



Capacity Building for Entrepreneurship Centered Around Trees Outside Forests

Module 1: Prelude to Entrepreneurship

Lecture 1: Fundamental concepts in entrepreneurship

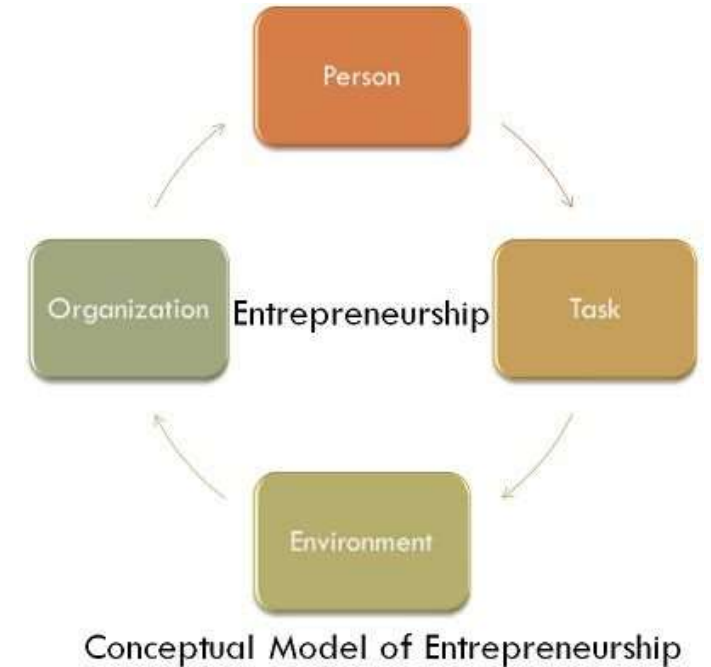
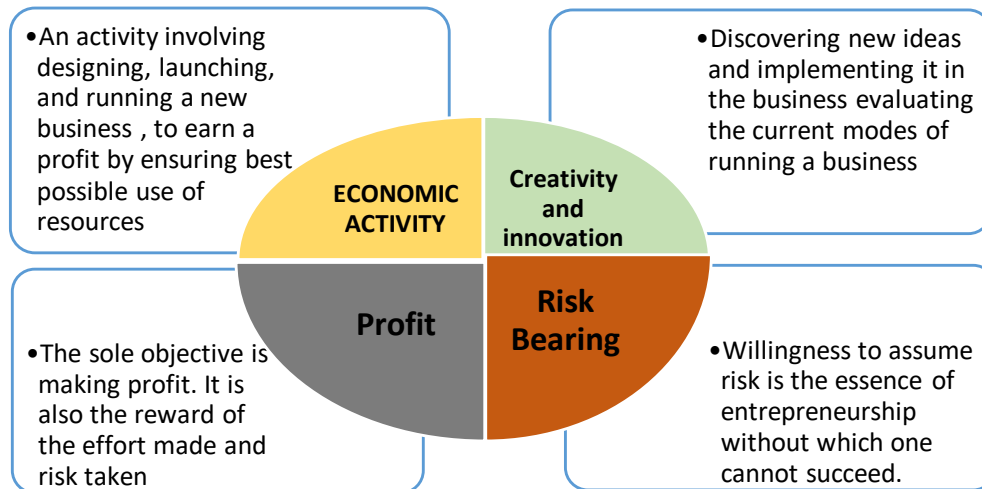


Learning targets

- What is entrepreneurship?
- What is sustainable entrepreneurship?
- Entrepreneurial process?
- Principles of effectuation and effectuation process
- Causation v/s effectuation
- What is a business model canvas?
- Financial planning

ENTREPRENEURSHIP

- Entrepreneurship refers to the process of creating a new enterprise and bearing risk, with the view of making profit.
- CHARACTERISTICS OF ENTREPRENEURSHIP



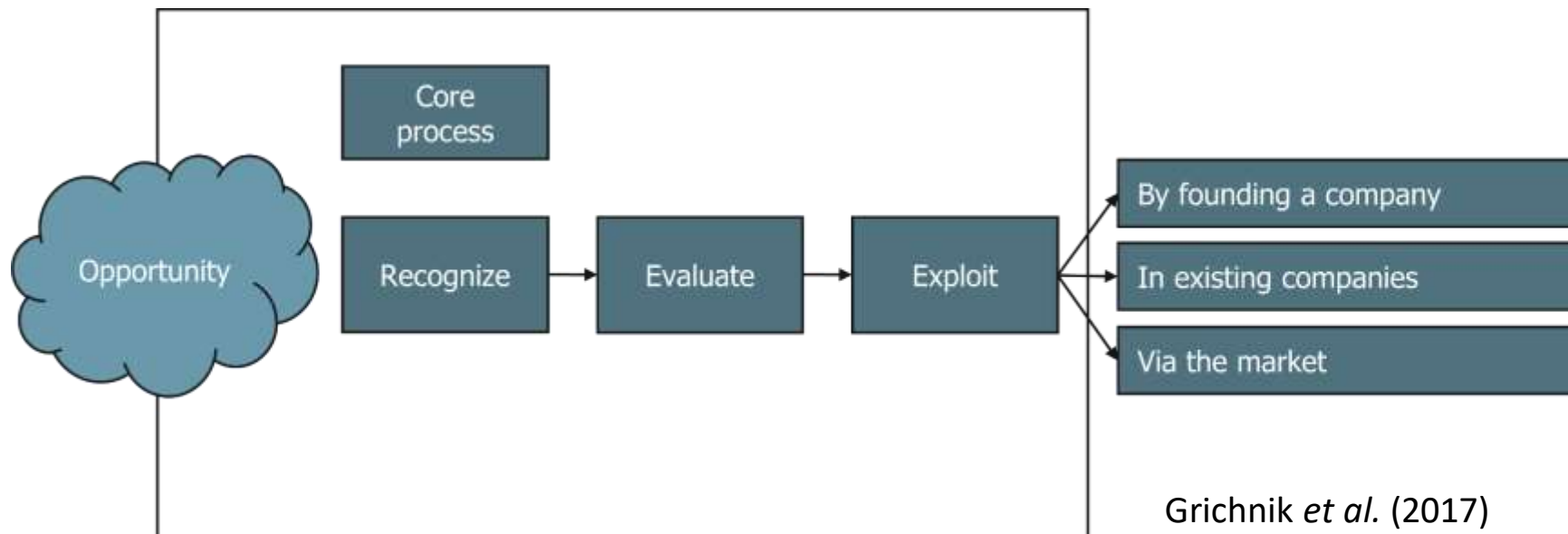


Sustainable Entrepreneurship

Sustainable entrepreneurship is **the recognition, development and exploitation of opportunities** by individuals to bring into existence future goods and services with **economic, social and ecological gains** (Belz & Binder 2017).

Entrepreneurial Process

- An entrepreneurial opportunity corresponds to a situation where new goods, services, materials and methods can be introduced to the market and sold.
- Entrepreneurial opportunities are the core of entrepreneurship and the entrepreneurial process.



Grichnik *et al.* (2017)



Principles of effectuation

- Effectuation is a way of thinking and decision-making that is based on the idea that entrepreneurs create their future by taking action and making things happen.
- Focus on creating opportunities and solving problems by using the resources that are available to you, rather than making predictions and trying to plan for the future.
 1. Principle of Means Orientation
 2. Principle of Affordable Loss
 3. Principle of Future Orientation
 4. Principle of Circumstances and Coincidences
 5. Principle of Partnerships



Principle of Means Orientation

When expert entrepreneurs seek to build a new venture, they start with their means. These means can be grouped into three categories:

1. Who I am—my traits, tastes, and abilities
2. What I know—my education, training, expertise, and experience
3. Who I know—my social and professional networks.

The means orientation principle suggests that entrepreneurs should start with the resources they currently have at their disposal (existing skills, knowledge, and networks) rather than waiting for ideal conditions or extensive planning.



Principle of Affordable Loss

- When expert entrepreneurs seek to build a new venture, they think in terms of affordable loss - What am I willing to lose rather than what they expect to make ?
- Uncertain new venture opportunities are difficult to value upfront, whereas the investment of time, money, and other resources is quantifiable, manageable and controllable.

The affordable loss principle posits that entrepreneurs should evaluate risks based on what they can afford to lose rather than potential gains. This approach encourages taking calculated risks where the downside is manageable, allowing for experimentation without the fear of catastrophic loss.



Principle of Future Orientation

- Rather than simply adapting to the future, effectual entrepreneurs strive to create it.
- They do not rely on predictions or extensive planning but instead focus on shaping the future through actions and decisions
- Forward-thinking approach allows them to adapt their strategies based on emerging opportunities and market changes.

This principle emphasizes the importance of looking ahead and envisioning potential outcomes when making business decisions.



Principle of Circumstances and Coincidences

- The ability to turn the unexpected into the profitable
- Anything and everything is potentially a surprise that can lead to a valuable opportunity

This principle highlights the role of unexpected events and circumstances in shaping entrepreneurial ventures. This adaptability can lead to innovative solutions that were not part of the original business plan.

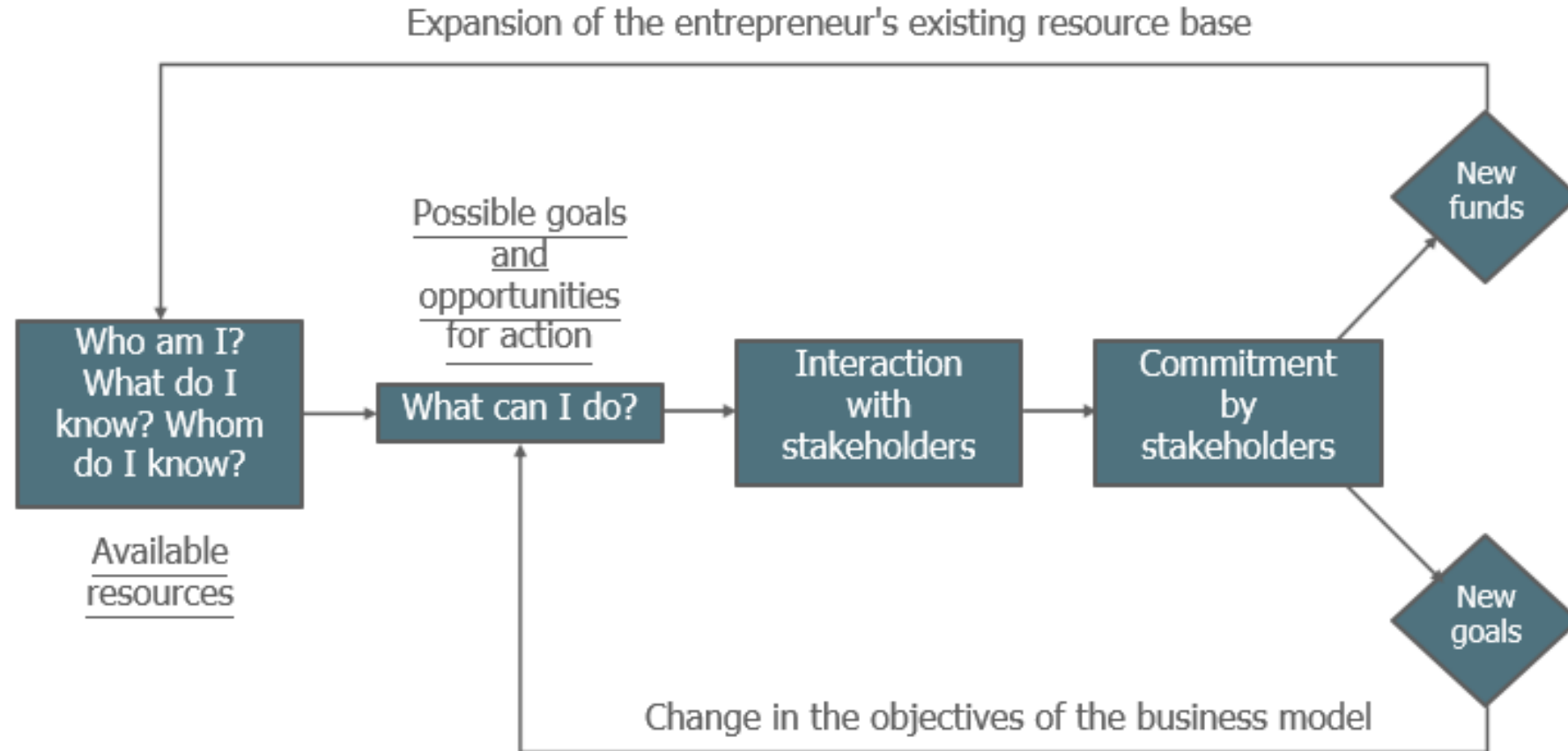


Principle of Partnerships

- Focus on building partnerships rather than beating competitors.
- Rather than viewing competitors as threats, effective entrepreneurs build partnerships with stakeholders, customers, and other businesses.

The partnership principle underscores the importance of collaboration in entrepreneurship. These collaborations can enhance resource sharing, reduce risk, and create synergies that drive success.

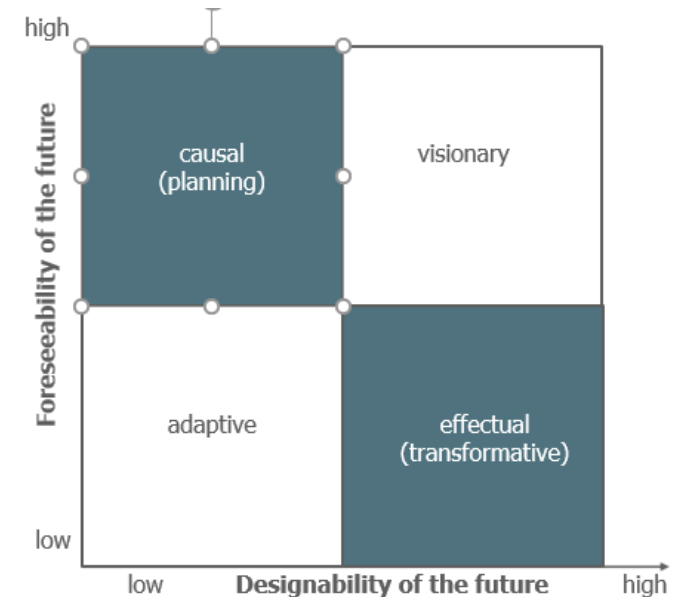
Effectuation Process



Source: Grichnik *et al.*, 2017

Causation-Effectuation

- **Causation** is a goal-oriented approach where entrepreneurs start with a specific outcome in mind and then identify the means necessary to achieve that goal. This method relies heavily on analysis, planning, and forecasting.
- **Effectuation** is a more flexible, means-oriented approach where entrepreneurs begin with available resources and allow goals to emerge through experimentation and interaction. This method embraces uncertainty and focuses on leveraging existing means.

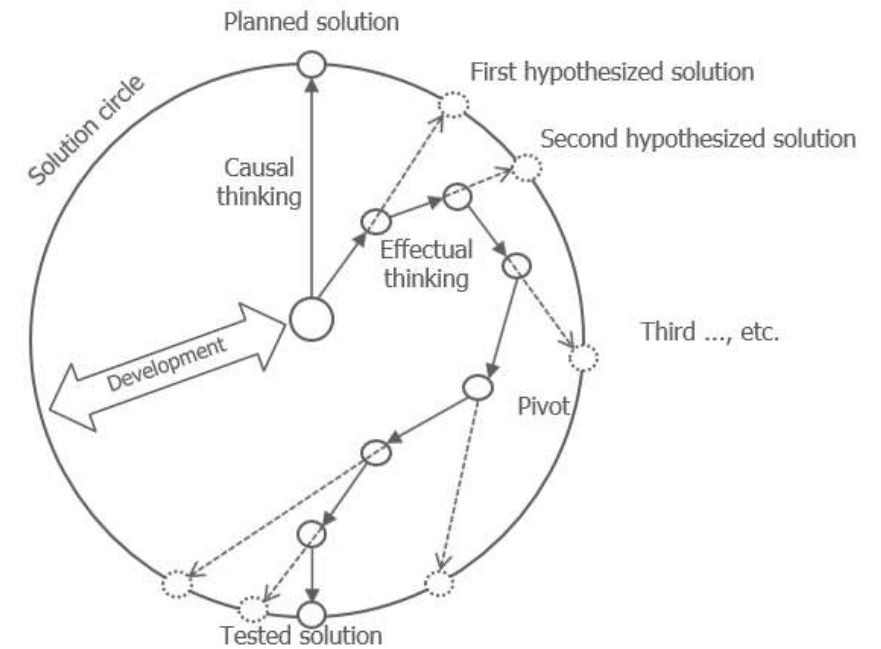


Kogut et al., 2023

Source: Grichnik *et al.*, 2017

Causation-Effectuation

Dimension	Causation	Effectuation
Starting Point	Defined goals	Available means
Focus	Maximizing returns	Minimizing losses
Approach	Predictive planning	Adaptive experimentation
Partnerships	Limited to strategic alliances	Emphasizes co-creation and partnerships
Decision Making	Linear and sequential	Non-linear and dynamic



Source: Frederiksen & Brem, 2017



Business Models

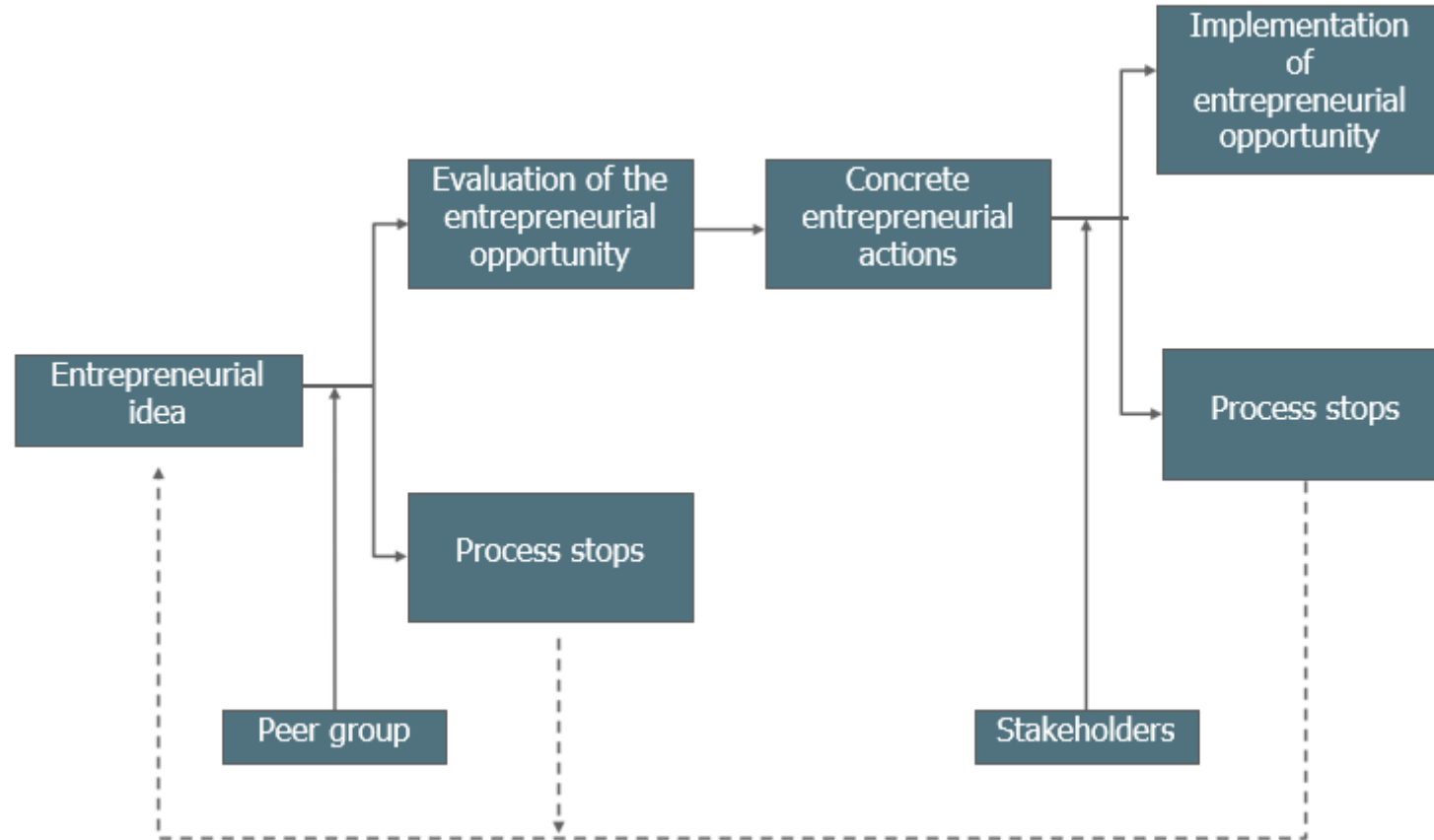
- A business model describes the interaction of key components of a company to generate value
- The Business Model Canvas consists of nine components, which together illustrate how and for whom a business model creates value.
- The Business Model Canvas shows what is necessary to turn the value proposition into reality.

Business Model Canvas

Key Partners (KP)	Key Resources (KR)	Value Proposition (VP)	Customer Relationships (CR)	Customer Segments (CS)
	Key Activities (KA)		Channels (CH)	
Cost Structure (CS)			Revenue Streams (RV)	

Source: Osterwalder, 2010

Creating business opportunities



Source: Grichnik *et al.*, 2017

What is Financial Planning for Entrepreneurs



CONCLUSION

- Entrepreneurship is the foundation for innovation . It turns ideas into reality and drive economic growth and societal progress.
- Concepts of Entrepreneurship dwell on creativity, strategic planning and adaptability . Mastering these concept equips entrepreneurs to navigate challenge achieve success.

“The best way to predict future is to create it. ”



References

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