

MB 301
ENTREPRENEURSHIP &
PROJECT MANAGEMENT

LECTURE 6&7

Qualities of a prospective Entrepreneur & Factors determining
competitive advantage

QUALITIES OF A PROSPECTIVE ENTREPRENEUR

Successful entrepreneurs are characterized by an *unusual alertness*; a *propensity of risk taking* and a *strong desire for achievement*.

The **qualities of a successful entrepreneur** are:-

1. Commitment and Perseverance
2. Discipline and Determination to Achieve
3. Self-Confidence and Optimism
4. Tolerance for Failure
5. Opportunity Orientation
6. Initiative and ability to shoulder Responsibility
7. Persistent Problem Solving skills
8. High Energy Levels and Intensity of Purpose
9. Strong Interpersonal Skills and Team-Building Abilities
10. Creativity and Innovation
11. Ability to Learn from Experience
12. Ability to Marshal Resources
13. Ability to Organize and Administer
15. Control over situations
16. Never Give Up attitude
17. Acceptance of Work-Life Imbalance

MEN WHO WERE NOT AFRAID OF FAILURE

- **Colonel Harland Sanders (KFC):**

Best known as the man donning a beard and big glasses in the Kentucky Fried Chicken (KFC) logo, Colonel Sanders was fired from a dozen jobs before he started KFC. It was in 1967, at the age of 65, that the Colonel found himself broke and out of business. He wound up living in his car and driving to over 1,000 restaurants trying to sell his chicken recipe, asking a nickel commission on each chicken. It was at the age of 75 that Colonel Sanders finally sold his chicken restaurant business for a full \$15m. Although the Colonel did not find fame before he died at the age of 90, his legacy continued through the KFC logo.

- **Donald Trump (Trump Organization):**

Well-known entrepreneur Donald Trump established the Trump Organization in 1980 to oversee his real estates. However, in 1990, partly due to the recession hitting many of his projects and excessive leveraging, Trump found himself in a corporate debt of \$9bn. Had it not been for the bailout pact of some 70 banks, the company would not have survived. This is not the end of the story, as Trump's business didn't almost fail once, but twice. Following closely behind the first debacle, Trump managed to obtain a personal debt of \$1bn. Both times, Trump managed to make the most of what he had at his disposal and made it back to the top.

MEN WHO WERE NOT AFRAID OF FAILURE

- **Henry Ford (Ford Motor Co.):**

Henry Ford's first venture, the Detroit Automobile Company, went bankrupt in 1901 due to its high prices and low quality products. Rather than give up, Ford reorganized his first company to set up a new one, named Henry Ford Company. It, too, collapsed due to a dispute with a partner. Upon his third attempt, he almost faced failure yet again because the low sales he achieved made it impossible to pay back his investors. Moments before his yet-to-become empire collapsed, the company was saved by angel investors. Hence, Ford Motor Co. was born.

Henry Ford once said, 'failure is the opportunity to begin again more intelligently'.

- **Walt Disney (Disney):**

Since his youth, Walt Disney wanted to be a newspaper cartoonist, but he found himself constantly rejected. A reporter once told him that he 'lacked imagination and had no good ideas'. After Disney founded his first cartoon studio at the age of 22, a bad business deal left the company bankrupt. This led to a trip to Los Angeles. All he had with him was a suitcase that contained a shirt, two undershorts, two pairs of socks and some drawing material. His attempt to become an actor never came true, but he founded Disney Studios with his brother Roy. During World War II, the United States army took over Disney Studios as a repair shop for tanks and artillery. His animators were all sent to war, including Disney. The company ended up with a debt of more than \$4m as business after the war was slow. Although they had started distributing in Europe, Walt and Roy were having problems getting finance to the USA. So, they started producing feature films overseas.

MEN WITH PERSEVERANCE AND PROBLEM SOLVING ATTITUDE

Phil Knight and the Story of Nike:

Philip H Knight is the most powerful person in sports'. He is the co-founder and current Chairman of the Board for Nike, Inc. He attended the Stanford Graduate School of Business to obtain his degree in Master of Business Administration. It was in a business class that Knight discovered he had a passion other than athletics, and that was as an entrepreneur. His instructor, Frank Shallenberger, had assigned him to write a business plan on something he enjoyed and knew about. That assignment led to the inspiration for Knight to form a company selling shoes to athletes. His paper, titled, 'Can Japanese Sports Shoes do to German Sports Shoes what Japanese Cameras did to German Cameras?' was directed at answering the question whether a shoe could be designed and manufactured for less cost with better quality than the current leader in athletic shoes, Adidas. His paper inspired him to such an extent that after graduating from Stanford with an MBA in 1962, Knight actually put his fictitious work into practice by flying to Japan and meeting with executives of Onitsuka Tiger Co, a manufacturer of Adidas knockoffs. He told the Tiger executives that he was the head of Blue Ribbon Sports (a fictitious company he created to convince Tiger that he was a serious buyer), and that he wanted to distribute their shoes in the United States. Tiger officials agreed to send him samples after Knight convinced them he would place a large order once he was able to show the samples to his partners (also fictitious). Upon returning to the United States, Knight borrowed \$500 from his father to pay for the samples and start up his business. Shortly thereafter, he received the samples and immediately sent a few pairs to his former coach Bill Bowerman in the hopes that coach Bowerman would buy them and help promote the shoes to his athletes. Instead, Bowerman offered to put up \$500 and join Knight as a partner in this new venture. The two new partners officially formed Blue Ribbon Sports in 1964, purchased 200 pairs of shoes from Tiger, and began selling them to athletes at track meets throughout the Oregon and Washington region. Knight had to maintain his job as an accountant while selling shoes. However, by 1969, he was able to leave his job and begin working full-time for Blue Ribbon Sports. In 1971, with sales exceeding \$3 million, Knight decided to break with Tiger and start designing his own line of shoes named Nike . Knight commissioned Portland State art student Carolyn Davis to create the 'swoosh' logo as Bowerman designed the waffle sole for better traction. The new Nike shoe debuted in 1972. Utilizing sports figures to promote his shoes, Knight embarked on an advertising campaign that included the likes of John McEnroe, and later, Michael Jordan. Sales flourished tremendously and in December 1981 the company was officially named Nike, Inc. By 1986, Nike sales hit a tremendous \$1 billion, becoming the number one selling shoe in the world.

FACTORS DETERMINING COMPETITIVE ADVANTAGE

Porter's Model for ensuring competitive advantage in business

1. **Product Differentiation** through offer of higher quality product or service, creation of distinctive branding, investment in intelligent marketing strategies. A business must stay ahead of industry trends and constantly adapt their offerings to suit a dynamic market.
2. **Cost Advantage** strategy leans on the idea of providing the best value to the customer at the lowest cost. Many businesses accomplish this by increasing operational efficiency, finding more effective distribution channels and bargaining low prices for materials needed to create their product or service.
3. **Focus advantage** approach tries to gain competitive advantage relying on narrowing down a business' target audience at the exclusion of other industry segments. Tailoring a product or service to suit a specific market's needs allows businesses to easily offer the highest value. The focus advantage is typically executed by applying either the cost or differentiation strategy to a thoughtfully selected target market. The ideal market segment of focus should have abnormal needs that are not being met.

TESLA'S COMPETITIVE ADVANTAGE-RESEARCH AND LUXURY MARKET

- Tesla invests the bulk of their resources into research and development. They are constantly looking into the future of personal transportation. They are continually trying to find new solutions for the inevitable fall of oil as the world's primary source of energy, as well as priming their products for the rise of automation. Their high-eco-friendly brand also differentiates them from similar companies, and likely will for the foreseeable future.
- Tesla also currently leverages a focused strategy by tailoring their offerings to the needs of a luxury market. However, this will not always be the case. Their product development efforts are firmly aimed at providing personal transportation on a global scale -- including the release of more affordable products like the Model 3. This will only make Tesla's advantageous market position more defensible when more direct competitors arise.

APPLE'S COMPETITIVE ADVANTAGE

- Differentiation advantage is hugely essential to Apple's competitive advantage. They have a strong brand and intuitive design that sets them apart from other technology companies, giving them a large following of brand loyalists. Apple has long made a distinct impression on consumers and competitors alike with its innovative design choices. In fact, most of their competitors are now releasing products that are virtually identical to Apple designs.
- Similar to Tesla, Apple has a high volume of capital to invest into research and developing new products. While they do not release products at the same volume of some of their competitors, the products they create are carefully designed to provide the best value and consumer experience. This effective use of the differentiation strategy has allowed them to sell their products at a higher price point than their competitors without sacrificing market share or gross margins.

- TILL WE MEET AGAIN IN THE NEXT CLASS.....

