

# MIE 310

## Section 001

Nelson Hall 02210

8:30 to 9:45

Faculty: Nachiket Bhawe

Office 1316 Nelson Hall

Office Hours: By Appointment

# Introduction to Entrepreneurship

- Housekeeping [Forum on Moodle/Class Time]
- Fun Facts that you knew
- Fun Facts that you didn't know?
- Typical Challenges

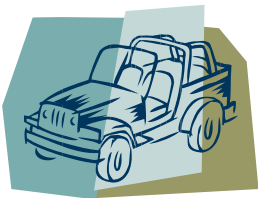
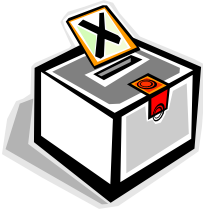
# Entrepreneurship: Facts we knew

- Macro Economic Benefits
  - Job creation Numbers [3M vs. 1M]
    - 1M >> 1yr; 300K >> 10 yrs Why?
  - Innovation [Creative Destruction]
    - Telegraph, Newspapers, Encyclopedia, Others?
- Productive, Destructive and Unproductive
- Efficient allocation
  - Allocating resources, Markets for?

# Job Growth [Discussion]

- Does entrepreneurship help or hurt job growth under what conditions? Why?
  - 99% startups support new jobs
  - Most sustainable job growth is in established expansions
  - Employee mobility and employability
  - Walmart vs. Mom and Pop's, VIZIO (12% >>50 employees)

# Innovation [Discussion]



Mobile Gaming >>> Nokia  
Location Based >>> Ericsson

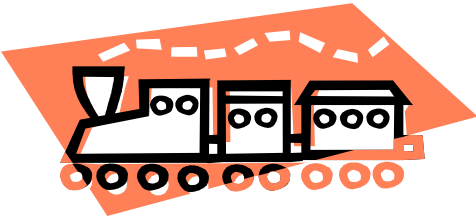
Jacob Myers  
1930s



England 1936

# Innovation [Discussion]

Cars Portable Navigation



1932 Portable Navigation

Vanderbilt Empire



AT&T

- Innovative Products by Large Firms vs. Small Firms

# Destructive? [Discussion]

- Can entrepreneurship be unproductive and destructive?
- Options Backdating
- Derivatives
- Drug/Illegal Trafficking
- Parallel Economies
- Strategic Patenting
- Lawsuits/ Commons and Anti-Commons
- Historical?

# Efficient Allocations?

Toy Economy: Single Commodity

How do we allocate oranges to make everyone happy?

- Supply and Demand >>> Price
- Equilibrium
- Central planning vs. Enterprise
- Costs of using markets? Search, Self Interest, Overconfidence

# Facts we don't know?

## 1. How much does it take to start a new business?

1. Peanuts
2. \$ 25000
3. \$50K to 100K
4. \$1-3 M

## 2. Odds you will get VC if you try hard enough

1. Worse than dying in the shower
2. about 50-50
3. 1 in a million
4. About 1 in 1000

## 3. I should know some early stage investor (angels) who are rich possibly

1. 1M + Net worth
2. \$ 200K if single
3. \$40K
4. \$300K+

# Facts we don't know?

## 4. Most ventures raise money through

1. Friends and Family
2. Banks/Credit cards
3. Equity Investors
4. Debt

## 5. Success of startups has to do with

1. Industry scenario
2. Passion and Talent
3. Networks
4. Luck

## 6. Successful entrepreneurs are wealthy

1. Billion \$ Club
2. About \$ 100K
3. \$40K
4. \$ 250K

# Facts we don't know?

## 7. Most entrepreneurs start when they are

1. Less than 25
2. about 40
3. about 58
4. at 30

## 8. Success of startups has to do with

1. Industry scenario  
Luck
2. Passion and Talent
3. Networks
- 4.

## 9. Entrepreneurs with VC backing usually succeed.

1. 60% fail
2. 10% still fail
3. 50-50
4. Only 0.01 % fail

# Encyclopedia vs. Encarta vs. Wiki



**WIKIPEDIA**  
*The Free Encyclopedia*

- Reference for 200 years
  - \$ 1600
- 1992 Funk & Wagnalls
  - \$ 49.95
- Price wars
  - EB \$ 2000 subscription...
  - \$ 120 subscription
  - \$ 200 CD
  - Bankruptcy and renewal
- 2001 Nupedia-Wikipedia
  - Encarta free

# So what are the key challenges?

- Opportunity Costs/Sunk Costs/Fixed Costs
- Paradox of Knowledge: If I tell you, you know.
- Merry-Go-Round (Deadlocks)
- Complementary Capabilities
- Innovation Tradeoff

# Next Class

We will be starting our first module on  
Strategy/Industry