

Understanding Entrepreneurship

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Introduction

Entrepreneurship is the process of self-employing in any kind of business. It involves the activities, which can identify several prospects in the economic system. An entrepreneur has the ability and willingness to seek for investment opportunities for running the enterprise. This assignment describes about the types of entrepreneurship, what roles and responsibilities does an entrepreneur have, what qualities should a good entrepreneur have to run a successful business and even about the role of micro and small businesses in the economy. It also describes if the entrepreneurs are born or are they made. Through this assignment, the learner will have an in depth knowledge about different entrepreneurship (Barringer, 2012).

Part 1

P1. Brief Introduction to the report by examination of different types of entrepreneurship and how do they relate to different typology with entrepreneurship.

Entrepreneurship is nothing but self-employing. An entrepreneur should have innovative ideas and should plan proper strategies to implement those ideas. The process of entrepreneurship also involves decision-making and forecasting. To start any business, entrepreneur has to find sources for financing the business and then earn profits from the business deals. The entrepreneurs have come up with a lot of new business ideas which has developed different types of entrepreneurial ventures (Drucker, 2014). The type of entrepreneurship can be divided under many bases. Based on the type of business occupation, there are five types of entrepreneurship as given below-

- i. **Business Entrepreneurs-** These types of entrepreneurs are those individuals who develop new ideas for a particular product or service. After that they try to convert their idea into materialistic business by means of developing new business opportunities. The entrepreneurs seek for resources to run their business and production. The size of their entrepreneurial business venture can be big or small. Mostly the size of all the ventures is small and the owners are called the small business entrepreneurs. Example, advertising agency, tour and travel agency, confectionery, ready-made garments, textile processing house, etc. These small business enterprises have flourished in the manufacturing business and have significantly contributed towards the economy.
- ii. **Trading entrepreneurs-** The trading entrepreneurs do not involve in the business of manufacturing goods and services, they are concerned with the trading. They identify the potential market and create the demand for their products amongst the customers. The buyers become interested to purchase their products. Trading entrepreneurs are involved in both the national and international trade (Colquitt, Lepine & Wesson, 2011).
- iii. **Industrial Entrepreneur-** The industrial entrepreneurs are those who specifically manufacture goods and services according to the customer needs. These entrepreneurs are product-oriented who start their ventures with the thought of producing new products. The industrial entrepreneurs have the capability to convert the economic resources into a profitable venture with the help of technology. Example- textile units, machine tool manufacturers, electronic industry, etc.
- iv. **Corporate Entrepreneur-** These types of entrepreneurs are the ones who manage corporate undertakings and demonstrate their innovative skills. The corporate undertakings are those ventures which are registered under specific regulatory Act to run as a separate

legal entity. The corporate entrepreneurs have to make sure that they run their business according to the rules and regulations under which their company is registered.

- v. **Agricultural Entrepreneurs-** The agricultural entrepreneurs take up business activities of agriculture. They produce and market the agricultural crops, fertilizers and other such products related to agriculture. They use the method of irrigation and utilize the technology for dry land to increase the productivity of the agricultural sector (Goffee and Scase, 2015).

All the entrepreneurs of different entrepreneurial ventures study the market and the behaviour of their prospective customers. They analyse the products and are always ready to take calculated risks. The main in every business is to run successfully by providing effective service and qualitative products to the customers.

P2. The similarities and dissimilarities between types of entrepreneurial ventures and roles, characteristic and objectives of different types of ventures

There are certain similarities between the above-mentioned types of entrepreneurial ventures. The most common thing between all the entrepreneurs is that they are risk takers. Every business involves some amount of unavoidable risks. The entrepreneurs have the ability to convert their innovative ideas into realistic work. When they try to allocate their resources or when they try to take up any new manufacturing decision, or in any other situation, there are risks involved, which the entrepreneurs are ready to take. The entrepreneurs have the capability to manage their finances from the very beginning of their business process. They know which product would give them the maximum return and which will not. All types of entrepreneurial ventures aim at satisfying their customers. They spend time in doing proper market research and they try to study the behaviour of the customers. This helps them to provide the right kind of product and services to the customers (Bridge and O'Neill, 2012). All the entrepreneurs formulate plan for every types of situations and follow it so that the entire organization runs in a systematic way.

There are certain difference between the private enterprises, public enterprises and social enterprises. The differences can be stated as below-

Point of Difference	Private Enterprises	Public Enterprises	Social Enterprises
Roles	Providing the customers with different line of products and services; Analysing the needs of customers.	Companies try to reinvest their earned profits into the society. Providing high quality products for their customers and offer them best service (Fayolle and Gailly, 2015, p.92).	Make the society aware of several issues related to poverty and lack of resources; Providing goods and services to less fortunate people; spread awareness about the environment.
Characteristics	Owned solely or jointly by individuals	Concentrates on Corporate Social Responsibilities; Funded	Mostly, non-profit making companies established for

		by Government bodies.	philanthropic drive or environmental safety.
Objectives	Earning maximum amount of profits	Continue to serve the customers even during the recession.	Make their country and rest of the places a better place for people to live and survive peacefully, save the environment from pollution and work for the people.

The micro, small and medium sized entrepreneurial ventures are mainly established to focus on the customers largely. The customer base for these kinds of ventures is huge and these customers have trust on these small sized enterprises. The gestation period of micro, small and medium sized firm is shorter than the big established ventures as the customers happen to do repeat purchases very frequently. These enterprises do not need to research for days and formulate plans to adapt to any economic variations in the market. They can modify their products and services accordingly the needs of their regular customers easily. The mode of working is also very simplified and these ventures try to maintain good relations with their customers (Jaskiewicz, Combs and Rau, 2015, p.33).

P3. Impact of micro and small business on the economy

Independent owners own the micro and small sized businesses. The entrepreneurs of these enterprises use their innovative ideas and produce products that their customers require. Customization of the products and services makes the customer trust the seller and make repeat purchases. These enterprises in recent years have contributed immensely towards the GDP of the economy. It has created a lot job opportunities, given the chance to many youngsters who have different business ideas and has eradicated the unemployment problem in most of the countries. The employees who are hired by these enterprises do not receive huge amount of salary. The job guarantee is also not as high like the large business enterprises (Thurik, Stam and Audretsch, 2013, p.308). The employees may have a fluctuating salary structure, which most of them would not prefer. These enterprises focus on training their employees and make them ready for any business situation. They make sure each of their employees know how to handle the customers, understand their needs and provide them the right product and service. The economy has received a lot of new business ideas, new types of products and services, potential employees and trading business from these enterprises. These enterprises have changed the income dynamics and have created wealth in many countries. It has created 26 million jobs in US and 24.3 million jobs in UK. It adds tremendously towards the Gross Value Added (GVA). There are some of the small and micro business firms which have brought international trading deals to their country, hence creating business worth millions dollars (Martin, McNally and Kay, 2013, p.220).

	Enterprises		FTE		GVA	
	Total	% SME	Total	% SME	Total	% SME
EU28	22 346 729	99.8	133 767 348	67.0	6 184 825	57.5
Belgium	566 006	99.8	2 718 355	70.1	189 086	62.2
Bulgaria	312 608	99.8	1 872 997	75.5	18 246	62.3
Czech Republic	1 007 441	99.9	3 521 520	69.8	84 142	56.0
Denmark	213 358	99.7	1 602 105	65.0	119 936	62.5
Germany	2 189 737	99.5	26 401 395	62.5	1 385 501	53.3
Estonia	58 408	99.7	393 545	78.1	9 338	74.9
Greece	726 581	99.9	2 198 986	86.5	54 703	72.8
Spain	2 385 077	99.9	10 923 323	73.9	434 156	63.0
France	2 882 419	:	15 495 621	:	890 597	:
Croatia	148 573	99.7	1 002 905	68.3	19 115	54.8
Italy	3 825 458	:	14 715 132	:	646 476	:
Cyprus	46 139	99.9	224 915	:	7 864	:
Lithuania	141 893	99.8	835 630	76.2	12 155	68.5
Latvia	91 939	99.8	573 580	78.8	9 269	69.2
Luxembourg	29 265	99.5	242 533	68.3	19 250	70.7
Hungary	528 519	:	2 430 681	:	46 497	:
Malta	26 796	99.8	119 224	79.3	3 548	74.9
Netherlands	862 697	99.8	5 359 446	66.7	310 022	62.9
Austria	308 411	99.7	2 671 477	68.0	164 976	60.5
Poland	1 519 904	99.8	8 326 839	68.9	171 627	50.1
Portugal	793 235	99.9	2 942 895	:	66 360	:
Romania	425 731	99.6	3 837 868	66.4	48 432	:
Slovenia	119 644	99.8	574 479	72.3	17 140	62.8
Slovakia	398 392	99.9	1 417 228	69.7	32 922	60.5
Finland	226 373	99.7	1 457 599	63.0	86 957	59.6
Sweden	661 822	99.8	3 025 006	65.4	210 859	58.5
United Kingdom	1 703 562	99.7	17 784 620	53.0	1 037 293	50.9
Norway	278 899	99.8	1 510 838	67.6	230 661	58.6
: missing data						

Figure 1

(Source: Thurik, Stam and Audretsch, 2013, p.308)

P4. Importance of small business start-ups on the growth of the social economy

The social economy comprises of the people of the community, charitable institution, social enterprises and non-governmental organizations of the economy. The small business start-ups are established with the aim to create a good impact on the people with their innovative business ideas. They do not try to compete with the large companies but they try to deliver the product and services in a better way. They understand the needs of the customer closely and provide them their desire products and services at a reasonable rate (Santos, 2012, p.337). The customers have started having faith in these small business start-ups and they prefer purchasing from them. Today, the big companies like Silicon Valley, Tesla, Nike, Microsoft, McDonald's, etc. also started as a small business start-ups. They also focused at providing customers with their high quality products at lower price compared to the larger companies. These start-ups have not only given job opportunities to millions of youth in different countries, but they have also trained them in a professional manner so that some of those are able to expand the business, which would bring job opportunity to more people. The problem of unemployment has been removed by SMEs in some of the countries like UK, US, Geneva, etc. The large companies have also appreciated the emergence of such small-sized business firms. These firms have also helped to reduce the workload of large enterprises by taking up

outsourcing work contracts with them. This gives both the type of companies the benefit to earn more income (Klein, *et al.* 2010, p.13). Though these small business start-ups have created job opportunities, provided the economy billions of business and has contributed towards solving the problem of poverty in most of the countries, most of these enterprises have not yet shown any interest in the CSR practices. The large companies voluntarily develop CSR strategies and they keep practicing it often. The business performance of the SMEs is tremendous, but they should also consider taking up some of the CSR programmes to contribute towards the community in a better way.

Part 2

P5. Characteristics of a successful entrepreneur, their skills and examples of successful entrepreneurs and exploring whether entrepreneurs are born or made and whether their skills can be learned over time.

A person can become anything if he or she has the passion and determination to work continuously towards their aim. They can also become entrepreneurs if they want to. It is not believed but it has also been observed that the entrepreneurs are made and not born. A person does not simply take birth with entrepreneurship skills and qualities. He or she has to work harder in every phase to achieve the dream of becoming an entrepreneur. As entrepreneurship is a process of self-employment, one should learn how a business entity works and how a product or service is brought into the market and sold to the customers (Raposo and Do Paço, 2011, p.455). There are certain qualities, which makes a person a successful entrepreneur. The qualities are-

- *Self-motivating*- As an entrepreneurial venture needs to go through many challenges while setting up, the entrepreneurs must always feel motivated to work towards the goal. The entrepreneurs should also motivate other people in their ventures to work harder during recessions.
- *Risk-taker*- The process of entrepreneurship involves a lot of risks, so an entrepreneur should always be ready to take risks during unusual circumstances. Even during the initial stage, the entrepreneurs have to take of putting their own resources after setting up the enterprise.
- *Innovative ideas*- Succeeding as an entrepreneur requires a person to be different from others. There are a lot of business enterprises that have the same kind of business process with the same kind of products. Only a few entrepreneurs stand out with their innovative business ideas and create a unique product (Williams and Nadin, 2012, p.116).
- *Customer-centric*- An entrepreneur must anticipate the customer needs carefully so that he or she can offer the customers their preferred products and services. Their main approach of the business must be customer-centric so that they can satisfy the customers fully.
- *Team worker*- An entrepreneur has to develop the habit of working with many people. The entrepreneurs have to guide the people working in their enterprise and manage them too. They must know what kind of work should be assigned to whom and understand that the performance level of all the employees cannot be the same. They should encourage teamwork as it would enhance the productivity of the business (Awogbenle and Iwuamadi, 2010, p.836).

P6. How the aspects of entrepreneurial personality reflect entrepreneurial motivation and mindset? How is the personality of entrepreneurs shaped by family upbringing, cultural difference, and personal motivation?

The mindset of the entrepreneurs helps them to develop their behaviour and have positive attributes. The mindset of the entrepreneurs helps to be creative and innovative. They use these skills to differentiate their business process from others and bring a change in their product line. The positive attitude of the entrepreneur is important for running the business and for managing the employees of the enterprise. During recession or during the time when the company is incurring huge loss, the entrepreneur must show positive behaviour so that the employees get motivated to work harder to achieve the target and pull the company from the recession. The entrepreneurs must be open-minded and should provide opportunities to the employees to come up with their own ideas for any product or product strategy. This would help to build a good communication relationship between the entrepreneurs and its employees (Audretsch, 2012, p.758).

The society in which the person lives in affects his or her behaviour and personality. Every person hold different personality traits and they come from different family background with different financial status. The upbringing of a person has a huge role in nurturing the personality and character. A person develops several personality traits from different people in the society. The family values of a person can either make him/her focused, disciplined, honest and well behaved or it can make the person a complete rebel, unruly and mischievous (McKenzie and Woodruff, 2012, p.98). It also depends on the person as to how much he or she wants to adapt the family values. The surrounding of a person should be positive and motivating as it helps the person to achieve the characteristics of a positive person. Hence, the upbringing, cultural difference, and personal motivation nurture the personality of an entrepreneur.

P7. How the background and past experience of a person can hinder or foster entrepreneurship? What are the Risks and rewards of starting a business?

A person can gain experience of how a business enterprise operates and functions, through proper training and working in different places. Different workshops, business training and internships can be taken up the entrepreneurs to enhance their skills and knowledge. This would help them to understand the ways in which they can operate their own business in future. They should also try to work under different types of business organizations to find out which pattern they would like to follow or which product they are interested to trade for their own business (Dacin, Dacin and Tracey, 2011, p.1208). There are other factors, which can foster the experience of the entrepreneurs-

- *Educational background-* Education helps every person to gain knowledge about different subjects. An entrepreneur can have idea about different aspects of business through various articles, books and training courses. It is not always necessary that only those people with high number of qualification can become entrepreneurs. If a person has the passion and understands the basic functions of business, then he or she can also become a successful entrepreneur. For example- Steve Jobs (founder of Apple), Larry Ellison (founder of Twitter), Michael Dell (founder of Dell), Jan Koum (founder of Whatsapp) and many more famous

people were college drop-outs who have proved that it is not necessary to hold a degree to become something (Neck and Greene, 2011, p.63).

- *National Culture*- The entrepreneur has to understand the culture of the country in which he or she lives in. The products and services demanded by the customers would differ from one country to another as it affects the choice of the customers. The national culture also affects the business pattern and operations. The entrepreneurial ventures have to follow the rules and regulations of the act applicable in the country where they wish to run the business.
- *Economic Market*- The market of every country is also different from each other. The entrepreneurs should study these markets thoroughly so that they can create demand for the products they want to offer to the customers. Before doing so, they should also understand that there can be fluctuation in price of the raw materials or in the currency rate, so for this the entrepreneurs should make strategies so that the business operations do not fail during economic market changes (Lofstrom, Bates and Parker, 2014, p.237).

Every business has certain risks and reward involved in the business operation. When the entrepreneurs start their business with a certain sum of money as their capital, which has been taken as a form of loan, they should try their best to maximize their profits and minimize their losses during the business process. This function would help to them in the long run as the business would attract investors. The risk is involved, as in case the company goes into loss, the entrepreneurs would have to pay the loan amount from their own pockets. Hence, there are rewards and risks involved in entrepreneurship.

Conclusion

The process of entrepreneurship has influenced many youngsters to become entrepreneurs. Entrepreneurs have been successful in converting their innovative ideas into their business operations. The products and services offered by them also reflect their innovation and skills. The business of these entrepreneurial ventures has positively spurred the economic growth and has improved the economic condition of many countries by creating millions of job opportunities.

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