Entrepreneurship: A Global Social Movement

All human beings are entrepreneurs. When we were in the caves we were all self-employed ... finding our food, feeding ourselves. That's where human history began ... As civilization came we suppressed it. We became labor because they stamped us, 'You are labor.' We forgot that we are entrepreneurs.”

—Muhammad Yunus, author and social entrepreneur
1.1 ENTREPRENEURSHIP REQUIRES ACTION AND PRACTICE

LO 1.1 Explain the importance of action and practice in entrepreneurship.

To fully understand the significance of these words by 2006 Nobel Peace Prize winner Muhammad Yunus, it helps to know more about Yunus's entrepreneurial achievements. As a professor of economics at the University of Chittagong in Bangladesh, Yunus founded the Grameen Bank (meaning “bank of the villages”)—a bank for the poor of Bangladesh that gives very small, short-term loans to impoverished villagers who are perceived as ineligible to receive traditional bank loans to start their own businesses. Such lending programs have come to be associated with entrepreneurs in developing countries and are called microloans. In the 1970s, Yunus had a very simple idea that changed the landscape of entrepreneurship in Bangladesh and throughout the developing world. He placed borrowers, mostly women, into small groups, but did not permit all group members to borrow at once. While one borrower might receive a loan for $40, the other members became eligible for their own loans only when the original borrower began to pay back the loan. Such a process created motivation, accountability, and empowerment. Yunus made his first loan of $27 in 1976 to a group of women who wanted to expand their bamboo business.

As of 2007, the Grameen bank had extended credit to over seven million people, mostly in Bangladesh, who were previously at the mercy of local moneylenders who charged crippling high interest rates. Through his revolutionary ideas, Yunus not only proved that the poor are creditworthy, but he crossed social boundaries to give the people of Bangladesh an opportunity to be entrepreneurs themselves.

The experience of Grameen Bank and its customers stands as an example of how anyone—regardless of background, ethnicity, social class, gender, sexual orientation, country, or education—can become an entrepreneur if given the opportunity.
PART I
INTRODUCING THE ENTREPRENEURIAL LIFESTYLE

to practice. The practice-through-action orientation is why we subtitled this book The Practice and Mindset. With the right mindset, or mental attitude, you are able to start practicing. We believe in all types of entrepreneurs—those that take action to create something new—a new idea, a new item or product, a new institution, a new market, a new set of possibilities.

The Entrepreneurship in Action feature provides another example of how ordinary individuals with a vision can take action and use practice to reach their entrepreneurial goals.

1.2 ENTREPRENEURSHIP MAY BE DIFFERENT FROM WHAT YOU THINK

>> LO 1.2 List the seven lesser-known truths about entrepreneurship.

Our belief, as demonstrated by the previous examples, is that by taking action and putting ideas into practice, everyone “has what it takes” to be an entrepreneur. However, this is not necessarily the same message that is delivered by popular media. Let’s examine some popular images of entrepreneurs. What is the truth behind these images?

Media Images of Entrepreneurs

The media often exaggerate the meteoritic rise of so-called “overnight global sensations” such as Bill Gates (Microsoft), Steve Jobs (Apple), Mark Zuckerberg (Facebook), Elon Musk (Tesla), and Travis Kalanick (Uber). These stories have perpetuated the myth of the “male tech hero-genius” and have captured the public imagination for decades. While the likes of Bill Gates and his peers are certainly inspirational, we would argue that few can personally identify with the stories surrounding them, and they do little to represent the reality of entrepreneurship.

However, if you take a closer look at the rise of these famous entrepreneurs, you will find that their ascent to greatness has been based on a great deal of practice. In fact, Bill Gates has admitted to carrying out approximately 10,000 hours of programming practice before Microsoft was even launched. The point is not the number of hours Gates spent programming, but the fact that he consistently practiced his technique over a number of years. Gates’s experience also shows us that there is no such thing as an overnight success. Another example is Uber founder Travis Kalanick. Kalanick had a 10-year rocky history of startups, including threats of lawsuits, and filing for bankruptcy, before he struck gold with Uber. To further debunk the myths of entrepreneurship, we have put together a parody of a stereotypical entrepreneur, loosely based on the type that we read about in the popular press.

Bob, the tech lone-wolf genius—a parody

Bob is a technical whiz. He was programming before he could talk and taking machines apart and putting them back together before he could walk. None of this is surprising, as Bob was born a genius. He came into the world with a unique set of personality traits that automatically set him on the path to success.
CHAPTER 1  ENTREPRENEURSHIP: A GLOBAL SOCIAL MOVEMENT

ENTREPRENEURSHIP IN ACTION

Niari Keverian, CEO, ZOOS Greek Iced Teas

Niari Keverian is the CEO of ZOOS, a Boston-based company founded in 2014 that sells Greek iced tea. Along with her business partner, Keverian is overseeing a healthy expansion of their low-sugar, low-calorie, all-natural indulgence. Within a year of launch, ZOOS tea was on the shelves in every Massachusetts outlet of the Wegmans grocery store chain (located in the Northeast and Mid-Atlantic United States) as well as more than 200 health food stores, spas, fitness studios, and boutique grocers.

The breadth of distribution was promising—but Keverian was cautious not to count her chickens before they hatched. “Right now we are in a very sensitive time,” she said in 2015. “We have proven that we are on to something, but everything I’ve learned at school and through my experience says that you can’t grow too fast. It’s a marathon, not a sprint.”

Keverian is Armenian-American, and her partner is Greek-American. Her partner long wanted to make a business out of Greek iced tea but had little experience in the food and beverage world; Keverian, however, had the perfect background with high-level corporate experience with Collective Brands, Staples and Welch’s.

When Keverian met her partner, she had just graduated from her MBA a year earlier and was working as a brand manager at Welch’s. “I was given advice early on in my career: build an overall business toolkit of knowledge before going out on your own. Learn from the best, then go execute. That’s what I did.”

Prior to Keverian’s climbing on board, her partner had created a Facebook page for her dream product. With around 1,000 likes, Keverian pored through fans’ info and asked pointed questions to learn more about her would-be consumer. Then, she spent an evening with glue sticks and old magazines, piecing together a collage representing that person, “what their day to day life looks like, do they work, are they in school, are they into sugar, are they concerned about health,” Keverian recalls.

Keverian presented her imaginative “art piece” to a graphic designer, and “on her first try on our logo, she nailed it.” In addition to the designer, Keverian had over two-year venture hired consultants in manufacturing, packaging, distribution, and law to help smooth out the edges of their fledgling business. Still, officially, it was just the two of them on the team.

Keverian believes her customers are mostly young, health-conscious professionals, college students, and older teens. Moms-to-be and new moms are another important segment. As ZOOS teas are caffeine-free and low in sugar, women who are pregnant or nursing can enjoy them.

“Though we are having some great success,” Keverian reflected, “we have a very long road ahead of us. We’re going to face a lot of challenges that we need to be very careful of. You only get one shot in this industry to get it right. Once you screw it up, it’s very hard to get them to look at you again because it’s such a saturated market.”

Keverian, who describes herself as a “strong-minded personality” who “works best under pressure,” reported putting in 15-hour days (weekends too), sacrificing most of her social life in the process. Her advice for her fellow entrepreneurs: “You have to be ready to dedicate your entire life to getting that business off the ground. Always know you have the control of what your future holds. No one is going to dictate that to you; it’s in your court.”

CRITICAL THINKING QUESTIONS

1. In what ways do you see Niari Keverian as being totally dedicated to the success of ZOOS? What does dedication mean for the entrepreneur?

2. To what extent do you agree that entrepreneurship is “a marathon, not a sprint?” Provide some examples to support your position.

3. How does an entrepreneur have control over his or her own future? How is being an entrepreneur different from working in a “regular” career when it comes to control and decision making?

Source: N. Keverian, personal interview, August 28, 2014.

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As Bob grew into his teenage years, he dropped out of all formal education in order to start his own technology firm—from the family garage. A natural risk-taker, Bob took out a huge loan to buy the latest state-of-the-art computer equipment to enable him to bring his revolutionary computer software applications to life.

When Bob felt his business was ready to launch, he spent months laboriously putting together a business plan. When he was satisfied with the plan, he direct-dialed the CEO of one the biggest technology firms in the world, informing him of his new innovation. Blown away by the young enterprising genius, the CEO immediately agreed to buy Bob's startup company there and then. Retired at the age of 19, Bob is now a rich man living the high life in the Caribbean. When asked whom he credits for his overnight success, Bob says that he did it all by himself.

Debunking the Myths of Entrepreneurship

Of course, Bob's story is a parody of what we hear in the media, but we feel it is important to deconstruct this mythical view of an entrepreneur. Exaggerated tales like this can be intimidating, and they can form reasons why some people are afraid to embark on the entrepreneurial path. Debunking the myths is the first step to believing that each of us has the capability to be an entrepreneur.

Rather than focusing on the myths, let's take a look at some truths illustrated in Table 1.1. Separating truth from fiction can be difficult, especially when some of these truths collide with the stories we read about in the media. Let's explore these truths in more detail to further understand how entrepreneurship can be a path for many.

Truth #1: Entrepreneurship is not reserved for startups

The term startup came into vogue during the 1990s dot-com bubble, when a plethora of web-based companies were born. While the term has various meanings, we subscribe to Steve Blank's definition of startup: a temporary organization in search of a scalable business model. In the traditional view of startups, anyone who starts a business is called an entrepreneur. The entrepreneur creates a business based on research to assess the validity of an idea or business model. The business may be partially funded by seed money from family members or investors, but usually the majority is funded by the entrepreneurs themselves.

If the business is successful, the startup does not remain a startup. It can develop into an organization in its own right, be merged with another organization, or be bought or acquired by another company. In our parody example, lone-wolf
Bob created a technology startup in his parents’ garage and sold it to a hugely successful organization. This traditional view of the startup, however, is not the only path for entrepreneurs. The truth is that entrepreneurs are everywhere, from corporations to franchises, to for-profit and nonprofit organizations, to family enterprises. We will explore these different types of entrepreneurs in more detail later in the chapter.

**Truth #2: Entrepreneurs do not have a special set of personality traits**

In our short parody, lone-wolf Bob is a tech genius who was born with the personality traits of a brilliant entrepreneur. In reality, there is no evidence to suggest that entrepreneurs have a special set of personality characteristics that distinguishes them from the rest of us.

Early research identified four main traits that could be ascribed to entrepreneurs: a desire for achievement, an innate sense of having the ability to influence events, a tendency to take risks, and a tolerance for uncertainty. Yet there is no scientific evidence to confirm whether these traits are a result of nature or nurture or any proven patterns in the behavior of entrepreneurs versus nonentrepreneurs. Academics researching traits of entrepreneurs seem to have a prevailing fascination with defining “who” the entrepreneur is, rather than what he or she does.

However, over the last couple of decades, researchers have moved away from the traits perspective in favor of how entrepreneurs think and act, and have discovered that there are patterns in how entrepreneurs think. This means that all of us have the ability to act and think entrepreneurially with practice. We can change how we think.

In particular, the work of researcher Saras Sarasvathy has added a new dimension to the field in understanding the entrepreneurial mindset. Through a study involving serial entrepreneurs—people who start several businesses, sometimes at the same time, or sometimes one after the other—Sarasvathy discovered patterns of thinking, a theory she calls effectuation, which is the idea that the future is unpredictable yet controllable.

Sarasvathy believes that effectual entrepreneurs focus on creating a future rather than predicting it. This means they create new opportunities, make markets rather than find them, accept and learn from failure, and build relationships with a variety of stakeholders. Effectual entrepreneurs use their own initiative to fulfill their vision of the future.

Take Niari Keverian of ZOOS Greek Iced Teas—she created opportunities for her business by establishing a Facebook page, networking, and forming alliances with experts who could provide her with the best advice.

*Passion is what’s going to drive you, so if you don’t feel 100 or 150% in, it’s not going to be a success. Expect blood, sweat and tears combined. You’ve got to be willing to make sacrifices, work the hardest that you have ever been able to work in your entire life, network like hell, learn, talk to as many people as you can possibly talk to, in and around business industry, but also people outside, who are really smart and have had successes in their industries. Learn from them, hear what they have to say, then apply it to yourself. (personal interview, August 28, 2014)*

Keverian had the right mindset for starting a business. We strongly believe that the mindset is the precursor to action. To us, it makes sense that if entrepreneurs are in the right frame of mind; there is greater confidence, intentionality, and vision to bring...
ideas from the whiteboard to the real world. We are not born with an entrepreneurial mindset, we have to work to develop it. As a result, and because it’s so important, we devote a whole chapter to it (Chapter 3).

Truth #3: Entrepreneurship can be taught (it’s a method that requires practice)

While lone-wolf Bob shuns formal education to follow his own entrepreneurial path, entrepreneurship can be and is being taught in colleges and universities all over the world. Many of these courses teach entrepreneurship as a linear process, which involves identifying an opportunity, understanding resource requirements, acquiring resources, planning, implementing, and harvesting (exiting a business). But the word process assumes known inputs and known outputs, as in a manufacturing process. A process implies you will get to a specific destination. For example, building a car on an assembly line is a manufacturing process. You know all the parts, you know how they fit together, and you know the type of car you will have at the end. A process is quite predictable.

Entrepreneurship is not predictable and, therefore, cannot adequately be taught as a process. Instead, a method or practice approach advocated in this text represents a body of skills that when developed through practice over time constitute a toolkit for entrepreneurial action. The entrepreneurial method requires consistent practice so that knowledge and expertise can be continuously developed and applied to future endeavors. We explore this concept in further detail in Chapter 2.

Truth #4: Entrepreneurs are not extreme risk-takers

Contrary to the stereotype that entrepreneurs like to gamble when the stakes are high, there is no evidence to suggest that entrepreneurs take more risks than anyone else. In fact, entrepreneurs with gambling tendencies are usually not successful, simply because they are leaving too much to chance. Risk is very personal and relative. Things always seem more risky from the outside looking in because we really don’t know what calculations were made to take the next step. In fact, most entrepreneurs are very calculated risk takers and gauge what they are willing to lose with every step taken. They practice a cycle of act–learn–build that encourages taking small actions in order to learn and build that learning into the next action (see Figure 1.1). Entrepreneurship should never be a zero-sum game; never an all-or-nothing decision. It’s not about ascending the summit without ropes or oxygen. It just looks that way from the outside.

FIGURE 1.1
Act – Learn – Build

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Truth #5: Entrepreneurs collaborate more than they compete

The image of lone-wolf Bob single-handedly decimating the competition in pursuit of personal gain is entirely inaccurate. Community plays an important role in entrepreneurship. Entrepreneurs draw on shared experience and desire to learn from others facing similar challenges. It can be hard to know what entrepreneurship is all about until you are actually in the throes of it, so it becomes very important to have a support group of like-minded entrepreneurs willing to help one another out with a “pay it forward” attitude—collaborating for the greater good.13

Not only do successful entrepreneurs collaborate with other entrepreneurs, but they also collaborate with their target customers to test new ideas, potential investors to build trust, and family and friends for support. Entrepreneurs also have a tendency to collaborate with competitors. One of the best-known examples of this is the collaboration of the late Steve Jobs of Apple and Bill Gates of Microsoft on the creation of the Apple Mac14—leaders of two technology giants that were seemingly at war with each other. In fact, Bill Gates had a number of Microsoft staff creating vital software for the Mac. Collaboration with customers, suppliers, and competitors can increase efficiency, spark new ideas, and generate creativity and innovation.15

Truth #6: Entrepreneurs act more than they plan

Lone wolf Bob spends an agonizing few months creating a formal business plan to present to his target technology company. But does every entrepreneur need a business plan to succeed? Not necessarily. Research revealed that fewer than half of Inc. 500 founders wrote formal business plans prior to launching their companies, and fewer than 30% had only basic plans.16 So, how did they do it? They acted—they went out and talked to other people, connected with their customers, generated buzz about their product or service, and built a strong network. With every action, they collected real data that informed the next step. In short, they each practiced being an entrepreneur.

Today’s investors want to know what the entrepreneur has done, the customers they have approached, and the interest they have generated. Facts and figures and projections are important, but they can be presented in a more visual way, through a demo or a short video clip. Ultimately, investors will want to know if the entrepreneurs have the capability to roll with the punches, take action, and accept the constructive feedback they receive from coaching.

Truth #7: Entrepreneurship is a life skill

Traditionally, entrepreneurship has been associated mostly with launching new businesses. However, these days, the meaning of entrepreneurship has transcended into something more than just the ability to begin a new venture. Many individuals and institutions perceive entrepreneurship as a life skill that helps people to deal with an uncertain future by providing them with the methods to think, act, identify opportunities, approach problems in a specific way, adapt to new conditions, and take control of personal goals and ambitions. It also provides people with a set of skills that can be applied to many other fields. Being entrepreneurial empowers us to create opportunities and reach our goals.17
Now that we have separated the truths from the myths, it is time to create a new narrative. Our economic future depends on entrepreneurs, and the traditional, narrow definition has stifled what it really means to be an entrepreneur. But to create a new story, we need to know how we arrived at this current narrative in the first place. The answer lies in history.

1.3 A BRIEF HISTORY OF THE EVOLUTION OF ENTREPRENEURSHIP IN THE UNITED STATES

>> **LO 1.3** Explain the history of entrepreneurship in the United States.

The history of entrepreneurship in the United States can be divided into five periods or eras. Let’s take a brief look at each of these eras to understand how entrepreneurship has evolved over the centuries, and its contribution to the United States as an economic powerhouse and entrepreneurial nation.

**Emergence of the Self-Made Man (Colonial America Before 1776)**

*Entrepreneur defined as: “One who undertakes a project; a manufacturer; a master builder.”* —Common French usage (1600s)

Entrepreneurial ambition has always been deeply rooted in American history. Touted as the “land of opportunity,” the newly discovered continent attracted immigrants, primarily from the British Isles and other northern European nations, as settlements and colonies were established. Exulting in the freedom of reinventing themselves without the burden of class or other forms of persecution, these colonists started new ventures, created new markets, and exploited opportunities in exploration, agriculture, trade, and other mercantile activities.

It was also during this era that one of history’s greatest entrepreneurs emerged. Through a series of experiments with electricity, founding father Benjamin Franklin successfully invented the lighting rod, which has since become a symbol of the ingenuity of a young nation.

**An Entrepreneurial Nation (First Industrial Revolution 1776–1865)**

*Entrepreneur defined as: “Someone who engages in exchanges for profit; someone who exercises business judgment in the face of uncertainty.”* —Richard Cantillon (1755)

The US Constitution could be described as a launching pad for creativity and innovation. Thanks to its democratic terms, the people had the right to own private property,
access to a professional banking system, and protection for their enterprises in the form of patent laws. The industrial revolution gave rise to a significant number of inventions and innovations, which led to major business enterprises in manufacturing, agricultural, and transportation technology. Now that everyone had a fairly equal chance of being an entrepreneur, inventors became more commonplace, producing new products and services alongside the merchants and industrialists.

During this period, Charles Goodyear invented vulcanized rubber, George Crum invented the potato chip, and Daniel Hess invented the vacuum cleaner. Mary Dixon Kies, the first woman ever to be granted a US patent, invented a process for weaving straw with silk or thread that boosted the hat industry. These early innovations, together with the explosive growth in the economy, improved transportation, and increase in population, would lead on to the golden age of entrepreneurship—the second industrial revolution.

The Pinnacle of Entrepreneurship
(Second Industrial Revolution 1865–1920)

*The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.*
—Jean-Baptiste Say (circa 1800)

During this era, entrepreneurship was at its height. A vast number of new innovations, businesses, and inventions were created to satisfy the growing consumer market and demand for technical innovation. The discovery that ore could be converted to steel changed the landscape of the continent, which became populated with skyscrapers, railroads, and heavy steel machinery. The entrepreneurs of this era were instrumental in changing the way people lived. The advent of the telephone (Alexander Graham Bell), the light bulb (Thomas Edison), and the first automatic dishwasher (Josephine Cochrane) satisfied a consumer need to be more connected with others, live in comfort, and be more efficient.

The entrepreneur or “self-made man” was very much revered in society. Novelists glorified and praised entrepreneurs in glamorous rags-to-riches stories; and countless manuals claimed to teach the secrets of entrepreneurial success. However, golden eras do not last forever, and soon the entrepreneurial landscape would become overshadowed by the industrial giants and institutions that had sprung up during the same era.

Rise of Institutional America
(Interwar and Postwar America 1920–1975)

*Entrepreneur defined as: “[One who identifies] new combinations including the doing of new things or the doing of things that are already being done in a new way. New combinations include 1) introduction of a new good, 2) new method of production, 3) opening of a new market, 4) new source of supply, 5) new organizations.”*
—Schumpeter (1934)
Entrepreneur defined as: “A decision maker whose entire role arises out of his alertness to unnoticed opportunities; therefore, entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of the opportunity will tend to ‘correct’ the market and bring it back toward equilibrium.”

—Kirzer (1973)

This era signaled a shift from the traditional entrepreneur to the big corporation. Small firms founded by entrepreneurs either merged with other companies or were swallowed by larger organizations. Up until the 1930s, there was a major focus on science-based innovation, together with an increase in internal research and design; however, innovation slowed down considerably when the country plunged into the Great Depression.

The years following the Second World War saw the rise of a rapidly expanding middle class. Meeting these growing demands meant an increase in production, which superseded novel product development. By the 1950s, the big corporation had taken over the American culture, and the traditional entrepreneur was perceived as not only eccentric but a threat to the established order. Despite the institutionalization of the entrepreneur, America was still enjoying phenomenal economic prosperity, thanks to new innovations in technology, transportation, entertainment, and consumer electronics. It was during this period that the transistor radio, musical synthesizer, videotape recorder, word processor, and the microchip were invented. However, by the 1970s, corporate entrepreneurship had reached its height, and a growing interest in information technology would set the scene for impending globalization and the transition toward a knowledge-based economy.

Confined Re-Emergence
(Knowledge Economy 1.0, 1975–Present)

Entrepreneur defined as an individual or a group who creates something new—a new idea, a new item or product, a new institution, a new market, a new set of possibilities.

As entrepreneurship regained its popularity over the last decades of the 20th century, many new definitions have sprung up, but we have chosen the one we feel fits best with the concept of entrepreneurship. In this context, the entrepreneur identifies, creates, and acts on new opportunities.

The rise of information technology, advanced software development, biotech and medical research, and new materials drove transformations in the economy that created new markets and new business opportunities. Changes in patent laws made it easier for entrepreneurs to register their inventions, and the rise in venture capital funds gave them the financial capital to bring them to market. The pendulum of production and manufacturing was starting to swing in the direction of a predominantly service- and knowledge-based economy, dominated by technology-related enterprises such as Apple, Microsoft, Google, IBM, and Oracle, among others.

And thus the “tech entrepreneur” was born. Suddenly, entrepreneurship was back in fashion and courses teaching the subject started to spring up all over the world. Today, entrepreneurs are considered to be essential to the future success of any capitalistic economy. In fact, as Figure 1.2 illustrates, millennials (the generation...
born between 1981 and 1997) will make up 75% of the workforce by 2025. They are also considered to be the most educated generation, and the most exposed to entrepreneurship education, with high rates of entry by MBAs.

These five eras of entrepreneurial history demonstrate how the pursuits of entrepreneurs have touched every corner of our lives, affecting every aspect of the way we live—from electricity, to music, to transport, to agriculture, to manufacturing, to technology, and many more. Now it’s time for a new story. It’s time to bring the voices of today’s entrepreneurs from all over the world to the center of the conversation. After all, it is their experiences that will open up the next page of history.

While it can be difficult to see entrepreneurial possibilities in the midst of unemployment, economic recession, war, and natural disasters, it is this sort of turbulence that often pushes us into creating new opportunities for economic progress. History
PART I  INTRODUCING THE ENTREPRENEURIAL LIFESTYLE

Tell Me Your Story

Every entrepreneur has a story. What beliefs and expectations do you have about entrepreneurs’ stories? To what extent do you think they conform to media images of entrepreneurs? In what ways might you expect them to be different? Here is an activity to help you examine your beliefs and expectations.

Find and introduce yourself to an entrepreneur—any type of entrepreneur is fine. Ask for 20 minutes of his or her time, and simply start with the opening question: Tell me the story of how you became an entrepreneur.

As the story unfolds, you may want to ask other questions such as:

- What worried you the most as you started the venture?
- What excited you most about starting the venture?
- What resources did you use to start? Where did they come from?
- What moments do you remember most?
- Who helped you most along the way?
- How do you describe yourself to others?
- What advice do you have for me as a student of entrepreneurship?

After having this 20-minute conversation, reflect on the beliefs and expectations you started with and answer the Critical Thinking Questions.

CRITICAL THINKING QUESTIONS

1. In what ways did your chosen entrepreneur confirm your beliefs and expectations?
2. In what ways did the story motivate you (or not)?
3. What did you learn that was most unexpected?

Corporate Entrepreneurship

Corporate entrepreneurship (also known as intrapreneurship) is a process of creating new products, ventures, processes, or renewal within large organizations. It is typically carried out by employees working in units separate from the organization who create and test innovations that are then assimilated back inside the broader organization.
Corporate entrepreneurs tend to explore new possibilities and seek ways in which the organization’s current structure and process can enable innovation. Similar to external entrepreneurs, corporate entrepreneurs identify opportunities, build teams, and create something of value in order to enhance competitive position and organizational profitability.

Marian Croak, Senior Vice President of Domain 2.0 Architecture and Advanced Services Development at AT&T, is an excellent example of a corporate entrepreneur. In 2005, Croak was working on a voting system for the TV show American Idol to enable viewers to vote by text. In the same year, Hurricane Katrina struck and devastated much of the Gulf Coast. Appalled by the tragedy, Croak saw an opportunity to use the same text messaging system to enable people to make donations in disaster situations. Following the Haiti earthquake in 2010, the system was put into action and raised over $30 million in donations.

The opportunity to be a corporate entrepreneur very much depends on the organization. AT&T was supportive of Marian Croak’s ideas and encouraged her to see them through to fruition. Organizations like Google, Apple, Virgin, and Zappos are also known for encouraging an entrepreneurial spirit. However, not all organizations are as enthusiastic about employees acting entrepreneurially inside the company. Some companies fear that if they encourage their employees to be more entrepreneurial that they will leave the company and start their own.

Entrepreneurs Inside

Entrepreneurs inside consist of employees who think and act entrepreneurially within organizations. Although this sounds similar to corporate entrepreneurs (employees who work for large, established organizations), there is an important difference: entrepreneurs inside can exist and function in any type of organization, big or small, including government agencies, nonprofits, religious entities, self-organizing entities, and cooperatives. These types of entrepreneurs often need to gain inside support from senior managers or other team members for their initiatives, which can be difficult if those people tend to resist new ideas, or are keen to simply “stick to the company brief” rather than pushing boundaries. Building a tribe of willing supporters is essential for getting buy-in to their ideas, and proving there is a market for them.

What inside entrepreneurs have in common with other entrepreneurs is the desire to create something of value, be it a new groundbreaking initiative, or a new department, product, service, or process. One of the biggest groundbreaking initiatives of 2014 was the launch of the “inglorious vegetable” by entrepreneurs working inside the French supermarket chain Intermarché as a way of reducing food waste. Battling against the perception that consumers want to buy only perfect vegetables, Intermarché launched a clever campaign showing images of grotesque-looking vegetables at prices...
30% less than their more perfect counterparts. The initiative attracted over 20% more traffic to Intermarché stores and sold tons of these odd-looking vegetables, thereby successfully breaking into a previously untapped market and proving that there is a demand for “damaged goods” after all.

Buying a Franchise

A franchise is a type of license purchased by an entrepreneur (franchisee) from an existing business (franchisor) that allows the entrepreneur to trade under the name of that business. Franchising can be a beneficial way for entrepreneurs to get a head start in launching their own businesses, as they do not have to spend the same amount of time on marketing, building the brand, developing processes, and sourcing product.

A franchise is often referred to as a turnkey operation. In other words, the franchisee turns the key to open the door and is ready for business. A franchisee not only pays the franchisor a lump sum to buy the franchise but also has to pay royalties, which are a share of the proceeds based on sales revenue. According to results of Entrepreneur magazine’s 37th annual Franchise 500, announced in 2016, franchises such as Jimmy John’s Gourmet Sandwiches, Anytime Fitness, Hampton by Hilton, Subway, and Supercuts, are among the most popular franchises in the United States. Today there are over 750,000 franchise establishments in the United States, and the franchise cost can range from less than $50,000 to over $500,000 with approximately 50% being sold between $100,000 and $500,000. Table 1.2 describes the pros and cons of owning a franchise.

Buying a Small Business

Buying a small business is another way to enter the world of entrepreneurship. In this arrangement, the entrepreneur is buying out the existing owner and taking over operations. For some entrepreneurs this is a less risky approach than starting from scratch. Chris Cranston is the owner of FlowDog, a canine aquatic and rehabilitation center outside of Boston. In 2009 she bought the business, which was called Aquadog at the time, from the previous owner. Cranston changed the name but subsumed a loyal customer base, pool equipment, location, some employees, and a favorable lease. In Cranston’s words, “Starting from a blank slate was too overwhelming for me. I needed something that I could build upon. That I could handle!” And handle she has. FlowDog has grown an average of 20% each year since it was purchased in 2009.

Social Entrepreneurship

Since the beginning of the 21st century, social entrepreneurship has become a global movement, with thousands of initiatives being launched every year to improve social problems in areas such as water shortages, education, poverty, and global warming. There has been considerable debate as to how to define social entrepreneurship. Some argue that all types of entrepreneurship are social, while others define it as purely an activity of the nonprofit sector. These blurred lines imply that entrepreneurs are forced to choose between making a social or an economic impact. We contend that
social entrepreneurs can do both. It is possible to address a social issue and make a profit—keeping a company economically stable ensures its capability to consistently meet the needs of its customers without relying on fundraising or other methods to keep it afloat. We therefore define social entrepreneurship as the process of sourcing innovative solutions to social and environmental problems.

California-based Roominate, a for-profit toy company, was founded in 2012 by Stanford engineering graduates Alice Brooks and Bettina Chen. Brooks and Chen set out to create wired building systems for girls in order to encourage innovation and help close the STEM (Science, Technology, Engineering, Mathematics) gender gap. Roominate’s toy enables girls ages 6 and up to make their own unique structures using working motors and light circuits. Thanks to a successful Kickstarter campaign, plus further capital from Shark Tank regular Mark Cuban and other investors, three years after its launch Roominate had received over $1 million in funding. The founders planned to use this funding to release a new “rPower” line of kits that include the functionality to control the structures from a phone or a tablet. Roominate is an excellent example of a for-profit company created by women social entrepreneurs to encourage the next generation of women toward the traditionally male-dominated STEM fields.

An example of a nonprofit social entrepreneur is former Accenture partner Lo Chay, who founded the nonprofit 1001 Fontaines Pour Demain (French for “1001 Fountains for Tomorrow”) as a sustainable means of providing safe drinking water for small rural villages in Cambodia. Chay’s solar-powered apparatus, which costs very little to install and operate, purifies water locally in these villages, where it is sold in large reusable jugs.

Roominate and 1001 Fontaines are examples of why we believe that social entrepreneurship encompasses both for-profit and not-for-profit ventures. The point is that both the for-profit and nonprofit entrepreneurs have devised creative ways to resolve social issues, finding ways to make the world a better place. Perhaps the focus should
be on what social entrepreneurs actually do rather than on the definition of what social entrepreneurship is. We believe social entrepreneurship to be so important that we have devoted a whole chapter to it (Chapter 4: Supporting Social Entrepreneurship).

**YOU BE THE ENTREPRENEUR**

Every entrepreneur has rough patches when getting started. In the process of creating an established company, mistakes often have to be made until the right method is found. Matthew Bellows founded Yesware, a company that sells software to make it easier for sales teams to record and analyze data. Yesware has a basic version that can be downloaded for free.

Yesware was faced with a challenge after one year in business: converting free users to paying customers. They had yet to make a profit and were struggling to sell a product designed to make sales easier for other companies—even after 10 salespeople were hired in order to try to increase sales.

**What Would You Do?**

A subcategory of social entrepreneurship is the benefit corporation, or B-Corp. This is a form of organization certified by the nonprofit B Lab that ensures that strict standards of social and environmental performance, accountability, and transparency are met. The voluntary certification is designed for for-profit companies aiming to achieve social goals alongside business ones. To be certified as a B-Corp, the organization is rated on how its employees are treated, its impact on the environment, and how it benefits the community in which it operates. B-Corp certification ensures that the for-profit company fulfills its social mission, and the certification protects it from lawsuits from stakeholders that may claim that the company is spending more time or resources on social issues rather than maximizing profit.

Some B-Corp members include Betterworld Books, which donates a book to someone in need every time a book is purchased; Revolution Foods, which provides affordable fresh-prepared meals to school children from low-income households; and Warby Parker, a prescription eyewear company whose “Buy a pair, give a pair” scheme involves a donation of one pair of eyeglasses for every pair it sells. The glasses are donated to nonprofit organizations all over the world to help raise awareness of the importance of eye care. Four years after its founding in 2010, Warby Parker had distributed one million pairs of glasses to people in need.

Over 900 companies in 29 countries have received B-Corp certification. Not only is the certification a badge of authenticity for their social enterprises, but B-Corp members often give each other discounts in services and products; this also creates a sense of community and goodwill. In short, the certification is proof that both big and small companies are doing something to improve the quality of life in their communities.

**Family Enterprising**

A family enterprise is a business that is owned and managed by multiple family members typically for more than one generation. What makes family enterprising part of the portfolio of entrepreneurship types is that each generation has an opportunity to bring the organization forward in new, innovative ways. An entrepreneurial agenda to move the family business forward is essential to business survival, as demonstrated by the fact that the survival rate of family businesses transitioning...
from the first to the second generation is less than 30%. However, another 50% of family businesses don’t survive when they move from the second to third generation. This may be because the family owners become stuck in the old ways of doing things and are unwilling to change their business structure as a result.

Many leading organizations that are family businesses are generally considered to be more stable, not only because of their past history and experience, but because of their ability to take a long-term view, which inspires commitment and loyalty from their employees. Yet a long-term view that becomes stagnant is detrimental and can lead the company into a downward spiral.

Family enterprises are the dominant form of business organization worldwide. It is estimated that from 80% to 90% of US businesses are family-owned or controlled by a family and 65% of the US workforce is employed by a family business (see Figure 1.3). Widely known businesses such as Wal-Mart in the US, supermarket chain Carrefour in France, and auto company Fiat in Italy are all long-standing family businesses that continue to go from strength to strength. To continue their cycle of growth and continuity, family members must pass on their entrepreneurial mindsets as well as their business ethos. It is this mindset that ensures the survival of the family business for many years to come.

Serial Entrepreneurs

Serial entrepreneurs, also known as habitual entrepreneurs, are people who start several businesses, whether simultaneously or one after another. Not satisfied with just focusing on one business, serial entrepreneurs are constantly looking out for the next big thing or exploring ways to implement their diverse range of skills and knowledge in multiple enterprises.
ideas. Richard Branson is a good example of a serial entrepreneur: having made his fortune through Virgin, which began as a music retailer before expanding the brand to include Virgin Atlantic airlines, Branson turned his hand to railway, music, media, banking, and more. The consummate serial entrepreneur, Branson believes that “business opportunities are like buses, there’s always another one coming.”

1.5 THE WORLD IS PARTICIPATING IN ENTREPRENEURSHIP

Illustrate the global diversity of entrepreneurship and its impact.

Entrepreneurs are the drivers of positive change, the ones who use energy, passion and ideas for forces of good, and the ones who will ultimately shape the world in which we live. The power of entrepreneurship is finally being recognized for its contribution to employment, societal wealth, personal wealth, innovation, economic development, and growth and innovation. Nobel Peace Prize laureate Muhammad Yunus has been given one of the highest recognitions in the world through his entrepreneurial mission to help people from deprived communities to make a life for themselves. Yet, his work has touched many communities around the world, not just the people of Bangladesh.

In the United Kingdom, the Yunus Social Business Awards recognize the endeavors of social and business entrepreneurs attending the University of Salford in Manchester to identify a social need and create a solution to address it. Among the winners was student Grant Dolan, who was credited for his vending machine company, REAL Vending. The company redistributes profits from vending machines placed in schools, colleges, training centers, and local businesses, to provide grants for young people from financially disadvantaged backgrounds to help them into higher education. As part of the prize, Dolan has the opportunity to travel to Dhaka, Bangladesh, and meet with Professor Yunus, who will mentor him and help him develop his idea.

This is a good example of the legacy that existing entrepreneurs can leave behind to inspire the budding entrepreneurs of today. Yunus is not the only Nobel laureate to speak out on the importance of entrepreneurship. Dr. Dan Shechtman of Technion–Israel Institute of Technology in Haifa, Israel, who was awarded the 2011 Nobel Prize in Chemistry for the discovery of quasicrystals, believes that “entrepreneurship is the only way to maintain long-term peace.” He asserts that countries that use up all their natural resources will result in tribal conflicts. Shechtman believes that education and learning are the keys to fostering the right entrepreneurial mindset.

President Barack Obama also believes in the power of entrepreneurship. In a White House ceremony honoring National Small Business Week award winners in 2009, he said: “You’re the job creators, responsible for half of all private sector jobs. You’re innovators, producing 13 times more patents per employee than large companies. You’re the starting point for the products and brands that have redefined the market. After all, Google started out as a small business; that was a research project. Hewlett-Packard began with two guys in a garage. The first Apple computers were built by hand, one at a time. McDonald’s started with just one restaurant.”
Entrepreneurship as a Social Movement

The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore, all progress depends on the unreasonable man [and woman].

—George Bernard Shaw

The efforts of young entrepreneurs today to solve some of the world’s greatest challenges are inspiring a global movement. They know that small-scale ideas can snowball into real changes. Take the global experiment, Unreasonable at Sea, which took place in 2013. This was a scheme created by the founders of The Unreasonable Institute, an organization that fosters entrepreneurship by holding intensive training programs whereby entrepreneurs are matched with mentors, and the founders of Stanford's Institute of Design. These founders teamed up with the popular organization Semester at Sea, to bring a variety of entrepreneurs together for an unforgettable journey. The name “Unreasonable” is based on the George Bernard Shaw quote, above, which maintains that progress depends on perceived “unreasonable” people, as they are the ones who challenge the status quo.

The core ethos behind the Unreasonable at Sea scheme is to unite entrepreneurs to help leverage their collective technology experience to solve some of the world’s most formidable challenges. Out of 1,000 applicants worldwide, the founding members of 11 tech companies were chosen to set sail with 600 students, and 20 veteran entrepreneurs and mentors (Nobel Peace Laureate Archbishop Desmond Tutu, Google executives, and the founder of Wordpress, Matt Mullenwegg, to name a few) to pitch their ideas to venture capitalists, foundations, and top government officials in 14 different countries—all in the time span of 100 days.

On the ship were a team from Botswana who had created the Solar Ear, the world’s first digitally programmed rechargeable hearing aid; a company from Spain that utilizes plants to aid water purification; and a team from Mexico who invented artificial vision for the blind through a pair of glasses equipped with a camera, a mini-computer, and a transmitter that allows the wearer to see images in real time.

During the course of the voyage, the founders of the 11 tech companies brainstormed their ideas with each other and received advice from mentors, using the latest technology supplied on board to practice. It is experiments like these that help entrepreneurs practice their ideas and get them in front of a supportive audience. Through this initiative, just as in the opening chapter quote by Yunus, entrepreneurs were given the opportunity to practice.

One budding entrepreneur who took part in the 2005 Unreasonable at Sea program during college was a student called Adam Braun. Each time the ship stopped at a new country, Braun would ask the children one question, “What is the one thing you want more than anything else in the world?” One of the answers he received from a little boy begging on the street in India was “a pencil.” It was this answer that would prompt Braun to leave his job at a Wall Street company a few years later to create Pencils of Promise, a nonprofit organization that builds schools in the poorest areas of the developing world. By 2014, Pencils of Promise had built over 200 schools in deprived countries and employed more than 60 people all over the world.
In 2011, Braun again joined the Unreasonable at Sea voyage, but this time as a lecturer and mentor, sharing his stories with the students, and encouraging them with the words “tourists see, travelers seek”—in other words, to actively learn about the communities they visit and seek ways in which they, too, can become global citizens. Adam Braun’s story is a great example of global entrepreneurship that has touched the lives of others in a meaningful way. Yet Braun is only one of millions of entrepreneurs all over the world who are in the early stages of being involved with or starting a new business.

**Global Entrepreneurship**

Entrepreneurship is taking off on a global scale. Let’s explore some data provided by The Global Entrepreneurship Monitor (GEM)—a global research study founded by Babson College and the London Business School in 1999. Today the study is conducted by a consortium of universities around the world and measures entrepreneurial activity across 70 countries. According to the 2015/16 GEM report, the percentage of entrepreneurs in the United States has reached 13%—the highest on record. In fact, there are almost 400 million entrepreneurs worldwide—making The Practice of Entrepreneurship a global phenomenon. This means for the 10 or so iconic figures such as the late Steve Jobs, Bill Gates, and Mark Zuckerberg, there are millions of entrepreneurs globally between the ages of 18 and 64 who are in the process of starting or running a new business.

The GEM study gathers its data according to different phases of entrepreneurship (see Figure 1.4). The process begins with potential entrepreneurs who are individuals who believe they have the capacity and know-how to start a business without being burdened by the fear of failure. The next phase focuses on nascent entrepreneurs, who are individuals who have set up a business they will own or co-own that is less than three months old and has not yet generated wages or salaries for the owners. The third phase is the study of new business owners, who are former nascent entrepreneurs who have been actively involved in a business for over three months but less than three and a half years. The final phase explores established business owners—those who are still active in business for over three and a half years. Interestingly, the study found the reason that many of the established business entrepreneurs had discontinued the business after three and a half years was not necessarily because they had failed; in fact, in many cases, the entrepreneurs had instead become serial entrepreneurs or joined other companies to become inside or corporate entrepreneurs.

The GEM study also looks at opportunity-based entrepreneurs and necessity-based entrepreneurs. Necessity-based entrepreneurs are individuals who are pushed into starting a business because of circumstance. Layoffs, threat of job loss, and inability to find a job are some factors that drive people to start a new business. In contrast, opportunity-based entrepreneurs are individuals who make a decision to start their own businesses based on their ability to create or exploit an opportunity, and whose main driver for getting involved in the venture is being independent or increasing their

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**Potential entrepreneurs:** individuals who believe they have the capacity and know-how to start a business without being burdened by the fear of failure.

**Nascent entrepreneurs:** individuals who have set up a business they will own or co-own that is less than three months old and has not yet generated wages or salaries for the owners.

**New business owners:** individuals who are former nascent entrepreneurs and have been actively involved in a business for over three months but less than three and a half years.

**Established business owners:** the people who are still active in business for over three and a half years.

**Necessity-based entrepreneurs:** individuals who are pushed into starting a business because of circumstance such as redundancy, threat of job loss, and unemployment.
income, rather than merely maintaining their income. Unlike necessity-based entrepreneurs, opportunity-based entrepreneurs freely make their own choice to get involved in a business.

One of the main focuses of the GEM study is the level of **Total Entrepreneurial Activity (TEA)** in different countries, which is the percentage of the population of each country between the ages of 18 and 64, who are either nascent entrepreneurs or owner-managers of a new business. For example, the early stage TEA in the United States is 13% \(^\text{54}\) (Table 1.3). This means that 13% of the US adult population from 18 to 64 years old is involved in some type of entrepreneurial activity, such as being in the process of starting a new business or owning and managing a business less than 3 years old.

Let’s take a closer look at the age ranges of entrepreneurial activity in early stages of business across the world. North America is certainly perceived as being one of the most buoyant environments for entrepreneurship, but other geographical regions such as Africa, Latin America, and the Caribbean, appear to have higher rates of entrepreneurial activity in certain age groups, while Morocco and Malaysia are among the lowest. Europe displays the lowest TEA rates over all, with Bulgaria, Germany, and Italy, in particular, showing the lowest rates—less than 5% of the working adults begin or run new businesses. The low rates in some countries, particularly among the younger population, may be a consequence of compulsory military service or high college attendance.

Despite sub-Saharan Africa being a less well-developed region of the world than the United States, people living in some African countries tend to see opportunities to start their own businesses, have confidence in their own skills and abilities, and have less fear of failure. These statistics prove that early-stage entrepreneurship is possible in poorer countries if the people are given the opportunity and support to grow their own businesses.

**FIGURE 1.4**

Global Entrepreneurship Monitor Measuring Entrepreneurial Activity

[Diagram showing entrepreneurship lifecycle phases and factors]

**Opportunity-based entrepreneurs**: individuals who make a decision to start their own businesses based on their ability to create or exploit an opportunity, and whose main driver for getting involved in the venture is being independent or increasing their income, rather than merely maintaining their income.

**Total Entrepreneurial Activity (TEA)**: the percentage of the population of each country between the ages of 18 and 64, who are either a nascent entrepreneur or owner-manager of a new business.

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## TABLE 1.3
Entrepreneurial Activities by Geographic Region 2015

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<tr>
<th>REGION</th>
<th>ECONOMY</th>
<th>NASCENT ENTREPRENEURSHIP RATE</th>
<th>NEW BUSINESS OWNERSHIP RATE</th>
<th>EARLY-STAGE ENTREPRENEURIAL ACTIVITY (TEA)</th>
<th>EEA</th>
<th>ESTABLISHED BUSINESS OWNERSHIP RATE</th>
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Gender and Entrepreneurship

One of the greatest myths concerning entrepreneurship is that it is a male-only profession. As Table 1.4 shows, nothing could be farther from the truth. According to GEM studies, an estimated 200 million women are starting or running new businesses in 83 economies, and an additional 128 million are running established businesses.55

Most countries studied have a similar proportion of men to women early stage entrepreneurs, with the percentage of women in Vietnam, Philippines, Thailand, Malaysia, Peru, and Indonesia being equal to or exceeding their male counterparts. This shows that these countries are providing support for women-owned ventures.

### Table 1.4: Gender and Entrepreneurship

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<th>Region</th>
<th>Economy</th>
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*Note that discontinuation is ranked with the highest value receiving a rank of 1. Discontinuation can be regarded as either a positive or negative indicator, given that people can discontinue for both positive and negative reasons. In addition, a high discontinuation rate can mean that many people are starting businesses, with the natural result that some will discontinue.

Why do women want to become entrepreneurs? For the same reasons as men: to support themselves and their families; to attain the fulfillment of having started something on their own and to satisfy their desire for financial independence. Just like their male counterparts, women not only create jobs for themselves and others, but also work toward growing their businesses, and constantly innovating new products and services. However, in certain countries, there are some differences in what drives women to be entrepreneurs. For example, women in less developed countries with higher rates of unemployment, poverty, and lack of choice in work are more likely to be driven by necessity, whereas women in more developed countries tend be more motivated by opportunity and innovation.

What Makes a Country Entrepreneurial?
What makes one country more entrepreneurial than another? The following are certain conditions that need to be put in place for small and medium businesses (SMEs) to flourish. Together, these conditions form The Entrepreneurship Ecosystem (Figure 1.5).

- Financial resources: entrepreneurs need access to appropriate financing such as grants and subsidies, loans, private equity, angel investors, venture capital funds, and so on.
- Support from government: entrepreneurs need support from government policies that incentivize entrepreneurship by tax incentives, lower interest rates, loans, and the like. Some countries also offer government entrepreneurship programs that provide entrepreneurs with access to tools, mentors, and educational resources.
- Entrepreneurship Education: certain countries provide entrepreneurship courses and training at primary and secondary levels; and at higher education such as colleges, business schools, and other institutions.

### TABLE 1.4

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The Diana Project

The Diana Project was established in 1999 by Professors Candida Brush, Nancy Carter, Betsy Gatewood, Patricia Greene, and Myra Hart in partnership with ESBRi, Stockholm, to explore women’s entrepreneurship and raise awareness of women in business.

In 1999, businesses with women on the executive team received less than 5% of venture capital in comparison with male-only companies. More than a decade later, with an estimated ten million women as majority owners of businesses across the United States, the researchers set out to find out the degree to which the gap between venture capital and women entrepreneurs has closed, if at all.

The 2014 Diana Project involved looking at 6,793 companies, seeing how many had women on the executive team, and then analyzing those companies to find out how many businesses had received venture capital between 2011 and 2013 compared with male-only teams. Compared to 1999, they found that the figure of businesses with women receiving venture capital investments had tripled—from 5% to 15%—which showed marked progress. They also found that teams involving women entrepreneurs tended to perform as well as or better than male-only companies.

Why has there been such an increase in investment in businesses involving women? Programs such as the Ernst and Young’s EY Entrepreneurial Winning Women program and Springboard have helped to raise the profile of women entrepreneurs by supporting, training, and showcasing women entrepreneurs to the venture capital community through sponsored events and forums. In addition, websites such as Women 2.0 and Count Me In provide resources, business education, and support for women in business. On the investor side, the active angel investment group Golden Seeds has been set up with the sole mission of investing in companies with women on the executive team.

On the face of it, these are positive results. However, there is still a long way to go and many questions to be answered. For instance, out of 6,517 companies studied, only 2.7% (or 183 companies) had a female CEO, and there has been a decline in the number of women in the venture capital firms, which might impact the rate of investment in women entrepreneurs, given that women investors tend to seek out women entrepreneurs.

Furthermore, the study found that companies with women on their teams are more likely to receive funding in the medical technology sectors over other sectors like telecommunications. It also showed that women entrepreneurs located in certain states (North Carolina, South Carolina, Connecticut) are more likely to receive investment over those in other states. These are all facts that need to be explored further.

Overall, the evidence from The 2014 Diana Project suggests that it is not the women entrepreneurs who need to adapt, but rather the venture capital model that needs to be re-evaluated and updated in order to keep up with the changing landscape of women’s entrepreneurship.

CRITICAL THINKING QUESTIONS

1. What do you see as the value of studying women’s involvement in entrepreneurship?

2. Even though venture capital investment has tripled for women over the past 15 years, there is still a long way to go. What do you see as the primary obstacles for women in entrepreneurship?

3. If you were designing a study of some other underrepresented group in entrepreneurship, how would you go about it? What would you need to know to formulate your research questions?
PART I
INTRODUCING THE ENTREPRENEURIAL LIFESTYLE

30

dynamics—the annual rate of change in markets; and market openness—the degree to which new businesses have the freedom to enter new markets.

> Physical Infrastructure: entrepreneurs should be able to easily access or purchase at a reasonable price vital resources in the areas of communication, land, office space, and transportation.

> Cultural and Social Norms: entrepreneurs tend to thrive more in an environment where they feel encouraged enough to start a business, or have the confidence to choose entrepreneurship as a career path.

All these factors interact to create a very powerful force: new businesses are created, employment increases, new products hit the markets, competition is intensified, and productivity rises, all of which makes a huge contribution to social and economic development. This is why it is essential for each country all over the world to build a climate where entrepreneurship can thrive.

1.6 HOW THIS BOOK WILL HELP YOU PRACTICE ENTREPRENEURSHIP

>> LO 1.6 Propose different ways in which this book can help you practice entrepreneurship.

By now, we hope that we have proved to you that becoming an entrepreneur is a pathway for many and that the world needs more entrepreneurs of all kinds. To reinforce our message, the following are some fundamental beliefs that form the main ethos of this book.
CHAPTER 1  ENTREPRENEURSHIP: A GLOBAL SOCIAL MOVEMENT

ENTREPRENEURSHIP MEETS ETHICS

Business Practices in Developing Countries

Business practices that are perceived by Westerners as corrupt are commonplace in many countries. Determining how to respond to these practices is particularly difficult for entrepreneurs, as they have generally not established an infrastructure to address ethical challenges. Additionally, startups are focused on becoming profitable or maintaining the thin profits they've been able to achieve. This leaves them little time to focus on monitoring their own behavior.

CRITICAL THINKING QUESTIONS

1. What does it mean for entrepreneurial ventures to approach global markets from the bottom up? In ethical terms, would a bottom-up approach better serve the public in developing countries?

2. Can a business maintain more than one set of ethical standards—one set for conducting business in the United States or Europe and another set when conducting business in a country like India or China?

3. In addition to people requiring bribes and kickbacks for access to infrastructure and government services, people who want to provide products and services to entrepreneurs offer bribes and kickbacks to the entrepreneur. For a struggling entrepreneur, what criteria would you use for supplier selection?

Sources


1. We believe entrepreneurship can be learned and that our thinking can be altered and changed. We can develop as entrepreneurial thinkers.

2. We firmly believe in Yunus’s theory that everybody has the capability to be an entrepreneur if they are given the opportunity to practice.

3. We believe entrepreneurship is a method that requires practice.

4. We believe that formal planning should be de-emphasized in favor of a continuous cycle of acting, learning, building, and acting more. There is a time for formal planning, but this book focuses on prelaunch entrepreneurship, so it’s too early to talk about the business plan document.

5. We believe that each and every one of you has the power to take action to do something great that will impact the world in your own, unique way.

These guiding beliefs mean that you as the student must take action and practice entrepreneurship at every opportunity. In each chapter of this book, you will find the following features, which are designed to challenge you to do just that.

- *Entrepreneurship in Action*: In entrepreneurship, there is no one right answer. Role models are very important because, by learning through others, you can develop empathy for entrepreneurs around the world who may be doing the same as you someday. *Entrepreneurship in Action* includes interviews from entrepreneurs from many different businesses and disciplines both in the United States and around the world. You have already been introduced to Niari Keverian, CEO and Partner of ZOOS Greek Iced Tea in this chapter, and you will be reading more stories from a wide selection of these inspirational entrepreneurs in each of the following chapters of this book.

- *Mindshift*: Since entrepreneurship requires action, the *Mindshift* feature requires you to close the textbook and go and act.

- *You Be the Entrepreneur*: This feature asks you to imagine yourself in situations based on events that have happened in real life, so you can think critically about what you would do if you were in the same position.

- *Entrepreneurship Meets Ethics*: Entrepreneurs sometimes face complex ethical challenges that cause conflict. Peppered with situations faced by real-world entrepreneurs, the *Entrepreneurship Meets Ethics* feature challenges you to think about how you would take action if you were confronted with a similar ethical dilemma.

- *Research at Work*: This feature highlights recent seminal entrepreneurship studies and their impact and application to the real world. This will allow you to view how the latest research applies to real-life settings.

- *Case Study*: Finally, test your knowledge in the short case study presented at the end of each chapter. These case studies are based on real companies of all kinds including for-profit, nonprofit, technology, social, product-based, service-based, online, and others; they have been started by entrepreneurs of all types.

Entrepreneurship is all around us—everyone has the ability to think and act entrepreneurially, to transform opportunity into reality, and create social and economic value. But remember—practice is key—learning is inseparable from doing. So, let’s get started! ●
1.1 Explain the importance of action and practice in entrepreneurship.

Practice and action make it possible to achieve success. Many of the successful entrepreneurs behind major corporations today established their companies by acting; learning, and building what they learned into their next actions. Many entrepreneurs have learned entrepreneurship by doing entrepreneurship, but this text is designed to help you practice the essentials in hope that you can avoid some of the more common pitfalls made by others.

1.2 List the seven lesser-known truths about entrepreneurship.

Contrary to popular belief, there’s no research definitively confirming that character traits of successful entrepreneurs are inborn. Despite a disposition for action, entrepreneurs approach risk in a much more calculated fashion than they’re given credit for, and many highly successful entrepreneurs achieve their success through collaborative actions.

1.3 Explain the history of entrepreneurship in the United States.

There are five main eras of entrepreneurship in the US: Emergence of the Self-Made Man, An Entrepreneurial Nation (1st Industrial Revolution 1776–1865), The Pinnacle of Entrepreneurship (2nd Industrial Revolution 1865–1920), Rise of Institutional America (Interwar and Postwar America 1920–1975), and Confined Re-Emergence (Knowledge Economy 1.0 1975–present).

1.4 Compare and contrast the different forms of entrepreneurship in practice today.

Corporate entrepreneurship (or intrapreneurship) is entrepreneurship within large corporations. Inside entrepreneurs are similar to corporate entrepreneurs, but they can be found in any type of organization, large or small, nonprofit or for-profit, and even among governing bodies. Franchising and buy-outs are popular ways to start relatively near the ground level. Social entrepreneurship—entrepreneurship focused on making the world a better place—is manifested in nonprofit and large, for-profit firms alike. A form of social entrepreneurship is the Benefit Corporation, or B-Corp, that has been created to designate for-profit firms that meet high standards of corporate social responsibility. Family enterprises, entrepreneurship started within the family, remain the dominant form of business development in the United States and abroad. Serial entrepreneurs are so committed to entrepreneurship that they’re constantly on the move creating new businesses.

1.5 Illustrate the global diversity of entrepreneurship and its impact.

There are hundreds of millions of entrepreneurs worldwide. Known as one of the most entrepreneurial nations on the planet, the United States is eclipsed by many world regions in terms of the percentage of the population engaged in entrepreneurship. Though entrepreneurs may be born out of necessity or to exploit opportunities, they all benefit from education, financial resources, accessible knowledge, and government support providing infrastructure that will enable the fledgling businesses to achieve success.

1.6 Propose different ways in which this book can help you practice entrepreneurship.

The tools for success and methods to hone entrepreneurial skills will be available in every chapter. Thought and action exercises alike will be employed, and research and testimonials from proven academics and entrepreneurs will be provided as we move through the text. As a final test of application, case studies will follow every chapter, giving you the opportunity to employ what you’ve learned, a chance for entrepreneurship within a unique and real-world context.
Dawn LaFreeda, Restaurant Franchise Owner

Dawn LaFreeda is a Denny’s Restaurant franchisee from Texas. Her personal enterprise, which now includes 75 Denny’s restaurants, ranks among the largest single-owner franchisee portfolios in the world, raking in close to $100 million in annual revenue.

Dawn LaFreeda’s career at Denny’s began at the bottom of the business—as a waitress and hostess. But LaFreeda had big dreams for her future. Even as a kid, she told others she would someday have her own business.

I grew up without a lot. My mother was a single parent, and I knew anything I ever wanted I had to work for. When I was about eleven, I remember saying to my Mom one day, “I’m gonna own my own business,” and my Mom looked at me and said to me, “Of course you are.” I didn’t know at the time exactly what form it would take, but I always knew I’d be self-employed.

In her early twenties, she went out on a limb and purchased her first Denny’s restaurant. She credits a youthful openness to risk taking for helping her to get her start.

When you’re 23, you’re not afraid to take risks. I didn’t have a whole lot of money then, but I got an opportunity to buy a restaurant, and a friend of mine decided to purchase it mainly off credit cards and a few small loans.

LaFreeda faced many hurdles and difficulties as she worked to build her fledgling enterprise. One of her challenges as a younger woman was getting older bankers and businessmen to take her seriously. In her own words:

When I was a young entrepreneur, people didn’t always take me seriously. I had a hard time opening bank accounts and getting loans. I would always get a line like “Are you sure you’re not just a waitress; maybe you should work at the Denny’s.” I actually had a banker who wouldn’t open up a bank account for me, and I had to go find a bank that would actually take our money. Another time I wanted to buy a piece of real estate . . . and the banker said to me, “Young Lady, you just need to stick to the restaurant business.”

LaFreeda remained resolute and persistent in the face of rejection and other difficulties. She found inspiration from her mother, who reassured her that if she failed, she could just try again a few years later. Her first Denny’s franchise led to a second, and then a third, fourth, and so on, on up to the 75 restaurants in six different states she owns today.

Her tremendous successes were not without serious setbacks along the way. The 9-11 terrorist attacks created difficult burdens for LaFreeda’s growing business.
It was a terrible time for us. A lot of my restaurants were by airport locations, and we know that travel drastically dropped after 9-11. The airlines also laid off thousands of workers, so it was a hard time for us. I actually had to refinance my whole company after 9–11, and it set me back a lot. But I’m grateful because I did get through it, and a lot of companies didn’t.

LaFreeda’s restaurants faced additional challenges during the Great Recession of 2008. She credits her success in weathering the storm to frugality and saving.

My philosophy is this: I try never to live beyond my means, and I always save for a rainy day. That philosophy has really helped me get through the times that happen that we can’t predict.

How many restaurants will Dawn LaFreeda own before she retires? Only time will tell. Whatever happens, Dawn has become a nationally recognized symbol of entrepreneurial success, a legacy she will own forever.

Critical Thinking Questions

1. Dawn LaFreeda says, “When you’re 23, you’re not afraid to take risks.” What sorts of risks do you think entrepreneurs face when they are first starting out? What risks do you think you would take when trying to get your business off the ground?

2. Think of the last time you decided to “Go for it” only to fail or be rejected? How did you respond to your temporary failure or rejection? After reading Dawn’s story, how might you respond differently in the future?

3. Imagine you are a business owner similar to Dawn LaFreeda. What products and/or services would your business provide?

Sources
All LaFreeda quotes transcribed/paraphrased from:
For more information on Dawn LaFreeda’s story, see:
For detailed biographical information and a Q&A with LaFreeda, see also: