to better themselves by increasing their standards of living, entrepreneurial families as well as large companies in such places as Brazil and Indonesia have cleared vast stretches of rainforest, releasing megatonnes of CO₂, and it will take decades to restore these 'lungs of the Earth'.

Quantifying the human cost of all this damage is complex. The Stern Review assessed the business case. It said that doing nothing about climate change is far more expensive and risky than taking immediate measures. The 'business as usual' approach would mean at a minimum a 5 per cent average decrease in global per capita consumption 'now and forever'.¹³

Projections by the US National Research Council warn that the seas could rise a further 56 to 200 cm during the twenty-first century. Areas endangered by the encroaching ocean include New Orleans, New York, Miami, Venice, Bangkok, Shanghai, the Netherlands, Bangladesh and the Maldives.¹⁴ Low-lying island nations are already vulnerable, as is a huge swathe of Bangladesh where millions live. (See 'Global warming effects on the economy' in Chapter 3, p. 67.) Yet drought also is becoming more prevalent, especially in all of Australia, Southern Europe and most of the United States.¹⁵

FIGURE 1.3
GLOBAL LAND AND SEA
TEMPERATURES SINCE
1880



Source: Adapted from 'Global Analysis - Annual 2014, Various Global Temperature Time Series', National Climate Data Center, NASA Goddard Institute for Space Studies.

WHY WE ARE HOPEFUL

How can we as entrepreneurs stop (or at least ameliorate) this global environmental catastrophe? It's not rocket science. In fact, most of the technologies we need to improve the situation already exist, developed by entrepreneurs and inventors in the last quarter century. What we need is a commitment to take what we already know how to do, make it cheaper and spread it to every corner of every economy in the world. Business as usual is dead and green growth is the answer to both climate and

economic problems. Again, who is best positioned to commercialise existing innovations and create new technologies? It's entrepreneurs!

Why? Because in their history entrepreneurs have never wasted a good crisis. Over half of the Fortune 500 were created during a recession or **bear market**.¹⁶ Capitalism is in crisis and natural resources are declining, yet entrepreneurs have an opportunity to rebuild the world in a way that carries on adding value and making wealth while keeping social and environmental solutions at its heart. It is entrepreneurs who recognise opportunities where others see chaos or confusion. They are the aggressive catalysts for change within the marketplace. They are the athletes challenging themselves to break new barriers, marathon runners dealing with the agony of the last few kilometres, the symphony orchestra conductors bringing together different skills and sounds into a cohesive whole, and the top-gun pilots continually pushing the envelope of speed and daring.

In the new reality of climate change, entrepreneurs could well be the saviours of the planet. They can choose between being the villains or the heroes of today's marketplace. They can start companies and create jobs at a breathtaking pace. History shows us that **entrepreneurship** is a wellspring of economic growth, social renewal and personal development, and that new entrepreneurial ventures are the way to bolster a flagging economy. Economic and planetary problems can only increase entrepreneurs' willingness to stop working for someone else and do something good for themselves and others by taking on the challenge and starting their own business.

Economies around the world have evolved and have been repeatedly revitalised because of the efforts of entrepreneurs as it is the passion, promotion, networking and drive of entrepreneurs that move the whole society forward.¹⁷ They take the unknown as a challenge and continuously influence the path of the future. It is their ideas, savings, investment and innovation that lead to development. They are the ones who can alleviate poverty by contributing to **economic growth** and **job creation**.

Climate change is the greatest challenge of our time and the stakes could not be higher for entrepreneurs. There are huge rewards for those that embrace innovation to lead the transition to a low-carbon economy. Entrepreneurs can unleash a wave of creativity not seen since the Industrial Revolution. They must be at the forefront of the fight against climate change. 'We have to start thinking out of the box', says Rajendra Pachauri, Nobel Prize winner and chair of the **Intergovernmental Panel on Climate Change (IPCC)**. 'Entrepreneurs who respond to the challenge will reap commercial success – while businesses which fail to do so face oblivion'.¹⁸

Throughout the world, there is enough young entrepreneurial energy to build a world that overcomes these challenges – if we invest in the intentional development of entrepreneurs. That's what this book is all about.

CAN 2.5 BILLION GADGETS A YEAR BE GREEN?

It was predicted we would buy 2.5 billion mobiles, computers and tablets in 2014 and there would be more Internet connected devices than people on the planet. As the number of gadgets we own explodes, how they are made, used and disposed of becomes more important than ever.

Take dangerous e-waste: in 2012, electronics devices were already creating nearly 8 kg of e-waste for every person on the planet. Without truly progressive, innovative solutions from the industry, the combined environmental impact of our gadgets will just keep growing.



ENTREPRENEURIAL

EDGE

cont.

The problems

- E-waste: Making billions of devices that often last for just a couple of years is a) incredibly resource intensive and b) incredibly wasteful if all the energy, raw materials and chemicals used in electronics are discarded as e-waste.
- Toxic truth: Many of the hazardous substances currently used in the products and in manufacturing can damage human health and the environment, especially in manufacturing centres in China, Taiwan, South Korea and Japan.
- Designed for the dump: Today many of our products are designed to become obsolete with no or little ability to repair or upgrade, fuelling a throwaway culture that leads to greater resource consumption and creating mountains of waste.

The Solutions

- An energy revolution: Increasing renewable energy use in manufacturing is key to reducing the environmental footprint of our products. Apple is building the world's first electronics components factory powered only by renewable energy. With solar power growing fast in manufacturing centres like China and Japan, wouldn't it be great if our devices were made with 100 per cent renewable energy?
- A toxic-free future: Half of the mobile phone market is now free of the worst hazardous chemicals, up from zero in 2006. That's progress. What if companies extended that to all products and followed the example of leading clothing brands by 'detoxing' their entire supply chains? It's possible. Our gadgets should not come at the price of human health or the safety of our future generations.
- Design innovation: Products made to last: The sector must shift to providing products that have a long lifespan and are easily upgraded and repairable. As more and more devices are sold we must make sure we can get the most out of the resources and energy used in electronics manufacturing.

Sources: Adapted from Blogpost, Tom Dowdall, 3 September 2014. See Cobbing, M. & Dowdall, T., 'Green gadgets: Designing the future' (Amsterdam: Greenpeace International, 2014), <http://www.greenpeace.org/international/en/publications/Campaign-reports/Toxics-reports/Green-Gadgets/>; Gartner Group, Press Release, 'Gartner says worldwide traditional pc, tablet, ultramobile and mobile phone shipments are on pace to grow 6.9 percent in 2014', <http://www.gartner.com/newsroom/id/2692318>; Sparkes, M., 'Apple "leads the way" on reducing environmental harm', *Daily Telegraph*, 3 September 2014, <http://www.telegraph.co.uk/technology/apple/11070662/Apple-leads-the-way-on-reducing-environmental-harm.html>.

ARE YOU A BUSINESS OR SOCIAL ENTREPRENEUR?

There are many kinds of entrepreneurs. The word 'entrepreneur' is very flexible in the English language. A **seniorpreneur** is someone who starts a business after the age of 55. A **copreneur** is someone who works with the entrepreneur, such as the spouse, an accountant or a supplier. Biopreneurs work in biotechnology, biology and the environment. There are (believe it or not!) academicpreneurs (we call them pracademics, such as your authors). There are cross-cultural entrepreneurs, mediapreneurs, end-poverty entrepreneurs, transparency-and-fairness entrepreneurs, social entrepreneurs, social-privatisation entrepreneurs, world-citizen entrepreneurs, intrapreneurs, knowledge-collaboration entrepreneurs, cultural entrepreneurs and biodiversity entrepreneurs. But for the present we will look at, and distinguish between, three main terms.

Business entrepreneurs are driven by the profit motive. They seek growth and profits within the business world. They are constant innovators and always trying to capture larger market shares from a competitive marketplace. They are pioneering individualists who create one venture after another and one innovation after another.

Social entrepreneurs have many of the same personality characteristics as business entrepreneurs, but they are driven by a mission and seek to find innovative ways to solve problems that are not being or cannot be addressed by either the market or the public sector.¹⁹

Both business and social entrepreneurs seek innovation and growth. They thrive in both small enterprises and large organisations. They have a mind-set that separates them from the rest of the population.



What are the twenty steps towards becoming a social entrepreneur? Learn what it takes on CourseMate Express.

The terms entrepreneur and small business owner are sometimes used interchangeably, but that is incorrect. Although some situations encompass both terms, it is important to note the difference in the following definition.

Small-business owners may once have captured an opportunity like an entrepreneur but then they rest on their laurels because either they or the opportunity – or both – do not continue to have the attributes that make it entrepreneurial. The business may never grow large and the business owner may prefer a more stable and less aggressive approach to running their business. Many small-business owners often like stable sales, profits and modest growth and want to keep the business at a size they can personally manage and control. These are not entrepreneurs but small-business managers.

The difference is that small-business owners would rather exploit existing equilibrium opportunities and optimise supply and demand in established markets. Entrepreneurs, on the other hand, aim to exploit innovative venture opportunities and create new markets at home and abroad.


In this book, we concentrate on business and social entrepreneurs. Much of the content relates to the broadest range of sectors, from profit to non-profit and from government institutions to large businesses. But as far as small business is concerned, many of the particular points in this book may apply to both small-business owners and entrepreneurs. However, keep in mind that our focus is on the aspects of innovation and growth associated with business and social entrepreneurs, not with small-business managers and managing a small venture.

ENTREPRENEURS HAVE A PARTICULAR ENTERPRISING MIND-SET

Entrepreneurship is more than the mere creation of a business or a social enterprise. Although that is certainly an important facet, it is not the complete picture. The characteristics of seeking opportunities, taking risks beyond security and having the tenacity to push an idea through to reality combine into a special perspective that permeates entrepreneurs. Some people are born with it while others, as Peter Drucker says in the epigraph at the top of this chapter, can develop an **entrepreneurial mind-set**. This mind-set can be exhibited inside or outside an organisation, in profit or non-profit enterprises and in business or non-business activities for the purpose of bringing forth creative ideas. Thus entrepreneurship is an integrated concept that permeates an individual's enterprise in an innovative manner. It is this mind-set that has revolutionised the way business and social ventures are conducted at every level and in every country. (This is a major theme in this book. See also Chapter 2, 'The entrepreneurial mind-set: cognition and career'; Chapter 8, 'Developing entrepreneurship within organisations'; and Chapter 11, 'Strategic entrepreneurial growth'.)

Look at the mind-set of the crew of the Starship Enterprise in the famous TV show *Star Trek*. They definitely had entrepreneurial qualities. The mission of the Starship Enterprise was 'to boldly go where no [one] has gone before'. This means having the nerve to face the unknown. 'Space... the final frontier' is all about finding new markets. 'These are the voyages of the Starship Enterprise' is all about planning for the future. 'To explore strange new worlds, to seek out new life and new civilisations' is just like the entrepreneur's ability to explore, learn and adapt.

Today, the word **enterprise** (or enterprising) is still used as an 'attitude to life, an attitude of exploring, of developing, of leading and of taking initiatives'. Enterprise – as in an *enterprising individual* – is the process of identifying, developing and bringing a vision to life, be it an innovative

 CourseMateExpress
What is your EQ (entrepreneurial quotient)? See how you rate on CourseMate Express.