Entrepreneurship: Creating Something New With Very Limited Resources

Sankaran Venkataraman

Adjunct Professor, CET (NUS)

Samuel Slover Research Professor, Darden School, University of Virginia

Entrepreneurial Opportunity Principle: Principle 1

- **What is an Entrepreneurial Opportunity and where does it come from?**

- **Principle 1: Entrepreneurial opportunities are rarely *found*; they have to be *created and earned*.**

Problems in Pursuing an Opportunity with Limited Resources: Principle 2

- **Fundamental Uncertainty**
  - **Bias for Analysis**
  - **Principle 2: A fear of realizing the downside of creating a new business biases one towards analysis. A bias for analysis significantly decreases the probability of business entry, but increases the probability of success.**

Problems in Pursuing an Opportunity with Limited Resources: Principle 3

- Fundamental Uncertainty
  - Bias for Action
  - Principle 3: A fear of missing the upside of a good opportunity biases one towards action. A bias for action significantly increases the probability of business entry, but often decreases the probability of success.

Resolving the Tension Between Bias for Analysis & Bias for Action

- **Principle 4: By adopting affordable loss principle, enterprising individuals are able to resolve the tension between a bias for analysis and a bias for action.**

Problems in Pursuing an Opportunity with Limited Resources: Principle 5

- Information Asymmetry Problems
- Moral Hazard Problems
  - Emergence of a Vicious Cycle
  - Principle 5: All creative endeavors involve a vicious cycle: no product implies no customers; no customers implies no revenue; no revenue implies no cash for investment; no investment implies no legitimacy or credibility; no legitimacy implies no resources; no resources implies no product.

Breaking the Vicious Cycle: Principle 6

- **Principle 6: It is out of commonly available resources (one’s own human capital, intellectual capital and social capital) that you have to break the vicious cycle.**

The Powerful Principle of Bootstrapping: Principle 7

- **Principle 7: Bootstrapping is an ideal way to break the vicious cycle at start-up.**
  - Do not buy new what you can buy used
- • Do not buy used what you can lease
- • Do not lease what you can borrow
- • Do not borrow when you can barter
- • Do not barter what you can beg (moral obligation is incurred)
- • Do not beg what you can scavenge
- • Do not scavenge what you can get for free
- • Do not take for free what someone will pay you for
- • Do not take payment for something that people will bid for (create an auction)

Leveraging Social Assets

- Obligation
- Gratitude
- Trust
- Liking
- Friendship

Cash is King/Queen: Principle 8

- Principle 8: Cash is king/queen. Cash is most expensive when you need it most.

The Power of Execution: Principle 9

- **Principle 9: If cash does not kill you, logistics will!**
- **There is no such thing as a bad idea; only poor execution.**

The Parsimony Principle: Principle 10

- **Principle 10: Every new business has three to five fundamental drivers. Find them and focus on them. The task of creation becomes easy.**

Summary: The Essence of Entrepreneurship

- **Entrepreneurial Creation**
- ***Entrepreneurial creation is the process of carving out a specific new business idea from the raw material of broad social, economic, technological and political trends with the help of our commonly held resources, namely, talent, imagination, energy, education, time, and contacts.***
- **Entrepreneurial Leader**
- ***An entrepreneurial leader is one who "imagines" a future business possibility within a framework of macro forces and trends, acts to bring the future into existence with a sense of urgency, unconstrained by the limited set of means at his or her disposal, with commitment and flexibility during the creation process, in order to profit from the journey.***