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THE ENTREPRENEURIAL MIND-SET

|  **Learning Objectives** |
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1: To introduce the concept of entrepreneurship and explain the process of entrepreneurial action.

2: To describe how structural similarities enable entrepreneurs to make creative mental leaps.

3: To highlight bricolage as a source of entrepreneurs’ resourcefulness.

4: To introduce effectuation as a way expert entrepreneurs sometimes think.

5: To develop the notion that entrepreneurs cognitively adapt

6: To introduce sustainable entrepreneurship as a means of sustaining the natural environment and communities and developing gains for others.

| **CHAPTER OUTLINE AND TEACHING NOTES** |
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| *OPENING PROFILE— Ewing Marion Kauffman*1. THE NATURE OF ENTREPRENEURSHIP

 A. Entrepreneurial actions begin at the nexus of a lucrative opportunity and an enterprising individual.. B. An ***entrepreneurial opportunity*** could stem from introducing an existing technological product used in one market to create a new market or it could be creating a new technological product for an existing market or creating a new product for a new market.  1. Because opportunities exist in high uncertainty, entrepreneurs must use their judgment about whether or not to act. 2. The individual’s prior knowledge can decrease the amount of uncertainty. C. The McMullen-Shepherd model explains how knowledge and motivation influence two stages of ***entrepreneurial action***. 1. Signals of changes in the environment that represent possible opportunities will be noticed by some individuals but not others. 2. Individuals with knowledge of markets and technology are more capable of detecting changes in the external environment, and if motivated will allocate further attention to processing this information. 3. The result of Stage 1 is an individual’s realization that an opportunity exists for someone.1. The result of Stage 2 is the individual then needs to determine whether it represents an opportunity for him or her.

 D. To be an entrepreneur is to act on the possibility that one has identified an opportunity worth pursuing and it involves ***entrepreneurial thinking.*** | ***In the Press:*** A key question that all would-be entrepreneurs face is finding the business opportunity that is right for them. In this article, Raffi Amit, a professor of management at Wharton, offers insights into how entrepreneurs can identify new business opportunities and evaluate their potential risks. (Knowledge@Wharton “How Entrepreneurs Identify New Opportunities” *Forbes.com,* November 11, 2009 <http://www.forbes.com/2009/11/11/identify-new-opportunities-entrepreneurs-wharton.html>)***Entrepreneur in Action:*** Chaliyuan is a Chinese firm that came up with the idea for “shouji jiayouzhan” or cell phone gas stations, a kiosk that can recharge your cell phone in 10 minutes. The firm was founded in 2000 and has grown to 70 employees in just 4 years. (Shi, Ting [“A Gas Pump for 300 Million Phones](http://money.cnn.com/magazines/business2/business2_archive/2005/06/01/8263479/index.htm)” *Business 2.0* June 2005 pg. 78, )  | ***Learning Objective 1.***To introduce the concept of entrepreneurship and explain the process of entrepreneurial action.keyterm**Entrepreneurial opportunities**Those situations in which new goods, services, raw materials and organizing methods can be introduced and sold at greater than their cost of production.keyterm**Entrepreneurial action**Action through the creation of new products/ processes and/or the entry into new markets, which may occur through a newly created organization or within an established organization**AS SEEN IN BUSINESS NEWS: Provide Advice to an Entrepreneur about Entering into Agreements**(Text box)keyterm**Entrepreneurial thinking**Individuals’ mental processes of overcoming ignorance to decide whether a signal represents an opportunity for someone and/or reducing doubt as to whether an opportunity for someone is also an opportunity for them specifically, and/or processing feedback from action steps taken**Text Figure 1.1** “Entrepreneurial Action”  |
| 1. HOW ENTREPRENEURS THINK

 A. Entrepreneurs think differently than nonentrepreneurs. B. Sometimes they have to make decisions in highly uncertain environments, with high stakes and immense time pressures. C. Given the nature of an entrepreneur’s decision-making environment, he or she needs to think structurally, engage in bricolage, effectuate, cognitively adapt and learn from failures. D. Forming opportunity beliefs often requires *creative mental leaps*, which are launched from one’s existing knowledge. 1. The creative mental leap could be from knowledge about a technology to a new market that could benefit from its introduction. 2. Making these connections between a new product and target market where it can be introduced is aided by the ***superficial similarities*** and ***structural similarities*** between the source and the destinations. 3. The entrepreneurial challenge often lies in making mental leaps based on structural similarities. E. Bricolage 1. Entrepreneurs often lack resources, so they seek resources from others to provide the slack necessary to experiment and generate entrepreneurial opportunities or engage in bricolage. 2. ***Bricolage*** refers to taking existing resources and experimenting, tinkering, repackaging, and/or reframing them so that they can be used in a way for which they were not originally designed or conceived. F Effectuation 1. A ***causal process***involves thinking of a desired outcome and then coming up with a plan to achieve that outcome. 2. The ***effectuation process*** looks at what a person has and then selects from several possible outcomes.1. Entrepreneurs use the effectuation process.
2. Causal and effectuation processes are illustrated with Sarasvathy’s “Curry in a Hurry” example.
	* 1. Causal process example uses Kotler’s STP – segmentation targeting and positioning – process.
		2. The effectuation process allows for building several different sorts of firms in disparate industries.

 c. Effectuation allows entrepreneurs to think in an environment of high uncertainty. d. Most managers of firms need to take an ***entrepreneurial mindset***. e. To develop this mindset one must attempt to make sense of opportunities, constantly question one’s dominant logic, and revisit what he thinks true about markets and firms. G. Cognitive Adaptability 1. To be good at effectuation, one must have ***cognitive adaptability***. a. Cognitive adaptability describes the extent to which entrepreneurs are dynamic, flexible, self-regulating, and engaged in the process of generating multiple decision frameworks focused on sensing and processing changes in their environments and then acting on them.* 1. It is reflected in an entrepreneur’s metacognitive awareness, that is, the ability to reflect upon, understand, and control one’s thinking and learning.
	2. One can learn to be more cognitive by asking questions in four areas:
		1. ***Comprehension questions*** are designed to increase entrepreneurs’ understanding of the nature of the environment before they begin to address an entrepreneurial challenge, whether it be a change in the environment or the assessment of a potential opportunity.
		2. ***Connection******tasks*** are designed to stimulate the entrepreneur to think about the current situation in terms of similarities to and differences from situations previously faced and solved.
		3. ***Strategic tasks*** prompt entrepreneurs to think about which strategies are appropriate for solving the problem or pursuing the opportunity.
		4. ***Reflection tasks*** stimulate entrepreneurs to generate their own feedback (create a feedback loop in their solution process) to provide the opportunity to change.
	3. Entrepreneurs who are able to increase cognitive adaptability are able to adapt to new situations, be creative, and communicate one’s reasons behind a particular response.

III. THE INTENTION TO ACT ENTREPRENEURIALLY A. Entrepreneurial action is most often intentional as they intend to pursue certain opportunities, enter new markets, and offer new products. B. As a general rule, the stronger the intention to engage in a behavior, the more likely should be its performance. ***Entrepreneurial intentions*** can be explained the same way. C. ***Entrepreneurial self- efficacy*** refers to the conviction that one can successfully execute the behavior required. 1. People who believe they have the capacity to perform tend to do the task well (high self-efficacy). 2. Self-efficacy affects the person’s choice of action and the amount of effort exerted. D. ***Perceived desirability*** refers to an individual’s attitude toward entrepreneurial action- the degree to which she or he has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes.IV. ENTREPRENEUR BACKGROUND AND CHARACTERISITCS A. *Education* 1. Education is important in the upbringing of the entrepreneur. Its importance is reflected not only in the level of education obtained but also in the fact that it plays a major role in helping entrepreneurs to cope with the problem they confront. 2. Even general education is valuable because it facilitates the integration and accumulation of new knowledge. a. General education is valuable because it facilitates the integration and accumulation of new knowledge. b. It provides to the entrepreneur knowledge, skills, and problem solving abilities that are transferable across many different situations. B. *Age* 1. Entrepreneurial age refers to the age of the entrepreneur reflected in his or her experience. 2. In terms of chronological age, most entrepreneurs initiate their entrepreneurial careers between the age of 22 and 45. C. *Work History* 1. ***Work history*** can influence the decision to launch a new entrepreneurial venture, but it also plays a role in the growth and eventual success of the new venture. 2. Experience in the areas of financing, product and service development, manufacturing, development of distribution channels, and preparation of a marketing plan, are particularly important. 3. As the venture becomes established and starts growing, managerial experience and skills become increasingly important. 4. Most entrepreneurs indicate that their most significant venture was not their first one. 5. Previous start-up experience can provide entrepreneurs with expertise in running an independent business as well as benchmarks for judging the relevance of information.V. ROLE MODELS AND SUPPORT SYSTEMS A. One of the most important factors influencing entrepreneurs in their career choice is the choice of role models. 1. ***Role models*** can be parents, relatives, or successful entrepreneurs in the community. 2. Role models can also serve in a supportive capacity as mentors during and after the new venture is launched. a. This support system is most crucial during the start-up phase. b. It is important that an entrepreneur establish connections and eventually networks early in the venture formation process. 3. As contacts expand, they form a network with density (extensiveness of ties between two individuals) and centrality (the total distance of the entrepreneur to all other individuals.) a. The strength of ties between the entrepreneur and any individual is dependent on the frequency, level, and reciprocity of the relationship. b. An informal network for moral and professional support benefits the entrepreneur. B. *Moral-Support Network* 1. It is important for the entrepreneur to establish a ***moral support network*** of family and friends. 2. Most entrepreneurs indicate that their spouses are their biggest supporters. 3. Friends can provide advice that is more honest than that received from others; they also provide encouragement, understanding, and assistance. 4. Relatives can also be sources of moral support, particularly if they are also entrepreneurs. C. *Professional-Support Network* 1. The entrepreneur also needs advice and counsel which can be obtained from members of a ***professional support network.*** 2. Most entrepreneurs indicate that they have mentors. a. The mentor is a coach, sounding board, and advocate. b. The individual selected needs to be an expert in the field. c. An entrepreneur can initiate the “mentor-finding process” by identifying and contacting a number of experts. d. The mentor should be periodically apprised of the progress of the business so that a relationship can gradually develop. 3. Another source of advice is a network of business associates. a. Self-employed individuals who have experience in starting a business are good sources. b. Clients and buyers are also important as they provide word-of-mouth advertising. 4. Suppliers are good components of the *professional-support network*—they help to establish credibility with suppliers and provide good information on trends in the industry. 5. Trade associations are good network additions, as they keep up with new developments and can provide overall industry data. 6. Affiliations with individuals developed in hobbies, sporting events, civic involvements, and school alumni groups are excellent sources of referrals, advice, and information. D. Entrepreneurial activity is imbedded in networks of interpersonal relationships. These networks offer:* 1. Access to resources
	2. Assistance in discovering and exploiting new opportunities
	3. Opportunities to exchange goods and services
	4. Perceived feasibility that strengthens entrepreneurial intentions

VI. SUSTAINABLE ENTREPRENEURSHIP1. Entrepreneurial action can help us both sustain and develop.
2. Sustainable entrepreneurship is focused on preserving nature, life support and community in the pursuit of perceived opportunities to bring future products and services into existence for gain.
3. Those with greater knowledge of the natural environment are more likely to notice changes in that environment that form opportunity beliefs than those with less knowledge.
4. It has long been accepted that entrepreneurs can generate economic wealth for themselves, but their impact on development can be far greater.
	1. Entrepreneurs can generate gains for others that are economic, environmental, and social, including employment opportunities, and revenues for the government.
	2. The environmental gain generated for others could be reduced air pollution, improved drinking-water quality, and other enhanced living conditions.
 | ***Discussion point:*** It’s Friday night. Use causal process to decide what to do this weekend: A student has $50 that is unallocated to any necessary expense. He/she has access to a car with a full tank of gas and a laptop with unlimited Web access. His/her roommate is away for the weekend. He/she has a term paper due on Monday that is 75% done. There is a job fair on campus Tuesday where over 100 employers will be seeking interns, and full time, permanent employees. Use effectuation process to determine possible weekend outcomes.***In the Press:*** Jim Clark is a serial entrepreneur, having founded Silicon Graphics, Netscape, and another six or so start-ups. In an interview, he was asked what traits he thought an entrepreneur should have. His answer: discontent and anxiety. You have to not be happy with the way things are and you have to be afraid that someone else will solve the problem before you do. (Copeland, Michael V., Malik, Om, & Schonfeld, Erick “[Do This, Get Rich](http://money.cnn.com/magazines/business2/business2_archive/2005/05/01/8259690/index.htm)” *Business 2.0*, May 2005, pg. 78)***Entrepreneur in Action:*** Only a college student, Mark Zuckerberg created Thefacebook.com. Although it has much fewer members than comparable sites such as Myspace.com, college students like the fact that the members are all their peers and not just random people and that it offers ways to set up personal interactions on their own campus. (Malik, Om “[Scoring a Hit with the Student Body](http://money.cnn.com/magazines/business2/business2_archive/2005/06/01/8263465/index.htm)” *Business 2.0,*June 2005, pg. 76)***In the Press:*** Bill Wagner, the author of The Entrepreneur Next Door, suggests that to be successful investing in a new opportunity, getting a job or starting a company, it’s best to know if you have the right personality to do so. In addition, knowing the personalities of the people around you will help you to manage them, encourage them to loan you money or trust you to buy your product/service. (Wagner, Bill “The DNA of Entrepreneurial Success” *Entrepreneur* May 2, 2006 [http://www.entrepreneur.com/](http://www.entrepreneur.com/management/leadership/article159456.html)[management/leadership/](http://www.entrepreneur.com/management/leadership/article159456.html)[article159456.html](http://www.entrepreneur.com/management/leadership/article159456.html))***Discussion point:*** Students can log onto [theentreperneurnextdoor.com](http://theentreperneurnextdoor.com) to see what their entrepreneurial personality is like. This is based on Bill Wagner’s The Entrepreneur Next Door, mentioned in the last “In the Press.” Please note: in order to get the full diagnosis, one must purchase the book. Without the book, you find out your type and get brief descriptions.***Discussion point:*** Ask how many in the classroom intend to be entrepreneurs at some point in their life. Probably all will agree. Then ask how confident they are that they will succeed – use a scale of 1 to 10. Why? For those with lower scores, ask what they might do to be able to increase their confidence.***Entrepreneur in Action:*** Paul Newman is certainly a man who could throw a lot of money at whatever entrepreneurial venture he chose to form. However, when he finally got his Newman’s Own salad dressings started, he outfitted his office with furniture from his pool area, in storage as the season was over. When the business was still successful the following spring, he kept the pool furniture and allowed his wife to buy new for their home. (From the book Shameless Exploitation in Pursuit of the Common Good by Paul Newman and A. E. Hotchner 2003 as quoted in “Newman’s Own Story” *Time* November 2003 [http://www.time.com/time/magazine/](http://www.time.com/time/magazine/article/0%2C9171%2C1006144%2C00.html)[article/0,9171,1006144,00.html](http://www.time.com/time/magazine/article/0%2C9171%2C1006144%2C00.html))***Entrepreneur in Action:*** Beth Cross took on the established cowboy boot market and in just more than 10 years has sales of $80 million and owes nearly 17% of the western wear market. How did she do it? Here’s her four rules for success: 1. Find the market’s blind spot. The boot market hadn’t really changed in years and wasn’t taking advantage of the latest technologies.
2. Make friends in high places. Cross was able to get a high level Reebok executive on her board.
3. Pay less, charge more. Cross was able to outsource most of her labor and was able to charge more for her patented technologies.
4. Create your own demand. As a startup she had no marketing budget and took the boots to horse shows and rodeos in her car.

(Copeland, Michael V. “These Boots Really Were Made for Walking” *Business 2.0,* October 2004 pg. 72[http://money.cnn.com/magazines/](http://money.cnn.com/magazines/business2/business2_archive/2004/10/01/8186646/index.htm)[business2/business2\_archive/2004/](http://money.cnn.com/magazines/business2/business2_archive/2004/10/01/8186646/index.htm)[10/01/8186646/index.htm](http://money.cnn.com/magazines/business2/business2_archive/2004/10/01/8186646/index.htm))***Discussion point:*** Ask students to rank themselves on the characteristics mentioned in this section. Discuss in small groups, the areas where they are weaker, and their action plan to improve? ***Discussion point:*** Poll the class to see how many have parents or other relatives that are role models. Are there other role models they use as well?***Discussion point:*** Have any students begun their support networks? Who do they now know that could be included in a support network? | ***Learning Objective 2.***To describe how structural similarities enable entrepreneurs to make creative mental leaps.keyterm**Superficial similarities**Exist when the basic (relatively easy to observe) elements of the technology resemble (match) the basic (relatively easy to observe) elements of the marketkeyterm**Structural similarities**Exist when the underlying mechanisms of the technology resemble (or match) the underlying mechanisms of the market***Learning Objective 3.***To highlight bricolage as a source of entrepreneurs’ resourcefulnesskeyterm**Bricolage**Entrepreneurs making do by applying combinations of the resources at hand to new problems and opportunities***Learning Objective 4.***To introduce effectuation as a way expert entrepreneurs sometimes thinkkeyterm**Causal process**A process that starts with a desired outcome and focuses on the means to generate that outcomekeyterm**Effectuation process**A process that starts with what one has (who they are, what they know, and whom they know) and selects among possible outcomeskeyterm**Entrepreneurial mind-set**Involves the ability to rapidly sense, act, and mobilize, even under uncertain conditions***Learning Objective 5.***To develop the notion that entrepreneurs cognitively adapt.keyterm**Cognitive adaptability**Describes the extent to which entrepreneurs are dynamic, flexible, self-regulating, and engaged in the process of generating multiple decision frameworks focused on sensing and processing changes in their environments and then acting on them**As Seen in BUSINESS NEWS: Do entrepreneurs benefit from paranoia?****Text Table 1.1** Mike Haynie’s “Measure of Adaptive Cognition” keyterm**Comprehension questions**Questions designed to increase entrepreneurs’ understanding of the nature of the environmentkeyterm**Connection tasks**Tasks designed to stimulate entrepreneurs to think about the current situation in terms of similarities to and differences from situations previously faced and solvedkeyterm**Strategic tasks**Tasks designed to stimulate entrepreneurs to think about which strategies are appropriate for solving the problem (and why) or pursing the opportunity (and how)keyterm**Reflection tasks**Tasks designed to stimulate entrepreneurs to think about their understanding and feelings as they progress through the entrepreneurial processkeyterm**Entrepreneurial intentions**The motivational factors that influence individuals to pursue entrepreneurial outcomeskeyterm**Entrepreneurial self-efficacy**The conviction that one can successfully execute the entrepreneurial processkeyterm**Perceived desirability**The degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomeskeyterm**Work history**The past work experience of an individualkeyterm**Role models**Individuals whose example an entrepreneur can aspire to and copykeyterm**Moral-support network**Individuals who give psychological support to an entrepreneurkeyterm**Professional-support network**Individuals who help the entrepreneur in business activities ***Learning Objective 6:***To introduce sustainable entrepreneurship as a means of sustaining the natural environment and communities and developing gains for otherscompass%20grey**ETHICS****Fair enough: Deception as part of the negotiation process** |
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| **learning objectives revisited** |
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***Learning Objective 1:******To introduce the concept of entrepreneurship and explain the process of entrepreneurial action.***

* Entrepreneurial actions begin at the nexus of a lucrative opportunity and an enterprising individual.
	+ An entrepreneurial opportunity could stem from introducing an existing product in a new market or by creating a new product for an existing market.
	+ Since opportunities exist in high uncertainty, entrepreneurs must use their judgment to decide whether to act or not.
	+ The McMullen-Shepherd model explains how knowledge and motivation influence two stages of ***entrepreneurial action*** -
	+ To be an entrepreneur is to act on the possibility that one has identified an opportunity worth pursuing and it involves entrepreneurial thinking.

***Learning Objective 2:******To describe how structural similarities enable entrepreneurs to make creative mental leaps.***

* Forming opportunity beliefs often requires creative mental leaps, which are launched from one’s existing knowledge.
* The creative mental leap could be from knowledge about a new technology to a new market that could benefit from its introduction.
* The entrepreneurial challenge lies in making mental leaps based on structural similarities.

***Learning Objective 3: To highlight bricolage as a source of entrepreneurs’ resourcefulness.***

* Entrepreneurs lacking resources seek them from others to provide the slack necessary to experiment and generate entrepreneurial opportunities and engage in bricolage.

***Learning Objective 4: To introduce effectuation as a way expert entrepreneurs sometimes think.***

* Two major ways to think about tasks: causally and effectually.
* Causal thinking is starting with the desired outcome in mind and then focusing on the means to achieving that outcome.
* More often, entrepreneurs think effectually, that is, by looking at what they have—their means and selecting among possible outcomes.

***Learning Objective 5:******To develop the notion that entrepreneurs cognitively adapt.***

* Cognitive flexibility helps the entrepreneur when dealing with uncertainty and can be measured and learned.
* By asking questions related to comprehension, connection, strategy, and reflection, entrepreneurs can maintain awareness of their thought process and in doing so develop greater cognitive adaptability.

***Learning Objective 6:******To introduce sustainable entrepreneurship as a means of sustaining the natural environment and communities and developing gains for others.***

* Entrepreneurial action can help us both sustain and develop.
* Sustainable entrepreneurship is focused on preserving nature, life support and community.
* Those with greater knowledge of the natural environment are more likely to notice changes in the environment than form opportunity beliefs.

| **key terms** |
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**Bricolage:** Entrepreneurs making do by applying combinations of the resources at hand to new problems and opportunities

**Causal process:** A process that starts with a desired outcome and focuses on the means to generate that outcome

**Cognitive adaptability:** Describes the extent to which entrepreneurs are dynamic, flexible, self-regulating, and engaged in the process of generating multiple decision frameworks focused on sensing and processing changes in their environments and then acting on them

**Comprehension questions:** Questions designed to increase entrepreneurs’ understanding of the nature of the environment

**Connection tasks:** Tasks designed to stimulate entrepreneurs to think about the current situation in terms of similarities to and differences from situations previously faced and solved

**Effectuation process:** A process that starts with what one has (who they are, what they know, and whom they know) and selects among possible outcomes

**Entrepreneurial action:** Action through the creation of new products/ processes and/or the entry into new markets, which may occur through a newly created organization or within an established organization

**Entrepreneurial intentions**: The motivational factors that influence individuals to pursue entrepreneurial outcomes

**Entrepreneurial mind-set:** Involves the ability to rapidly sense, act, and mobilize, even under uncertain conditions

**Entrepreneurial opportunities:** Those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production

**Entrepreneurial self-efficacy:** The conviction that one can successfully execute the entrepreneurial process

**Entrepreneurial thinking:** Individuals’ mental processes of overcoming ignorance to decide whether a signal represents an opportunity for someone and/or reducing doubt as to whether an opportunity for someone is also an opportunity for them specifically, and/or processing feedback from action steps taken

**Moral-support network:** Individuals who give psychological support to an entrepreneur

**Perceived desirability:** The degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes

**Professional-support network:** Individuals who help the entrepreneur in business activities

**Reflection tasks:** Tasks designed to stimulate entrepreneurs to think about their understanding and feelings as they progress through the entrepreneurial process

**Role models:** Individuals whose example an entrepreneur can aspire to and copy

**Strategic tasks:** Tasks designed to stimulate entrepreneurs to think about which strategies are appropriate for solving the problem (and why) or pursuing the opportunity (and how)

**Structural similarities:** Exist when the underlying mechanisms of the technology resemble (or match) the underlying mechanisms of the market

**Superficial similarities:** Exist when the basic (relatively easy to observe) elements of the technology resemble (match) the basic (relatively easy to observe) elements of the market

**Sustainable entrepreneurship:** Entrepreneurship focused on preserving nature, life support, and community (sustainability) in the pursuit of perceived opportunities to bring future products, processes, and services into existence for gain (entrepreneurial action) where gain is broadly construed to include economic and noneconomic benefits to individuals, the economy, and society (development)

**Work history:** The past work experience of an individual

| **research tasks and class discussions** |
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The text includes several topics for student research and class discussions. These questions are open-ended, and the answers will be different for each student. There are no “correct” answers.

 **Research tasks:**

1. Speak to people from five different countries and ask them what entrepreneurship means to them and how their national culture helps and/or hinders entrepreneurship.
2. Ask an entrepreneur about his business today and ask him to describe the decisions and series of events that led the business from start-up to its current form. Would you classify this process as causal, effectual, or both?
3. Ask two entrepreneurs and five students (not in this class) to fill out Mike Haynie’s “Measure of Adaptive Cognition” (see Table 1.1). How do you rate relative to the entrepreneurs? Relative to your fellow students?
4. When conducting a homework exercise for another class (especially a case analysis), ask yourself compression questions, connection questions, strategy questions, and reflection questions. What impact did this have on the outcome of the task?
5. What impact does entrepreneurship have on your local, state (or province), and national economies? Use data to back up your arguments.

 **Class Discussions**

1. List the content that you believe is necessary for an entrepreneurship course. Be prepared to justify your answer.

Answer:

Student answers will vary. The discussion should concentrate on the important entrepreneurial behavior like initiative taking, the organizing and reorganizing of social and economic mechanisms to bundle resources in innovative ways, and the acceptance of risk, uncertainty and/or the potential for failure.

1. Do you really think that entrepreneurs think effectually? What about yourself—do you sometimes think effectually? In what ways is it good? Then why are we taught in business classes to always think causally? Are there particular problems or tasks in which thinking causally is likely to be superior to effectuation? When might effectuation be superior to causal thinking?

Answer:

Student answers will vary. Effectuation is a process that starts with what one has and selects among possible outcomes. Causal process is a process that starts with a desired outcome and focuses on the means to generate that outcome.

1. To be cognitively flexible seems to require that the entrepreneur continually question himself or herself. Doesn’t that create a doubt that can be seen by employees and financiers such that success actually becomes more difficult to achieve? Besides, although flexibility is a good thing, if the firm keeps changing based on minor changes in the environment, the buyers are going to become confused about the nature of the firm. Is adaptation always a good thing?

Answer:

Student answers will vary. The discussion should concentrate on the advantages of being cognitively flexible by asking oneself a series of questions that relate to (1) comprehension, (2) connection, (3) strategy, and (4) reflection. The discussion should also focus on its advantages in stable and uncertain business environments as well as the fact that entrepreneurs with cognitive flexibility have the capability to learn from their mistakes even if the venture fails.

1. Do you believe that sustainable development should be part of an entrepreneurship course or did the textbook authors just include a section on it to be “politically correct”?

Answer:

Student answers will vary. The discussion should focus on the concept of sustainable entrepreneurship. It should also concentrate on the topics of sustainability, entrepreneurial action, development and the role of entrepreneurial knowledge in turning opportunities for sustainable development into reality.

1. Provide some examples of mental leaps that entrepreneurs have taken.

Answer:

Student answers will vary. Forming opportunity beliefs often requires creative mental leaps. These creative mental leaps are launched from a source—one’s existing knowledge. In the case of entrepreneurial opportunities, an example of creative mental leap is from knowledge about existing markets to a new technology that could lead to products or services that satisfy that market. Alternatively, a creative mental leap could be from knowledge about a technology to a new market that could benefit from its introduction.

1. What excites you about being an entrepreneur? What are your major concerns?

Answer:

Student answers will vary. The discussion should focus on the different kinds of entrepreneurial behavior which includes initiative taking, the organizing and reorganizing of social and economic mechanisms to bundle resources in innovative ways, and the acceptance of risk, uncertainty and/or the potential for failure. Entrepreneurs must often make decisions in highly uncertain environments where the stakes are high, time pressures are immense, and there is considerable emotional investment. Given the nature of an entrepreneur’s decision-making environment, the discussion should also focus on the characteristics of entrepreneurs like being effectuate, cognitively adaptable, and the ability to learn from failure. Lack of these characteristics can be a major concern for entrepreneurs.