

Entrepreneurship 101

Dr. Omar A. Alsamani



Entrepreneurship 101

The Foundations of Entrepreneurship



Dr. Omar A. Alsamani

Entrepreneurship 101

The Foundations of Entrepreneurship

Dr. Omar A. Alsamani

This book is published under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International license (CC BY-NC-ND 4.0). It may be copied, distributed and shared, in whole or in excerpts, in any medium or format, for non-commercial educational and research purposes, provided it is attributed to its author and its text is not modified.

License text: creativecommons.org/licenses/by-nc-nd/4.0/

Website: alsamani.com

© 2026 Omar A. Alsamani

First edition: 2026. Translated from the Arabic edition, «ريادة الأعمال 101».

About the Author

Dr. Omar A. Alsamani is an associate professor at the University of Hail, working in innovation and entrepreneurship, gifted education and talent development, and creativity. He holds the Certified Chief Innovation Officer credential (CCInO®) and works on innovation strategy and building innovation ecosystems.

He earned his PhD in special education from the University of Northern Colorado in the United States, with a focus on creativity and innovation among the gifted, completing two doctoral minors: one in applied statistics and research methods, and the other in technology, innovation and pedagogy. He also holds a master's degree in gifted education and talent development from the University of Exeter in the United Kingdom.

His research and professional interests extend to artificial intelligence in education, entrepreneurship education, twice-exceptionality, and diagnosis and identification. His work focuses on connecting research with practice, and on building environments that help people discover their abilities and turn ideas into value and innovation.

Preface

Entrepreneurship is not reserved for those who want to start a company. It is a way of thinking and working that everyone needs, the doctor, the teacher, the engineer and the employee, just as much as the business owner.

In this book we set out together across twelve chapters. The first four chapters lay the foundations: the concept of entrepreneurship, the entrepreneurial mindset, opportunities and idea generation, and creativity and innovation. Chapters five to eight then move on to building the venture: understanding the customer and the market, the business model, testing and prototyping, and marketing. The last four chapters deal with what a venture needs in order to survive, be presented and grow: money and funding, legal and ethical aspects, pitching and persuasion, and lessons from growth and failure.

I have made sure that each chapter opens with an introduction and objectives, presents the scientific content supported by tables and examples, and closes with a summary, key terms, self-assessment questions and a discussion question, along with references for those who want to read further. I have also linked each chapter to a stop on the “course journey” and a tool in the “toolbox,” so that students move from understanding to applying it to their own venture.

Dr. Omar A. Alsamani

Contents

Part One: Foundations	1
1 Entrepreneurship: Concept and Importance	2
1-1 What Is Entrepreneurship?	2
1-2 Three Schools for Understanding Entrepreneurship	4
1-3 The Entrepreneur, the Trader and the Small Business Owner	5
1-4 Types of Entrepreneurship	6
1-5 Why Economies and Societies Care About Entrepreneurship	8
1-6 Entrepreneurship in Saudi Arabia	8
2 The Entrepreneurial Mindset	12
2-1 Are Entrepreneurs Born or Made?	12
2-2 Entrepreneurial Behaviors	13
2-3 How Do Expert Entrepreneurs Think? Effectuation Theory	14
2-4 Common Myths About Entrepreneurship	16
2-5 The Growth Mindset	17
3 Opportunities and Idea Generation	20
3-1 Ideas Versus Opportunities	20
3-2 Where Do Opportunities Come From? Drucker's Seven Sources	21
3-3 Where Do You Start as a Student?	23
3-4 Idea Generation Techniques	24
3-5 Evaluating Ideas and Choosing the Best	26
4 Creativity and Innovation	29
4-1 Creativity and Innovation: Related but Different	29
4-2 Types of Innovation	30
4-3 Degrees of Innovation	31
4-4 How Does Innovation Spread? The Adoption Curve	33
4-5 What Makes People Adopt an Innovation?	34
Part Two: Building the Venture	37
5 Understanding the Customer and the Market	38
5-1 You Are Not Your Customer	38
5-2 How to Conduct a Good Interview	39

5-3 Market Segmentation and Choosing the Target Customer	41
5-4 Estimating Market Size	43
5-5 Competitive Analysis	43
6 The Business Model	47
6-1 What Is a Business Model?	47
6-2 The Business Model Canvas	48
6-3 The Lean Canvas: A Version for Startups	52
6-4 The Value Proposition in Detail	53
6-5 Common Revenue Models	54
6-6 A Deal Where Every Party Wins	55
7 Testing and Prototyping	65
7-1 Why Test Before Building?	65
7-2 The Lean Startup	66
7-3 The Minimum Viable Product (MVP)	67
7-4 Design Thinking	69
7-5 The Pivot	73
7-6 Artificial Intelligence in Testing	74
8 Marketing for New Ventures	77
8-1 What Is Marketing?	77
8-2 Segmentation, Targeting, Positioning (STP)	78
8-3 The Marketing Mix (4Ps)	79
8-4 The Customer Journey	80
8-5 Digital Marketing for a New Venture	81
8-6 Measure, Don't Guess	82
8-7 Honest Marketing	83
Part Three: The Venture Survives and Grows	85
9 Fundamentals of Finance and Funding	86
9-1 Why Every Entrepreneur Needs Financial Basics	86
9-2 Types of Costs	87
9-3 Revenue and Profit	88
9-4 Contribution Margin and the Break-even Point	89
9-5 Profit Margin and Net Profit: The Coffee Cup Example	91
9-6 Pricing	93
9-7 Profit Is Not Cash: Cash Flow	95
9-8 Sources of Funding	95
9-9 Investment Stages and Valuation	96

10 Legal and Ethical Aspects	99
10-1 Why Should an Entrepreneur Care About Legal Matters?	99
10-2 Legal Forms for Starting a Venture	100
10-3 Partnership and the Founders' Agreement	101
10-4 Intellectual Property	102
10-5 Personal Data Protection	104
10-6 Entrepreneurial Ethics	104
11 Pitching and Persuasion	107
11-1 What Is a Pitch, and What Is It For?	107
11-2 Types of Pitch	108
11-3 The Structure of a Persuasive Pitch	109
11-4 Designing the Slides	110
11-5 Delivery	111
11-6 Preparing for Questions	112
12 Growth and Lessons from Success and Failure	114
12-1 Why Do Ventures Stumble?	114
12-2 Growth and Scaling	116
12-3 Lessons from Well-Known Stories	117
12-4 How Do You Deal With Failure?	119
12-5 After This Book	119
Appendices and Back Matter	
Appendix 1: Short Classroom Activities	122
Appendix 2: Guide to Developing the Venture Idea	127
Answers to Self-Assessment Questions	136
Glossary	139
References	144

Part One

Foundations

What is entrepreneurship? How do entrepreneurs think? Where do opportunities and ideas come from? And what makes a new idea an innovation? These questions are our way in, before we start building any venture.

Chapter 1 Entrepreneurship: Concept and Importance

Chapter 2 The Entrepreneurial Mindset

Chapter 3 Opportunities and Idea Generation

Chapter 4 Creativity and Innovation

1 Entrepreneurship: Concept and Importance

What is entrepreneurship? Who is an entrepreneur? And why does the economy care?

Entrepreneurship is talked about so much in the media and in support programs that the term has come to be applied to every commercial activity. But the concept has a more precise scientific meaning, shaped by a century of research in economics and management. In this chapter we start by defining the concept and its schools of thought, then distinguish the entrepreneurial venture from others, present the types of entrepreneurship and their role in the economy, and end with the features of the entrepreneurial ecosystem in Saudi Arabia.

Chapter objectives

After studying this chapter, you should be able to:

1. Define entrepreneurship and distinguish it from traditional trade and small business management.
2. Name the types of entrepreneurship and give an example of each.
3. Explain the role of entrepreneurship in the Saudi economy and its support ecosystem.

1-1 What Is Entrepreneurship?

The Arabic word for entrepreneurship, *riyada*, comes from *al-ra'id*: the scout who rides ahead of the tribe to find water and pasture before everyone moves. That old meaning brings us close to the modern concept. The scout goes where others have not gone, bears the hardship and uncertainty of exploring, and comes back with

something that benefits the group. The English word comes from the French verb *entreprendre*, "to undertake" or "to take something on."

Definitions of entrepreneurship vary in the scholarly literature because people look at it from different angles. Economists look at its effect on markets, management scholars at how resources are organized, and psychologists at the person who does it. Yet these definitions meet at one core, which we can put this way:

Entrepreneurship is the process of discovering an opportunity to solve a problem or meet a need, and turning it, through innovation, into a venture that adds value for people, by organizing the resources required, while bearing a calculated degree of risk and uncertainty.

Let us take this definition apart, because every word in it carries meaning:

- **"Process"**: entrepreneurship is not a single moment of inspiration. It is a series of steps that starts with observation, moves through testing and adjustment, and continues as the venture grows. That is why it can be learned step by step.
- **"Discovering an opportunity"**: the starting point is neither money nor a company. It is an opportunity: a problem that has not been solved well, a need that has not been met, or a change in society or technology that opens a new door.
- **"Through innovation"**: entrepreneurship does not repeat what already exists; it offers something new or a better way. Innovation here does not mean invention. It may be a new product, a service delivered in an easier way, a different business model, or a market that has not been served before. This is what sets an entrepreneurial venture apart, as we will see shortly.
- **"Organizing resources"**: the entrepreneur does not need to own every resource, but must know how to gather and organize them: money, people, knowledge, relationships and time.
- **"Adds value"**: an entrepreneurial venture makes someone's life better. It saves them time, money or effort, or offers something that was not available before. Without that value, nobody will pay.

- **"Calculated risk and uncertainty":** entrepreneurs work in conditions where the outcome is not known in advance. But they do not gamble; they reduce risk through study and small experiments.

Creativity, innovation and entrepreneurship: one chain. Creativity is generating a new and useful idea; innovation is turning it into a product, service or method that people actually use; entrepreneurship is building a venture around that innovation that can survive: gathering its resources, bearing its risk, and getting it to the people who need it and will pay for it. An idea alone does not make a venture, and a venture that offers nothing new remains a copy of what exists. We will look more closely at creativity and innovation in Chapter 4.

1-2 Three Schools for Understanding Entrepreneurship

You do not need to memorize many theories, but knowing three main schools of thought helps explain why we talk about entrepreneurship the way we do.

1. The innovation school: Schumpeter

The Austrian economist Joseph Schumpeter was among the first to place the entrepreneur at the heart of economic theory, in *The Theory of Economic Development* (1934 in its English translation). Schumpeter argued that economies do not develop through the accumulation of capital alone, but through people who bring "new combinations" to the market. He named five forms: a new product, a new method of production, a new market, a new source of raw materials, or a new organization of an industry.

Schumpeter also coined a famous idea, **creative destruction**: every successful innovation pushes aside what came before it. When smartphones with good cameras spread, sales of compact digital cameras fell; when streaming services appeared, video and disc rentals declined. This destruction hurts the old firms, but it is "creative" because it moves the economy to a better level of service.

2. The practice school: Drucker

Peter Drucker, one of the leading management thinkers of the twentieth century, moved entrepreneurship from a mysterious trait to a **systematic practice**. In *Innovation and Entrepreneurship* (1985) he describes the entrepreneur as someone who "always searches for change, responds to it, and exploits it as an opportunity." Drucker's most important contribution is that entrepreneurship is not limited to small new businesses: a hospital, a university or a government agency can be entrepreneurial if it manages innovation systematically. We will return in Chapter 3 to the seven sources of opportunity he identified.

3. The opportunity school: Shane and Venkataraman

In 2000, Scott Shane and S. Venkataraman published an influential article proposing that the subject of entrepreneurship research is the **opportunity**: how it is discovered, evaluated and exploited, and by whom. The focus shifted from "Who is the entrepreneur?" to "How does a particular person meet a particular opportunity?" This view is useful for students, because it means entrepreneurship does not require an extraordinary personality. It requires an eye that notices opportunities and the ability to move toward them.

The three schools in brief: the entrepreneur creates something new (Schumpeter), does so through a systematic practice that looks for change (Drucker), and all of this revolves around an opportunity that is discovered and pursued (Shane and Venkataraman).

1-3 The Entrepreneur, the Trader and the Small Business Owner

Many people confuse entrepreneurship with owning any business. In fact, the difference lies neither in the size of the venture nor in its type, but in two things: the **degree of innovation** (does the venture offer new value or a better way?) and the **ambition to grow** (does it seek to expand, or is it content with its size?).

Dimension	Traditional business	Entrepreneurial venture
Starting point	A known model, proven in the market	A problem or opportunity that is poorly served
Innovation	Low: repeats what exists	Medium to high: offers something different
Risk and uncertainty	Lower, because the market and demand are known	Higher, because the model itself needs proof
Growth	Linear and gradual	Aims for fast, scalable growth
Example	A neighborhood grocery selling what other groceries sell	A platform that connects neighborhood groceries with residents and delivers orders within an hour

A real-world example makes this clearer. Someone opens a café serving the same coffee in the same way on a street that already has ten cafés. This is a legitimate and useful business, but it is not entrepreneurship in the precise sense. Someone else notices that staff at the nearby hospital work night shifts and cannot find good coffee after midnight, so they set up a pre-ordered coffee delivery service for night shifts. This is closer to entrepreneurship, because it starts from an unserved need and offers a different solution.

This does not make traditional businesses less valuable. They are an essential part of the economy and provide many jobs. But this course focuses on the mindset that looks for new value, because that skill serves you in any field.

1-4 Types of Entrepreneurship

When we hear the word "entrepreneurship," we usually picture an app or a tech company. But entrepreneurship is much broader than that, and it can be classified by goal and by the nature of growth:

1. Small business entrepreneurship

A venture set up by one person or a few partners as a stable source of income, serving a limited local community: a repair workshop, a home kitchen, a small training center. Its owner does not necessarily seek large-scale expansion, but

stability and quality of service. It is entrepreneurial when it offers something different in its local market.

2. Scalable startups

A venture searching for a business model that can be repeated and grown very fast, serving thousands or millions of customers without its costs multiplying at the same rate. Startups usually rely on technology, need outside investment, and accept high risk in exchange for the chance of a large return. Steve Blank defines a startup as "a temporary organization in search of a repeatable and scalable business model": it is in a phase of searching and testing, not of executing a known plan.

3. Social entrepreneurship

A venture whose first goal is to solve a social or environmental problem, such as employing people with disabilities, reducing food waste or educating underserved groups. It differs from charity in that it seeks **financial sustainability**: it earns enough from its activity to cover its costs and keep going, rather than relying entirely on donations. Profit here is a means, not an end.

4. Intrapreneurship

Entrepreneurship practiced from inside an existing organization, public or private. The intrapreneur notices a problem in the organization's work, proposes a new solution and leads it through to implementation: a nurse who proposes a system that reduces medication errors, a teacher who develops a way to follow up with struggling students, or a government employee who automates a paper-based procedure. This type is the closest to most students after graduation, which is why we say this course is for everyone.

5. Family entrepreneurship

Ventures owned and run by a family and passed between generations. Many of the large companies in Saudi Arabia and the Gulf began as a small shop. The entrepreneurial challenge here is renewal: how does the new generation preserve what the previous one built and develop it to fit a changing market?

6. Digital entrepreneurship

Ventures based entirely or mostly online: e-commerce stores, content creation, apps and remotely delivered services. Their advantage is a relatively low cost of starting and the ability to reach customers beyond the city limits. But competition is fierce, because entry is easy for everyone.

1-5 Why Economies and Societies Care About Entrepreneurship

Governments, universities and organizations care about entrepreneurship because it plays roles that large companies cannot play alone:

- **Creating jobs:** small and medium enterprises employ a large share of workers in most economies, and every successful venture creates jobs for people other than its founder.
- **Innovation:** many of the products and services we use today came from small companies that were bolder and more flexible than the large ones, and then grew.
- **Economic diversification:** entrepreneurship opens new sectors, such as tourism, entertainment, technology and the creative industries, instead of relying on a single resource. This is a central goal of Saudi Vision 2030.
- **Competition and better service:** new entrants push existing businesses to improve quality and lower prices, and consumers benefit.
- **Local development:** small ventures serve the needs of cities and villages and keep money circulating in the local community.
- **Empowering individuals:** entrepreneurship gives young people and women a chance to build their own income and future.

1-6 Entrepreneurship in Saudi Arabia

Saudi Vision 2030 made small and medium enterprises a central pillar of economic transformation, with a stated target of raising their contribution to GDP from about 20% to 35%. To get there, an **entrepreneurial ecosystem** has taken shape over recent years: a network of organizations that complement one another in supporting a venture from idea to growth. Its main components include:

Organization	Its role in the ecosystem
Small and Medium Enterprises General Authority (Monsha'at)	The regulator and supporter of the sector: training and mentoring programs, incubators and accelerators, entrepreneur service centers, and initiatives that simplify procedures.
Social Development Bank	Finances startups and freelance work, with preparation programs before financing.
Kafalah program	Guarantees part of the financing that banks give small enterprises, lowering the bank's risk and making loans easier to obtain.
Saudi Venture Capital Company and Jada Fund of Funds	Invest in venture capital and private equity funds, which in turn finance startups.
Incubators and accelerators	Programs that host ventures in their early stages, offering mentoring, space and networks, and sometimes early funding.
University entrepreneurship centers	The nearest starting point for students: competitions, workshops, mentoring and links to the ecosystem.

These organizations work as a chain. A student may start with an idea in a university competition, then join an incubator that helps build a prototype, then receive early funding from a government program or an investor, and then grow and attract larger investment.

Program details and requirements change constantly. Always check the organizations' official websites before applying to any program.

Chapter summary

- Entrepreneurship is the process of discovering an opportunity and turning it, through innovation, into value, by organizing resources and bearing calculated risk.
- Creativity generates the idea, innovation turns it into value people use, and entrepreneurship builds a venture around it that can survive.
- What distinguishes an entrepreneurial venture is innovation and the ambition to grow, not merely owning a business.
- Entrepreneurship comes in many types, including intrapreneurship, practiced by employees inside their organizations.
- Entrepreneurship plays a role in creating jobs, innovation and diversifying the economy, and in Saudi Arabia it is supported by a broad government and private ecosystem.

Key terms

Entrepreneurship	Discovering an opportunity and turning it, through innovation, into value, by organizing resources and bearing calculated risk.
Creative destruction	New innovation replacing old products and methods (Schumpeter).
Intrapreneurship	Initiative and innovation from inside an organization, as an employee.
Social entrepreneurship	A venture whose first goal is solving a social problem while staying financially sustainable.
Small and medium enterprises	Businesses classified by number of employees or revenue; the backbone of the economy.

Self-assessment questions

1. Which of these ventures is closest to entrepreneurship?

- (a) Opening a grocery like the neighboring ones
- (b) A platform that gathers orders from neighborhood groceries and delivers them within an hour
- (c) Buying an existing shop with the same activity

2. A hospital employee proposed a system that reduces patient waiting, and it was implemented. This is an example of:

- (a) Intrapreneurship (b) Family entrepreneurship (c) Traditional trade

3. "Creative destruction" is associated with:

- (a) Drucker (b) Schumpeter (c) Osterwalder

Answers are at the end of the book.

For discussion and reflection

Think of an organization you will work in after graduating. What is one entrepreneurial initiative you could offer as an employee?

Chapter references

Schumpeter, J. A. (1934). *The Theory of Economic Development*. Harvard University Press.

Drucker, P. F. (1985). *Innovation and Entrepreneurship*. Harper & Row.

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1), 217–226.

Barringer, B. R., & Ireland, R. D. (2019). *Entrepreneurship: Successfully Launching New Ventures* (6th ed.). Pearson.

Alsamani, O. A. (2026). The community supporting innovation and entrepreneurship for gifted individuals as perceived by innovative Saudi entrepreneurs: A phenomenological qualitative study [in Arabic]. *Journal of Educational and Psychological Sciences, Qassim University*, 19(2).

2 The Entrepreneurial Mindset

How do entrepreneurs think? Are they born or made?

Why does one person manage to turn a simple idea into a venture, while another has a better idea and never starts? A large part of the answer lies in the way of thinking. In this chapter we look at the behaviors that distinguish entrepreneurs, present the theory of effectuation, which explains how expert entrepreneurs make decisions under uncertainty, and then correct a number of common myths.

Chapter objectives

After studying this chapter, you should be able to:

1. Describe the core entrepreneurial traits and behaviors.
2. Explain the five principles of effectuation.
3. Distinguish between common myths and facts about entrepreneurship.

2-1 Are Entrepreneurs Born or Made?

This question occupied researchers for decades. Early on, many studies tried to find a stable "entrepreneurial personality" that sets entrepreneurs apart, such as a love of risk or a high need for achievement. But the results were contradictory: there were successful entrepreneurs who were very cautious, and risk-lovers who never succeeded in any venture.

Modern research therefore turned to **what** entrepreneurs do rather than **who** they are. The conclusion most researchers agree on today is that entrepreneurship is **a set of behaviors, skills and ways of thinking** that grow with learning and practice, like the skill of writing or leading. Some people may have a stronger inclination toward it, but everyone can develop it. This is the scientific case for teaching this course to all students.

2-2 Entrepreneurial Behaviors

Here are the behaviors that recur most among entrepreneurs, with their practical meaning, because words like initiative and resilience can sound vague unless we show how they appear in real life.

1. Initiative

Initiative means moving before you are asked, and taking responsibility for turning an observation into action. Many people notice problems and complain about them, but few ask: "What can I do?" An employee who notices that visitors ask the same question every day, and prepares a simple guide and posts it at the entrance, has acted entrepreneurially, even without turning it into a venture.

2. Calculated risk-taking

The popular image is of the entrepreneur as an "adventurer" leaping into the unknown. In reality, successful entrepreneurs try to **reduce** risk, not seek it. Calculated risk means three things: knowing what could go wrong, deciding what you can afford to lose, and testing the idea in small steps before a big commitment. The difference between a gambler and an entrepreneur is that the gambler puts everything on one bet, while the entrepreneur tests with a small part and learns.

3. Tolerating ambiguity

At the start of any venture you do not know many of the answers: Will people buy? At what price? Who is the real competitor? Some people feel intense anxiety in this situation and postpone decisions until the picture becomes clear, but it only becomes clear through action. Tolerating ambiguity means taking a reasonable step with the information available, then adjusting as new information appears.

4. Persistence and resilience

Every venture's journey is full of rejection: a customer who does not reply, an investor who declines, an experiment that fails. Persistence is continuing despite this, and resilience is the ability to get up after failure without turning it into a judgment on yourself. Balance matters here: persistence does not mean insisting

on an idea the evidence has shown does not work, but holding on to the goal while staying flexible about the route.

5. Creativity and problem solving

The entrepreneur sees a problem as a possible opportunity and looks for unconventional solutions. This does not require genius ideas; sometimes it is enough to combine two existing things in a new way, or to move a solution from one field to another.

6. Customer orientation

Successful entrepreneurs are more preoccupied with the customer than with their idea. They listen more than they speak, ask why people behave as they do, and change their minds when they see new evidence. A common mistake is for a student to fall in love with their idea and hear only what confirms it.

7. Continuous learning

Nobody starts a venture knowing everything about marketing, finance, technology and law. Entrepreneurs discover what they lack and learn it quickly, from a course, a book, an expert, or from the experience itself.

8. Building relationships

Relationships are among a venture's most important resources: the partner who complements your skills, the mentor who advises you, the first customer who trusts you, the supplier who gives you good terms. Many opportunities come through someone you know, not through an advertisement.

2-3 How Do Expert Entrepreneurs Think? Effectuation Theory

One of the most important scientific contributions to understanding the entrepreneurial mindset comes from Saras Sarasvathy, professor of entrepreneurship at the University of Virginia. Sarasvathy studied how expert entrepreneurs who had founded successful companies make decisions. She gave them a hypothetical problem of starting a venture, asked them to think aloud, and compared their approach with that of managers in large corporations.

She found two different logics of thinking:

Causation	Effectuation
Starts with a specific goal, then looks for the means to reach it	Starts with the means available, then sees which goals they make possible
Relies on predicting the future and studying the market	Treats the future as unpredictable, and shapes it through action
Focuses on expected return	Focuses on the loss that can be afforded
Sees surprises as deviations from the plan	Sees surprises as possible opportunities
Example: "I want to open an Italian restaurant, so let's find a location, funding and a chef."	Example: "I cook well, and I know office owners who order lunch every day, so let's start delivering meals to them and see where it takes us."

This does not mean causal logic is wrong. It suits situations where the market is known and the future is predictable. But at the start of new ventures, where uncertainty is high, experts lean toward effectual logic. Sarasvathy summed it up in five principles, which we explain one by one:

Principle 1: Bird in Hand

Start with what you have now, not with what you wish you had. Three questions help you take stock of your resources: **Who am I?** (my interests, values and personality), **What do I know?** (my field, experience and skills), and **Whom do I know?** (family, friends, professors and contacts). Many students say "I have nothing to start with," but when they answer these questions they discover resources they had overlooked. A clinical nutrition student who knows home cooks in her family could start a service offering healthy meals tailored to people with diabetes in her neighborhood.

Principle 2: Affordable Loss

Instead of asking "How much will I make?", a question that cannot be answered accurately at the beginning, ask: "What can I lose in this experiment without it hurting me?" The answer might be "SAR 500 and two weekends." Risk then turns

from something frightening into something limited and known, and you can start now instead of waiting.

Principle 3: Crazy Quilt

A patchwork quilt is sewn from different pieces of fabric brought by different people. The idea is to build your venture through partnerships with those who commit to you early, rather than spending your time analyzing competitors. A partner here might be a classmate who is good at design, a shop that agrees to trial your service, or a customer who pays in advance. Every partner who joins adds new resources, and may change the venture's direction as well.

Principle 4: Lemonade

From the saying "When life gives you lemons, make lemonade." Surprises and obstacles are not always bad; they may point to a better opportunity. A team that started selling simple software for managing clinic appointments noticed that clinics kept asking about sending patients reminders before their appointments. They added a reminder service, and it became their most requested and most profitable service.

Principle 5: Pilot in the Plane

The future is not only something we wait for and predict; it is something we help create through our actions. A pilot does not wait for the plane to carry them to their destination; they fly it and correct its course constantly. A student who waits for "the right time" or "the perfect idea" may wait a long time, while someone who starts with a small step shapes their own circumstances.

2-4 Common Myths About Entrepreneurship

Some misconceptions stop many students from even considering entrepreneurship. Here are the best known, with corrections:

Myth	Reality
Entrepreneurs are born, not made	Entrepreneurial skills are acquired through learning and experience, as explained at the start of this chapter.

Myth	Reality
You need a lot of capital to start	Many ventures started with modest resources and tested the idea before asking for any funding. Money usually comes after proving the idea works.
The idea is everything	Ideas are plentiful and often repeated. What makes the difference is execution, learning from the customer and continuous adjustment. I always tell my students: the idea is about 5% of success, and execution 95%; a good idea is a condition, but it is not everything.
Entrepreneurs are thrill-seekers who love danger	Successful entrepreneurs reduce risk through small experiments and affordable loss.
Failure is the end of the road	Failure is a source of learning, and many successful people tried ventures that did not work before the one that did.
Entrepreneurship is only for tech and business students	Opportunities exist in health, education, agriculture, tourism, the arts and services. The best ideas often come from people in a field who know its problems from the inside.
You must leave your studies or job to start	You can start with a small side project and expand it gradually once it proves itself.

2-5 The Growth Mindset

Psychologist Carol Dweck at Stanford University studied how people deal with challenge and failure, and distinguished between two mindsets:

- **Fixed mindset:** sees intelligence and talent as fixed traits that do not change. A person with this mindset avoids challenges for fear of exposing weakness, and sees failure as proof that they are "not good enough."
- **Growth mindset:** sees abilities as growing through effort, learning and practice. A person with this mindset accepts challenges and sees failure as information about what they need to learn.

The importance of this concept in entrepreneurship is clear. When a customer rejects your idea, the fixed mindset says: "My idea is a failure and I'm not cut out for this." The growth mindset says: "What does this rejection tell me about the customer? What should I change?" The good news is that mindset itself can

change; simply being aware of the difference helps you shift toward a growth mindset.

Chapter summary

- Entrepreneurship is a set of behaviors and skills acquired through practice, not an innate trait reserved for a few.
- Key entrepreneurial behaviors include initiative, calculated risk-taking, tolerating ambiguity, persistence and customer orientation.
- Expert entrepreneurs start with the resources in hand, set an affordable loss, build partnerships and turn surprises into opportunities.
- A growth mindset turns rejection and failure into sources of learning.

Key terms

Calculated risk	Moving ahead after studying the possibilities and setting the acceptable loss.
Effectuation	An approach that starts with the available means rather than a preset goal (Sarasvathy).
Affordable loss	The maximum money and time you accept losing in an experiment.
Growth mindset	The belief that abilities grow through effort and learning.

Self-assessment questions

1. A student says: "I'll test the idea for two weeks and SAR 300; if it doesn't work, I'll have learned." This is the principle of:
 - (a) Affordable loss
 - (b) Pilot in the plane
 - (c) Crazy quilt
2. Which statement is true?
 - (a) Successful entrepreneurs love unstudied risk
 - (b) Entrepreneurial skills can be learned
 - (c) A good idea is enough to succeed

3. A team noticed customers asking for a different service from theirs, and switched the venture to it. This is the principle of:

- (a) Bird in hand (b) Lemonade (c) Affordable loss

Answers are at the end of the book.

For discussion and reflection

Write down your "bird in hand" resources: What do you know? What are you good at? Whom do you know? What small venture could start from them?

Chapter references

Sarasvathy, S. D. (2001). Causation and effectuation. *Academy of Management Review*, 26(2), 243–263.

Sarasvathy, S. D. (2008). *Effectuation: Elements of Entrepreneurial Expertise*. Edward Elgar.

Dweck, C. S. (2006). *Mindset: The New Psychology of Success*. Random House.

Alsamani, O. A. (2023). The development of innovation for the creatively gifted: A phenomenological study of the lived experiences of successful outstanding innovators. *International Journal of Educational Sciences*, 41(1), 70–81.

3 Opportunities and Idea Generation

Where do ideas come from? And how do you tell an idea from an opportunity?

Every venture starts with an idea, but not every idea is fit to become a venture. In this chapter we distinguish between ideas and opportunities, present the sources from which opportunities arise as Drucker classified them, and then offer practical techniques for generating ideas, and criteria for evaluating them and choosing those most worth pursuing.

Chapter objectives

After studying this chapter, you should be able to:

1. Distinguish between an idea and an opportunity.
2. Explain Drucker's seven sources of opportunity.
3. Apply idea generation and evaluation techniques.

3-1 Ideas Versus Opportunities

Many students come to this course with a "project idea" in mind and ask: Is it a good idea? The more precise question is: Is it an **opportunity**? An idea is a picture in your mind of a product or service. It may be attractive and original, but it only becomes an opportunity when certain conditions exist in reality. These conditions can be summed up in four:

Condition	The question that tests it	An example of its absence
Real need	Do people actually suffer from the problem you solve?	An app for scheduling when to drink water, when people do not see this as a problem worth an app.

Condition	The question that tests it	An example of its absence
Willingness to pay	Are there enough people who will pay money or time for the solution?	A service users love and use, but will not pay anything for.
Right timing	Are the market, technology and society ready now?	An electronic payment service before smartphone use became widespread.
Ability to execute	Can you and your team deliver it with the resources available?	An idea that needs a factory and complex licenses the team cannot obtain at the start.

This means a good idea may not be an opportunity right now, and a very simple idea may be an excellent opportunity. An automatic reminder service for car maintenance and document renewals is not a brilliant idea, but it may be a real opportunity: a clear need that many people live with, willingness to pay among those who own more than one car, the right timing, and feasible execution.

3-2

Where Do Opportunities Come From? Drucker's Seven Sources

Peter Drucker argued that opportunities rarely come from sudden inspiration; they come from **change**. Every change in society, the market or knowledge opens a gap that a venture can fill. He identified seven sources of change, ordered from the easiest and least risky to the hardest:

1. The unexpected

A success you did not plan, a failure you did not expect, or a sudden outside event. These surprises are the easiest source of opportunity, but many people ignore them because they do not fit their plans. Example: an online store for desert camping gear noticed that a "ready weekend trip bundle" it had listed as a trial outsold individual products. That is a sign customers are buying "a hassle-free trip," not just equipment.

2. Incongruity

A gap between what is and what ought to be, or between what people expect and what they get. Example: a service people need often and pay for, yet the

experience is poor, such as home maintenance appointments that nobody keeps. This incongruity is an opportunity for whoever offers the same service with reliability and clarity.

3. Process need

A weak link inside a procedure or workflow that holds up everything before and after it. Example: a procedure that has become fully digital except for one step requiring a stamped paper; or a fast-food restaurant that is quick at everything except payment at peak times. Whoever fixes that link delivers a lot of value.

4. Changes in industry or market structure

When the way an entire sector works changes, opportunities arise for newcomers, because established firms are slow to adapt. Example: the shift of shopping online created demand for packaging services, professional product photography, and online store management for traditional shops.

5. Demographic changes

Changes in population size, age, education, and where people live and work. These are among the clearest sources of opportunity because they can be measured and anticipated. Example: a society with a large share of young people needs entertainment, education and fitness services, while one with a growing number of older people needs home care and accessible transport. More women entering the workforce has created demand for childcare and healthy ready meals.

6. Changes in perception and values

When what people care about and value changes, even if the facts themselves have not. Example: growing interest in health and natural food created a market for organic products and specialized gyms. Concern for the environment created a market for recycling and sustainable products.

7. New knowledge

Scientific discoveries and new technologies. This is the most exciting source, but also the hardest and riskiest, because turning new knowledge into a product takes a long time and needs other complementary technologies and knowledge. Example: today's AI tools open opportunities in education, customer service,

translation and analysis, but succeeding with a venture in this area takes more than just using the technology.

Application: when looking for an opportunity, do not start with "What venture do I want?" Ask instead: "What has changed around me in recent years? And who has been affected by this change and is not yet well served?"

3-3 Where Do You Start as a Student?

Alongside Drucker's sources, there are practical entry points a student can start from today:

- **Your daily problems:** the best ideas often start with a problem you live with yourself, because you understand it from the inside and know its real pain. But be careful: you must then check that others suffer from it too.
- **Your field of study:** a nursing student sees problems in the hospital that others do not, an education student knows what teachers struggle with, an engineering student knows the gaps in construction and maintenance. Knowledge of your field is a competitive advantage.
- **People's complaints:** search social media for phrases such as "I wish there were," "I'm tired of" and "does anyone know where," and read negative reviews of existing services. Every recurring complaint points to a gap.
- **Trends:** what is growing now? Tools such as Google Trends show what people search for most, and how that changes over time.
- **Transferring and adapting an idea:** a model that worked in another city, country or sector: could it work in your setting after adapting it to the local culture and needs?
- **Improving what exists:** you do not have to invent something new. It is enough to make what exists cheaper, faster, easier, closer, more attractive, or better suited to a specific group.

3-4 Idea Generation Techniques

Generating ideas is a skill with tools, not a matter of waiting for inspiration. The first rule in all of these tools is: **separate generating from evaluating**. While generating ideas, do not judge them, because early criticism kills ideas before they mature and makes people stop contributing. Evaluation comes later.

1. Brainstorming

Developed by Alex Osborn in the mid-twentieth century, it rests on four rules: no criticism during the session, quantity before quality, welcome unusual ideas, and build on others' ideas. In practice: set a clear question, give the team a fixed time (ten minutes, for example), write each idea on a separate sticky note, then group them when time is up.

2. Reverse brainstorming

Instead of asking "How do we solve the problem?", ask "How do we make it worse?" This question frees people from the fear of being wrong and produces many ideas quickly. Then reverse each bad idea to reach a solution. Example: "How do we make waiting at the clinic worse for patients?" → "Don't tell them when their turn will come." Reversed: "Send them a message with the approximate time of their turn so they can move around freely."

3. Mind mapping

Write the topic in the center of the page (for example, "the patient's journey through the hospital"), then branch out to the main aspects (booking, arrival and parking, waiting, examination, pharmacy, follow-up), then branch from each aspect into its details and problems. The map helps you see connections between ideas and discover problems you had not thought of.

4. SCAMPER

A list of seven questions developed by Bob Eberle, building on Osborn's work. You apply it to an existing product or service to generate new ideas from it. Each letter stands for a question:

Letter	Question	Example for "a phone repair shop"
S: Substitute	What if we replaced part of the service, its materials or who provides it?	Instead of the customer coming to the shop, we collect the device from their home or office and return it.
C: Combine	What if we combined it with another service?	Repair + data transfer + screen protection in one bundle.
A: Adapt	What successful idea from another field could be adapted here?	The "tracking" system of shipping companies: the customer knows where their repair has reached.
M: Modify	What if we enlarged, shrank, or changed the form or timing?	A temporary loan phone the customer uses until the repair is done.
P: Put to another use	Could it serve another customer or purpose?	Maintaining small companies' staff devices under a monthly contract.
E: Eliminate	What could be removed to make it simpler or cheaper?	Eliminate waiting in the shop: a fixed pickup appointment.
R: Reverse	What if we reversed the order or the roles?	Instead of selling repairs after a breakdown, sell a protection subscription before it.

5. The Five Whys

A technique developed at Toyota to analyze the causes of problems. You ask "Why?" several times in a row until you reach the root cause instead of the visible symptom. Example:

- Why is the dental clinic losing part of its income? → Because many patients miss their appointments.
- Why do they miss them? → Because they forget the appointment.
- Why do they forget? → Because the appointment is booked weeks ahead and no reminder reaches them.
- Why does no reminder reach them? → Because the receptionist is busy, and reminders are done by phone, manually.
- Why is it manual? → Because the booking system does not send automatic messages.

Now the opportunity changes: the problem is not "patients are unreliable" but "there is no automatic reminder," and the solution may be very simple and could be offered to many clinics.

6. "How might we...?"

A phrasing used in design thinking that turns a problem into an open question inviting solutions. Instead of "Older people can't use government apps," you say: "How might we help older people complete their online transactions on their own, with confidence?" "How" assumes a solution is possible, "might" opens up possibilities, and "we" makes it the team's responsibility.

3-5 Evaluating Ideas and Choosing the Best

After generating dozens of ideas, you need a systematic way to choose which ones deserve follow-up. The simplest way is to put the ideas in a table and score each from 1 to 5 on a set of criteria:

Criterion	Question	What raises the score?
Value	Does it solve a painful or recurring problem?	A problem people face often and look for a solution to
Demand	Are there enough customers? Will they pay?	Many customers who pay today for worse solutions
Feasibility	Can we deliver it with our resources and skills?	A simple version can be started within weeks
Distinctiveness	What makes it better than the alternatives?	A clear advantage the customer notices immediately
All parties satisfied	Does everyone win: the customer, the entrepreneur, the service provider and the partner?	The customer pays an amount they see as fair, and it is enough for every party to earn what they deserve (see Chapter 6)
Growth	Can it get bigger?	It can be taken to other places or groups
Team fit	Are we excited about it and qualified to deliver it?	It connects to our field and interests

Some criteria can carry more weight. "Value" is the most important, because an idea that does not solve a real problem will not be rescued by any other criterion. Next comes "all parties satisfied," because many ideas customers love fall apart because they are exhausting or loss-making for whoever delivers them, as we will see with numbers in Chapter 6. Remember that this evaluation is preliminary and based on the team's estimates; the real verdict comes from customers in the chapters ahead.

Chapter summary

- An opportunity is an idea with a real need, customers willing to pay, the right timing and the ability to execute.
- Opportunities arise from change: surprises, incongruities, process needs, and shifts in markets, demographics, values and knowledge.
- Generating ideas is a skill with tools, the most important being postponing criticism and putting quantity before quality.
- Ideas are evaluated on value, demand, feasibility, distinctiveness, growth and team fit.

Key terms

Opportunity	An idea with a real need, customers, the right timing and the ability to execute.
Brainstorming	Generating as many ideas as possible without immediate criticism.
SCAMPER	A list of questions for developing ideas: substitute, combine, adapt, modify, put to another use, eliminate, reverse.
How might we...?	Framing the problem as an open question that invites solutions.

Self-assessment questions

1. What turns an idea into an opportunity?

- (a) Being completely new
- (b) A real need, customers willing to pay and the ability to execute (c) Friends liking it

2. Growing public interest in health and fitness represents which of Drucker's sources of opportunity?

- (a) Changes in perception and values (b) Process need (c) New knowledge

3. The most important rule in brainstorming:

- (a) Choosing the best idea immediately
- (b) Quantity before quality, and postponing criticism (c) Only the leader speaks

Answers are at the end of the book.

For discussion and reflection

Choose one of Drucker's seven sources, and find an example of it in your city this year.

Chapter references

Drucker, P. F. (1985). *Innovation and Entrepreneurship*. Harper & Row.

Osborn, A. F. (1953). *Applied Imagination*. Scribner.

Eberle, B. (1971). *SCAMPER: Games for Imagination Development*. D.O.K. Publishers.

4

Creativity and Innovation

From a new idea to value in the market

Innovation is the fuel that sets an entrepreneurial venture apart. But it is often confused with creativity, and sometimes reduced to "inventing a new product." In this chapter we clarify the difference between the two concepts, classify innovation by type and degree, and explain how new things spread among people, and why that matters to a venture owner.

Chapter objectives

After studying this chapter, you should be able to:

1. Distinguish between creativity and innovation.
2. Classify innovation by type and degree.
3. Explain the innovation adoption curve and why it matters to a venture.

4-1 Creativity and Innovation: Related but Different

The two words are sometimes used to mean the same thing, but distinguishing them is essential for understanding entrepreneurship.

Creativity is the ability to generate ideas that are new and useful. Researchers agree that a creative idea needs two conditions together: it must be **novel** (original, unfamiliar) and **appropriate** (useful, workable, solving a problem). A new idea that is not useful is mere oddity; a useful idea that is not new is repetition.

Innovation is turning a creative idea into a product, service or way of working that people actually use and that adds value for them. The Oslo Manual, the international reference the OECD uses to measure innovation, defines it as a new

or improved product or process that differs significantly from what came before **and has been made available to users or brought into use.**

The difference in one sentence: creativity is when the idea occurs to you; innovation is when the idea reaches people and changes something in their lives. A brilliant idea in your notebook is creativity; when people use it, it becomes innovation.

So a person can be very creative without being innovative, because they never complete the road to execution. And someone else may innovate successfully with a moderately creative idea, because they mastered execution and understood the customer. Entrepreneurship needs both: creativity to generate the idea, and innovation to turn it into value.

4-2 Types of Innovation

When we talk about innovation, a new product comes to mind, such as a phone or a device. But innovation can happen in any part of a venture, and many of the most successful innovations did not change the product itself; they changed the way it is delivered or sold.

1. Product innovation

A new product, or a clear improvement of an existing one in its function, quality or ease of use. Example: a water bottle that reminds you to drink with a small light, or an abaya made from fabric suited to summer heat.

2. Service innovation

A new way of delivering a service, or of the customer's experience of it. Example: booking a barber appointment through a link, with a notification ten minutes before your turn, instead of waiting in the shop. The service itself (the haircut) has not changed, but the customer's experience has changed completely.

3. Process innovation

A new method of production or internal operation that makes the venture faster, cheaper or more accurate, which the customer may not notice directly. Example: a

kitchen that preps its basic ingredients in advance in an organized way, cutting order preparation time in half.

4. Business model innovation

A new way of making money or of distributing value among the parties. It is one of the strongest types of innovation because it is hard to copy. Examples: a monthly subscription instead of paying each time, "buy now, pay later" in interest-free installments, or a platform that connects service providers with customers and takes a commission instead of employing them.

5. Marketing innovation

A new way of presenting, packaging or pricing a product, or of reaching the customer. Example: a small farm that sells its produce in a weekly box with a card telling the story of the harvest, instead of selling wholesale at the market.

6. Social innovation

New solutions to social problems, whose first goal is to improve people's lives. Example: a platform that connects young volunteers with older people in the neighborhood to help them with errands and online transactions.

4-3 Degrees of Innovation

Besides the type of innovation, we ask: how much change does it bring? Innovation is usually classified into three degrees:

1. Incremental innovation

Small, continuous improvements to an existing product or service: a better camera in the new phone model, or a new flavor of a familiar product. Its risk is low, and its return is limited but relatively assured. Most innovation in the world is of this kind.

2. Radical innovation

A major change that creates a new category of products or changes the way an entire sector works, such as the arrival of the smartphone itself, or the shift from

in-store selling to e-commerce. Its risk is high and its cost large, but its impact is wide.

3. Disruptive innovation

This concept was coined by Clayton Christensen, a management professor at Harvard, in *The Innovator's Dilemma* (1997). It is not a synonym for "big innovation"; it describes a specific pattern:

1. The disruptive product starts out **simple and lower in quality** than the products of the major companies, but it is **cheaper or easier**.
2. At first it serves a segment **the major companies neglect**: customers who cannot afford the expensive product, or do not need all its features.
3. The major companies ignore it because it looks unprofitable and unimportant to their current customers.
4. The product improves gradually until it becomes "good enough" for the major companies' own customers, and takes them away.

The "dilemma" is that the major companies do not fail because they are badly managed, but because they do what is supposedly right: they listen to their current customers and focus on their most profitable products. That is exactly what makes them ignore the threat coming from below.

The Kodak lesson: for decades Kodak was the leading name in photographic film. In 1975 one of its engineers, Steven Sasson, built an early prototype of a digital camera. But the first digital camera was slow and its pictures were poor, and the film business was very profitable, so the company hesitated to push the new technology forward so as not to compete with its own winning product. Digital cameras improved quickly, then smartphones arrived, the film business collapsed, and Kodak filed for bankruptcy in 2012. This is not the story of a company that did not know the technology, but of a company that knew it and did not dare disrupt itself.

4-4 **How Does Innovation Spread? The Adoption Curve**

Sociologist Everett Rogers studied how new ideas and products spread through society, and published his theory in *Diffusion of Innovations* (1962; fifth edition 2003). He found that people do not adopt something new at the same time, but fall into five groups according to how quickly they adopt:

Group	Approximate share	Characteristics	What convinces them?
Innovators	2.5%	Love trying new things for their own sake, and tolerate flaws and risk	Novelty itself
Early adopters	13.5%	Opinion leaders, looking for an advantage or a solution to a problem they feel acutely	Clear benefit and the chance to stand out
Early majority	34%	Practical; wait for others to try it and for the product to prove itself	Evidence and recommendations from people they trust
Late majority	34%	Skeptical; adopt once the product is common or necessary	Social pressure and lower risk
Laggards	16%	Attached to the traditional; resist change	Often adopt only when no alternative remains

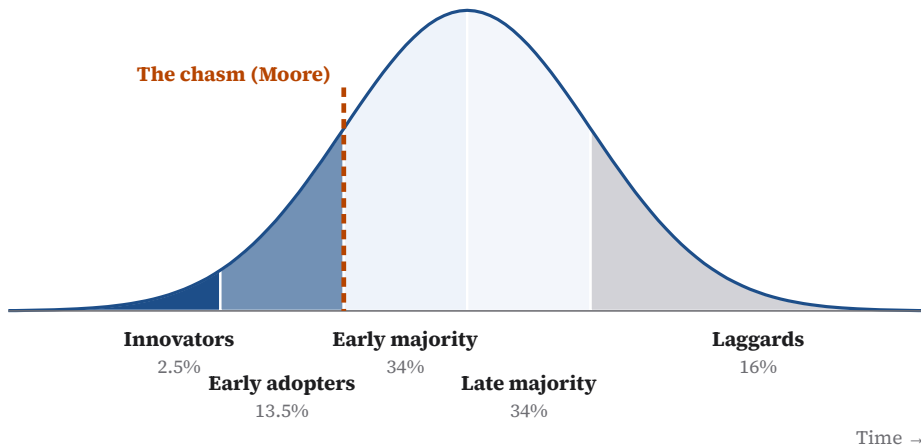


Figure: Rogers's innovation adoption curve, with the chasm Moore identified between early adopters and the early majority.

Why does this matter to a venture owner? Because a common mistake is for a venture to target "everyone" from the start. The right approach is to look first for innovators and early adopters: people who feel the problem acutely and are willing to try a new solution even if it is not complete. They give you the first feedback and talk about you to others.

Geoffrey Moore added an important observation in *Crossing the Chasm* (1991): between early adopters and the early majority lies a **chasm** into which many products fall. Early adopters accept an unfinished product because they like experimenting, but the majority wants a complete, reliable, proven product. To cross the chasm, a venture needs to focus on one specific segment of the majority, win it over completely, and then move on from it to others.

4-5 What Makes People Adopt an Innovation?

Rogers identified five characteristics of the innovation itself that make people adopt it faster. You can use them as a checklist for your idea:

1. **Relative advantage:** is it clearly better than what people use now?
2. **Compatibility:** does it fit people's values, habits and needs? (A service that ignores cultural sensitivities will meet resistance however useful it is.)
3. **Simplicity:** is it easy to understand and use?

4. **Trialability:** can people try it at low cost before committing? (This is why free trials work.)
5. **Observability:** can people see its results in others? (A product that is seen and talked about spreads faster.)

Chapter summary

- Creativity is generating a new, useful idea; innovation is turning it into value that people use.
- Innovation comes in types: product, service, process, business model, marketing and social.
- Innovation ranges from incremental improvement to radical change, and disruptive innovation can bring down leading companies.
- People adopt new things in stages, and early adopters are the starting point for any venture.

Key terms

Creativity	Generating a new and useful idea.
Innovation	Turning an idea into value that people actually use.
Disruptive innovation	A simple, cheap solution that starts in a neglected market and then displaces the major companies.
Early adopters	The group that tries new things early and influences others.

Self-assessment questions

1. Offering laundry service by monthly subscription instead of paying each time is an innovation in:
(a) The product (b) The business model (c) The process

2. The difference between creativity and innovation:

- (a) There is no difference
- (b) Creativity is an idea; innovation is an idea that was applied and added value
- (c) Innovation is only for technology

3. Whom should you target first with a new product?

- (a) The late majority
- (b) Early adopters
- (c) Everyone at the same time

Answers are at the end of the book.

For discussion and reflection

Name a product you adopted late and another you were among the first to try. What made you late or early?

Chapter references

Christensen, C. M. (1997). *The Innovator's Dilemma*. Harvard Business School Press.

Rogers, E. M. (2003). *Diffusion of Innovations* (5th ed.). Free Press.

Moore, G. A. (1991). *Crossing the Chasm*. HarperBusiness.

OECD/Eurostat. (2018). *Oslo Manual 2018* (4th ed.). OECD Publishing.

Alsamani, O. A. (2023). The development of innovation for the creatively gifted: A phenomenological study of the lived experiences of successful outstanding innovators. *International Journal of Educational Sciences*, 41(1), 70–81.

Alsamani, O. A. (2023). The needs of gifted university students with creative and innovative traits for stimulating creativity and innovation [in Arabic]. *Journal of Human Sciences*, 19(2), 39–62.

Part Two

Building the Venture

In this part we move from the idea to the venture: we understand the customer and the market, design a business model that satisfies all its parties, test at the lowest cost, and then reach customers.

Chapter 5 Understanding the Customer and the Market

Chapter 6 The Business Model

Chapter 7 Testing and Prototyping

Chapter 8 Marketing for New Ventures

5 Understanding the Customer and the Market

Who is your customer? How big is your market? Who are your competitors?

I have often seen ventures built on their owners' picture of what people need, only for them to be surprised that customers do not behave as expected. In this chapter we present the customer discovery method and the rules of a good interview, then explain market segmentation, estimating market size realistically, and analyzing competitors and alternatives.

Chapter objectives

After studying this chapter, you should be able to:

1. Apply the principles of customer discovery and interviewing.
2. Define a customer segment and describe the target customer.
3. Estimate market size and analyze competitors.

5-1 You Are Not Your Customer

The most common mistake people with new ideas make is building their venture on their personal assumptions: "I need this service, so everyone needs it," or "This idea makes sense, so people will buy it." That assumption may be right, or it may be completely wrong. The only way to find out is to go to people and talk with them.

This is the idea behind the **customer discovery** method developed by Steve Blank, entrepreneur and Stanford professor. He sums it up in a famous phrase: "**There are no facts inside the building, so get out of the building.**" He means that everything a team writes in its office about the customer (who they are, what their

problem is, how much they will pay) is nothing but **hypotheses** (testable guesses), and they only become facts after being tested with the customers themselves.

Customer discovery follows clear steps:

1. **Write down your hypotheses:** Who is the customer? What problem do they have? How do they solve it now? Why is the current solution not enough?
2. **Test the problem hypothesis first:** does the problem really exist, and with the severity you think? Do not talk about your solution at this stage.
3. **Test the solution hypothesis:** once you are sure of the problem, present your solution (as a simple prototype) and watch the reaction.
4. **Adjust or pivot:** based on what you have learned, revise your hypotheses and repeat.

5-2 How to Conduct a Good Interview

You might think interviewing is easy: ask people what they think of your idea. The problem is that people usually **try to be nice**. Ask a friend "Do you like my idea?" and they will say yes to please you; ask someone "Would you buy this product if it existed?" and they will say maybe, because promising something in the future costs them nothing. You come out of your interviews convinced that everyone wants your idea, and discover at launch that nobody buys.

Rob Fitzpatrick tackled this problem in *The Mom Test*, named that way because your mother is the person most likely to flatter you and say your idea is wonderful. His core rule: **ask questions that a person cannot flatter you on even if they want to**. Three rules achieve this:

Rule 1: Talk about their life, not your idea

Instead of explaining your idea and asking for their opinion, ask about their experience with the problem. When you talk about your idea, the conversation turns into politeness; when you talk about their life, it turns into information.

Rule 2: Ask about the specific past, not the hypothetical future

Questions about the future ("Would you use...?", "How much would you pay...?") give you wishes. Questions about the past ("The last time this happened, what did

you do?") give you real behavior. If someone says they suffer from the problem a lot but have never looked for a solution, the problem is not painful enough.

Rule 3: Listen more than you talk

In a good interview the customer talks most of the time. Write down their words exactly as they say them, because they will help you later in marketing and pitching, and pay attention to emotions: annoyance, hesitation, enthusiasm.

Weak question	Why it is weak	Better question
Do you like the idea of an app for booking sports fields?	It asks for an opinion, so it gets flattery	The last time you wanted to play with friends, how did you book the field?
Would you use the app if we launched it?	It asks about the future, and promises are easy	What is the hardest part of the current booking process?
How much would you pay for the service?	A hypothetical number that commits no one	How much do you pay now to book? Have you tried another way?
Don't you find the current booking tiring?	A leading question that imposes the answer	How would you describe the current booking experience?

Another useful question is about **frequency**: "How many times have you needed this service in the past three months?" A problem that recurs every week is very different from one that comes up once a year, both in the size of demand and in the revenue model that suits it.

Whom should you interview? Do not settle for your friends; they flatter you and are similar to you. Interview people who actually live the problem, from different backgrounds. At the end of each interview ask: "Do you know someone else who faces this problem?" This leads you to real customers. And look for **commitment** as stronger evidence than words: the person gives you extra time, introduces you to others, pays in advance, or asks to be told when the service launches.

How many interviews are enough? There is no magic number, but after a number of interviews you will notice the answers starting to repeat. In this course we ask for at least five interviews, which is enough to find out whether your core assumptions are right.

5-3 Market Segmentation and Choosing the Target Customer

There is no product "for everyone." Even products everyone uses, like water and phones, are offered by companies in different forms to different groups. **Market segmentation** is dividing potential customers into groups with similar needs and behavior, so that each group can be served in a way that suits it. The best-known bases for segmentation are four:

Basis	Example variables	Applied example
Demographic	Age, gender, income, education, marital status, occupation	Working mothers, or recent retirees
Geographic	City, neighborhood, region, type of place (urban, rural)	Residents of new neighborhoods far from the city center
Behavioral	Purchase frequency, loyalty, buying method, occasion	People who order food more than three times a week
Psychographic and needs-based	Lifestyle, values, interests, the job to be done	Fitness enthusiasts looking for high-protein meals

After segmenting, you choose one **target segment** to start with. Choose one that is large enough to sustain you, feels the problem acutely, is reachable by you, and is not well served by competitors. Starting with a narrow segment is not weakness but focus; serving a small group excellently is better than serving everyone averagely.

Customer persona

A persona describes a typical customer who represents your target segment as if they were a real person: a name, an age, a daily routine, problems and

motivations. Its benefit is that when the team makes a decision it asks "Does this suit Sarah?" rather than the vague "Does this suit customers?" It is built from interview findings, not from imagination.

Example persona: "Abu Salman, 46, owns two auto parts shops with five employees. At the end of every month he spends hours gathering paper invoices from the drawer, trying to work out whether he made or lost money. He does not trust software much, because he tried one and did not understand it. He pays a freelance accountant every quarter to prepare what the authorities require, but does not get a clear picture of his shops from it. What worries him most is discovering a loss too late. He says: 'I want someone to tell me at the end of the month, in simple words: you earned this much, and you lost on that.'"

Notice how this persona reveals things the label "small shop owners" does not: he does not want complex software, he is currently paying for an inadequate solution, and what he really wants is **reassurance and clarity**, not the accounts themselves.

Jobs to be Done

Clayton Christensen and his colleagues developed a theory that people do not buy products; they **"hire" them to get a job done** in their lives. In the best-known example, a company studying why people bought a certain drink early in the morning discovered that many bought it to keep them company on the long commute and keep them full until noon. The "job" was not "drinking something tasty" but "making a boring commute better." That changes your view of competitors: the drink's competitor is not only another drink, but a banana, a muffin, and a podcast.

When you understand the real job, you understand what you need to improve. An employee buying morning coffee on the way to work may not necessarily want "coffee," but "to start the day focused and energetic." A shop owner who pays an accountant does not want "accounting entries," but "to know whether the shop is profitable." This opens up wider alternatives and ideas.

5-4 Estimating Market Size

The question any investor or panel will ask you: "How big is your market?" Market size is usually estimated at three nested levels:

Level	Meaning	Example: a simple monthly bookkeeping service for small shops
Total addressable market (TAM)	Total potential demand if you won every possible customer	All small businesses in Saudi Arabia that need to keep their books
Serviceable available market (SAM)	The part your model can actually reach	Small retail shops in your city that you can serve with your team, language and approach
Serviceable obtainable market (SOM)	The realistic share you expect to win in the near term	The number of shops you expect to actually subscribe in the first year, given your team's capacity and trial results

The more accurate way to estimate is **bottom-up**: start from a small unit that can be verified, then multiply. Example: the number of retail shops in the neighborhoods you can reach (from a field count or chamber of commerce data) × the share without a regular accountant (from interviews) × the share willing to subscribe × the annual subscription fee.

The weak way is **top-down** with no logic: "Saudi Arabia has so many million people, and if 1% of them buy, we will earn this much." That number convinces no one, because it does not answer the important question: why would these people buy from you in particular, and how will you reach them?

5-5 Competitive Analysis

Competition is not only whoever offers the same product, but anything the customer could choose instead of you to get the same job done. So competition is divided into three levels:

- **Direct competitors:** offer the same solution to the same customer. (Accounting offices offering a monthly service to shops.)

- **Indirect competitors:** offer a different solution to the same need. (Off-the-shelf accounting software, and the freelance accountant who comes every quarter.)
- **Alternatives:** what people do now, even if it is a primitive solution or "nothing." (A paper notebook, one of the children, or relying on memory.)

When a student says "My idea has no competitors," it usually means one of two things: either they have not searched well, or people do not need this solution at all. The presence of competitors is a sign that a market exists; what matters is knowing what makes you different from them.

To organize the comparison, make a simple table: competitors in the columns, criteria that matter to the customer in the rows (price, speed, proximity, quality, ease), then rate each competitor. The gaps where you can stand out will appear.

SWOT analysis

A common tool for organizing a picture of the venture in four boxes:

	Positive	Negative
Internal (about you and your team)	Strengths: what you have and do better than others	Weaknesses: the resources or skills you lack
External (about the market and environment)	Opportunities: market changes you can benefit from	Threats: competitors, regulations or changes that could hurt you

The real value of the analysis is not in filling the boxes, but in the next questions: How do I use my strengths to seize the opportunities? And how do I address my weaknesses before a threat exploits them?

Chapter summary

- Everything we know about the customer before talking with them is a hypothesis that needs testing.
- A good interview asks about the specific past and the customer's life, not their opinion of your idea.
- The market is divided into segments, from which a clear target customer is chosen and described with a persona.
- The market is estimated at three levels, calculated bottom-up with realistic numbers.
- Competition includes direct and indirect competitors and the alternatives people use now.

Key terms

Customer discovery	Testing a venture's hypotheses by talking directly with customers.
Persona	A description of a typical customer who represents the target segment.
Job to be done	The goal for which the customer "hires" the product.
TAM / SAM / SOM	The total, serviceable and realistically obtainable market.
SWOT	Analysis of strengths, weaknesses, opportunities and threats.

Self-assessment questions

1. Which is the better question in a customer interview?
- (a) Would you buy the app if we launched it?
- (b) The last time you needed this service, what did you do? (c) Do you like our idea?

2. Small shop owners who gather paper invoices at the end of every month and don't know their profits represent:

- (a) A specific customer segment with a clear need (b) The total market (c) Competitors

3. A shop owner relies on his son for the accounts instead of your bookkeeping service. To you, his son is:

- (a) Not a competitor (b) An indirect competitor or alternative (c) A partner

Answers are at the end of the book.

For discussion and reflection

Write a persona for your venture in five lines: Who are they? What is their day like? Their problem? What do they do now? What would make them pay?

Chapter references

Blank, S., & Dorf, B. (2012). *The Startup Owner's Manual*. K&S Ranch.

Fitzpatrick, R. (2013). *The Mom Test*. CreateSpace.

Christensen, C. M., Hall, T., Dillon, K., & Duncan, D. S. (2016). *Competing Against Luck*. HarperBusiness.

6

The Business Model

How does a venture create value, deliver it and earn from it?

Two similar products may succeed or fail depending on how each makes money and reaches its customers. This is what we call the business model. In this chapter we present the Business Model Canvas and its nine components, go deeper into the value proposition, and then review common revenue models. We end with one of the most important secrets of outstanding entrepreneurial ventures: a deal where every party wins, meaning a model in which the customer is satisfied and pays an amount that rewards the venture owner and everyone who works with them.

Chapter objectives

After studying this chapter, you should be able to:

1. Explain the nine components of the business model.
2. Formulate the value proposition for your venture.
3. Choose a suitable revenue model.
4. Test your idea with the question "Does every party win?" and redesign it if they don't.

6-1 What Is a Business Model?

Alexander Osterwalder defines a business model as **the logic by which a venture creates value, delivers it to its customers, and captures a return from it**. In other words, it answers three connected questions: What value do we offer, and to whom? How do we deliver it to them? And how do we earn enough from it to cover our costs and make a profit?

To see why the business model matters, consider how the same service, "getting around the city," can be offered through completely different business models:

- A company that sells cars: the customer pays for the car once and owns it.
- A rental company: the customer pays to use the car for some days and then returns it.
- A ride-hailing platform: the company owns no cars; it connects drivers with riders and takes a share of each trip.
- Public buses: the rider pays a nominal fare, and a government body subsidizes the service.

The service is the same, but the way value is created and money is earned differs in each model. That is why researchers say that competition today is often between business models, not just between products.

6-2 The Business Model Canvas

In *Business Model Generation* (2010), Osterwalder and Yves Pigneur designed a visual tool that summarizes a venture on a single page, divided into nine blocks. The tool spread through universities and incubators around the world because it forces the team to think about the whole venture and allows it to be revised quickly.

The canvas is read in three parts: **one side** is about the customer and value (whom we serve and how we reach them), **the other side** is about operations (what we need in order to deliver the value), and **the bottom** is about money (where it comes from and where it goes). We will explain each block and apply it to one example that runs through the chapter:

The example: "Baroda," an annual air-conditioner maintenance subscription for homes and shops, including scheduled visits before summer and in mid-summer, and priority for emergency breakdowns.

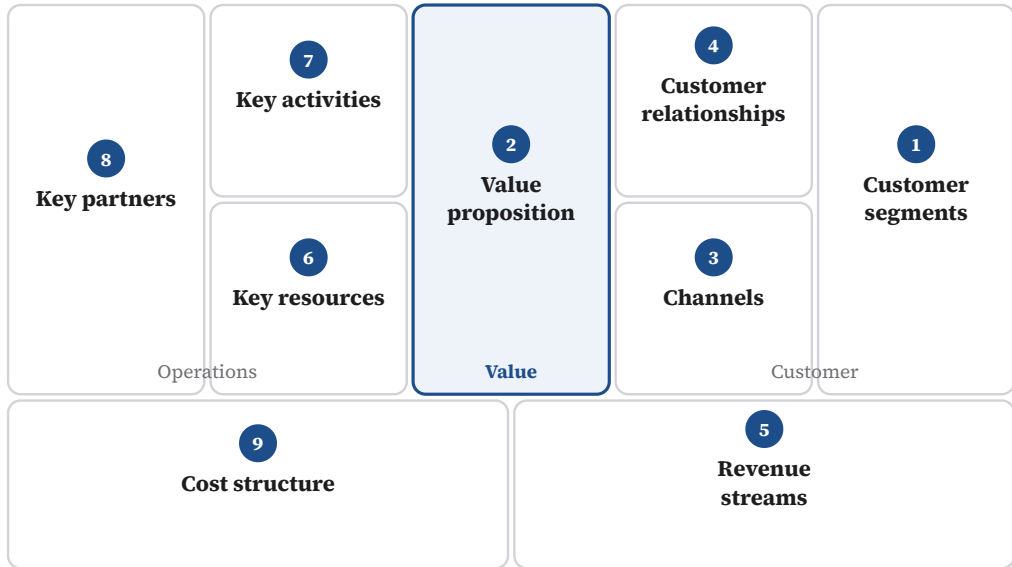


Figure: the Business Model Canvas (Osterwalder and Pigneur). The numbers suggest an order for filling it in: start with the customer and value, finish with costs.

1. Customer Segments

The question: For whom are we creating value? Who are our most important customers?

Here you define the groups the venture serves, with the precision explained in the previous chapter. A venture may serve one segment, or several segments with different needs. The rule is that each segment with a different need requires a different value proposition.

In the example: two segments: (a) households whose air conditioners break down at the peak of the heat, leaving them waiting days for a technician; (b) owners of small shops and offices, who lose customers and staff comfort when the cooling fails.

2. Value Proposition

The question: What problem do we solve for each segment? What benefit do we offer? Why would the customer choose us over the alternatives?

This is the most important block on the canvas, because everything else serves it. A value proposition is not a list of product features but **the benefit the customer**

feels. We expand on it in the fourth section.

In the example: for households: "Your air conditioners are serviced before summer on a fixed date for a fixed annual price, so they don't break down in the worst of the heat." For shops: "Don't lose customers because of a broken air conditioner: regular maintenance, and an emergency visit within hours."

3. Channels

The question: How do customers hear about us? How do they buy? How do we deliver the service? How do we support them after the sale?

Channels are the points of contact between the venture and the customer at every stage of their journey: advertising, sales, delivery and after-sales service. They may be direct (your website, your shop, your team) or indirect (a distributor, a platform, a partner).

In the example: awareness through neighborhood groups, real estate offices and residential compound managers; subscription and payment through a link; delivery through scheduled technician visits; after-sales support through a dedicated breakdown number.

4. Customer Relationships

The question: What type of relationship do we build with each segment? How do we win customers, keep them and grow what they buy?

The relationship may be personal (you know the customer by name), automated (an app with no human contact), or community-based (a group where customers interact with one another). Each type has a different cost and effect.

In the example: a reminder before every visit, a photo report after maintenance showing the condition of each unit, priority for subscribers when breakdowns happen, and a discount on renewal.

5. Revenue Streams

The question: What does the customer pay for? How do they pay? How much does each stream contribute to total revenue?

Here you set the revenue model (sale, subscription, commission...) and the pricing method. We present revenue models in detail in the fifth section.

In the example: an annual subscription priced by the number of units, payable in installments; spare parts charged separately; and one-off visits for non-subscribers at a higher price.

6. Key Resources

The question: What are the most important resources the venture cannot work without?

These include physical resources (equipment, premises, a vehicle), human resources (a skilled technician, a programmer), intellectual resources (a method, a technology, a brand) and financial resources (working capital).

In the example: trained, trustworthy technicians, a visit scheduling system, equipped vehicles, and a basic stock of spare parts.

7. Key Activities

The question: What are the most important things we must do well for our model to succeed?

Not all activities, but the ones that make the difference. In a software company the key activity is development; in a store it is inventory management and marketing; in a restaurant it is cooking quality and speed of service.

In the example: scheduling visits by neighborhood so a technician sees more than one customer in the same area, maintenance quality, fast response to breakdowns, and follow-up for subscription renewal.

8. Key Partners

The question: Who are the suppliers and partners we depend on? Which resources or activities do we get from them instead of doing them ourselves?

A venture does not need to do everything itself. Smart partnerships reduce costs and risks and provide resources the venture does not own.

In the example: a spare parts supplier at wholesale prices, real estate offices and compound managers who recommend the service for a commission, and a vocational training institute that supplies technicians.

9. Cost Structure

The question: What are the most important costs in our model? Which resources and activities are the most expensive?

Costs here are classified as fixed and variable (detailed in Chapter 9). Some ventures build their model on cutting costs as far as possible; others accept higher costs in exchange for higher value.

In the example: fixed: technicians' salaries, vehicle leases and the scheduling system subscription. Variable: consumables and fuel for each visit. The biggest hidden cost is **the technician's time on the road**, which is why scheduling is a key activity.

How to work with the canvas: print it large, and write each idea on a small sticky note rather than directly on the canvas, because the canvas will change often as you learn from customers. Start with blocks 1 and 2 (customer and value), because they are the foundation.

6-3 The Lean Canvas: A Version for Startups

Ash Maurya noticed that early-stage startups do not yet have clear partners or relationships, and that their biggest risk is building a solution to a problem that does not exist. In *Running Lean* he developed a modified version called the **Lean Canvas**, replacing four blocks:

Block in the original canvas	Replaced in the Lean Canvas by	Reason
Key Partners	Problem: the customer's top three problems, and existing alternatives	Because a startup must begin with the problem
Key Activities	Solution: the simplest solution to each problem	Because the solution must connect directly to the problem
Key Resources	Key Metrics: the numbers that tell you whether the venture is making progress	Because a startup needs to measure its learning

Block in the original canvas	Replaced in the Lean Canvas by	Reason
Customer Relationships	Unfair Advantage: what others cannot easily copy or buy	Because a successful idea is copied quickly

The two tools do not conflict: the Lean Canvas suits the idea and testing stage, and the original Business Model Canvas suits the stage when the model becomes clear and operations begin.

6-4 The Value Proposition in Detail

The value proposition is the promise you make to the customer: why should they choose you? It is built by understanding three things about the customer:

- **Jobs:** what is the customer trying to get done? (Keep the home cool all summer without interruption.)
- **Pains:** what annoys, blocks or worries them? (A sudden breakdown, waiting days for a technician, not knowing the fair price, fear of an unreliable technician.)
- **Gains:** what outcomes do they hope for? (Peace of mind, a cost known in advance, a technician who knows their units.)

You then design your product to be a **pain reliever** and a **gain creator**. This is the core of the Value Proposition Canvas, which Osterwalder and colleagues developed as a companion to the Business Model Canvas.

Value usually comes from one or more of these sources:

Source of value	Example
Saving time or effort	The customer does not need to search for a technician or chase them
Lowering cost	Regular maintenance is cheaper than repairing major breakdowns
Higher quality or performance	Trained technicians and a photo report after every visit

Source of value	Example
Convenience	Visits are scheduled automatically without the customer having to remember
Customization	A plan based on the number and type of units
Reducing risk	A maintenance guarantee and a fixed price known in advance
Social or emotional value	Peace of mind and reassurance about the family in summer

A template for writing the value proposition: "We help [customer] who struggles with [problem] to [desired outcome] through [solution]. Unlike [current alternative], we [what sets us apart]."

In the example: "We help households whose air conditioners break down in the height of summer to enjoy a comfortable, uninterrupted summer, through a regular maintenance subscription with fixed dates and a fixed price. Unlike calling a technician after a breakdown, we prevent the breakdown before it happens and arrive on time."

6-5 Common Revenue Models

The revenue model is the way the customer pays. Choosing it affects everything: the price, the relationship with the customer, and cash flow.

1. Direct sale

The customer pays for the product once and owns it. The simplest and clearest model, but it requires attracting the customer anew each time. (Shops, products.)

2. Subscription

The customer pays a recurring amount (weekly, monthly, yearly) for continuing service. For the venture, it makes revenue predictable and regular and eases planning; for the customer, it is often cheaper and easier. But it requires value to stay high constantly, or the customer cancels. (Streaming platforms, gyms, "Baroda.")

3. Commission

A platform connects two sides (seller and buyer, service provider and customer) and takes a share of each transaction. The platform does not need to own inventory or employ service providers, but it needs enough of both sides to work. (Delivery platforms, hotel booking.)

4. Freemium

A free basic version attracts a large number of users, and a paid version with extra features is bought by some of them. Its success depends on the free version being useful enough to attract people, and the paid version tempting enough for them to pay. (Cloud storage apps, language learning apps.)

5. Advertising

The service is free for the user, and advertisers pay to reach them. It needs a very large number of users to be profitable, so it rarely suits small ventures at the start. (Search engines, social media.)

6. Rental

The customer pays for temporary use instead of ownership. It suits expensive things people need only occasionally. (Equipment rental, travel and camping gear.)

7. Licensing

The venture sells the right to use its intellectual property (a brand, a technology, content, a design) to another party for a fee. (Enterprise software, brands.)

More than one model can be combined, as in our example: an annual subscription, plus the sale of spare parts, plus one-off visits for non-subscribers.

6-6 A Deal Where Every Party Wins

This section is among the most important in the book, because it addresses a mistake that recurs often in venture ideas: **an idea that is wonderful for the customer, but exhausting or loss-making for whoever delivers it.**

1. A venture has more than two parties

When we think about a venture, we usually think about the customer alone: Will they like it? Will they use it? But every real venture has other parties: the **entrepreneur**, who must earn what their effort and money deserve; the **workers**, such as the technician, the courier and the driver, who must earn a fair income for their time; and the **suppliers and partners**, such as the supplier, the shop and the platform, for whom the partnership must be worthwhile. A sustainable venture is one from which **every party comes away satisfied**, not just by using it, but because the customer pays an amount they see as fair, and that amount rewards the entrepreneur and the other parties properly.

If one party is "unhappy," the venture will not last long: a worker who does not earn enough leaves, a supplier who loses money withdraws, and an entrepreneur who works hard without profit eventually closes the venture, however happy the customers are.

2. The faces map

One of the simplest ways to test any idea is to draw a face for each party: a happy face if they gain and are comfortable, and a sad face if they lose or are overburdened. Then look at the faces together: is everyone smiling? Consider these two examples:

Party	Idea: a mobile barber who comes to the customer's home	Idea: a delivery platform connecting restaurants with customers (like HungerStation)
Customer	☹️ Likes having the barber come to them, but the price asked is too high, so they usually say: "Going to the shop is better for me."	😊 Receives exactly the order they chose, at a known time, without going out
Service provider	☹️ In the shop the barber serves many customers; going out to customers means fewer of them, higher costs and more scheduling problems	😊 The restaurant owner benefits because the platform markets the restaurant and connects it with customers it could not reach, without hiring couriers

Party	Idea: a mobile barber who comes to the customer's home	Idea: a delivery platform connecting restaurants with customers (like HungerStation)
Courier	—	😊 Starts work whenever they want, so they keep their freedom, and earn according to their effort
Venture owner	😞 Cannot find a price that satisfies both the barber and the customer	😊 The company manages and connects the parties; its effort is small relative to the number of daily orders, so it earns on every order
Result	Not everyone is smiling	Balanced, as long as the deal stays fair to each party

Notice in the second example that the restaurant owner was not obliged to hire full-time couriers and carry their salaries and cars during slow hours, the courier was not bound to fixed working hours, the customer did not have to go anywhere, and the company neither cooked nor owned cars. Each party got what it wanted and gave what it could.

3. The value pie: why is one party unhappy?

Researchers Adam Brandenburger and Harborne Stuart offer a simple and deep way to understand this, which can be summarized as follows:

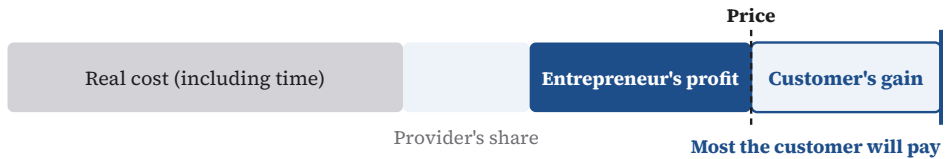
Value created by the venture = the most the customer is willing to pay – the least the service provider is willing to accept

The least the provider will accept is their real cost, and that includes their **time**: what they would have earned had they used that time on other work.

Picture this value as a **pie** divided among the parties: a slice for the customer (the difference between what they were willing to pay and what they actually paid, which is what makes them happy), a slice for the entrepreneur (profit), and a slice for the service provider and suppliers (what exceeds their costs). There are two cases:

- **If the pie is large** (the customer is willing to pay much more than the cost), each party can take a slice and everyone smiles.
- **If the pie is small or negative** (the real cost is higher than what the customer will pay), there is no price that makes everyone happy. Raise the price and the customer is unhappy; lower it and the provider or the entrepreneur is unhappy. The solution is not in the price, but in **redesigning the model** so the pie grows.

A large pie: everyone smiles



A negative pie: no price makes everyone happy

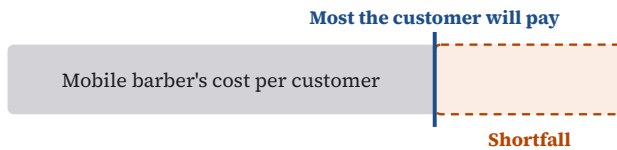


Figure: the value pie (Brandenburger and Stuart). Value is the distance between the real cost and the most the customer will pay, and the price divides it among the parties. When cost exceeds what the customer will pay, no price fixes it; only a change of model does.

4. A worked example: the mobile barber in numbers

Among the ideas students propose most often are the mobile barber, the mobile workshop and mobile car washing. These ideas really are attractive to customers, but let us think about them from the barber's side, with hypothetical numbers for illustration:

- **In the shop:** the barber cuts a customer's hair in about 30 minutes, and customers come to him, so in a working day (8 hours) he serves about 12 customers at SAR 40, or about SAR 480 a day.
- **When he goes to the customer:** the haircut still takes 30 minutes, but about 40 minutes are added for the road, finding parking and setting up. So he serves only about 7 customers a day, and pays about SAR 120 in fuel and car expenses.

Then come the **scheduling problems**: one customer is late, another cancels, a third is on the other side of the city, and time is lost that nobody pays for.

Now the question: **How much must the barber charge a customer at home to earn what he earns in the shop?**

The barber needs SAR 480 net + SAR 120 in travel costs = SAR 600 a day.

If he serves 7 customers: $600 \div 7 \approx$ **SAR 86** per customer. If he serves 6 because of cancellations and delays: $600 \div 6 =$ **SAR 100**.

In other words, the price that works for the barber is **more than double** the shop price.

This is where the problem shows: that amount is too high for most customers, so the customer usually says: "Going to the shop is better for me." And if the barber lowers the price so the customer accepts, he earns less than in his shop while working harder. In other words, **the pie is small**: what the customer will pay is less than the real cost of the barber's time and travel, so not everyone is smiling.

Can the idea be fixed? That is the real entrepreneurial question. The fix is not changing the price but changing the model so the pie grows, for example by bundling orders so the barber serves several people in one visit (a family, an office or a residential compound), or by targeting customers who value home service more and will pay for it (older people, people with disabilities, patients at home, and hotels). One of these solutions may work and it may not; what matters is that you do the calculation before you start.

The point is not that mobile services are a bad idea, but that their success depends on the business model, not on the idea. The question you should always ask is: **How long does it take to serve one customer, with all the time and cost around it? And who pays for that time?**

5. The secrets of models that make everyone happy

If you look at entrepreneurial ventures that stand out for a business model that satisfies all its parties, you will find they usually rely on one or more of these secrets:

1. **Using an idle resource:** a car parked most of the day, an empty room, equipment used only occasionally, or free time. The cost of this resource to its owner is very low because it already exists, so the gap between what the customer pays and what delivery costs grows. This is the secret of many sharing platforms.
2. **Bundling demand:** serving several customers in the same place or at the same time, as with the barber visiting a group, scheduling by neighborhood at "Baroda," or group orders.
3. **Predictable demand:** subscriptions and scheduled appointments allow time and resources to be planned precisely, so no time is wasted waiting and there is no rush one day and idleness the next.
4. **An intermediary that saves everyone something:** a platform connecting two sides who find it hard to find each other, cutting their search time and cost, and taking a small part of what it saved them.
5. **Serving those who value it most:** some customers are willing to pay more because the problem costs them more. A shop owner who loses customers when the cooling fails values fast maintenance more than an individual does, which is why many ventures turn to serving businesses.

6. The balance is fragile and needs watching

Even successful models can tip out of balance if one party squeezes another. Delivery platforms, for example, need constant balance: if they raise their commission on restaurants too much, restaurants raise prices and demand falls; if they cut couriers' pay too much, couriers leave, deliveries are late and customers get angry. So the successful entrepreneur keeps asking, not just once at founding:

Does every party still see the deal as worth it?

Platforms also face what is called the **chicken-and-egg problem**: customers will not come unless they find many service providers, and providers will not join unless they find many customers. The common solution is to start in a very small area (one neighborhood, or one group) and offer one side value even before the other side is complete.

7. Questions to test your idea

- Who are all the parties in my venture? (Do not forget yourself, the workers and the suppliers.)
- What does each party gain? And what does it pay or bear in money, time and effort?
- Does the customer really see the amount they will pay as worth it? (Do not rely on them "using" the service, but on them paying.)
- How long does it take to serve one customer, with everything around it? And who pays for that time?
- Can the model expand quickly and at a reasonable cost, or does every new customer need the same amount of new time and cost?
- If one of the faces is sad, can I adjust the model (bundling, subscription, another segment, using an idle resource) until it smiles?

Try this in the "Stakeholder Balance" tool in the toolbox.

Chapter summary

- The business model is the logic of creating value, delivering it and earning from it.
- The Business Model Canvas sums up a venture in nine components on a single page, and has a version for startups (the Lean Canvas).
- The value proposition answers the question: why would the customer choose us over the alternatives?
- Revenue models include sale, subscription, commission, freemium, advertising, rental and licensing.
- A sustainable venture satisfies all its parties: the customer pays an amount they see as fair, and it is enough for the entrepreneur, workers and partners to earn.
- If the real cost (including time) is higher than what the customer will pay, no price makes everyone happy, and the solution lies in changing the model, not the price.
- Among the secrets of balanced models: using idle resources, bundling demand, subscriptions, and an intermediary that saves everyone something.

Key terms

Business model	The logic of creating value, delivering it and earning from it.
Value proposition	The reason the customer chooses you over the alternatives.
Freemium	A free basic version and a premium paid version.
Commission model	Taking a share of each transaction between two sides through your platform.
Win-win deal	A model from which the customer, entrepreneur, workers and partners all come away satisfied, with the customer paying an amount that rewards everyone.

Value pie	The difference between the most the customer will pay and the real cost of delivering the service, including time.
------------------	--

Idle resource	An existing resource unused most of the time (a car, a room, equipment, free time), so it is cheap to put to use.
----------------------	---

Self-assessment questions

1. A free learning app with basic lessons, where the user pays to unlock advanced tests. Its revenue model:
(a) Advertising (b) Freemium (c) Licensing
2. "Why would the customer choose us over the alternatives?" is answered by which component?
(a) Cost structure (b) Value proposition (c) Key resources
3. A platform connects photographers with customers and takes 10% of each booking. Its model:
(a) Commission (b) Subscription (c) Direct sale
4. A barber serves 12 customers a day in his shop, but only 7 when he goes to homes, and pays travel costs. Why does the idea usually fail?
(a) Because customers don't like home service
(b) Because the price that works for the barber is much higher than most customers will pay
(c) Because cutting hair at home is harder
5. Which of these secrets explains why drivers are satisfied on ride-hailing platforms?
(a) Bundling demand (b) Using an idle resource: their car and free time (c) Advertising

Answers are at the end of the book.

For discussion and reflection

Draw the faces map for your venture idea: Who are all the parties? Is everyone smiling? And if one of them is sad, what would you change in the model to make them smile?

Chapter references

Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation*. Wiley.

Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). *Value Proposition Design*. Wiley.

Maurya, A. (2012). *Running Lean* (2nd ed.). O'Reilly.

Brandenburger, A. M., & Stuart, H. W. (1996). Value-based business strategy. *Journal of Economics & Management Strategy*, 5(1), 5–24.

Parker, G. G., Van Alstyne, M. W., & Choudary, S. P. (2016). *Platform Revolution*. W. W. Norton.

7

Testing and Prototyping

Build, measure, learn: how do you test your idea at the lowest cost?

The greatest danger facing a new venture is spending its time and money building something nobody wants. That is why methods developed that treat a venture as a series of small experiments. In this chapter we present the lean startup method, the types of minimum viable product, the stages of design thinking, the concept of the pivot, and the role of AI tools in testing.

Chapter objectives

After studying this chapter, you should be able to:

1. Explain the lean startup method and the build–measure–learn loop.
2. Choose the type of minimum viable product that suits your idea.
3. Explain the stages of design thinking and the meaning of a "pivot."

7-1 Why Test Before Building?

Imagine a team that spent six months coding an app for booking football fields, spent a large sum on its design and development, launched it, and discovered that young people book fields by calling a field manager they know, and see no need for an app. The team could have discovered this in a single week had it tested before building.

This story repeats itself often, and it is why methods emerged that treat a new venture differently: instead of planning at length and then executing, **test small, learn fast, then decide**. This chapter presents two complementary methods: the lean startup and design thinking.

7-2 The Lean Startup

Eric Ries set out this method in *The Lean Startup* (2011), drawing on Steve Blank's ideas about customer discovery and on Toyota's "lean production," which focuses on reducing waste. The core idea is that the biggest waste in new ventures is **building something nobody wants**. So the goal of a venture at the start should be **validated learning**: knowing, with evidence, what the customer actually wants.

The build–measure–learn loop

A lean venture works in a repeating loop, and the faster the loop, the faster the learning:

1. **Build**: build the simplest version of your idea that lets you test a specific hypothesis. Do not build the whole product.
2. **Measure**: put this version in front of real customers, and measure what they **do**, not what they say: How many signed up? How many ordered? How many came back a second time?
3. **Learn**: compare the results with what you expected. Is the hypothesis right? If so, move on to the next hypothesis. If not, adjust or pivot.

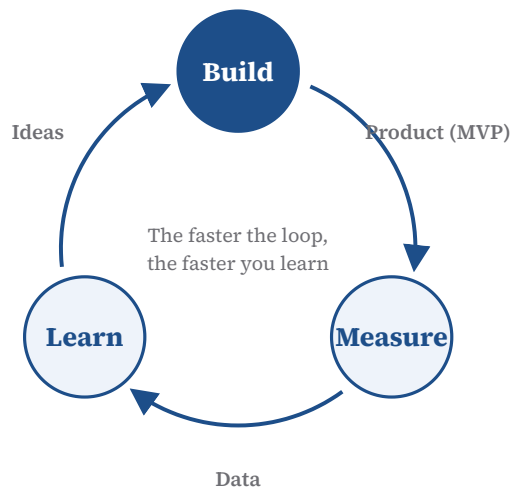


Figure: the build–measure–learn loop of the lean startup method (Ries).

Start with a hypothesis

Every experiment starts with a clearly written hypothesis, so that you know in advance what you are testing and when the experiment counts as a success. A useful template:

"We believe that **[customer]** will **[specific behavior]** because **[reason]**. We will know we are right if **[clear numerical measure]** within **[period]**."

Example: "We believe that households in new neighborhoods will subscribe to annual maintenance of their air conditioners before summer, because they suffered breakdowns and waits for technicians last summer. We will know we are right if at least 15 of the 100 households we reach subscribe within two weeks."

Notice that the hypothesis sets a number before the experiment. If only 3 households subscribe, you cannot say "the result is fairly good," because you decided in advance what success means.

7-3 The Minimum Viable Product (MVP)

A minimum viable product is **the simplest version of a product that lets you learn from real customers with the least effort and cost**. The concept is often misunderstood: it is not a poor version of the final product, but an **experiment** designed to answer a question. It may need no coding or manufacturing at all.

There are many kinds, listed here from the simplest to the most committed:

1. Paper or visual prototype

You draw the app's screens or the service's stages on paper and ask the user to "use" them with a finger while you flip the pages. It quickly shows whether the user understands the idea and how to use it. Its cost is almost zero, and it takes an hour.

2. Landing page

A simple web page that describes the service as if it already existed, with a "Register your interest" or "Reserve your spot" button. You post the link where your customers are and measure: How many people visited the page? How many signed up? The sign-up rate indicates real interest. Such a page can be built today with free tools and no coding.

3. Explainer video

A short clip showing how the service will work. It is used when the product is hard to build but easy to explain. You publish it and measure engagement, questions and sign-up requests.

4. Concierge MVP

You deliver the service manually, yourself, to a small number of customers, who know you are doing it by hand. Example: before building a delivery app, you take orders via WhatsApp and deliver them yourself to twenty customers for two weeks. You will learn what people actually order, when, and what annoys them, before writing a single line of code.

5. Wizard of Oz MVP

The name comes from the story of the wizard who appears mighty and turns out to be an ordinary man behind a curtain. The customer sees an interface that looks automated or intelligent, but a person is working behind it by hand. Example: a "smart book recommendation" service where the customer fills in a form and receives recommendations within an hour, while a team member writes them personally. The difference from the concierge MVP is that the customer does not know the work is manual.

6. Pre-order

You offer the product for sale before making it, and the customer pays in advance or commits to buy. This is the strongest possible evidence of demand, because paying is a real commitment with no politeness in it. Crowdfunding platforms rely on it.

Type	What it mainly tests	Strength of evidence
Paper prototype	Understanding and ease of use	Weak to medium
Landing page and video	Interest in the idea	Medium
Concierge and Wizard of Oz	Actual use and operational details	Strong
Pre-order	Willingness to pay	Strongest

When should I launch? A question students ask often: should I wait until the product is complete and perfect, or launch quickly? The answer lies in the idea of the minimum itself: don't wait for perfection. Launch the simplest version that is enough for the customer to try, then improve it with what you learn from real use. A product that waits for perfection may never reach anyone.

7-4 Design Thinking

Design thinking is a problem-solving approach that puts the **human being** at the center of the process: it starts with a deep understanding of people's needs, feelings and behavior, then designs solutions with them and for them. It grew out of the way designers work, and was spread by the design firm IDEO and Stanford University's design institute (the d.school). Tim Brown, IDEO's chief executive, describes it as an approach that balances three things: what people desire, what is technically feasible, and what is commercially viable.

Design thinking differs from the traditional way of solving problems in two respects: it does not jump to a solution before understanding the problem from the person's point of view, and it is **non-linear**, meaning the team moves between stages and returns to earlier ones whenever it learns something new. The Stanford d.school divides it into five stages, which we explain one at a time and apply to a single example:

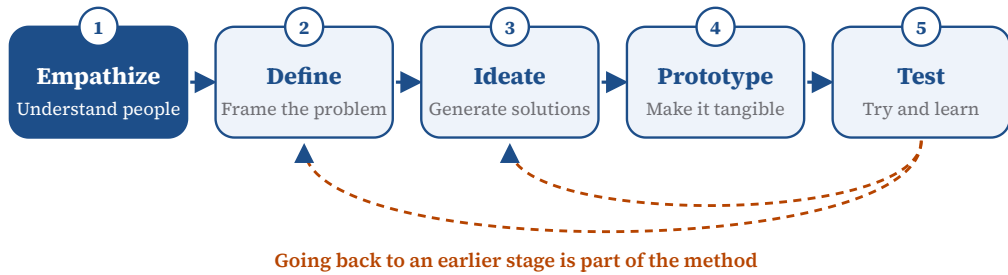


Figure: the five stages of design thinking (Stanford d.school), which are not a straight line.

The example: a team of students noticed that older people in their neighborhood struggle when visiting the hospital for regular follow-up appointments.

Stage 1: Empathize

The goal: to understand the people you are designing for: What do they do? What do they say? What do they feel? And what do they not say?

How? Through three main means:

- **Observation:** watch people in their real environment without intervening. What do they do? Where do they stop? What confuses them?
- **Interviews:** talk with them about their experiences, with open questions about specific situations, as explained in Chapter 5. And ask "Why?" a lot.
- **Immersion:** go through the experience yourself. Make the follow-up journey the way an older person does.

In the example: the team accompanied three older people to their appointments, and interviewed five others and their adult children. They noticed that an older person arrives an hour before the appointment for fear of being late, gets lost between departments, and that his son has to take time off work to accompany him; and that what bothers the older person most is not the waiting but the feeling of being a burden on his children.

Output of the stage: observations and quotes from people, which the team sometimes organizes into an "empathy map" with four parts: What do they say?

What do they do? What do they think? What do they feel?

Stage 2: Define

The goal: to turn the observations you gathered into a **clear definition of the real problem** from the person's perspective, not yours.

How? The team gathers the observations and looks for recurring patterns and surprises, then writes a **point-of-view statement** in the form: "[User] needs [need] because [insight we discovered]." Then it turns it into a "How might we...?" question.

In the example: the team noticed that the problem they assumed at first ("the wait is long") was not the real problem. They wrote: "An older person who visits the hospital regularly needs to go and return independently and with peace of mind, because he feels embarrassed about being a burden on his children." And the question: "How might we help older people attend hospital appointments independently, without worrying or wearing out their children?"

Why does this stage matter? Because the definition of the problem determines the type of solutions. Had the team kept the definition "the wait is long," it would have designed a faster booking system, a solution that does not touch what really bothers the older person.

Stage 3: Ideate

The goal: to produce as many varied solutions as possible to the question you framed, before choosing.

How? With the techniques from Chapter 3: brainstorming, reverse brainstorming and SCAMPER, with criticism postponed. The team is encouraged to propose bold ideas, because they often lead to practical solutions once adjusted. Then the team chooses 2–3 ideas to test, by voting or using evaluation criteria.

In the example: the team came up with more than thirty ideas, including: a volunteer companion from the neighborhood's young people, a dedicated transport service for older people, a printed guidance card in large type for each appointment, voice messages before the appointment, and a group of older people who go together. They chose two: "a trained companion from health-sciences graduates" and "a personal appointment guidance card."

Stage 4: Prototype

The goal: to make the idea **tangible** quickly and cheaply, so people can interact with it and comment on it. People cannot judge an idea they hear about, but they can judge something they see or try.

How? In any form that suits the idea: a sketch, a cardboard model, a printed card, acting out the situation (role play), or delivering the service manually once. The rule: do not get attached to the prototype; it is made to change, and sometimes to be thrown away.

In the example: the team designed a printed card in large type with the department name, a simple map showing how to get there, and the companion's number. They also arranged a companion trial for two appointments with three nursing graduates.

Stage 5: Test

The goal: to try the prototype with real users, to learn what works and what does not, and to understand the user better.

How? Let the user deal with the prototype themselves, and do not explain too much. Observe, and after the trial ask: What did you like? What confused you? What if it were like this? Record the observations carefully.

In the example: the team discovered that the card is useful, but older people prefer the companion to call them a day before the appointment "for reassurance." They also discovered that the adult children are willing to pay for a reliable companion service, because it saves them taking time off work. Here the team went back to the define stage: perhaps the paying customer is the son, and the beneficiary is the father.

Remember that the stages are not a straight line. Testing may reveal that the problem definition needs revising, so you go back to the define stage, or it may produce new ideas, so you go back to ideation. This movement is not failure; it is the nature of the method.

How design thinking and the lean startup relate

The two methods complement each other: design thinking is stronger at **understanding the problem and finding the solution that suits people**, and the lean startup is stronger at **testing the business model** (Will people pay? Can the venture grow?). Many teams start with design thinking and move to the build-measure-learn loop once the solution is clear.

7-5 The Pivot

When experiments show that part of your hypotheses is wrong, you face three options: **persevere** because the results are encouraging, **pivot**, or **stop**. A pivot, as Ries defines it, is a deliberate change in one part of the business model based on what you have learned, while keeping what has proven to work. The term comes from the basketball player who keeps one foot planted and moves the other to change direction.

Common types of pivot include:

- **Customer segment pivot:** the product solves a real problem, but for a different customer than the one you targeted. (In the older people example: the paying customer is the son.)
- **Problem pivot:** the customer is right, but the problem that hurts them is different.
- **Zoom-in pivot:** one feature of your product is what people love, so you make it the whole product.
- **Revenue model pivot:** people want the product, but with a different way of paying (a subscription instead of a sale, for example).
- **Channel pivot:** the product is good, but the way of reaching the customer does not work.

Well-known examples: Instagram began as an app called Burbn for checking in at places and sharing them, with many features. Its founders noticed that users used nothing in the app except photo sharing, so they removed everything else and focused on it (a zoom-in pivot). And Slack, the team communication tool, came out of an internal tool built by a company developing an online game that did not succeed; the company dropped the game and kept the tool.

7-6 Artificial Intelligence in Testing

Generative AI tools have become part of entrepreneurs' work today, and they save a great deal of time in the testing stages. You can use them to:

- Suggest interview questions and review your own to avoid leading questions.
- Summarize interview notes and draw out recurring patterns.
- Draft the text of a landing page, or design it.
- Generate additional ideas in a brainstorming session.
- Play the role of the "critic" looking for holes in your idea.

But these tools have limits you need to know:

- What they say about your customers is a **hypothesis** based on general patterns, not evidence about your own customers. It cannot replace talking with people.
- They do not know your local environment and its details as you do.
- They may invent numbers, sources or facts that sound convincing but are wrong, so verify every piece of information you get.
- If they write your work for you, you will not learn the skill you came to learn.

In a study I conducted with 123 university students from several disciplines (Alsamani, 2026), students applied a **structured** protocol for collaborating with generative AI tools for two weeks within an innovative business project. They reported that this collaboration helped them prepare deeper SWOT analyses and generate innovative ideas, and that among the most useful things they did were rephrasing prompts, asking for clarification, and questioning their projects'

assumptions. The key word here is "structured": knowing what to ask the tool for, when and why, and remaining the one who makes the decisions.

The practical rule: use AI as an **assistant** in developing and building ideas, not as a **substitute** for your thinking and for your own voice in writing.

Chapter summary

- A new venture is an experiment whose aim is to learn as fast and cheaply as possible through the build–measure–learn loop.
- A minimum viable product is the simplest version that allows learning from real customers, and it takes many forms.
- Design thinking is a human-centered approach with five repeating stages.
- A pivot is a deliberate change based on evidence, not an escape from the venture.
- AI is an assistant in testing, and what it says about customers is a hypothesis that needs verifying.

Key terms

Build–measure–learn	The testing loop of the lean startup method.
MVP	The simplest version that allows learning from real customers.
Hypothesis	A testable expectation about customer behavior.
Pivot	A deliberate change in part of the model based on evidence.
Design thinking	A human-centered problem-solving approach in five stages.

Self-assessment questions

1. A team ran a delivery service by hand over WhatsApp for two weeks before building an app. This is an MVP of the type:
(a) Concierge (b) Pre-order (c) Explainer video
2. The strongest evidence of customer interest:
(a) They said the idea is wonderful (b) They paid an amount or pre-ordered
(c) They liked the post
3. A pivot means:
(a) Abandoning the venture for good
(b) Changing part of the model based on what we have learned
(c) Copying a competitor's idea

Answers are at the end of the book.

For discussion and reflection

Write one hypothesis for your venture, and design the cheapest experiment that tests it within a week.

Chapter references

- Ries, E. (2011). *The Lean Startup*. Crown Business.
- Brown, T. (2009). *Change by Design*. HarperBusiness.
- Hasso Plattner Institute of Design at Stanford. (n.d.). *An Introduction to Design Thinking: Process Guide*.
- Blank, S. (2013). Why the lean start-up changes everything. *Harvard Business Review*, 91(5), 63–72.
- Alsamani, O. A. (2026). Structured collaboration with generative artificial intelligence to foster innovation and strategic thinking in entrepreneurship education. *Discover Education*, 5, Article 582.
<https://doi.org/10.1007/s44217-026-01593-9>

8

Marketing for New Ventures

Who knows about you? Why do they buy? Why do they come back?

An excellent product nobody knows about will not succeed, while an ordinary product with smart marketing may spread widely. But marketing in new ventures differs from marketing in large companies: the budget is small, the brand is unknown, and every customer matters. In this chapter we cover the foundations of marketing, from choosing the customer and positioning, to the marketing mix, the customer journey, digital marketing and measuring results.

Chapter objectives

After studying this chapter, you should be able to:

1. Apply the marketing mix and the segmentation, targeting and positioning process.
2. Write a positioning statement for your venture.
3. Build a simple digital marketing plan and measure its results.

8-1 What Is Marketing?

Many people reduce marketing to advertising or posting on social media, but advertising is a small part of it. Philip Kotler, one of the best-known authors in the field, defines marketing as the process of **creating value for customers and building strong relationships with them, in order to capture value from them in return**. In other words, marketing begins long before advertising: with understanding the customer, choosing whom to serve, designing an offer that suits them, delivering it, and then keeping them.

Marketing conditions in a new venture differ from those in large companies: the budget is small, the brand is unknown, and customers do not trust something they

have not tried. A new venture therefore needs **focused, smart** marketing more than broad, expensive marketing.

8-2 Segmentation, Targeting, Positioning (STP)

Before deciding what to say and where to advertise, you must decide **whom** you are talking to, and **how** you want them to see you. This is the STP model, three consecutive steps:

1. Segmentation

Dividing the market into groups with similar needs and characteristics, using the bases explained in Chapter 5: demographic, geographic, behavioral and psychographic.

2. Targeting

Choosing the segment (or segments) you will focus on. The target is chosen with three questions: Is the segment large enough and profitable? Can we reach and serve it? Can we outperform competitors in it? Trying to target everyone makes your message generic and noticed by no one.

3. Positioning

Positioning is **the place you want your venture to occupy in the customer's mind relative to the alternatives**. Al Ries and Jack Trout explained in their famous book *Positioning* that customers are exposed to thousands of messages, so they file products in their minds under a single simple word or idea: this one is "the cheapest," that one "the fastest," a third "the most luxurious." A venture that does not define its position is placed wherever the customer pleases, or forgotten.

Positioning is usually defined by one main advantage, not a long list of features. This template helps you write a positioning statement:

"For **[target customer]** who **[need or problem]**, **[venture name]** is the **[product category]** that **[main benefit]**. Unlike **[main alternative]**, it **[reason it stands out]**."

Example: "For shop owners who lose customers when the air conditioning fails, Baroda is a regular maintenance subscription that guarantees an emergency visit within hours. Unlike the technician you call after a breakdown, we prevent the breakdown before it happens and know your units."

A positioning statement is not an advertising slogan to publish, but an internal compass for the team: every decision about pricing, design and advertising should be consistent with it.

8-3 The Marketing Mix (4Ps)

Once you have defined the customer and the positioning, you translate them into practical decisions about four elements, formulated by E. Jerome McCarthy in the 1960s and popularized by Kotler:

1. Product

What exactly are we offering? This includes the product itself, its quality, design, packaging and name, and the services that accompany it. The most important question here is: **what is the benefit, not the specification?** A customer does not buy "a 20-liter waterproof backpack"; they buy "a bag that protects your laptop and books in the rain." That is why it is said that people do not buy a drill; they buy the hole in the wall.

2. Price

How much does the customer pay, and how? Price is not just a number but a marketing message: a high price suggests quality and distinction, while a low price suggests economy and may suggest poor quality. Price must be consistent with positioning. We discuss pricing methods in detail in Chapter 9.

3. Place (distribution)

Where and how does the customer get the product? In a shop, online, by delivery, or through a distributor. The rule is to be where your customer is, and to make getting your product as easy as possible. Every extra step the customer needs in order to buy reduces the number who complete the purchase.

4. Promotion

How does the customer learn about your product and become convinced by it? This includes advertising, content, public relations, offers, personal selling and digital marketing. We expand on it in the fifth section.

Extra elements for services

Because a service cannot be touched before it is bought, researchers added three elements for service marketing, making the mix seven elements (7Ps):

- **People:** whoever delivers the service is part of it. The manner of the employee or courier makes or breaks the experience.
- **Process:** the steps of delivering the service: How does the customer book? How long do they wait? How do they pay? Every step is part of the experience.
- **Physical evidence:** what the customer sees and touches and uses to judge the quality of a service they cannot see: the cleanliness of the premises, the packaging, the website design, the uniform, the invoice.

8-4 The Customer Journey

Customers do not buy in a single moment. They go through stages, from the first time they hear about you to becoming a regular customer who recommends you. Understanding these stages helps you see where you lose customers:

Stage	What happens	A question for the venture
Awareness	The customer learns you exist for the first time	Do our target customers even see us?
Interest	They want to know more	Is our message clear, and does it speak to their problem?

Stage	What happens	A question for the venture
Evaluation	They compare you with the alternatives	Why would they choose us? Do we have evidence and trust (reviews, a trial)?
Purchase	They decide and pay	Is buying easy? How many steps does it take?
Experience	They use the product or service	Does the experience deliver on the promise?
Repeat	They come back to buy again	What makes them come back?
Recommendation	They talk about you to others	Is the experience worth talking about?

Note that keeping a customer is much cheaper than attracting a new one, which is why marketing does not end at the sale; it starts there.

8-5

Digital Marketing for a New Venture

Digital platforms have let small ventures reach their customers at low cost, but they have also made competition for attention fierce. Here are some practical principles:

1. Focus on one or two channels

Do not try to be on every platform with poor quality. Choose the platform where your target customer spends time, and master it. Gabriel Weinberg explains in *Traction* that most successful ventures grew at first through one main channel they discovered by experimenting.

2. Content before advertising

Useful content builds trust before the sale: show the problem and how you solve it, behind-the-scenes work, real customer stories, and useful tips in your field. People follow those who help them, then buy from those they trust.

3. Short video

Short video has become one of the most widespread forms of content on the platforms. It does not need professional equipment; clarity, honesty and a good

idea matter more than filming quality.

4. Personal recommendation

In close-knit societies like ours, buying decisions are strongly influenced by the opinions of relatives and friends. A satisfied customer who talks about you is more powerful than any advertisement. You can encourage this with an experience worth talking about, or with a referral program that rewards whoever brings in a new customer.

5. Micro-influencers

Accounts with fewer followers who are interested in your field or in your city are often more useful, cheaper and more credible than celebrities. Make sure any collaboration with them is clearly disclosed, in compliance with regulations and out of respect for the audience.

6. Customer service is part of marketing

A fast, polite reply and solving the problem when it happens create loyalty. A complaint handled well can turn an angry customer into one of your most loyal.

8-6 Measure, Don't Guess

One advantage of digital marketing is that it can be measured. The most important metrics for a new venture are:

- **Conversion rate:** the share of those who completed a purchase out of those who viewed or visited. If 500 people visit your page and 25 buy, the conversion rate is 5%.
- **Customer acquisition cost (CAC):** total marketing spend in a period ÷ the number of new customers in the same period. If you spend SAR 3,000 and gain 60 customers, the cost per customer is SAR 50.
- **Customer lifetime value (LTV):** the average a customer pays over their whole relationship with you. If a customer buys a monthly subscription at SAR 100 and stays six months on average, their value is about SAR 600 in revenue.
- **Retention rate:** the share of customers who come back or renew.

The basic rule: **customer value must be clearly greater than the cost of acquiring the customer**, or every new customer loses you money. In the example above, if customer value is SAR 600 and acquisition cost is SAR 50, the model is healthy. But if a customer buys once for SAR 40 and costs SAR 50 to acquire, the venture loses money with every customer.

8-7 Honest Marketing

Marketing that succeeds over the long term rests on trust. So avoid exaggerated promises you cannot keep, fake reviews and ratings, undisclosed advertising presented as personal opinion, and hidden fees or conditions. Comply with the regulations governing advertising, e-commerce and consumer protection, and respect your customers' data and privacy. A reputation built in a year can be destroyed in a day, especially in a society where news travels fast.

Chapter summary

- Marketing is understanding the need, designing an offer that meets it, delivering it to the customer and keeping them.
- Marketing starts with choosing the segment, then defining the positioning relative to the alternatives.
- The marketing mix: product, price, place and promotion, with people, process and physical evidence added for services.
- A new venture focuses on one or two channels, and measures customer acquisition cost and lifetime value.

Key terms

STP	Segmentation, then targeting, then positioning.
Positioning	The image the customer holds of you compared with the alternatives.
4Ps	Product, price, place, promotion.

CAC	The cost of acquiring one customer.
LTV	The value of what a customer pays over their whole relationship with the venture.

Self-assessment questions

1. You spent SAR 2,000 on ads and gained 50 new customers. Customer acquisition cost:
(a) SAR 40 (b) SAR 100 (c) SAR 250
2. The best strategy for a new venture with a small budget:
(a) Advertising on every platform
(b) Focusing on one or two channels where the customer is
(c) Waiting for the product to spread on its own
3. "Physical evidence" in service marketing means:
(a) The premises, packaging and appearance (b) The invoice only
(c) The number of employees

Answers are at the end of the book.

For discussion and reflection

Write a positioning statement for your venture, then read it to someone outside the team: did they understand why you are different?

Chapter references

- Kotler, P., & Armstrong, G. (2021). *Principles of Marketing* (18th ed.). Pearson.
- Weinberg, G., & Mares, J. (2015). *Traction*. Portfolio.
- McCarthy, E. J. (1960). *Basic Marketing: A Managerial Approach*. Irwin.
- Ries, A., & Trout, J. (2001). *Positioning: The Battle for Your Mind*. McGraw-Hill.

Part Three

The Venture Survives and Grows

What does a venture need in order to survive? Honest numbers and suitable funding, a legal and ethical foundation, the ability to present the idea and persuade others, and an awareness of why ventures grow and why they stumble.

Chapter 9 Fundamentals of Finance and Funding

Chapter 10 Legal and Ethical Aspects

Chapter 11 Pitching and Persuasion

Chapter 12 Growth and Lessons from Success and Failure

9 Fundamentals of Finance and Funding

Costs, pricing, break-even, cash flow and sources of funding

Many students avoid the financial side, thinking it is for accountants. But its basics are simple, and knowing them is what separates a nice idea from a venture that survives. In this chapter we explain the types of costs, revenue and profit, contribution margin and the break-even point, pricing methods, the difference between profit and cash flow, and then the sources and stages of funding.

Chapter objectives

After studying this chapter, you should be able to:

1. Distinguish between start-up, fixed and variable costs.
2. Calculate contribution margin and the break-even point.
3. Distinguish between profit and cash flow, and know the sources and stages of funding.

9-1 Why Every Entrepreneur Needs Financial Basics

It is said that money is the language of business: every decision in a venture, from price to the number of employees to expansion, is ultimately translated into numbers. An entrepreneur does not need to be an accountant, but does need a clear grasp of a few basic concepts, because their absence is why many small ventures sell a lot and then close: their owners did not work out properly how much each product costs them, or how much they must sell to cover their costs.

In this chapter we explain the concepts one after another and apply them to a single example, so you can see how they fit together:

The example: "Hamsa," a small specialty coffee roastery that roasts its own beans and sells them in bags through an online store, shipping to customers in cities across Saudi Arabia.

9-2 Types of Costs

The first step is knowing where the money goes. Costs in small ventures fall into three types, and confusing them is one of the most common mistakes:

1. Start-up (capital) costs

Paid **once** when the venture starts, to get it ready to operate. They do not recur every month, but they can be large. They include: equipment and machines, fitting out the premises, designing the brand identity and logo, the first license, initial inventory, and the rent deposit.

In the example: a small roasting machine and equipment (SAR 20,000), fitting out the premises (5,000), designing the identity and online store (4,000), and license and procedure fees (1,000). Total: SAR 30,000.

2. Fixed (operating) costs

Recur **every month** and do not change with sales volume: you pay them whether you sell one bag or a thousand. They include: rent, fixed salaries, subscriptions (internet, software, platforms), average electricity and water, insurance, and loan installments.

In the example: roastery rent (SAR 3,000), an assistant's salary (4,500), and electricity plus store and platform subscriptions (1,500). Total: SAR 9,000 a month.

Don't forget your own salary. Many students count their employees' salaries and forget themselves, so the venture looks profitable when in fact it does not reward its owner for their time. If you will work in the venture, give yourself a reasonable salary within the fixed costs, then look again: is the venture still profitable?

3. Variable costs

Linked to **each unit sold**: they rise as sales rise and fall as sales fall. They include: raw materials, packaging, payment gateway fees, delivery charges per order, and platform commission if any.

In the example: green coffee beans (SAR 18 per bag), the bag and label (3), and shipping and payment fees (4). Total: SAR 25 per bag.

How do you tell fixed from variable? Ask: if I sold nothing this month, would I still pay this cost? If yes, it is fixed; if no, it is variable. Some costs are mixed, like electricity, which has a fixed part and a part that grows with production; in small ventures it is enough to estimate it at its monthly average within fixed costs.

Time is a cost too

One of the costs most often overlooked by people with new ideas is **time**. If the service requires the provider to spend time on the road, waiting or setting up, the customer pays nothing for that time, but it reduces the number of customers who can be served in a day, raising the real cost per customer. So always ask: **How many customers can the venture actually serve in a day?** And look back at the mobile barber example in Chapter 6, where the barber needed more than double the shop price to earn the same income.

9-3 Revenue and Profit

Revenue is the money that comes into the venture from sales: unit price $\times$ number of units sold. It is not profit, but the money before any cost is deducted.

Costs are then deducted in stages, and the table that shows this is called the **income statement** (or profit and loss statement). Suppose Hamsa sells a bag for SAR 55 and sold 400 bags this month:

Item	Calculation	Amount (SAR)
Revenue	400×55	22,000
(-) Variable costs	400×25	10,000

Item	Calculation	Amount (SAR)
= Total contribution margin	22,000 – 10,000	12,000
(–) Fixed costs	Rent + salary + services	9,000
= Operating profit	12,000 – 9,000	3,000

Statutory obligations such as zakat or tax, depending on the business's status, are then deducted from operating profit, leaving **net profit**. The **profit margin** is profit as a share of revenue: in the example $3,000 \div 22,000 \approx 14\%$, meaning the venture keeps about SAR 14 of every SAR 100 it sells, before statutory obligations.

9-4 Contribution Margin and the Break-even Point

These are the two most important concepts in this chapter, because they answer every entrepreneur's question: **How much must I sell so I don't lose money?**

Unit contribution margin

The difference between the selling price of a unit and its variable cost:

Unit contribution margin = selling price – variable cost per unit

In the example: $55 - 25 = \text{SAR } 30$

It is called a "contribution margin" because every bag you sell "contributes" SAR 30: first to covering fixed costs, and once they are all covered, everything beyond is profit.

The break-even point

The sales volume at which revenue equals total costs, so the venture neither profits nor loses:

Break-even point (units) = monthly fixed costs ÷ unit contribution margin

In the example: $9,000 \div 30 = \text{300 bags a month}$, or 10 bags a day on average.

Let us check: at 300 bags, revenue = $300 \times 55 = \text{SAR } 16,500$, and costs = $(300 \times 25) + 9,000 = 7,500 + 9,000 = \text{SAR } 16,500$. Profit is zero.

Monthly sales	Total contribution margin	Fixed costs	Result
200 bags	6,000	9,000	Loss of 3,000
300 bags	9,000	9,000	Break-even (zero)
400 bags	12,000	9,000	Profit of 3,000
600 bags	18,000	9,000	Profit of 9,000



Figure: the break-even point for the Hamsa roastery. Below 300 bags revenue is under costs (a loss); beyond it, every extra bag adds SAR 30 to profit, as long as the price and variable cost stay the same.

What do you do with the break-even point? Ask: Is selling 10 bags a day realistic? How many orders do we actually expect, based on our experiments? If the number is far from reality, you have three options: raise the price (if the value allows it), lower the variable cost (a cheaper supplier, simpler packaging, consolidated shipping), or lower the fixed costs (smaller premises, or renting time on an existing roastery at first instead of buying a machine). Try these scenarios in the break-even calculator in the toolbox.

Where do start-up costs go?

Notice that we did not include the SAR 30,000 in start-up costs in the monthly break-even calculation. The reason is that it is not a monthly cost but an amount paid once, recovered from profits after passing the break-even point. The time needed to recover it is called the **payback period**:

Payback period = start-up costs ÷ monthly profit

If the venture sells 400 bags a month (profit SAR 3,000): $30,000 \div 3,000 = 10$ **months**.

If it sells 600 bags (profit 9,000): $30,000 \div 9,000 \approx 3.3$ **months**.

A common mistake is for a student to divide the start-up costs by the contribution margin and call the result "the break-even point." That result tells you how many units you need to recover the start-up costs, but it ignores the fixed costs you pay every month.

9-5 Profit Margin and Net Profit: The Coffee Cup Example

Many people confuse three closely related terms: **contribution margin**, **net profit** and **profit margin**. To make the differences clear, let us take the simplest venture possible: a small café that sells only one product, a single type of coffee at a single price, so the calculation is easy and every concept stands out.

The example: a café that sells only one type of coffee, at SAR 15 a cup. The variable cost of a cup is SAR 6 (coffee 3, milk 1.5, cup and lid 1, payment fee 0.5). Its fixed costs are SAR 15,000 a month (rent 6,000, two employees' salaries 8,000, electricity and subscriptions 1,000).

1. Contribution margin: what one cup leaves behind

Contribution margin per cup = $15 - 6 = \text{SAR } 9$. This is not profit yet; it is what remains of the cup after its variable cost, and it goes first to covering the rent and salaries. The break-even point = $15,000 \div 9 \approx 1,667$ **cups a month**, about 56 cups a day.

2. Net profit: what is actually left at the end of the month

Suppose the café sold 2,000 cups this month:

Item	Calculation	Amount (SAR)
Revenue	$2,000 \times 15$	30,000
(-) Variable costs	$2,000 \times 6$	12,000
= Total contribution margin	$2,000 \times 9$	18,000
(-) Fixed costs	Rent + salaries + services	15,000
= Operating profit	$18,000 - 15,000$	3,000
(-) Statutory obligations (such as zakat), assumed		300
= Net profit	$3,000 - 300$	2,700

Notice the large difference: every cup "contributes" SAR 9, but the net amount left from each cup this month is $2,700 \div 2,000 =$ only **SAR 1.35**. If we break down the price of a cup (SAR 15), it divides like this: SAR 6 variable cost, SAR 7.5 its share of fixed costs ($15,000 \div 2,000$), SAR 0.15 statutory obligations, and SAR 1.35 net profit. That is why it is wrong to say "I make SAR 9 on every cup."

3. Profit margin: profit as a share of sales

Net profit margin = net profit $\div$ revenue. In the example: $2,700 \div 30,000 = 9\%$, meaning the café keeps SAR 9 of every SAR 100 it sells. This ratio is useful because it allows comparison between two ventures of different sizes, or between two months of the same venture.

4. What stays fixed, and what changes with sales?

If the number of cups sold changes, while the price and costs stay the same:

Cups per month	Revenue	Operating profit	Average profit per cup	Profit margin	What each extra cup adds
1,000	15,000	-6,000	-6	-40%	9
2,000	30,000	3,000	1.5	10%	9

Cups per month	Revenue	Operating profit	Average profit per cup	Profit margin	What each extra cup adds
3,000	45,000	12,000	4	about 27%	9
4,000	60,000	21,000	5.25	35%	9

The last column is constant: every extra cup adds SAR 9, before the break-even point and after it; before it, the 9 goes to covering fixed costs, and after it, it becomes profit. But the average profit per cup and the profit margin rise with sales, because the same fixed costs are spread over more cups. However much sales grow, the profit margin before obligations will never exceed 60% ($9 \div 15$), because that is the most a cup leaves after its variable cost. The same happens at Hamsa: every extra bag adds SAR 30, and the average profit per bag rises from SAR 7.5 at 400 bags to SAR 15 at 600 bags.

When does the margin not stay fixed? The calculation above assumes that the price and the variable cost do not change, an assumption that holds within a certain range of sales. In reality the margin may change for three reasons: (1) a supplier discount for buying larger quantities, which lowers the variable cost and raises the margin; (2) cutting the price or running offers to sell more, which lowers the margin; (3) a jump in fixed costs beyond a certain point, such as the café needing a third employee or a second machine, which creates a new break-even point. So redo the calculation whenever any of these changes.

9-6 Pricing

Pricing is one of the hardest and most consequential decisions in a venture, because changing the price by a few riyals can change profit substantially. If Hamsa raised its price from SAR 55 to 60, the contribution margin would rise from 30 to 35, and the break-even point would fall from 300 to about 258 bags. There are four main pricing methods:

1. Cost-plus pricing

You calculate the unit cost, then add a profit percentage. Example: a variable cost of SAR 25 + 60% = SAR 40, which is far less than the specialty coffee market accepts. Its advantage is simplicity and assured coverage of variable cost. Its drawback is that it ignores what the customer is willing to pay and what competitors charge, so you may sell below your real value, or above what the market accepts.

2. Competitor-based pricing

You look at the prices of alternatives, then set yours close to them, higher if you offer more value, or lower if your positioning is economical. Its advantage is realism; its drawback is that it may make you copy others without knowing whether their prices are profitable at all.

3. Value-based pricing

You base the price on the value the customer feels, not on your cost. A gift box with three types of coffee, a brewing tool and a card explaining each origin may sell for SAR 150 even though it costs SAR 60, because what the customer buys is "a special gift worthy of the person receiving it," not just coffee. This method needs a deep understanding of the customer, which interviews reveal.

4. Penetration pricing

You start with a temporarily low price to win customers quickly, then raise it gradually. It is risky if not calculated well: customers who came for the cheap price may leave when it rises, and you may lose money on every sale until then.

The most common beginner's mistake is pricing too low for fear that nobody will buy. The result is a venture crowded with orders that loses money. Test different prices on real customers before deciding; you may be surprised to find that the higher price did not reduce demand.

9-7 Profit Is Not Cash: Cash Flow

A venture can be profitable on its income statement and still be unable to pay the rent. The reason is that accounting profit differs from **cash flow**, the actual movement of money into and out of the account at a given time.

Example: Hamsa received a large order from a company for 300 gift bags for its employees, worth SAR 16,500, with the company paying two months after delivery. On paper this is excellent profit. But the venture needs to buy the beans and bags now (SAR 7,500) and pay this month's rent and salary (SAR 9,000). If there is not enough in the account, the venture may stumble while being "profitable."

To avoid this:

- Keep a **cash reserve** covering several months of fixed costs, especially at the start.
- Ask for a down payment on large orders.
- Negotiate payment terms with suppliers.
- Track cash flow monthly: How much will come in, and when? How much will go out, and when?
- **Separate the venture's account from your personal account** from day one; mixing the two means you never know whether the venture is making or losing money.

9-8 Sources of Funding

Every venture needs money to start or to grow. Funding sources differ in their terms and cost, and in what they ask of you in return. The first question before looking for funding: **Do I really need it now?** Many ventures can start small with their own resources, prove their model, and then seek funding on better terms.

Source	How it works	Advantages	What to watch for
Bootstrapping	The founder's savings, then reinvesting the venture's revenue	You keep full ownership and control, and learn discipline	Slower growth, and risk to your personal money

Source	How it works	Advantages	What to watch for
Family and friends	A loan or contribution from people close to you	Fast, flexible, with easy terms	It can affect relationships; put the agreement in writing
Grants and competitions	Non-repayable support from government bodies, competitions or incubators	Not repaid and takes no stake	Competitive, and the amounts are usually small
Loans and financing	From banks or financing bodies such as the Social Development Bank, with guarantees from programs like Kafalah	You give up no ownership	Repaid whatever the venture's outcome, and needs regular cash flow
Angel investor	An individual who invests their own money in an early venture in exchange for a stake	Often brings experience and connections along with money	You give up part of the ownership
Venture capital	Funds that invest in fast-growing companies in exchange for a stake	Large amounts to accelerate growth	Suits only highly scalable ventures, and expects high returns
Crowdfunding	Small amounts from many people through licensed platforms	Also tests demand, and builds a customer base	Needs a good marketing campaign

9-9 Investment Stages and Valuation

When a startup relies on investors, funding usually comes in successive rounds, each tied to a stage of the venture's maturity:

- **Pre-seed:** an idea and a prototype, with funding usually from the founders, family and grants.
- **Seed:** the product exists and has early customers, with funding from angel investors and early-stage funds.
- **Series A and beyond:** the business model has proven itself, the goal is expansion, and funding comes from venture capital funds.

When someone invests in your venture in exchange for a stake, they implicitly set a **value** on the venture. If you offer an investor 10% of your venture for SAR 100,000, you are saying the venture is worth SAR 1 million after the investment ($100,000 \div 10\%$), and 900,000 before it. You must justify this value with numbers and evidence.

With each new round new investors come in, and the founders' share of ownership falls; this is called **dilution**. Dilution is not necessarily bad: owning 40% of a company worth ten million is better than owning 100% of a company worth a hundred thousand. But you must understand it before you sign.

Chapter summary

- Costs are classified as start-up, fixed and variable, and each plays a different role in the calculation.
- Contribution margin is what each unit contributes to covering fixed costs, and the break-even point = $\text{fixed costs} \div \text{contribution margin}$.
- The contribution margin is the same for every extra unit, while the average profit per unit and the profit margin rise with sales.
- Start-up costs are recovered from profits after passing the break-even point.
- Profit is not cash; negative cash flow can bring down a profitable venture.
- Every funding source has its advantages and cost, and investment for a stake means diluting the founders' ownership.

Key terms

Start-up costs	Costs paid once when the venture begins.
Contribution margin	Selling price minus the variable cost per unit.
Net profit	What remains of revenue after deducting all costs and statutory obligations.

Profit margin	Net profit ÷ revenue; it rises with sales because fixed costs are spread over more units.
Break-even point	The sales volume with neither profit nor loss.
Cash flow	The money actually coming in and going out over a period.
Dilution	The fall in the founders' ownership share as new investors join.

Self-assessment questions

- The unit price is SAR 20, its variable cost 8, and fixed costs 6,000 a month. The break-even point is:
(a) 300 units (b) 500 units (c) 750 units
- Which of these is a variable cost for a restaurant?
(a) Rent (b) The meat and bread for each meal (c) The manager's salary
- A venture is profitable on paper but cannot pay the rent. The problem is usually:
(a) Cash flow (b) The break-even point (c) Positioning

Answers are at the end of the book.

For discussion and reflection

Choose a small venture in your city, estimate its fixed and variable costs and its price, then calculate how much it must sell each day.

Chapter references

- Barringer, B. R., & Ireland, R. D. (2019). *Entrepreneurship: Successfully Launching New Ventures* (6th ed.). Pearson. (Chapters 8 and 10)
- Feld, B., & Mendelson, J. (2019). *Venture Deals* (4th ed.). Wiley.
- Berman, K., & Knight, J. (2013). *Financial Intelligence* (rev. ed.). Harvard Business Review Press.

10

Legal and Ethical Aspects

How do you start legally? And how do you protect your idea and your customers?

An idea may be strong and the market promising, and then the venture stumbles because of a dispute between partners, a trade name registered to someone else, or a regulatory violation. In this chapter we introduce the legal options for starting a venture in Saudi Arabia, the importance of an agreement between founders, the types of intellectual property, personal data protection, and the ethics that preserve a venture's reputation.

Chapter objectives

After studying this chapter, you should be able to:

1. Identify the common legal forms for starting a venture in Saudi Arabia.
2. Explain the basic types of intellectual property.
3. Commit to business ethics and the protection of customer data.

10-1 Why Should an Entrepreneur Care About Legal Matters?

People with new ideas tend to postpone legal matters: "Let's start first and sort out the paperwork later." During small-scale testing this may be acceptable within limits. But ignoring these matters for long can cost a venture dearly: a trade name you built your reputation on turns out to be registered to someone else, a dispute between partners has nothing to govern it, a fine arrives because the activity needed a license you never obtained, or customer data leaks.

This chapter does not aim to make you a legal expert, but to help you know **the right questions** to ask, and the bodies to turn to.

Regulations and procedures in Saudi Arabia are updated constantly, and the information here is general and simplified for educational purposes. Always check the official website of the competent authority before taking any step, and consult a specialist on contracts and important decisions.

10-2 Legal Forms for Starting a Venture

Entrepreneurs choose the legal form of their venture according to the nature of its activity, the number of partners, the level of risk, and their plans for growth and investment. You do not need to start with the largest form; many ventures start in a simple form and move to a larger one as they grow.

1. Freelancing

Suits those who offer services based on individual skill, such as design, programming, translation, training, photography, writing and consulting. It is practiced formally through the **freelance document** issued by the freelance platform of the Ministry of Human Resources and Social Development. It is one of the easiest ways to test a service idea without setting up a business, and allows a student or employee to start a side activity within the rules.

2. Home-based business

Activities practiced from home, such as cooking, handicrafts and tailoring, have dedicated licenses and programs that allow legal selling under rules related to the type of activity and product safety, and some bodies offer support and financing programs for them.

3. Sole proprietorship

A business owned by one person, registered with a commercial registration. Its key feature is that **the owner and the business are one legal person**: the owner is liable for the business's debts and obligations from their personal assets. It is simple to set up and run, and suits small ventures with limited risk.

4. Limited liability company

The most common form for small and medium ventures with more than one owner (it can also be set up by one person). Its main advantage is that **a partner's liability is limited to their share** of the capital: if the company stumbles, claims do not extend to their personal assets, except in cases the law specifies. It therefore protects partners more than a sole proprietorship does.

5. Simplified joint stock company

A new form introduced by the **Companies Law** that came into effect in Saudi Arabia at the start of 2023. It was designed to suit startups and entrepreneurs, because it allows more flexibility in organizing shares and in investors entering and exiting, compared with traditional forms.

Form	Suits	Liability
Freelancing	Individual professional services	Personal
Sole proprietorship	A small commercial activity with one owner	Personal, extending to the owner's assets
Limited liability company	Small and medium ventures with partners	Limited to the partner's share
Simplified joint stock company	Startups expecting investors to join	Limited

Registration and licenses

Commercial registrations are issued and companies are formed through the **Ministry of Commerce** and the **Saudi Business Center** platform, which brings many procedures together in one place. Depending on the activity, you may need additional licenses: a municipal license for shops, or approvals from the authorities responsible for food and drugs, health, tourism or education. So always ask: **Which authority regulates this activity?**

10-3 Partnership and the Founders' Agreement

Noam Wasserman's research at Harvard, collected in *The Founder's Dilemmas*, shows that many startups stumble because of problems between the founders

themselves, not because of the market. Partnerships often start with enthusiasm and trust between friends, who feel that writing an agreement is "awkward" or a sign of "distrust." Then disputes appear when the venture grows or stumbles: Who owns how much? Who decides? Why does one of us work more than the other?

So write a **founders' agreement** from the start: a document that clearly answers questions such as:

- **Shares:** how much does each partner own, and on what basis (money, time, experience, the idea)?
- **Roles and responsibilities:** who handles what? Who makes the final decision in each area?
- **Commitment:** how much time will each partner give? When will each go full-time?
- **Resolving disagreements:** how do we settle a dispute? By majority, or through a third-party arbitrator?
- **A partner's exit:** what happens to their share if they decide to leave or do not commit? How is it valued?
- **Profits:** how are they distributed, and when? How much is reinvested?

Some companies use **vesting**, under which a partner earns their share gradually over years of work, so if they leave early they take only what they have earned. This protects the venture from a partner who takes a large stake and then stops working.

10-4 Intellectual Property

Intellectual property is the set of rights the law protects for the products of the mind and creativity. It is among the most important assets of a modern venture: your brand, your design or your software may be worth more than all your equipment. The competent body in Saudi Arabia is the **Saudi Authority for Intellectual Property**. Its main types are:

1. Trademark

The name, logo or symbol that distinguishes your products or services from others. Registering it gives you the right to stop others from using a similar mark

in the same field. One of the most important tips: **search before you choose the name**. Make sure it is not registered to someone else, then register it early, before you spend on identity and marketing.

2. Patent

Protects an invention that is **new** (not previously disclosed), involves an **inventive step** (not obvious to experts in the field), and is **industrially applicable**. It gives its owner an exclusive right for a set period. Registration takes time and money, and it is sought only for genuine technical inventions.

3. Copyright

Protects creative works: texts, images, designs, music, software and digital content. The right arises as soon as the work is created, and it can be documented and registered to support proof of ownership.

4. Industrial design

Protects the distinctive external appearance of a product (its shape, lines and colors), not its function. For example, the shape of a bottle or the design of a piece of furniture.

5. Trade secrets

Confidential information that gives the venture a competitive advantage, such as a recipe, a production method or a customer list. These are not registered, but protected through confidentiality and non-disclosure agreements with employees and partners.

Can an idea be protected? A question that comes up often. The answer: **an abstract idea cannot be protected**. You cannot stop others from thinking of "an app for booking sports fields." What is protected is the specific execution: the name, the design, the software, the technical invention. So fear of your idea being stolen should not stop you from discussing it with customers and mentors; the value of an idea lies in its execution, and execution is hard to copy.

10-5 Personal Data Protection

Almost every venture collects data about its customers: names, mobile numbers, addresses, preferences. Saudi Arabia has issued a **Personal Data Protection Law**, overseen by the Saudi Data and Artificial Intelligence Authority (SDAIA). Its most important principles include:

- **Collect only what you need:** do not ask for data you will not use.
- **Consent and clarity:** tell the customer what you collect and why, and obtain their consent.
- **Specific purpose:** do not use data for anything other than the purpose you collected it for, and do not sell or share it without a legal basis.
- **Protection:** store data securely, and restrict who can access it.
- **Data subject rights:** the customer has the right to know what you hold about them, and to request its correction or deletion.

Even in a small venture: if you collect subscribers' numbers in a group, you are responsible for ensuring they are not used for any other purpose.

10-6 Entrepreneurial Ethics

Ethics in entrepreneurship is not a luxury or excessive idealism, but a practical necessity: reputation is a small venture's capital, built slowly and destroyed quickly, especially in a close-knit society where experiences pass from person to person. The most important principles include:

- **Honesty with customers:** no exaggerated promises, no hidden flaws or fees, no fake reviews.
- **Integrity with partners and investors:** real numbers, even when they are weak. An investor who discovers you inflated your numbers will never trust you again.
- **Respect for others' rights:** do not copy a design, content or image without permission, and do not use someone else's trademark.
- **Fairness to workers:** wages paid on time, clear contracts and a respectful work environment.

- **Responsibility toward society and the environment:** a venture is part of its community and answers for its impact on it.
- **Keeping commitments:** honoring deadlines and contracts with suppliers and customers.

Chapter summary

- You can start with simple forms such as freelancing, then move to a sole proprietorship or company as the venture grows.
- A written founders' agreement protects both the venture and the relationship from disputes.
- Intellectual property protects the trademark, invention, content, design and trade secrets, not the abstract idea.
- Collecting customer data is a legal and ethical responsibility.
- Honesty, integrity and fairness are the foundation of a venture's reputation.

Key terms

Freelance document	A document that allows an individual to offer professional services legally.
Limited liability company	A company in which the partners' liability is limited to their shares.
Trademark	The distinctive name or logo of a product, registered for protection.
Founders' agreement	A written agreement setting out shares, roles and how disputes are resolved.

Self-assessment questions

1. A designer wants to offer services to clients legally without opening a company.
The best fit:
(a) A freelance document (b) A simplified joint stock company (c) A patent
2. Which of these cannot be protected by intellectual property?
(a) The venture's logo (b) An abstract idea that has not been executed
(c) Software you wrote
3. The most important reason to write an agreement between partners early:
(a) It is only a formality (b) To avoid disputes over shares and roles later
(c) To increase profits

Answers are at the end of the book.

For discussion and reflection

If you started your venture tomorrow, which legal form would best suit its first stage? Why?

Chapter references

Ministry of Commerce. Companies Law (issued by Royal Decree No. M/132, dated 1/12/1443 AH).

Saudi Authority for Intellectual Property (SAIP). Official website.

Saudi Data and Artificial Intelligence Authority (SDAIA). Personal Data Protection Law.

Wasserman, N. (2012). *The Founder's Dilemmas*. Princeton University Press.

11

Pitching and Persuasion

How do you present your idea in minutes, and persuade?

The pitch is the moment when weeks of work meet an audience that decides: will it care or not? A good pitch is a skill with a structure and rules that can be learned. In this chapter we cover the types of pitch, its persuasive structure, slide design, delivery skills and preparing for questions.

Chapter objectives

After studying this chapter, you should be able to:

1. Build a pitch with a clear, persuasive structure.
2. Apply the rules of slide design and delivery.
3. Prepare for questions and handle them.

11-1 What Is a Pitch, and What Is It For?

A pitch is a short talk in which a venture owner presents their idea to a specific audience, with the aim of persuading them to take a next step. The audience may be a judging panel in a competition, an investor, a potential partner, a supporting organization, or even a major customer.

A common mistake is for the idea's owner to think the goal of the pitch is to **explain everything**, so they stuff it with details, numbers and features, and the listener comes away exhausted, remembering nothing. In fact a pitch has **one goal**: for the listener to become interested and want a next step, such as a second meeting, a trial, support or investment. The details come in the questions and in later documents.

So before designing your pitch, answer two questions:

- **Who is my audience?** An academic panel cares about method and evidence, an investor about market size and return, a customer about the benefit to them, and a supporting organization about social impact. The same pitch is delivered with a different emphasis for each audience.
- **What exactly do I want from them?** If you do not know what you are asking for, the listener will not know how to help you.

11-2 Types of Pitch

1. The elevator pitch

Its name comes from the idea that you meet an important person in an elevator and have the length of the ride, 30 to 60 seconds, to spark their interest. It answers only four questions: Who are you? What is the problem? What is your solution? And why does it matter? It is useful everywhere: at events, and whenever someone asks "What do you do?"

Example: "Many older people need a companion for their medical appointments, and their children have to take time off work. We provide trained companions from health-sciences graduates, with simple booking and a price lower than a day's leave. We trialed the service with twelve families in Hail, and nine of them booked it again."

2. The short pitch

Three to five minutes, common in competitions, hackathons and course presentations. It covers the whole basic structure briefly.

3. The full pitch

Ten to twenty minutes, delivered in meetings with investors and supporting organizations, with more detail on the market, the financial model and the growth plan.

11-3 The Structure of a Persuasive Pitch

Most successful pitches follow a similar structure, because it answers the questions in the listener's mind in their natural order. Here is what each part should contain:

1. The opening

The first 15 seconds decide whether the listener will pay attention. Start with a short story about a real person you met, a question that makes the audience think about their own experience, or a surprising, reliable number. Avoid the conventional opening: "Hello, we are team so-and-so, and our idea is..."

2. The problem

Make the listener feel the problem before presenting the solution. Who suffers from it? When? What does it cost them? Use the words of the people you interviewed; a real quote from a customer is more powerful than any description you write yourself.

3. The solution

What do you offer, and how does it solve the problem? Explain it simply, and preferably show it: a picture, a prototype or a short clip. Do not drown in technical features; focus on what changes in the customer's life.

4. The market

Who are your customers, and roughly how many are there? Use the realistic bottom-up estimate explained in Chapter 5.

5. The business model

How do you make money? Who pays, and how much? A sentence or two is enough.

6. Traction (the evidence)

This part is what separates a strong pitch from a weak one. What has actually happened? How many people did you interview? What did you learn? How many tried the prototype? How many signed up, ordered or paid? Actions are stronger than expectations, and a small real number is stronger than a large imagined one.

7. Competition and advantage

What are the alternatives, and why are you different? Do not say "There is no competitor"; the panel will take it as a sign of weak research.

8. The numbers

Price, cost, contribution margin, break-even point, and the funding you need, if any. A few clear numbers are better than a full financial table nobody reads.

9. The team

Who are you, and why are you the best people to carry out this idea? Link the team's skills and fields to what the venture needs.

10. The ask (call to action)

End with a clear and specific request: "We are looking for an organization to host the trial for a semester," or "We need SAR 30,000 for 10% to run the service in three neighborhoods." A pitch that ends without an ask leaves the listener not knowing what to do.

11-4 Designing the Slides

Guy Kawasaki, the well-known entrepreneur and investor, proposed in *The Art of the Start* a rule he called **10/20/30**: ten slides, twenty minutes, and a font size of at least 30 points. The rule's purpose is to force you to be brief and focused. In a short pitch (3–5 minutes), cut back further. Practical principles include:

- **One idea per slide:** a slide carrying five ideas conveys none of them.
- **Pictures and numbers instead of paragraphs:** a photo of a real customer, or one big number, says more than a list of bullet points.
- **Little text:** the audience cannot read and listen at the same time. If you write everything you will say, they will read it and stop listening to you.
- **Do not read from the slide:** the slide supports what you say; it does not replace it.
- **Clear contrast and readable type:** make sure the slides can be read from the back of the room.

- **The last slide:** carries the ask and your contact details, because it stays on screen during questions.

11-5 Delivery

Story

People remember stories far more than numbers and abstract arguments. Chip and Dan Heath explain in *Made to Stick* that messages that stay in memory are simple, unexpected, concrete, credible, emotional, and told as stories. So start with the story of a real person you met, and come back to them at the end.

Simplicity

Test your pitch on someone outside your field. If they do not understand it, it is too complicated. Avoid technical terms unless the audience is specialized.

Confidence and presence

A clear voice at a moderate pace, eyes on the audience rather than the screen or paper, a steady stance, and natural hand movement. Confidence does not mean claiming to know everything, but believing in what you present and knowing its limits.

Practice

A pitch that looks spontaneous has been rehearsed many times. Practice aloud, with a timer, at least three times, preferably in front of people who will give you frank feedback. And record yourself on your phone once; you will discover habits you had not noticed.

Teamwork in the pitch

If the team presents together, divide the parts in advance so each member presents what they do best, and agree on smooth linking sentences for handing over between speakers. Nobody interrupts anyone, and not everyone talks about everything.

11-6 Preparing for Questions

The outcome of a pitch is often decided in the questions rather than the pitch itself, because they reveal how well the team understands its venture. So prepare by writing a list of the hard questions you expect and practicing your answers. They include:

- Who is your real competitor, and why would the customer choose you?
- How do you know people will pay?
- What if someone with greater resources copies you?
- How did you arrive at this number?
- What is the biggest risk facing the venture?
- Why are you the right team?

When you answer: listen to the whole question, answer briefly and directly, and do not slip into a tense defense. If you do not know the answer, say so honestly, and say how you will find out: "We haven't tested this yet; our plan is to test it by..." That answer builds far more trust than an invented one the panel can expose with a single follow-up question.

Chapter summary

- The aim of a pitch is for the listener to want a next step, not to know everything.
- A persuasive structure starts with the problem, moves through the solution, market, model and evidence, and ends with a clear ask.
- Slides support the speaker rather than replace them: one idea, a picture or number, and little text.
- Story, simplicity and practice are the keys to delivery, and honesty is the best answer to a question you cannot answer.

Key terms

Pitch	A short presentation aimed at persuading the listener to take a next step.
Elevator pitch	A pitch of under a minute that sums up the idea.
Traction	What proves the idea works: interviews, trials, sales.
The 10/20/30 rule	Ten slides, twenty minutes, and type of at least 30 points.

Self-assessment questions

1. The strongest way to open a pitch:
 - (a) Reading out the team name and members' names
 - (b) A short story about a real person who has the problem
 - (c) A table of contents slide
2. During the pitch you are asked a question you can't answer. The best response:
 - (a) Invent a convincing answer
 - (b) Admit it honestly and say how you will find out
 - (c) Ignore the question
3. "Traction" in a pitch means:
 - (a) What has actually happened: interviews, trials and orders
 - (b) Sales forecasts five years out
 - (c) The number of slides

Answers are at the end of the book.

For discussion and reflection

Present your venture idea in 30 seconds to a classmate, then ask them: What do you remember from it?

Chapter references

- Kawasaki, G. (2004). *The Art of the Start*. Portfolio.
- Duarte, N. (2010). *Resonate*. Wiley.
- Heath, C., & Heath, D. (2007). *Made to Stick*. Random House.

12 Growth and Lessons from Success and Failure

Why do ventures succeed? And why do they stumble?

In this chapter we close the book by looking beyond the beginning: how ventures grow, why many of them stumble, and what we learn from stories of success and failure. The aim is not to memorize the stories, but to draw out patterns that help you make better decisions in your venture and your work.

Chapter objectives

After studying this chapter, you should be able to:

1. Explain the main causes of startup failure.
2. Distinguish between growth and scaling.
3. Draw practical lessons from stories of success and failure.

12-1 Why Do Ventures Stumble?

A large share of new ventures stumble in their first years. This fact should not frighten you, but make you ask: What are the recurring causes, and how can I avoid them? Many reports and studies have analyzed why ventures stumble, among them the work Tom Eisenmann, professor of entrepreneurship at Harvard, gathered in *Why Startups Fail*, and similar causes recur in them. We explain them here:

1. No real market need

One of the most frequent causes in these studies. The team built a technically good product, but not enough people need it, or do not need it enough to pay. This

usually happens because the team fell in love with its idea and did not test it with customers before building.

2. Running out of money

The venture spent its money before reaching sufficient revenue. The cause may be underestimated costs, premature expansion, or a cash flow problem despite profits on paper.

3. The wrong team

Missing core skills (a team of technical people with no one who sells, or the reverse), disputes between partners, or weak commitment.

4. Competition

Ignoring or underestimating competitors, or the arrival of a stronger competitor with greater resources against which the venture had no protective advantage.

5. Pricing and cost

The contribution margin is too small, or the break-even point is too far from realistic sales, so the venture cannot survive however hard it tries. A common form is a venture that delights the customer but exhausts whoever delivers it: it consumes their time or money beyond what the customer pays, so workers leave or the entrepreneur burns out and exits the market. This is what we explained in "A Deal Where Every Party Wins" in Chapter 6.

6. A weak product, or ignoring customers

A product that does not deliver on its promise, or a poor experience, combined with a refusal to listen to feedback and adjust.

7. Timing

Entering too early, before the market or technology is ready, or too late, after the market has settled on strong competitors.

Notice that most of these causes can be discovered early and cheaply with what you have learned in this book: customer interviews reveal the absence of need, honest calculation reveals a weak margin, and small experiments reveal a weak product before you spend much.

12-2 Growth and Scaling

Once a venture proves that its model works, a new stage begins: growth. Specialists distinguish between two concepts that may look similar:

- **Growth:** increasing revenue with a roughly similar increase in resources and costs. Example: a restaurant opens a second branch; revenue roughly doubles, but so do rent, staff and equipment.
- **Scaling:** increasing revenue much faster than costs. Example: a digital learning platform adds a thousand new subscribers at very little extra cost, because the same content is delivered to everyone.

The question that reveals your venture's scalability: **Does each new customer require a large new cost?** Services based on human time (consulting, one-to-one training) are hard to scale, because the hours in a day are limited. Ventures based on a product that can be replicated (software, digital content, platforms) scale more easily. This does not mean non-scalable ventures are bad; it means they grow in a different way.

Ways to grow

Igor Ansoff identified four basic growth strategies, known as the "Ansoff Matrix":

Existing products		New products
Existing markets	Market penetration: selling more to current customers and attracting similar ones (lowest risk)	Product development: new products for your current customers
New markets	Market development: the same product in a new city or segment	Diversification: a new product for a new market (highest risk)

Other routes to growth include **franchising**, granting others the right to operate your model and brand elsewhere in exchange for fees and a percentage, so your venture grows with others' money and effort while you maintain the standards; and **partnerships** with organizations that reach customers you cannot reach.

Beware of reckless growth

Expanding before the model has proven itself in the first market, or with money out of proportion to revenue, is one of the greatest dangers facing successful ventures. A second branch opened before the first is profitable can bring both down. The rule: master it, then expand.

12-3 Lessons from Well-Known Stories

Here are documented, well-known stories, not to memorize them, but to draw out recurring patterns:

Kodak: current success can blind you to coming change

Kodak owned digital photography technology early: one of its engineers built a prototype digital camera in 1975. But the film business was very profitable, so the company hesitated to push a technology that could compete with its main product. As digital photography and then smartphones spread, its business declined until it filed for bankruptcy in 2012. **The lesson:** do not let your current success stop you from seeing change; if you do not disrupt your own product, someone else will.

Nokia: size does not protect against slow response

Nokia led the world mobile phone market for many years. With the arrival of smartphones with touchscreens, new operating systems and app stores, it was slow to change, its share fell very quickly, and it sold its phone division in 2014. **The lesson:** size and reputation are not enough; the ability to adapt quickly is what protects a venture.

Instagram: watch what customers actually do

It began as a feature-packed app for checking in at places. Its founders noticed that people used only the photo feature, so they removed everything else and focused

on it. **The lesson:** customers' real behavior is more truthful than your plans, and simplifying can be the greatest innovation.

Amazon: start narrow and master it, then expand

Amazon began in 1994 as an online store for books only, because books are easy to ship, and so varied that no single shop can stock them all. After mastering this market, it gradually expanded into other categories. **The lesson:** focusing on a narrow market at the start gives you the chance to master it before expanding.

HungerStation: an ordinary daily need, and a model that satisfies its parties

It started in Saudi Arabia in 2012 to solve a problem everyone knew: to order food you collected paper menus from restaurants and phoned them, only to find the line busy or the order misunderstood. It brought the restaurants together on one platform, with ordering at the press of a button and courier tracking. The global company Delivery Hero acquired a majority stake in 2016, and the remaining shares in 2023. **The lesson:** it invented neither the food nor the restaurants; it changed the way people order, by building a model in which the customer, the restaurant, the courier and the platform all gain, as we saw in the faces map in Chapter 6.

Tamara: understanding the local market is an advantage

Founded in 2020 to offer "buy now, pay later" in interest-free installments, in a form that respects Islamic principles. It solved the customer's cash-flow problem at the moment of purchase and increased the merchant's sales. At the end of 2023 it raised a funding round of about \$340 million that took its valuation past \$1 billion. **The lesson:** a well-known global model can succeed locally when it is adapted to people's culture and values, which is what we called "compatibility" in Chapter 4.

WeWork: fast growth is no substitute for a profitable model

It offered shared workspaces to companies and individuals, grew very fast and attracted huge investment, expanding into many cities around the world on long leases. But its costs were far higher than its revenue, its public offering faltered in 2019, and it filed for bankruptcy protection in 2023. **The lesson:** this is the

"reckless growth" we warned about: expanding before the model has proven its profitability magnifies the loss rather than fixing it.

Student projects that stop

There is also a local pattern that anyone who has taught this course knows: student projects that start with great enthusiasm in a competition or course, then stop after a few weeks. The recurring causes: no strong need, relying on enthusiasm without a plan, lack of time, and the team scattering after the course ends. **The lesson:** continuing takes more than a nice idea; it takes evidence of need, commitment and a realistic plan.

12-4 How Do You Deal With Failure?

Failure is a natural part of entrepreneurship. The question is not whether you will fail, but how you will deal with failure when it happens:

- **Separate yourself from the venture:** the failure of an idea does not mean you are a failure. It means a hypothesis was wrong.
- **Ask: What did we learn?** Write down the lessons as soon as the experiment ends, before you forget them: What did we expect? What happened? Why? What will we do differently?
- **Fail early and cheaply:** this is the purpose of every testing tool in this book. Failing in a week with SAR 500 is a lesson; failing after a year with all your savings is a disaster.
- **Know when to stop:** persistence is a virtue, but ignoring repeated evidence is not persistence; it is stubbornness. Decide in advance what would make you stop or pivot.
- **Learn from others' failures:** read the stories of ventures that stumbled and ask their founders; they are the cheapest lessons you can get.

12-5 After This Book

Whether or not you start a venture after this course, you have gained a way of thinking that serves you in any work: **start from the problem, not the solution;**

listen to people before deciding for them; test small before committing big; calculate honestly; and learn from every result.

If you want to take your idea further, start with nearby steps: your university's entrepreneurship center, idea competitions and hackathons, Monsha'at programs and business incubators, and mentors with experience in your field. Most important of all, take one small step this week.

Chapter summary

- The most frequent causes of failure are the absence of real need, running out of money, team problems and pricing.
- Growth increases revenue and resources together; scaling increases revenue faster than costs.
- Current success can blind you to change, and focus and simplification are recurring keys.
- Early, cheap failure is a source of learning, and persistence does not mean ignoring evidence.

Key terms

Scaling	Revenue growing faster than costs.
Franchising	Granting others the right to operate your model and brand for a fee.
Reckless growth	Expanding before the model is proven, or without a financial basis.
Early failure	Discovering an idea's flaw early and cheaply.

Self-assessment questions

1. One of the most frequent causes of startup failure:

- (a) No real market need (b) Too many customer interviews (c) Choosing a long name

2. An app serves a thousand extra customers at very little extra cost. This is an example of:

- (a) Linear growth (b) Scaling (c) Franchising

3. The main lesson from Kodak's story:

- (a) New technology doesn't matter

- (b) Current success can stop you seeing the coming change (c) Large companies don't fail

Answers are at the end of the book.

For discussion and reflection

Choose a local venture you know that closed down. Which of the seven causes is most likely? How could it have been spotted early?

Chapter references

Ries, E. (2011). *The Lean Startup*. Crown Business.

Hoffman, R., & Yeh, C. (2018). *Blitzscaling*. Currency.

Eisenmann, T. (2021). *Why Startups Fail*. Currency.

Ansoff, H. I. (1957). Strategies for diversification. *Harvard Business Review*, 35(5), 113–124.

Appendix 1: Short Classroom Activities

Short activities that suit lectures where time is tight; most need nothing more than a sheet of paper and a phone. They can open a session, or be used to apply a concept from the chapter.

30 circles

5 minutes

Breaking the fear of “strange” ideas · Materials: A sheet with 30 empty circles

1. Turn as many circles as possible into different things (a clock, a ball, a face...) within 3 minutes.
2. Compare your count with a classmate's: who went beyond the familiar? Who combined more than one circle?
3. Ask: why did we stop at the first ideas?

Fluency comes before quality, and breaking rules nobody set.

The worst possible idea

5 minutes

Generating ideas without pressure · Materials: Nothing

1. Pose a problem (such as long waits at clinics).
2. Each team proposes the worst possible solution within two minutes.
3. Reverse the bad solutions: what does each one become if we flip it?

Reverse brainstorming frees up thinking, and many good ideas come out of the worst ones.

Sell me this pen

5 minutes

The difference between features and benefits · Materials: A pen or anything on the table

1. A volunteer tries to sell the pen to the instructor within a minute.
2. The class notices: did they talk about the pen or about the buyer's need?
3. The second attempt starts by asking the buyer about their need.

The customer doesn't buy a product; they buy a solution to their need.

The value of an ordinary thing

7 minutes

Seeing opportunity in the familiar · Materials: A paper clip or an empty water bottle

1. Each team takes a very ordinary object.
2. Within 4 minutes: what is the best way to create value from it for someone?
3. The most valuable idea (not the strangest) wins.

Value doesn't live in the object, but in the need it meets.

Today's problem

5 minutes

Training the observing eye · Materials: A phone

1. At the start of the lecture, each student writes one problem they noticed on their way to the university.
2. The instructor reads 5 of them at random.
3. The class votes: which one does more than half the room experience?

Opportunities are all around us, but we need to train our eyes to see them.

The 3-minute interview

10 minutes

Listening instead of persuading · Materials: Nothing

1. Each student interviews a classmate they don't know about "the last time you were late for something important."
2. No suggesting solutions. Just ask: What happened? Why? What did you do?
3. Swap roles, then share the strangest reason you heard.

A good interview reveals what people don't say in questionnaires.

What does it really cost?

10 minutes

A feel for numbers · Materials: A picture of a familiar product (a cup of coffee, a meal, a car wash)

1. Each team estimates the product's variable ingredient costs.
2. Then estimates the shop's fixed monthly costs.
3. They calculate in the calculator: how many cups must the shop sell each day to break even?

Profit isn't just the selling price minus the materials; fixed costs eat a lot.

The tweet

5 minutes

Clarity of the idea · Materials: A phone

1. Write your venture idea in a post of no more than 20 words.
2. Pass it to another team: did they understand who the customer is and what the benefit is?
3. Rewrite it based on what they didn't understand.

If your idea can't be understood in one line, it won't be understood in a pitch.

Pivot or persevere?

10 minutes

Making a decision based on evidence · Materials: A scenario card the instructor reads out

1. Read a short scenario: "A team trialed a car wash service in company parking lots. Only 3 people ordered, but 20 asked: do you clean and sanitize the inside of the car?"
2. Each team decides within 3 minutes: do we persevere, adjust, or change direction? Why?
3. Discuss: what evidence did you rely on?

Changing direction based on evidence isn't failure; it's intelligence.

Is everyone smiling?

10 minutes

Thinking about all the parties in a venture · Materials: Paper and pen

1. The instructor presents a common idea (a mobile barber, a mobile workshop, a mobile car wash).
2. Each team draws a face for each party: the customer, the service provider and the venture owner, and roughly calculates how many customers are served a day and what price works.
3. Then the team adjusts the model until everyone smiles, or decides the idea doesn't work.

An idea that is good for the customer alone is not a venture; a successful venture satisfies all its parties.

The silent pitch

10 minutes

The power of the prototype · Materials: Paper and pens

1. Each team draws its idea on one sheet with almost no words.
2. The sheets are put up, and students walk around writing on a sticky note: what did you understand?
3. The team compares what people understood with what it meant.

A simple picture reveals whether the idea is clear or only in your head.

Exit ticket

5 minutes

Consolidating learning at the end of the lecture · Materials: A phone or a small slip of paper

1. Before leaving, each student completes the sentence: "Today I discovered that..."
2. And a second sentence: "This week I will try..."
3. The instructor reads some of them at the start of the next lecture.

A short reflection turns an activity into learning.

The SAR 10 challenge

A week outside class

A real entrepreneurial experience outside the classroom · Materials: SAR 10, hypothetical or real, and a week

1. Each team tries to create as much value as possible in a week, starting from just SAR 10 (or no money at all).
2. Value can be profit or a service to the community; what matters is that a real person benefits.
3. Each team presents what it did in two minutes.

Your biggest resource isn't money, but observation, relationships and initiative.

Appendix 2: Guide to Developing the Venture Idea

Students develop their idea throughout the semester in nine parts, as a mini business plan, and then submit their final version. Each part sets out what is required, an example from a single venture, “Baroda,” an air-conditioner maintenance subscription, and a common mistake to avoid.

1. The problem

What is the problem or gap? Who has it, and when? Convince the reader of three things: that the problem exists, that you understand it, and that there is a real need to solve it. Cite what you heard in your interviews (how many, and phrases people said) and any reliable number.

Write in this part:

- One clear sentence defining the problem: Who has it? When? What is its effect on them?
- The evidence: how many people did you interview? What did they say? (Quote a phrase or two in their own words.)
- How do people deal with the problem now, and why isn’t that enough?

Example:

“Air conditioners in many homes break down at the peak of summer, so families wait two or three days for a technician in intense heat, and sometimes pay large sums to repair faults that simple maintenance could have prevented. We interviewed eight families; six said at least one unit broke down last summer, and one mother said: ‘I called three technicians. One didn’t answer, the second said in two days, and the third came and asked for an amount I couldn’t tell was fair or not.’”

Avoid: describing the problem in general terms such as “people suffer from the heat,” relying on your personal opinion without any interviews, or writing the solution instead of the problem.

2. The target customer

Describe your customer precisely: “families in new neighborhoods with four or more AC units” is clearer than “people.” Roughly how many are there? How do they deal with the problem now?

Write in this part:

- A precise description of the customer: age or life stage, place and behavior.
- An approximate number of potential customers, and where this number came from.
- Who pays? (This may differ from the beneficiary, like a father who pays for a service his son benefits from.)

Example:

“Families living in villas or large apartments in residential neighborhoods, with four or more AC units, where the head of the household usually pays. After them we target small shop owners. We estimated the number of homes in three nearby neighborhoods at about (...) from a field count, and we expect about 10% of them to be interested in the service, based on our interviews.”

Avoid: writing “everyone” or “all the city’s residents,” or citing large numbers with no source.

3. The solution and what sets it apart

What is the product or service? What sets it apart from the alternatives (price, speed, quality, ease, proximity)? Make sure the solution works for you as its provider, for the customer, and for the other parties (supplier, courier, partner).

Write in this part:

- What exactly is the solution? How does the customer get it, step by step?
- What sets it apart from current alternatives? One clear advantage is better than five general ones.
- Is the solution profitable for every party: you, the customer, and the supplier, courier or partner? Is the amount the customer will pay enough for everyone to earn? (Fill in the stakeholder balance below this part.)
- Your message in one sentence (use the message maker in the tools).

Example:

“An annual subscription with two scheduled maintenance visits (before summer and in mid-summer), priority for breakdowns within 24 hours, and a photo report after every visit. The advantage: a known, fixed price and a guaranteed appointment instead of searching for a technician when something breaks. And because we schedule visits by neighborhood, the technician visits several nearby homes on the same day, so he earns a good income, the price stays reasonable for the family, and we keep a worthwhile margin.”

Avoid: describing the solution in general terms such as “a smart app that solves every household problem,” adding many features unrelated to the problem you heard, or a solution that delights the customer but is exhausting or loss-making for whoever delivers it.

4. Market and competitors

Is it something people buy daily, or once a year? Roughly how large is demand? Who offers a similar solution, and what indirect alternatives do people use? Don't write "there is no competitor"; there is always an alternative.

Write in this part:

- Is the product bought daily, weekly or on occasions?
- Direct competitors (offering the same solution), indirect competitors, and alternatives (what people do now).
- A simple comparison table: you versus two or three competitors on price, quality and ease.

Example:

"Demand is seasonal and recurs every year. Competitors: independent technicians (sometimes cheaper, but their appointments are not guaranteed and their prices are unclear), large maintenance companies (reliable, but more expensive and focused on businesses), and the most common alternative: waiting until the unit breaks down and then looking for a technician."

Avoid: writing "there is no competitor," which means you didn't search, or that there is no need.

5. Prototype and what we learned

What is the simplest version you tested (a sketch, a page, an order form, a manual trial)? With how many people? What changed in your idea after the test? Changing direction based on evidence counts for you, not against you.

Write in this part:

- What is the simplest version of the solution you tested? (A sketch, a post, an order form, delivering the service by hand to a few people.)
- How many people did you test it with? And what actually happened?
- What did you learn? What did you change in your idea after the test?

Example:

“We posted a simple ad in two neighborhood groups with a booking link for a maintenance visit at a trial price. 19 families booked within two weeks, and we carried out the visits with a cooperating technician. 11 of them asked about an annual subscription, and we discovered that families care about the photo report more than we expected, because it reassures them the work was really done, so we made it a core part of the service.”

Avoid: settling for “we’ll test later,” or showing the idea only to your friends and asking whether they like it. And remember that changing the idea after testing counts for you, not against you.

6. Financials

We focus on monthly operations. Write the fixed costs item by item, then the variable cost per unit and the selling price; the result is calculated automatically. Ask yourself about the expected sales: are they reasonable?

Write in this part:

- Fixed monthly costs item by item (rent, salaries, subscriptions, utilities).
- The variable cost per unit (materials, packaging, delivery), and the selling price.
- Expected monthly sales, and where this expectation came from.
- The break-even point is calculated automatically; comment on it: is it realistic?

Example:

“The price of a visit in the subscription is SAR 150, and its variable cost SAR 60 (materials 35, fuel 15, messages and payment fees 10), so the contribution margin is SAR 90. Fixed costs are SAR 9,000 a month (a technician’s salary, a vehicle lease and the scheduling system subscription), so we need 100 visits a month to break even, about 4 visits a day, which is feasible if the visits are close together. Equipping (SAR 12,000) is a start-up cost that we did not include in the monthly calculation.”

Avoid: including start-up costs (equipment and fit-out) in the monthly costs, forgetting small costs such as packaging and delivery, or assuming large sales without evidence.

7. The team

How many people does the venture need? Who does what? Are the workers on monthly salaries or contracted per job? And what happens to the team as you expand?

Write in this part:

- Who is on the team, and who handles what?
- Whom do you need to add to actually run the venture? (On salary, or contracted per job.)
- What changes in the team if the venture grows?

Example:

“Three members: the first for operations and scheduling visits, the second for marketing and customer contact, and the third for accounts and purchasing. We need one salaried technician at the start, and we add technicians contracted per visit at the peak of summer.”

Avoid: listing team names without roles, or ignoring who will actually work in the venture.

8. Marketing

How do you reach your customer? What is your message in one sentence (use the message maker)? And how do you keep them so they come back and buy again? Choose one or two channels where you know your customer is.

Write in this part:

- Your message in one sentence.
- One or two channels where you know your customer is, and why you chose them.
- An offer that gets the customer to try it the first time.
- How do you get the customer to come back and recommend you?

Example:

“Our message: (A cool summer with no breakdowns, and a guaranteed technician appointment.) We reach customers through neighborhood groups and real estate offices, with a free inspection for the first 20 subscribers, and a free extra month for anyone who brings in a neighbor who subscribes, because neighboring subscribers bring our visits closer together and save the technician’s time.”

Avoid: listing every platform without focus, or simply saying “we’ll market on social media.”

9. Growth and the next step

Is expansion costly? Does each new branch or city need start-up costs and staff? And what is the first small step you would take if you decided to actually start? A venture that does not grow usually withers.

Write in this part:

- Is expansion costly? (Does each new location or city need premises, staff and equipment?)
- Where could the venture expand: new customers, new places, or complementary products?
- What is the first small, realistic step if you decided to actually start next month?

Example:

“After three neighborhoods, we expand to others with new technicians, each covering a defined area. We can add small shops and residential compound subscriptions. First step: run the service for one summer in two neighborhoods and reach 60 subscribers.”

Avoid: large expansion plans unconnected to what you have achieved, such as “we’ll cover every city in the Kingdom in the first year.”

Before you submit

- We conducted at least 5 interviews with people who have the problem, not all of them our friends.
- The problem is written precisely (who? when? how much?), not in general terms.
- We named at least one alternative or competitor.
- We distinguished between start-up, fixed and variable costs.
- We tested a simple prototype with real people.
- The writing is in our own voice; if we used AI, it was as an assistant in developing and building ideas, not for the final writing.

Answers to Self-Assessment Questions

Chapter 1: Entrepreneurship: Concept and Importance

1. **(b)** Entrepreneurship starts from new value or a better way, not from repeating what exists.
2. **(a)** Innovation from inside the organization, as an employee, is intrapreneurship.
3. **(b)** Schumpeter described how new innovation pushes aside the old.

Chapter 2: The Entrepreneurial Mindset

1. **(a)** They set what they accept losing before starting.
2. **(b)** Entrepreneurship is behaviors and skills acquired through practice.
3. **(b)** They turned a surprise into an opportunity.

Chapter 3: Opportunities and Idea Generation

1. **(b)** An opportunity is an idea that meets market and execution conditions.
2. **(a)** A change in what people care about and value is a source of opportunity.
3. **(b)** Early criticism kills ideas.

Chapter 4: Creativity and Innovation

1. **(b)** The way of making money changed, not the service itself.
2. **(b)** Innovation is the idea reaching use.
3. **(b)** Early adopters try things and influence others.

Chapter 5: Understanding the Customer and the Market

1. **(b)** Asking about the specific past reveals real behavior.
2. **(a)** A segment with a specific behavior and need.
3. **(b)** He meets the same need in a different way.

Chapter 6: The Business Model

1. **(b)** The basics are free and the extras are paid.

2. **(b)** The value proposition is the heart of the business model.
3. **(a)** A share of each transaction between two sides.
4. **(b)** Road time and scheduling are a cost nobody pays for, so the workable price becomes too high and the customer prefers the shop.
5. **(b)** The car and the available time cost them little, because they already exist.

Chapter 7: Testing and Prototyping

1. **(a)** They delivered the service themselves to a few customers in order to learn.
2. **(b)** A financial commitment is stronger than words.
3. **(b)** We keep what worked and change what didn't.

Chapter 8: Marketing for New Ventures

1. **(a)** $2,000 \div 50 = 40$.
2. **(b)** Focus raises impact and reduces waste.
3. **(a)** What the customer sees and touches of the service.

Chapter 9: Fundamentals of Finance and Funding

1. **(b)** The margin is 12, and $6,000 \div 12 = 500$.
2. **(b)** It rises with every meal sold.
3. **(a)** Accounting profit is not cash in hand.

Chapter 10: Legal and Ethical Aspects

1. **(a)** Freelancing suits individual services.
2. **(b)** Protection covers the specific execution and form, not the abstract idea.
3. **(b)** Early clarity protects both the venture and the relationship.

Chapter 11: Pitching and Persuasion

1. **(b)** A story grabs attention and makes the problem real.
2. **(b)** Honesty builds more trust than invention.
3. **(a)** Actions are stronger than expectations.

Chapter 12: Growth and Lessons from Success and Failure

1. **(a)** Building something not enough people need.
2. **(b)** Revenue grows faster than costs.

3. **(b)** Fear for the present cost them the future.

Glossary

4Ps	Product, price, place, promotion.	Ch. 8
Affordable loss	The maximum money and time you accept losing in an experiment.	Ch. 2
Brainstorming	Generating as many ideas as possible without immediate criticism.	Ch. 3
Break-even point	The sales volume with neither profit nor loss.	Ch. 9
Build-measure-learn	The testing loop of the lean startup method.	Ch. 7
Business model	The logic of creating value, delivering it and earning from it.	Ch. 6
CAC	The cost of acquiring one customer.	Ch. 8
Calculated risk	Moving ahead after studying the possibilities and setting the acceptable loss.	Ch. 2
Cash flow	The money actually coming in and going out over a period.	Ch. 9
Commission model	Taking a share of each transaction between two sides through your platform.	Ch. 6
Contribution margin	Selling price minus the variable cost per unit.	Ch. 9
Creative destruction	New innovation replacing old products and methods (Schumpeter).	Ch. 1
Creativity	Generating a new and useful idea.	Ch. 4
Customer discovery	Testing a venture's hypotheses by talking directly with customers.	Ch. 5

Design thinking	A human-centered problem-solving approach in five stages.	Ch. 7
Dilution	The fall in the founders' ownership share as new investors join.	Ch. 9
Disruptive innovation	A simple, cheap solution that starts in a neglected market and then displaces the major companies.	Ch. 4
Early adopters	The group that tries new things early and influences others.	Ch. 4
Early failure	Discovering an idea's flaw early and cheaply.	Ch. 12
Effectuation	An approach that starts with the available means rather than a preset goal (Sarasvathy).	Ch. 2
Elevator pitch	A pitch of under a minute that sums up the idea.	Ch. 11
Entrepreneurship	Discovering an opportunity and turning it, through innovation, into value, by organizing resources and bearing calculated risk.	Ch. 1
Founders' agreement	A written agreement setting out shares, roles and how disputes are resolved.	Ch. 10
Franchising	Granting others the right to operate your model and brand for a fee.	Ch. 12
Freelance document	A document that allows an individual to offer professional services legally.	Ch. 10
Freemium	A free basic version and a premium paid version.	Ch. 6
Growth mindset	The belief that abilities grow through effort and learning.	Ch. 2
How might we...?	Framing the problem as an open question that invites solutions.	Ch. 3
Hypothesis	A testable expectation about customer behavior.	Ch. 7

Idle resource	An existing resource unused most of the time (a car, a room, equipment, free time), so it is cheap to put to use.	Ch. 6
Innovation	Turning an idea into value that people actually use.	Ch. 4
Intrapreneurship	Initiative and innovation from inside an organization, as an employee.	Ch. 1
Job to be done	The goal for which the customer "hires" the product.	Ch. 5
Limited liability company	A company in which the partners' liability is limited to their shares.	Ch. 10
LTV	The value of what a customer pays over their whole relationship with the venture.	Ch. 8
MVP	The simplest version that allows learning from real customers.	Ch. 7
Net profit	What remains of revenue after deducting all costs and statutory obligations.	Ch. 9
Opportunity	An idea with a real need, customers, the right timing and the ability to execute.	Ch. 3
Persona	A description of a typical customer who represents the target segment.	Ch. 5
Pitch	A short presentation aimed at persuading the listener to take a next step.	Ch. 11
Pivot	A deliberate change in part of the model based on evidence.	Ch. 7
Positioning	The image the customer holds of you compared with the alternatives.	Ch. 8
Profit margin	Net profit ÷ revenue; it rises with sales because fixed costs are spread over more units.	Ch. 9

Reckless growth	Expanding before the model is proven, or without a financial basis.	Ch. 12
Scaling	Revenue growing faster than costs.	Ch. 12
SCAMPER	A list of questions for developing ideas: substitute, combine, adapt, modify, put to another use, eliminate, reverse.	Ch. 3
Small and medium enterprises	Businesses classified by number of employees or revenue; the backbone of the economy.	Ch. 1
Social entrepreneurship	A venture whose first goal is solving a social problem while staying financially sustainable.	Ch. 1
Start-up costs	Costs paid once when the venture begins.	Ch. 9
STP	Segmentation, then targeting, then positioning.	Ch. 8
SWOT	Analysis of strengths, weaknesses, opportunities and threats.	Ch. 5
TAM / SAM / SOM	The total, serviceable and realistically obtainable market.	Ch. 5
The 10/20/30 rule	Ten slides, twenty minutes, and type of at least 30 points.	Ch. 11
Traction	What proves the idea works: interviews, trials, sales.	Ch. 11
Trademark	The distinctive name or logo of a product, registered for protection.	Ch. 10
Value pie	The difference between the most the customer will pay and the real cost of delivering the service, including time.	Ch. 6
Value proposition	The reason the customer chooses you over the alternatives.	Ch. 6

Win-win deal

A model from which the customer, entrepreneur, workers and partners all come away satisfied, with the customer paying an amount that rewards everyone.

Ch. 6

References

- Alsamani, O. A. (2023). The development of innovation for the creatively gifted: A phenomenological study of the lived experiences of successful outstanding innovators. *International Journal of Educational Sciences*, 41(1), 70–81.
- Alsamani, O. A. (2023). The needs of gifted university students with creative and innovative traits for stimulating creativity and innovation [in Arabic]. *Journal of Human Sciences*, 19(2), 39–62.
- Alsamani, O. A. (2026). Structured collaboration with generative artificial intelligence to foster innovation and strategic thinking in entrepreneurship education. *Discover Education*, 5, Article 582. <https://doi.org/10.1007/s44217-026-01593-9>
- Alsamani, O. A. (2026). The community supporting innovation and entrepreneurship for gifted individuals as perceived by innovative Saudi entrepreneurs: A phenomenological qualitative study [in Arabic]. *Journal of Educational and Psychological Sciences, Qassim University*, 19(2).
- Ansoff, H. I. (1957). Strategies for diversification. *Harvard Business Review*, 35(5), 113–124.
- Barringer, B. R., & Ireland, R. D. (2019). *Entrepreneurship: Successfully Launching New Ventures* (6th ed.). Pearson.
- Barringer, B. R., & Ireland, R. D. (2019). *Entrepreneurship: Successfully Launching New Ventures* (6th ed.). Pearson. (Chapters 8 and 10)
- Berman, K., & Knight, J. (2013). *Financial Intelligence* (rev. ed.). Harvard Business Review Press.
- Blank, S. (2013). Why the lean start-up changes everything. *Harvard Business Review*, 91(5), 63–72.
- Blank, S., & Dorf, B. (2012). *The Startup Owner's Manual*. K&S Ranch.
- Brandenburger, A. M., & Stuart, H. W. (1996). Value-based business strategy. *Journal of Economics & Management Strategy*, 5(1), 5–24.
- Brown, T. (2009). *Change by Design*. HarperBusiness.
- Christensen, C. M. (1997). *The Innovator's Dilemma*. Harvard Business School Press.
- Christensen, C. M., Hall, T., Dillon, K., & Duncan, D. S. (2016). *Competing Against Luck*. HarperBusiness.
- Drucker, P. F. (1985). *Innovation and Entrepreneurship*. Harper & Row.
- Duarte, N. (2010). *Resonate*. Wiley.
- Dweck, C. S. (2006). *Mindset: The New Psychology of Success*. Random House.
- Eberle, B. (1971). *SCAMPER: Games for Imagination Development*. D.O.K. Publishers.
- Eisenmann, T. (2021). *Why Startups Fail*. Currency.
- Feld, B., & Mendelson, J. (2019). *Venture Deals* (4th ed.). Wiley.

- Fitzpatrick, R. (2013). *The Mom Test*. CreateSpace.
- Hasso Plattner Institute of Design at Stanford. (n.d.). *An Introduction to Design Thinking: Process Guide*.
- Heath, C., & Heath, D. (2007). *Made to Stick*. Random House.
- Hoffman, R., & Yeh, C. (2018). *Blitzscaling*. Currency.
- Kawasaki, G. (2004). *The Art of the Start*. Portfolio.
- Kotler, P., & Armstrong, G. (2021). *Principles of Marketing* (18th ed.). Pearson.
- Maurya, A. (2012). *Running Lean* (2nd ed.). O'Reilly.
- McCarthy, E. J. (1960). *Basic Marketing: A Managerial Approach*. Irwin.
- Ministry of Commerce. Companies Law (issued by Royal Decree No. M/132, dated 1/12/1443 AH).
- Moore, G. A. (1991). *Crossing the Chasm*. HarperBusiness.
- OECD/Eurostat. (2018). *Oslo Manual 2018* (4th ed.). OECD Publishing.
- Osborn, A. F. (1953). *Applied Imagination*. Scribner.
- Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation*. Wiley.
- Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). *Value Proposition Design*. Wiley.
- Parker, G. G., Van Alstyne, M. W., & Choudary, S. P. (2016). *Platform Revolution*. W. W. Norton.
- Ries, A., & Trout, J. (2001). *Positioning: The Battle for Your Mind*. McGraw-Hill.
- Ries, E. (2011). *The Lean Startup*. Crown Business.
- Rogers, E. M. (2003). *Diffusion of Innovations* (5th ed.). Free Press.
- Sarasvathy, S. D. (2001). Causation and effectuation. *Academy of Management Review*, 26(2), 243–263.
- Sarasvathy, S. D. (2008). *Effectuation: Elements of Entrepreneurial Expertise*. Edward Elgar.
- Saudi Authority for Intellectual Property (SAIP). Official website.
- Saudi Data and Artificial Intelligence Authority (SDAIA). Personal Data Protection Law.
- Schumpeter, J. A. (1934). *The Theory of Economic Development*. Harvard University Press.
- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1), 217–226.
- Wasserman, N. (2012). *The Founder's Dilemmas*. Princeton University Press.
- Weinberg, G., & Mares, J. (2015). *Traction*. Portfolio.

Entrepreneurship 101

Entrepreneurship is not reserved for those who want to start a company. It is a way of thinking and working that everyone needs. This book presents the foundations of entrepreneurship in twelve chapters: from the concept of entrepreneurship, the entrepreneurial mindset, opportunities and innovation, to understanding the customer, the business model, testing and marketing, and then money and funding, legal aspects, pitching and growth. It explains every concept with an example and links it to tools students apply to their own idea, with special attention to a question many ideas overlook: does every party in the venture win?

Dr. Omar A. Alsamani