Entrepreneurship Essentials
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Lecture - 03
Myths and Realities about Entrepreneurship

Hello and welcome to this session of Entrepreneurship Essential. Today our topic is Myths and Realities about Entrepreneurship.

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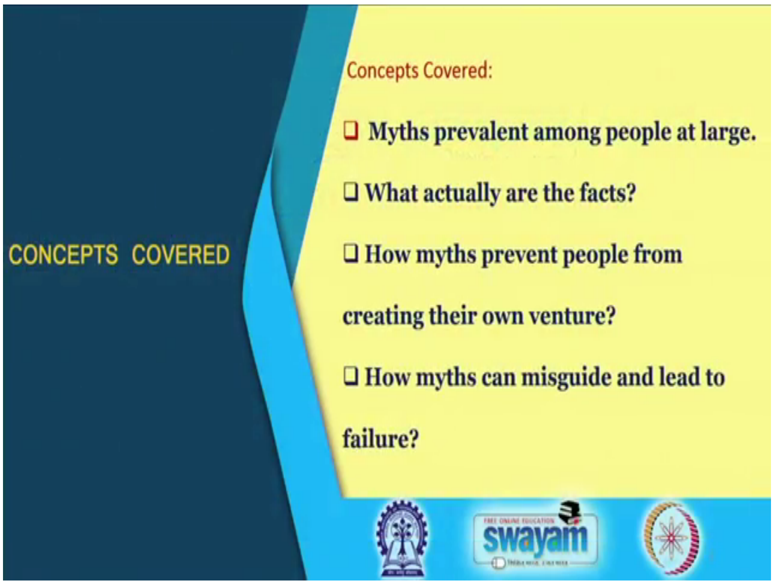

The meaning of myths is a widely held, but false view about particular issue; in this case it is about entrepreneurship. Myths are widely held among public at large. Today we are going to discuss some of those myths to be precise there 20 plus I have collected 20 plus myths and we are going to discuss about them and what the realities should be. Myths prevent people from creating new venture because myths kind of are intimidating at times. At times the misguide and people start a venture believing on the myths and finally, they realize the reality and they perhaps fail.

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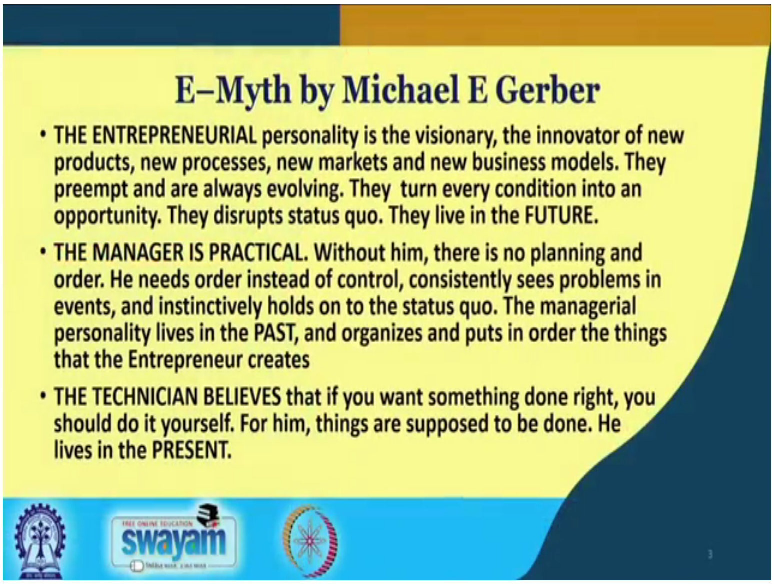

Michael E Gerber in his book E Myth has brought in very important concept about entrepreneurship. Entrepreneurship needs three personalities on off entrepreneur, a manager, and a technician. Entrepreneurs are the visionaries; they are the innovator of new products, processes, services, and new business models. They are disrupter, they disrupt market condition, they pre-empt competition, and they live in the future.

Whereas the manager brings in harmony or order in the disruption that the entrepreneur creates. So, they make plan ahead add in time and then execute their plans accordingly, so that there is order. So, they live in the past whereas, technicians are those who are the doers. They belief that if something is to be done is to be done by them and it is to be done right now, they live in the present.

Why this slide is here? Because to run successful business these three personalities are absolutely essential, but some believe that they can subsume all the personalities and they delay recruitment or hiring people with complementary traits assuming that they can do everything and finally, they fail. So, this time early one that one realizes the limitation and the demand of the business and then take action in time.

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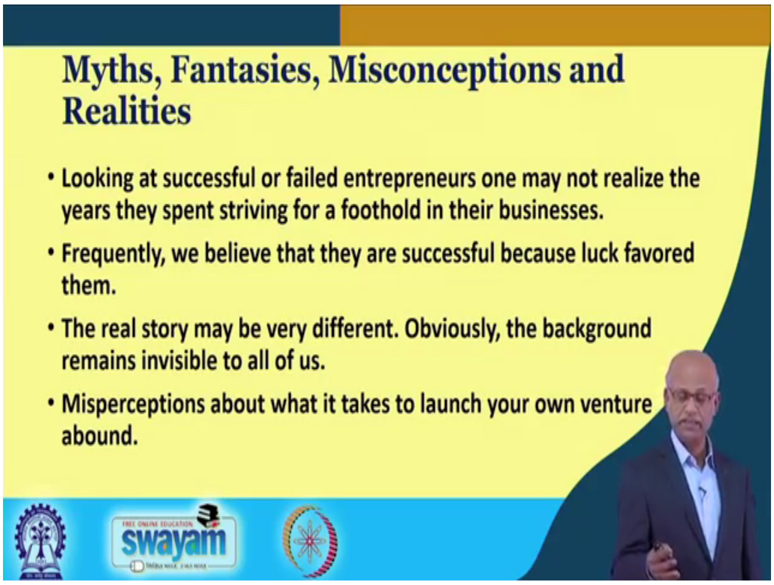

From outside when we see failed or successful entrepreneur we try to assign some reason without actually knowing how and what they have gone through. So, that is the way we create myths.

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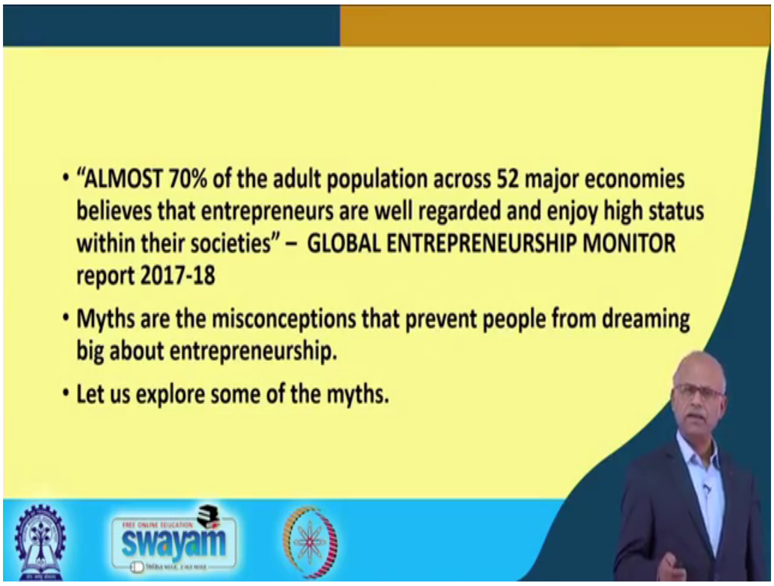

People at large have high esteem about entrepreneurs, but still many of us do not adopt entrepreneurship as our career objective or as a future. This is because myths actually gives give us fear or we are afraid of entrepreneurship because of myths. So, let us see what we have today.

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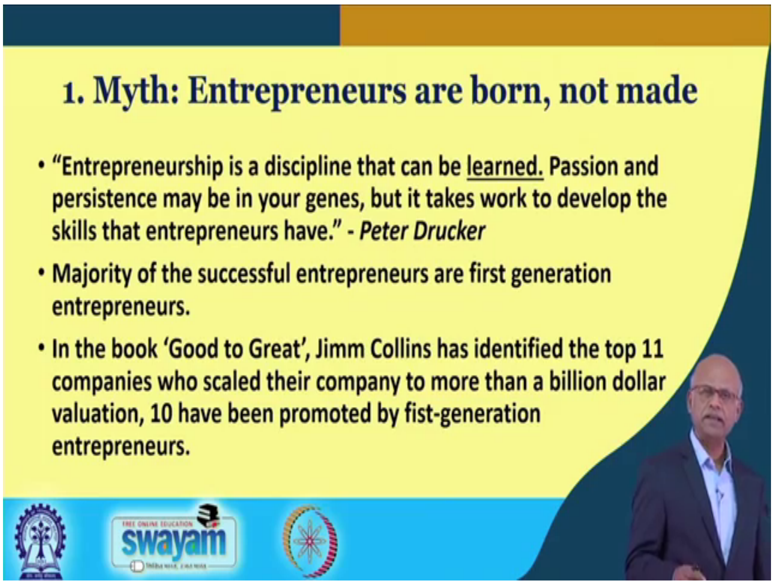

As I said there are 20 plus, but then they are not in any order or sequence at the same time they are not alphabetically arranged either so they are kind of random. The first mates that, I have is entrepreneurs are born not made none of them. Then Peter Drucker has said that people I am sorry entrepreneur needs a basket of traits or qualities. They are born with some of them they have to acquire the rest of them and as per him on rest of the things which they are not born with can be acquired or learned.

So, entrepreneurship can be learned and it is not the fact that people are born to be entrepreneur. We have another book Good to Great by Jim Collins has documented that 11 of the best companies that he identified out of 11 of the best companies, 10 CEOs or CEOs of the 10 companies are first generation entrepreneur. These are still existing these companies are still the greatest companies. So, that clearly documents that entrepreneurs are not born, but they have made they made themselves. I have many examples actually, but I will take you through quickly because time may not permit ok.

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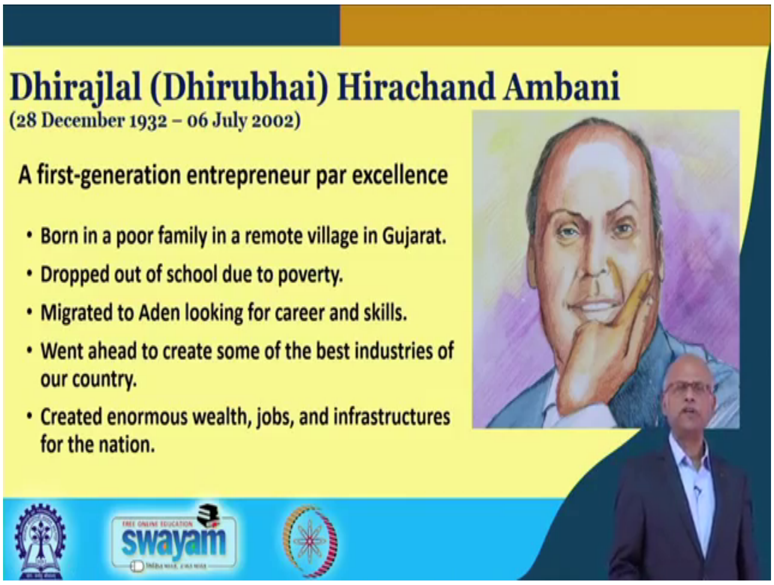

The first one is about our own Dhirubhai Ambani anyway in my last lecture you must have noticed that he hailed from a very humble background. He was the son of a school teacher poor a school teacher and he had to leave the country and then work as a petrol pump attendant and eventually he became one of the greatest entrepreneur in the world.

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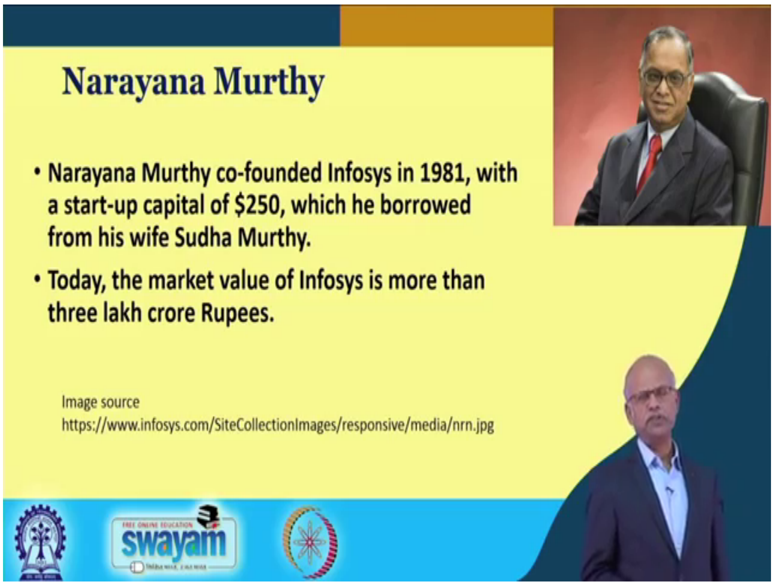

Next in line is our own Mister Narayan Murthy is the first generation entrepreneur. He started with hardly 250 dollar borrowing from his wife, and the company that he promoted is now valued about 3 lakh crore rupees.

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Sunil Bharti Mittal he also borrow 20000 rupees from his father. Today his net worth out of several companies is about 8 billion dollar.

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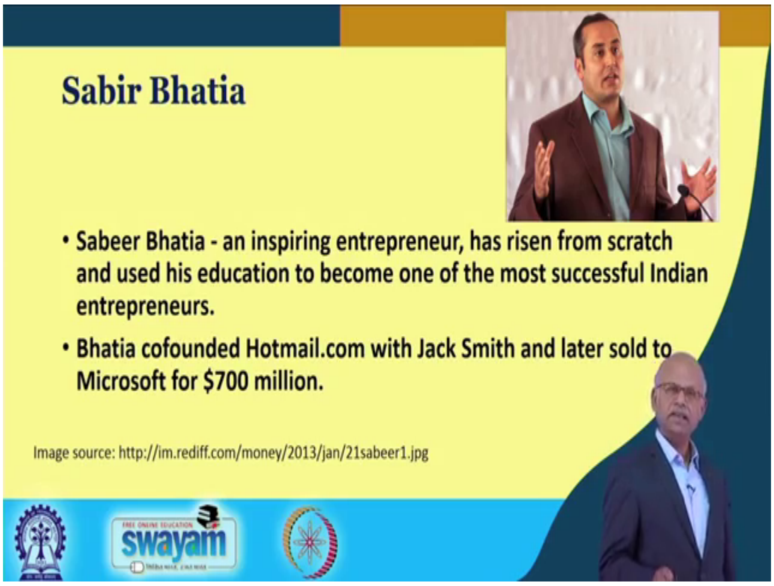

Sabir Bhatia based on his academic knowledge based on knowledge he gained through education. He started hotmail dot com a company which is to offer the first formal and extensive email service which is promoted and eventually he sold it to Microsoft for 700 million dollar again a first generation entrepreneur.

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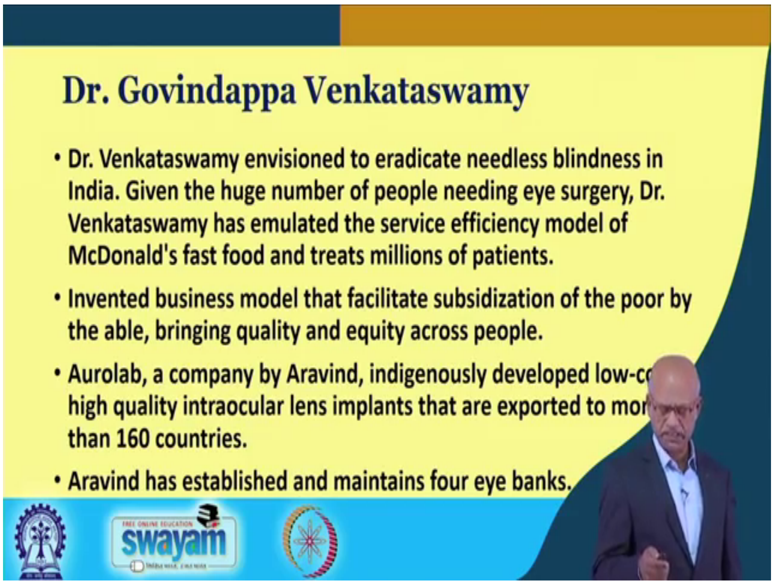

Govindappa Venkataswamy in fact, one can speak for a whole day still it will not be over talking about Mister Venkataswamy. Most importantly he envisioned to eradicate needless blindness in India and he set up he redefined the business model of cataract surgery. He copied a model from McDonald's fast food a model that that brings in speed into service. So and they are engaged in research and development their products are now exported to 160 countries and many more.

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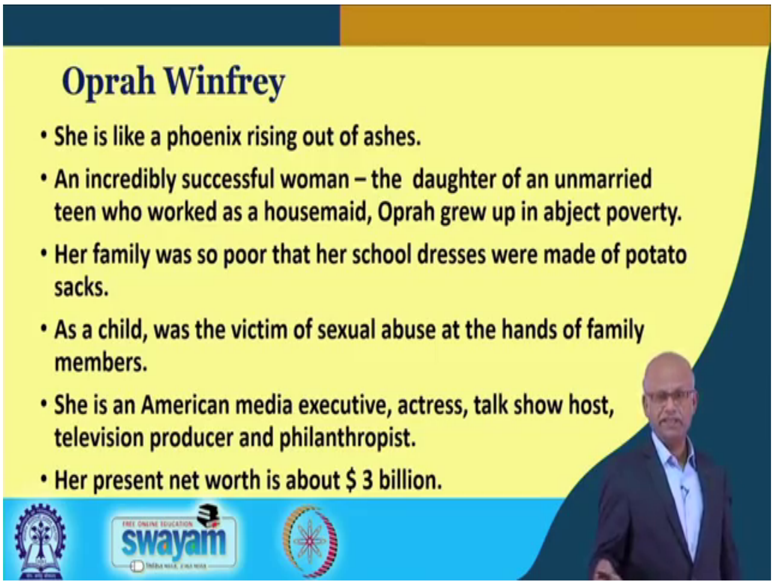

Oprah Winfrey the story is not just a rags to riches, but something very different. She is like a phoenix rising out of ashes. Truly speaking incredibly successful women, the daughter of an unmarried teen who worked as a housemaid, Oprah grew up in abject poverty. Her family are so poor that a school dresses were made of potato sacks. Her present net worth is about 3 billion dollars today. She is American; she is in an American media executives actress talk show host television producer most importantly a great philanthropist

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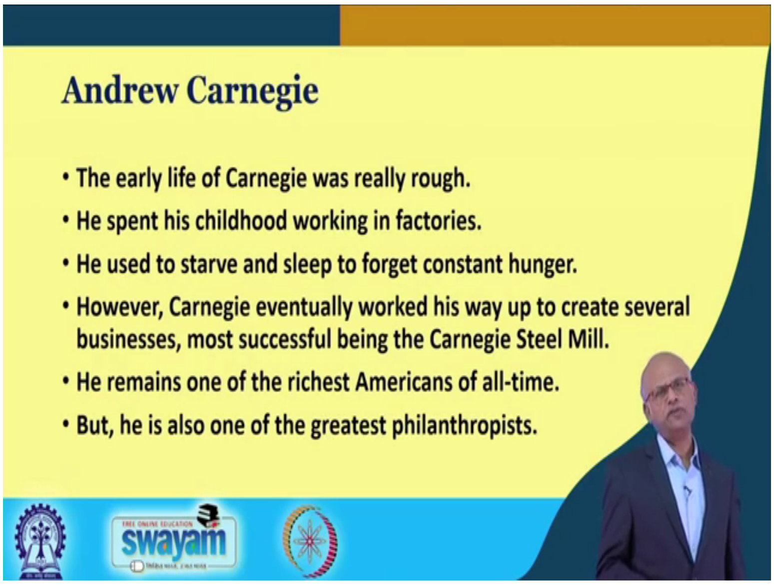

Andrew Carnegie the early life of Carnegie was really rough. He used to sleep to avoid hunger, to forget hunger he used to sleep something like that. And eventually he started many companies. And most successful being the Carnegie steel mill many people know about it and he remains one of the richest American of all time.

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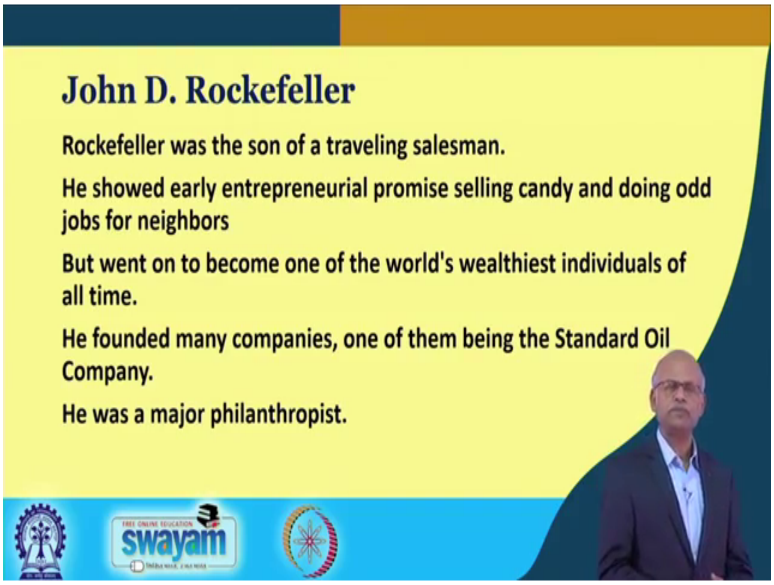

There are many more stories like Rockefeller, he also hail from a very humble background, but eventually became one of the wealthiest individual at all time of all time. He founded standard oil company. The first he is also a first gen all these are first generation entrepreneurial.

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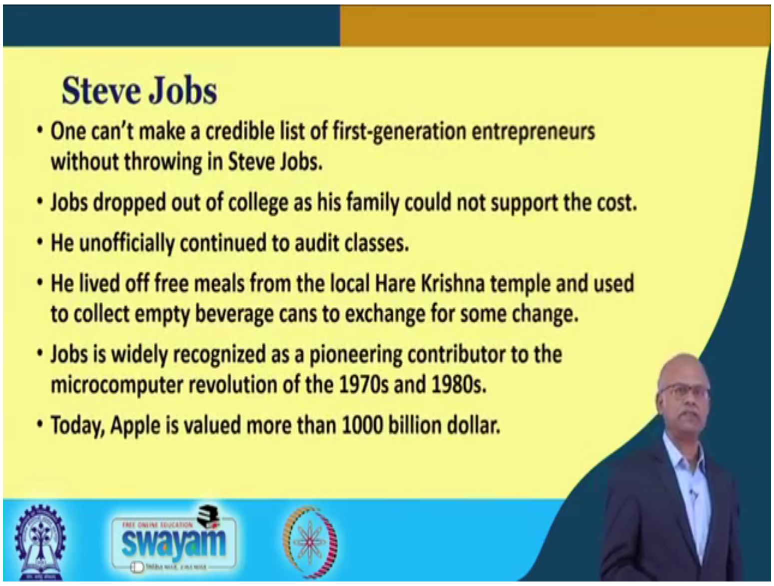

Steve jobs one cannot make credible list of first generation entrepreneur without throwing in Steve Jobs name. Jobs dropped out of college because of because family could not support it, but he was kind of knowledge seeker. So, he continued to audit classes, he used to have lands the local Hare Krishna temple freelance, he used to collect beverages cans to exchange for some change. And today Apple is valued about 1000 billion dollar, 1 trillion dollar to be precise.

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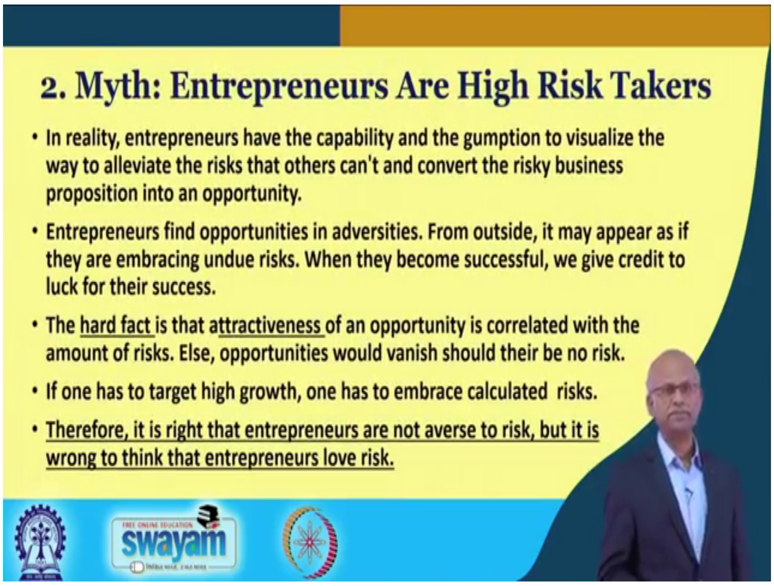

There are many more stories of similar kind one can go on and on throughout the day and the list will not end. Next and picking we have the next myth entrepreneurs are high risk taker. Some people a state this statement as entrepreneurs love risk which is absolutely not true.

In reality entrepreneurs have the capability and the gumption to visualize the way to alleviate the risk that others cannot others cannot see it. Whereas, entrepreneur can convert that risk business proposition into opportunity. Entrepreneurs find the opportunities in adversities from outside it may it we may feel that they are lucky, but they actually strive and then gain success through their intelligent actions.

The hard fact is that any opportunity which is attractive will come with the fair share of risk. Otherwise, the opportunity will vanish in no time. Because there are so many people will chase that opportunity if there is no risk. If there is risk associated with the opportunity only those who can visualize as to how to alleviate those risk avoid those risk will only chase and there are very few of them and those are the entrepreneurs.

Therefore, its right that entrepreneurs are not risk averse they do take risk, but they take calculated risk, they estimate whether this risk can be avoided, and what is the return after that. At the same time it is wrong to think that entrepreneurs love risk. So, either way entrepreneurs do take risk, but they take calculated risk

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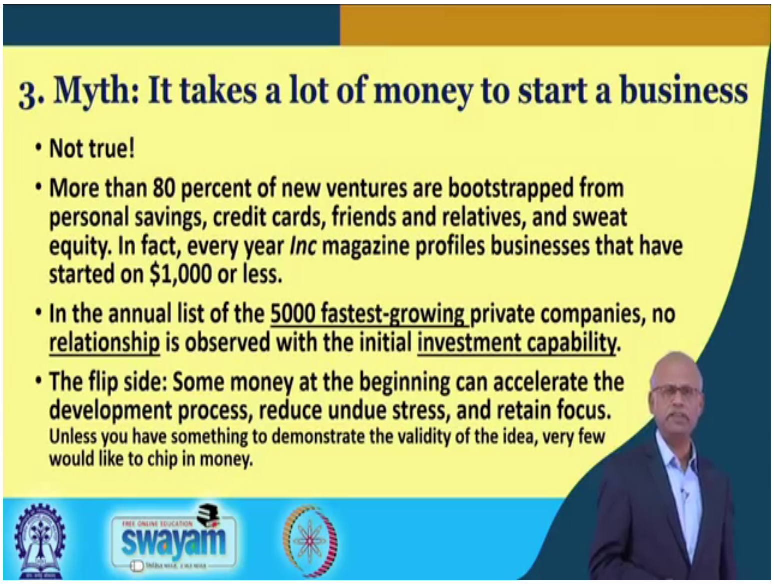

Next I have is it takes a lot of money to start a business it is not true if you look at successful entrepreneurs. Majority of them started their business either bootstrapping meaning from their personal saving, credit card, or borrowing from friends and relatives or. So, at acuity very few of them actually started with lot of money. In the annual list of 5000 fastest growing private companies, no correlation is observed between successful entrepreneur and level of initial capital.

So; obviously, this is not an, it does not hold the flipside is that some money at the beginning actually is helpful. If someone thinks that I need no money at all then a starting may be very very difficult. One needs to have sufficient fund to at least make a minimum viable product. So, that it can be shown to the customer for evaluation at least to start with without that money it might become kind of difficult. So, some money is perhaps necessary.

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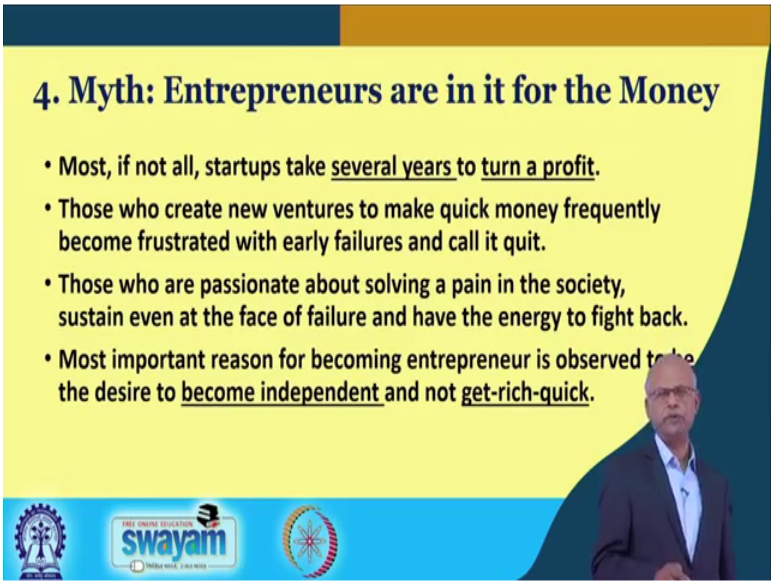

Entrepreneurs are in it for money many things that entrepreneurs want to become entrepreneur just to make be rich very quickly. Fact is that majority if not all the ventures the stirrups take at least 3 years to turn a profit. So, anybody whose main objective is money will very quick get frustrated because they may not wait for 3 plus years to see money coming in. So, they may actually fail quite quickly.

Whereas if someone is actually passionate about solving a pain of course, in the process they make money at the end, if they are passionate about the problem and solving it they will not get frustrated they will try again and again they will pivot and then eventually they will be successful. So obviously, money cannot be the main objective. Mostly entrepreneurs want to be independent not really to get rich quick when they actually start their venture.

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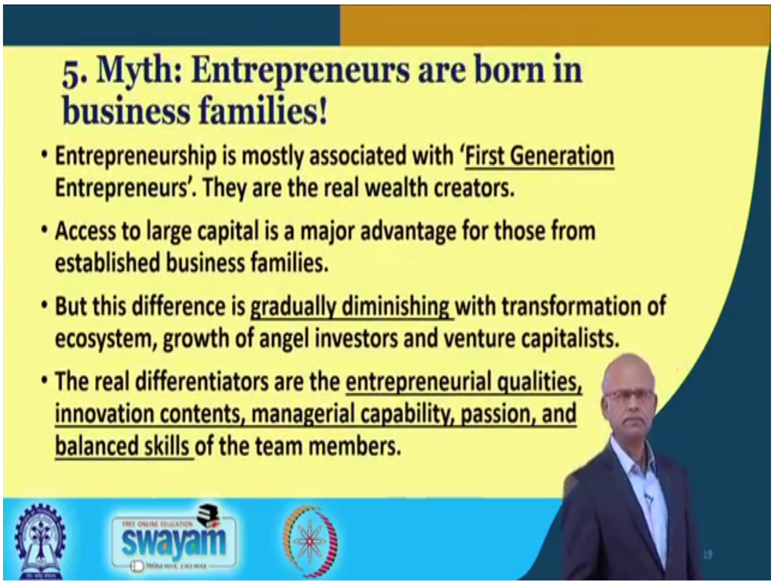

Next myth is about entrepreneurs are born in business family many of us think that way. Whereas, first thing is statistics first thing is the definition per say the definition of entrepreneurs, or entrepreneurship is that these are ventures which are started by first generation entrepreneur. So; obviously, people born in entrepreneurship or born in business families or kind of do not qualify to be on to be called entrepreneur in that sense, first generation entrepreneurs are the real wealth creator.

Obviously access to large capital may be some natural advantage for people hailing from business families. But this difference actually is diminishing gradually because of angel investor fund being available easily and also venture capital fund. So, fund availability of fund is becoming easy day by day because if you have a promising business model there is no dearth of money that is a situation today.

So, obviously, this distinction of easy availability of capital, this kind of vanishing. The real differentiator is actually entrepreneurial qualities, innovation content, managerial capability, passion, balance skill and the team members.

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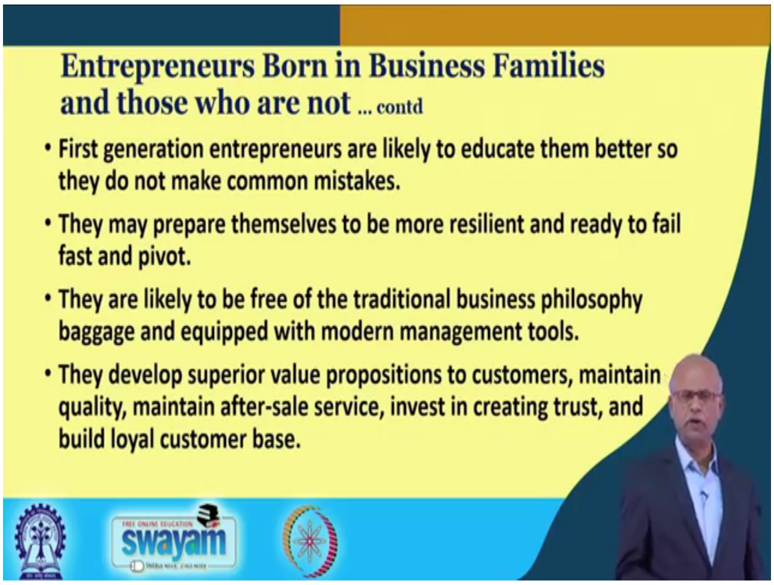

More importantly the first generation entrepreneurs knowing fully well that they are pitted against people with capital. So, they try to own their skill they try to learn the key if key necessary knowledge. So, that they can avoid making common mistakes. They become more resilient in the process and they learn to pivot fast and they are mostly technocrats. So, they know the base know their technology well.

This people from business families are very likely to inherit not genetically, but from their upbringing some of the philosophy baggage of traditional business. Whereas, first generation entrepreneurs will remain open and then they learn the right things rather than adopting or absorbing some wrong notion whatever that be. So, first generation entrepreneur develop superior value propositions for the customers. Maintain quality, and their product service, or whatever maintain after sale service, invest in creating trust and build loyal customer base.

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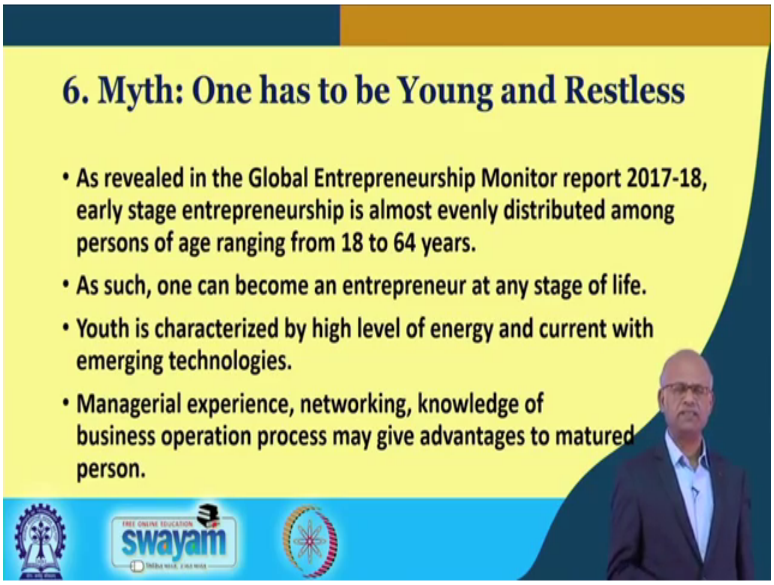

Next one is what has to be young and restless this is also very untrue. As revealed in the global entrepreneurship monitor report 2017-18, entrepreneurs are successful entrepreneurs have distributed almost equally in the, is range of 18 to 64. So, there is no bias or there is no data to support this argument.

As such it is widely believed from data as well as widely believed that anybody can become entrepreneur at any age no such particular age when there is chances of greater success. People of higher or maturity perhaps can leverage their experience and knowledge about business operation management and perhaps may be able to manage better.

Moving forward means the mature stage of the businesses. So, definitely they have build some kind of network they do have some advantage in their in running the business.

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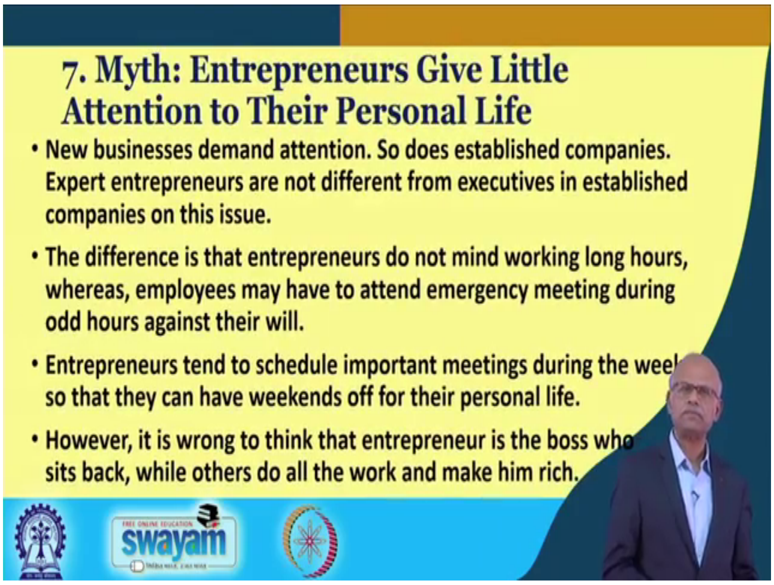

Entrepreneurs give little attention to their personal life this is also untrue. In fact, the very motivation to become an entrepreneur is personal life, or for a self and for society at large.

But then why people think that way is that, entrepreneurship venture definitely demand constant attention is like a new born baby. It demands constant attention, but the same is also true about established corporate corporations. Executives in established corporation also are all the time busy about unexpected happenings in the corporate world about competition, about customers, about new technologies coming in etcetera etcetera.

So, they are also all the time fire fighting the difference is that entrepreneurs are spending long hours because they think and then know that they are working for themselves. Whereas, executives in corporate world think that; that means, if they do that they come for an emergency meeting in the odd hours, or on weekend, but then they do not enjoy it so much.

Furthermore entrepreneurs make plan because it is their world they make plan so that they can put some long hours during the weekend to avoid doing anything in the weekend. So, therefore, it is wrong to think that entrepreneurs are not careful about their own personal life. At the same time it is also important to know to understand that entrepreneurs are not those will sit back and other people will work to make them rich. So, definitely they are engaged all the time.

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Myth number 8; most entrepreneurial ventures fail this is something that I have coined and I collected some data and observed that this is another myth that normally people do not talk about. I was inspired particularly from the book entrepreneurship by David Holt. He has brought into light the fact that data when data are collected there is a bias in the form of the philosophy meaning they randomly collect data of companies existed some time back and companies which exist now.

So, these are subtract the number between them and now and the difference is attributed to be failed in untrue enterprises. Whereas, the fact is that many of them have either been merged with some other company or have been sold to some other change their name, or something there they have not failed, but then the statistics shows them as failed. So, it is not one should not look at data which is intimidating one should actually focus on successful entrepreneurs and then take cue from them to create new venture.

Fatality is prevalent even in large established businesses. Another data is very important Fortune 500 companies which existed in 1954, 80 percent or 88 percent of them do not exist in 2016-17, 80 percent, 80 plus percent of them do not exist. So, that is the rate of fatality even in established businesses. So, nothing to be that should give courage and should not intimidate.

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Entrepreneurs are often High Tech Wizard. Technology does it help in gaining competitive advantage, but there is no data supporting this myth.

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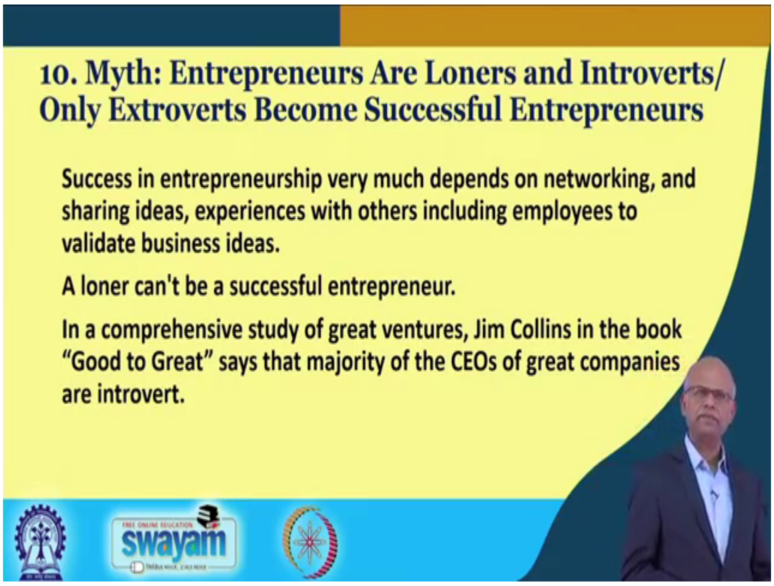

Entrepreneurs are loners an introvert there is one side of the story myth the other myth is that only extrovert become successful entrepreneur. None of them neither of them perhaps hold or maybe both of them hold something like that.

Success for a loner cannot be successful entrepreneur for sure because to be a successful entrepreneur one needs to network with the whole bunch of stakeholder's, employees, bankers, investors, suppliers, buyers what not? So, loner is definitely not going to be successful entrepreneurs

On the other side if someone thinks that one has to be extrovert to become entrepreneur here is the data. The book "Good to Great" they have documented that 10 out of 11 best companies, best entrepreneurial ventures are owned by or the CEOs of these companies are introvert. So, that precisely drives on the point.

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Entrepreneurs finance the venture for venture capital this is a very wrong notion and it is prevalent among most of the people. Venture capitalist comes at a far end of entrepreneurs entrepreneurship life cycle. When you are struggling to develop a product when you have minimum viable product for market validation, when you have just started putting up infrastructure for going to market venture capital capitalists will view that as risky, they have less less risk appetite.

Whereas, angel actually can hand hold, they can have a smaller ticket size of investment. So, they can they will be more interested about funding a fledgling start up venture. Venture capitalist will come much after once you add lot of value only then venture capitalists will find your business to be attractive.

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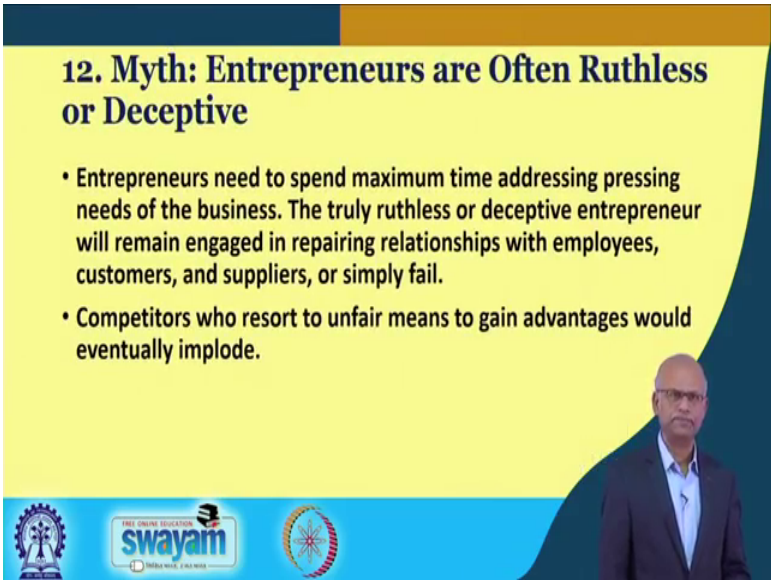

Entrepreneurs are often ruthless and deceptive. Well there can be people with the ruthless and deceptive, but then they would not go any far, they will remain besotted with legal issues, sorting out differences, sorting out bad relations with people fraud deception and things like that. Always bad for entrepreneur trust is very important, honesty is very important, so; obviously, ruthless and deception are not the qualities of entrepreneurs to be successful for sure.

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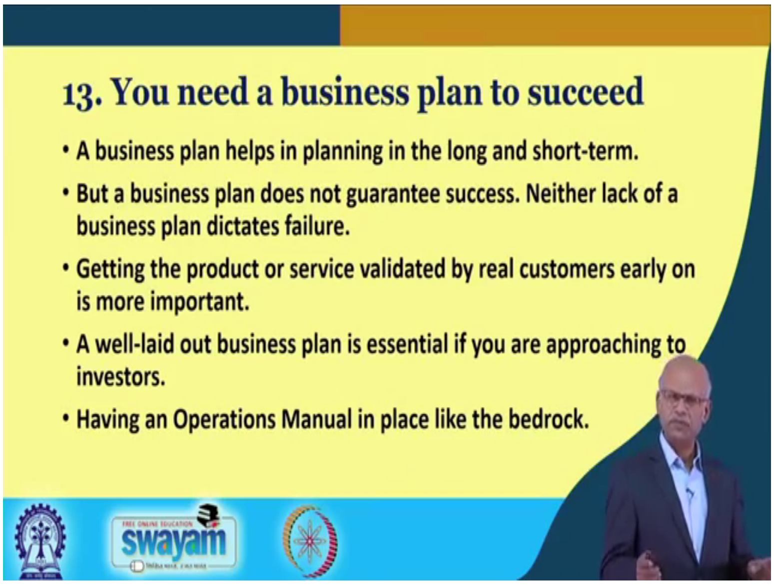

You need a business plan to succeed it is very light one ah, but then it is important one should not start writing a business plan the moment he thinks he or she thinks to start a business. Business plan is written only when you approach to investors, but of course, there is no harm in writing a business plan early one because there should always be a plan, but then writing a very formal Business plan at the early stage is not all that necessary.

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Most successful entrepreneurs start with a breakthrough invention usually technological it is not at all true. Large many many large and successful entrepreneurial ventures started with an existing idea the difference is that, they executed the idea very well when Google started search engine, Yahoo was already there, Lycos was there, several others were there. But then Google is Google today, because of they have executed their plan better than anybody better than others.

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So, obviously it is not necessary that you need a breakthrough idea to just start a company. Being first to market is the key to success somewhat true true in some context particularly if someone can create a brand, create market can capture a good market share with the new product, and create a brand presence in the minds of large customer. Perhaps first to move has and first mover perhaps they can gain first mover advantage.

But if one fails to do that competitors will see the product or service. And then if they their capacities better they have access to more fund and they are whatever way they can hire better people they will look at the first mover and they will they can avoid the risk and the mistakes that were made by the first movers and they can move ahead further, Google is another example of that. So, I will move slightly faster now.

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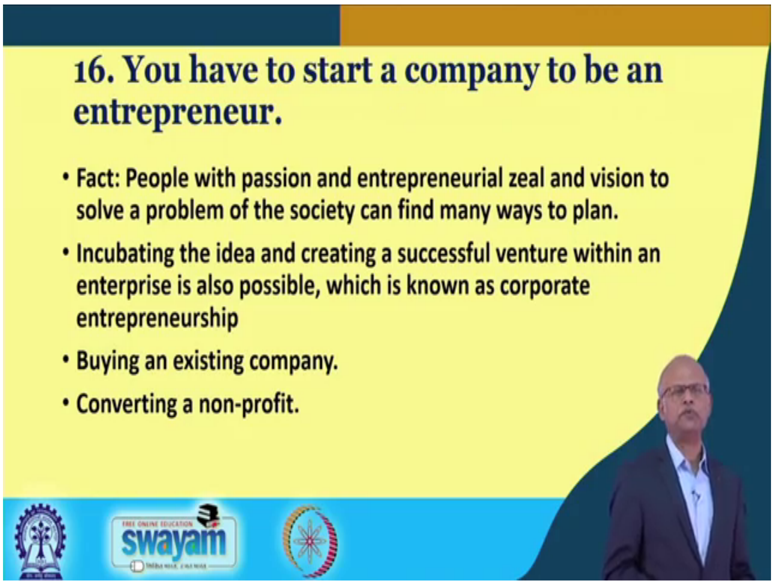

You have to start a company to be an entrepreneur, you can actually take over a company, you can buy an existing company. There may be various other ways to become an entrepreneur the rather than starting one.

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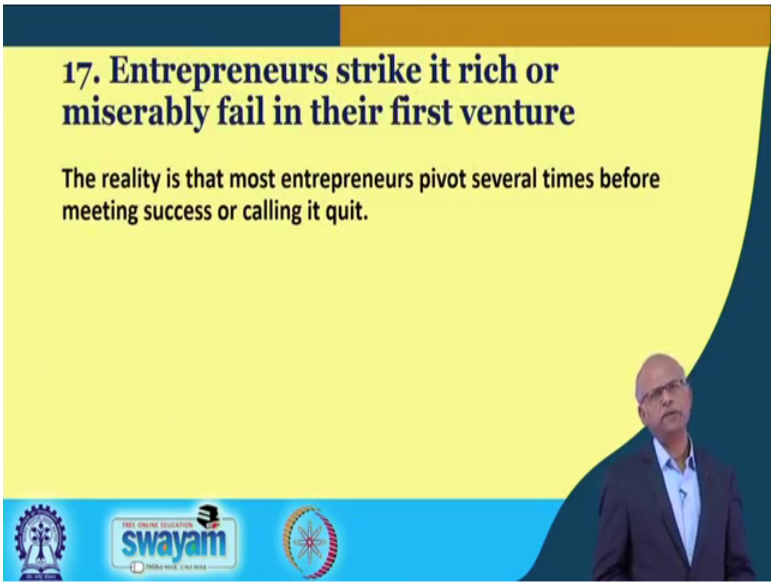

Entrepreneurs strike it rich or miserably fail in their first venture very untrue most entrepreneur they pivot several times 2, 3, 4, 5. So, it is not true that they become successful in the first venture itself.

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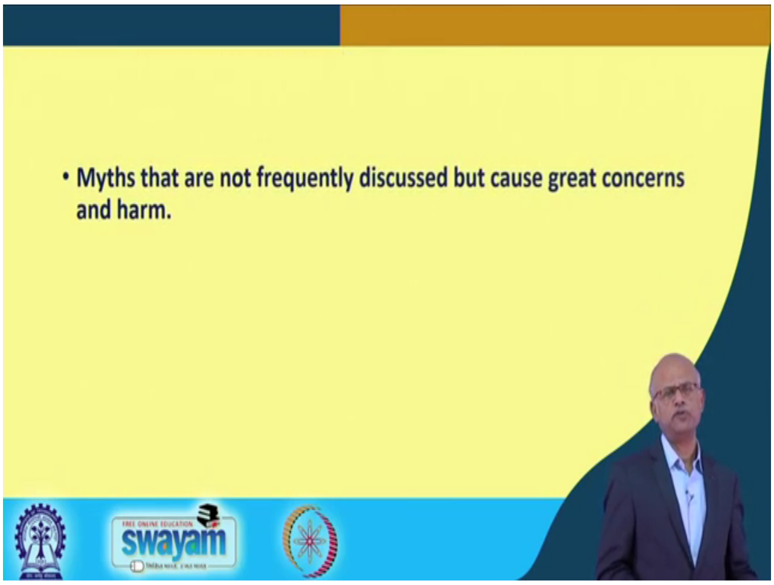

Some myths are there moving forward which are frequent we should not so frequently discussed.

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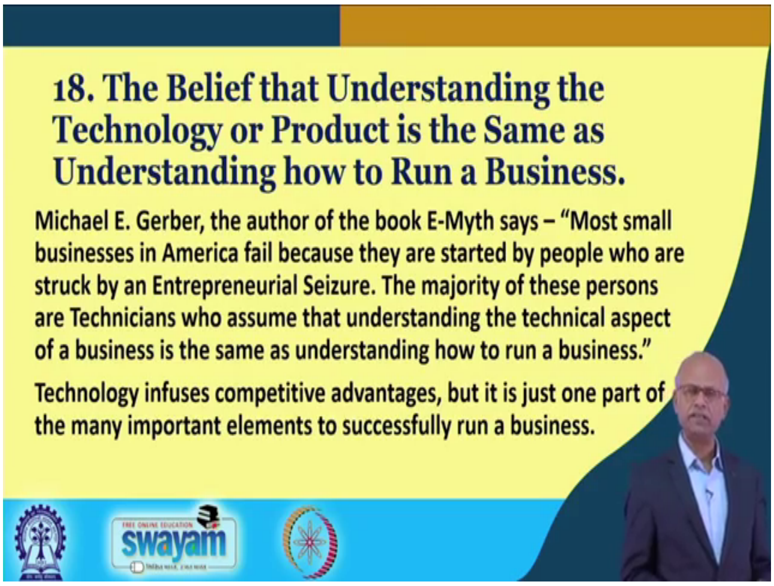

But they are of great concern because they harm greatly. One is the belief that understanding the technology or the product is the same as understanding how to run a business. This a this has connection with the first slide where I talked about Gerber who said that unit three personality is to run a business.

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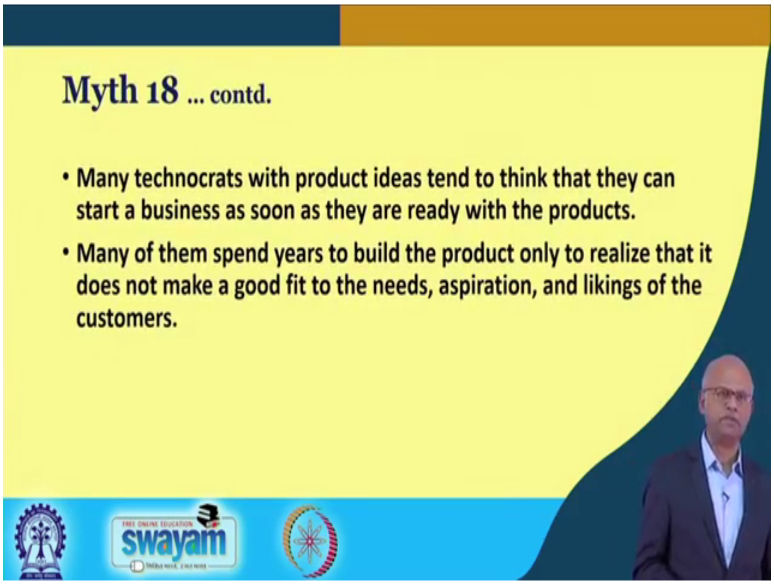

So; obviously, knowing only the technology is not good enough to successfully run a business you can develop your wonderful product, but running a business is a different thing Many technocrats with product idea particularly I have seen in my profession. Students approaches me that, we have a product idea and we want to start a business.

Many people actually spend years maybe 2, 3, 4, 5 to develop a product without any connectivity with the market place. They do not have an eyes to see how technology is changing, they do not even care to understand whether customer is going to accept their product or not they are going to like it. They think that if we product is so great that customers are going to love it. But the fact is fact may not be the same.

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Passion leads to success have another misconception. If you are passionate passion and hard work or perseverance these are all very nice thing. But then one should be very careful to understand when to pivot passion if you are passionate about an idea. Chances are you will not you will forget to pivot you will forget to understand that I am passionate about something which has no life, which has no prospect.

So, it is a time when it is very critical to understand when to pivot and live the passion. So, one should be passionate about the idea, but then executing the idea in a competitive way is very important.

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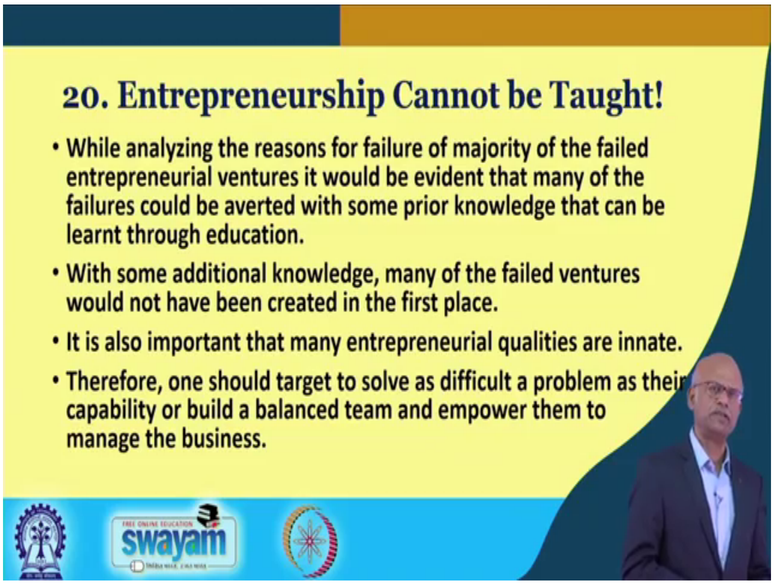

Entrepreneurship can be taught cannot be taught as a Peter Drucker. As Drucker has said that entrepreneurship can actually be learned and point is that entrepreneurs need a basket of traits. Some of them are innate meaning they were born with that, some of them have to be learned and many of the things can be learned.

Some additional knowledge actually can avert many many failures which are common. At the very list if you know that people are doing something and leading to failure you can at least avoid them or may take pre emptive actions. So, obviously this is not right

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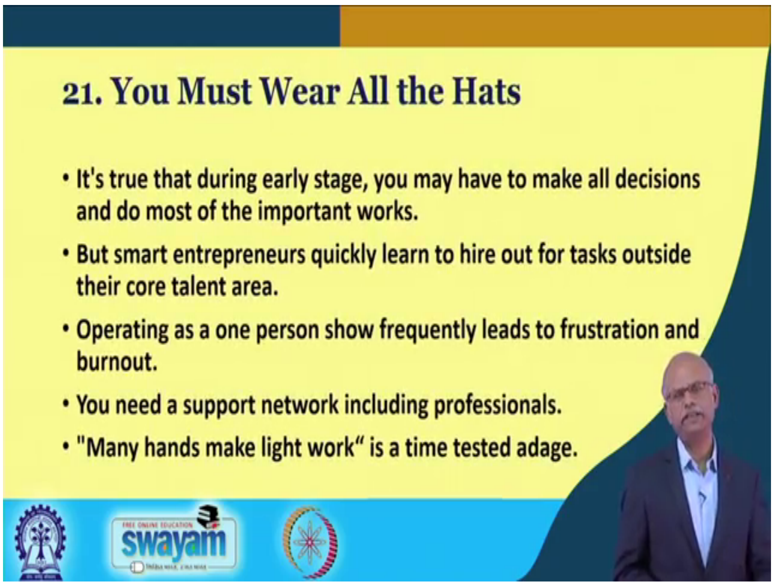

Part of entrepreneurship can definitely be learned you must wear all the hats like entrepreneur, manager, technician. If you do that you will get tired very easily you expert entrepreneur actually know this very well. They understand themselves very well like I give an example the other day, I am just forgetting a name what about means there are many examples where people hired, or people hired expert early one to run their business better.

Because they understand their own limitation there is a same many hands make light work. So, if there are more people chipping in different kinds of a talents or skills definitely things can be done very fast.

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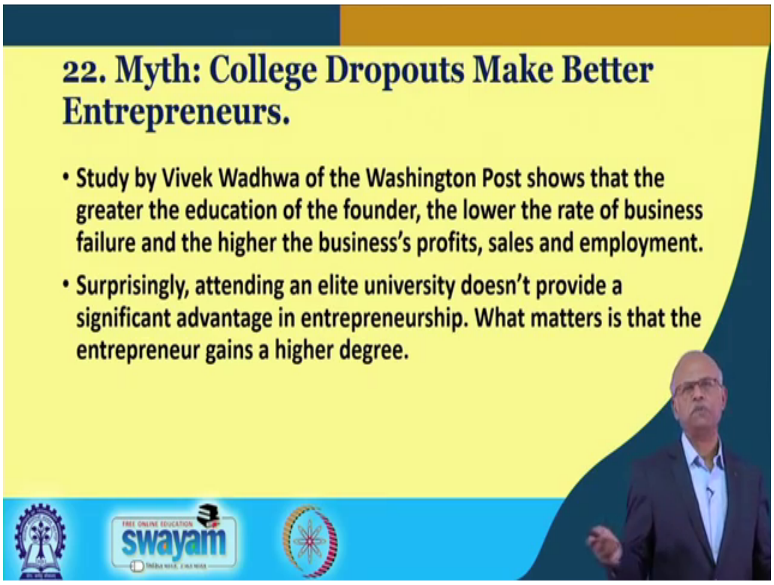

College dropouts make better entrepreneurs. There are stories about wonderful companies like Dell like many others where college dropouts actually created wonderful business. But then this is not always true and statistics does not support do not support this proposition.

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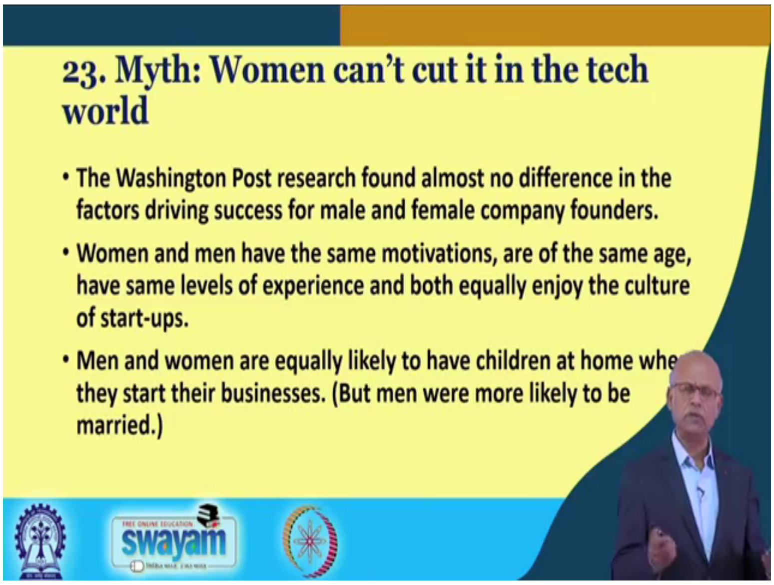

Women cannot cut in the tech world this is also not true. It is observed there was a study done by done in Washington post by Vivek Wadhwa.

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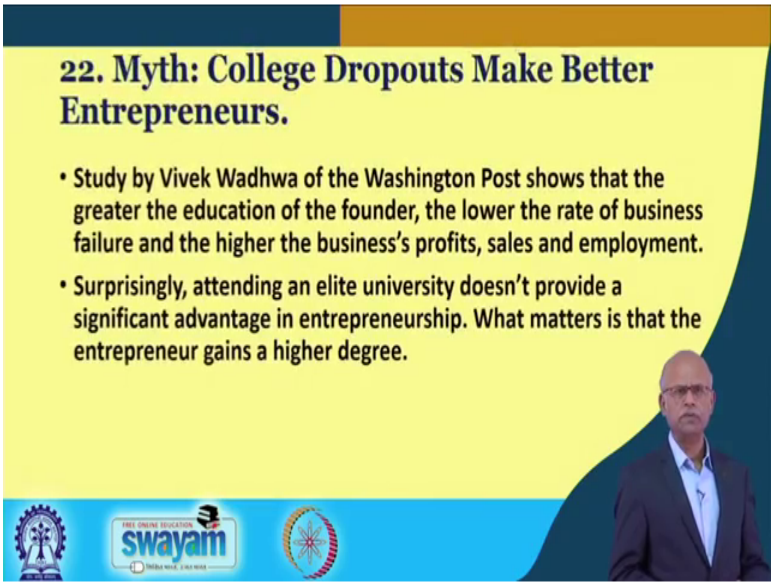

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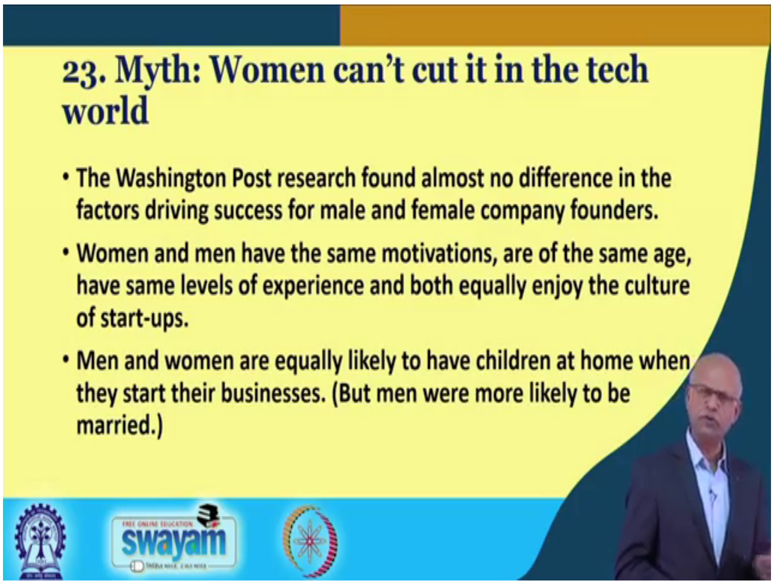

And he found he observed that women are as much motivated to do entrepreneurship as men and they perform equally well.

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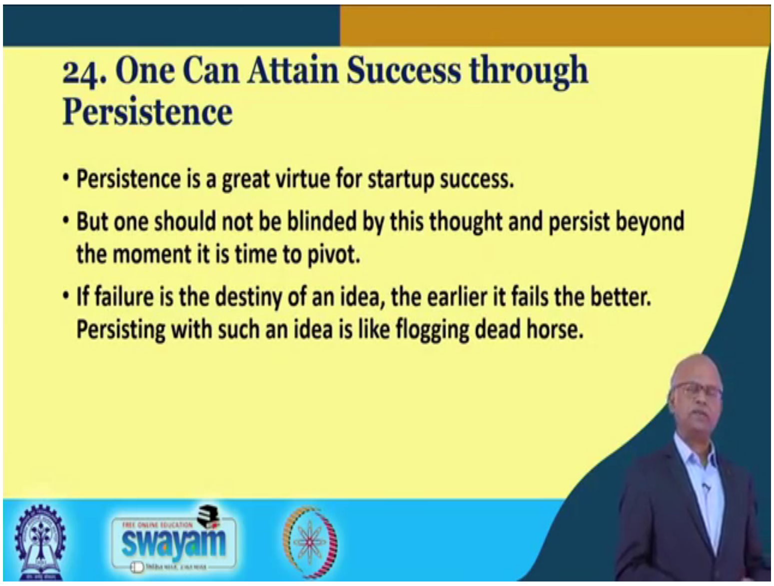

One can attain success through persistence; persistence and passion. These two are kind of very important in entrepreneurship, but then persistence also should be to some extent to the extent necessary beyond that one has to pivot. So, persistence and passion; myth about them is same.

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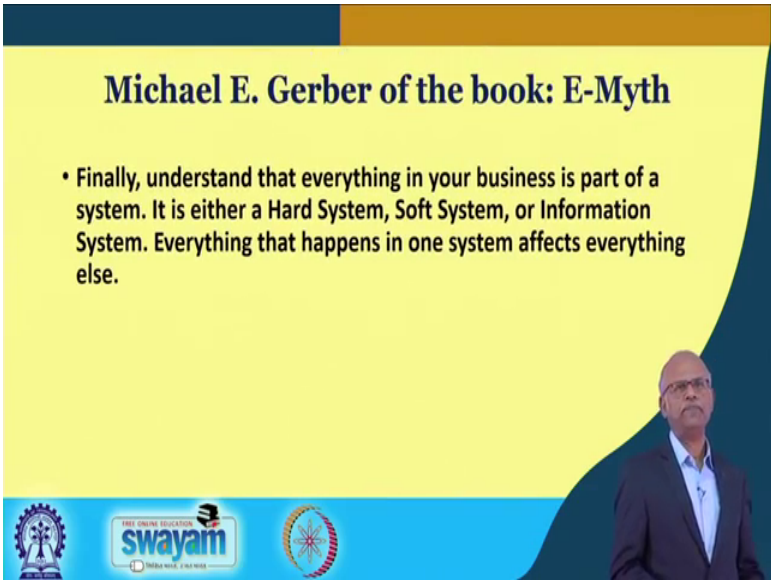

Last word about on from E Myth the book one has to have a systems perspective about anything everything is part of a system. So, one has to understand the implication or repercussion of their action in the entire system only then they can be successful.

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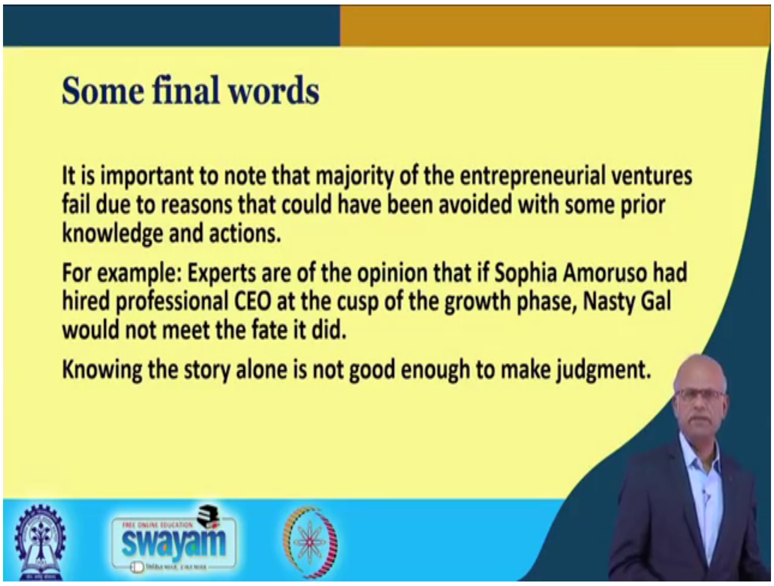

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With these final words I will draw to close this lecture. Some references some more comments and.

Thank you.