

# Entrepreneurship Development

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# Theories & Concepts of Entrepreneurship

# Definition of an Entrepreneur

- “An entrepreneur is a person who undertakes to do a job”. The term entrepreneur originated from a French word “**entreprendre**” was first coined by Richard Cantillon (1755).

# Definition of an Entrepreneur

- Entrepreneurship involves not only the process that leads to the setting-up of a business entity but also the expansion and development of an going concern.
- The study of entrepreneurship is concerned with the **entrepreneurial behavior**, the dynamics of business set-up and expansion or development of an entrepreneurial organization.

# Development of Entrepreneurship Theories

- Carl Menger (1871) – The entrepreneur acts as an economic agent who transforms resources into products and services. These transformation process gives added value to the output.
- Joseph Aloysius Schumpeter (1934) – The entrepreneur is an **innovator**. The economy moves through leaps and bounds because of the innovations. This process is known as “creative destruction”
- Alfred Marshall (1936) – The process of entrepreneurship development is evolutionary. The entrepreneur is responsible for the evolution of sole proprietorships into a public company.

# 1. ECONOMIC THEORY:-

Many economists give their views about entrepreneurship but Richard Cantillon was the first person who recognise the role of entrepreneurship. He said that farmer is an entrepreneur who promise to pay landlord for his land without any assurance of profits he can drive from his enterprise i.e. land. He said that there is always a risk factor of fluctuation of prices in market for an entrepreneur.

With this Schumpeter added the concept of innovation. He said that an entrepreneur can be helpful in economic development by introducing new innovative ideas. Lack of innovation can reduce the enthusiasm, physical and mental energy of entrepreneur.

## 2.SOCIOLOGICAL THEORY:-

Sociologists suggests that entrepreneurship can be social movement. Economists of this theory believes that cultural values deeply affect the entrepreneurship and economic development. If strong family support is with entrepreneur than this will be fruitful but if family does not care about businessman that can cause adverse affect. According to Hoselitz the persons who introduces innovative ideas reject the traditional ways of doing the things.

Economists believes that special attention given to society can improve the relations between the enterprise and its surroundings.

### 3. PSYCHOLOGICAL THEORY:-

Economists of this theory said that entrepreneurship is most likely to emerge when a society has sufficient psychological characteristics.

Joseph Schumpeter states that entrepreneur is motivated & driven by 3 things:-

- (a) 'The dream and the will to found a private kingdom' that means the desire for power & independence.
- (b) 'The will to conquer' that means the will to succeed.
- (c) 'The joy of creating' that means satisfaction of getting things done.

He asserts that matter is behaviour not the actor.



## 4. ANTHROPOLOGICAL THEORY:-

FREDRIK BARTEH develop this theory. According to berth entrepreneurship has two connecting spheres in the society between which there exits a difference in values. These spheres are as follows:-

- Something which is cheap and
- Something which is expensive.

Barth states that entrepreneurial behaviour means to connect 2 different spheres in the society, between there is a huge discrepancy in the value.

PROBLEMS IN  
GROWTH OF  
ENTREPRENEURSHIP.

Following are the factors which are responsible for the slow growth of entrepreneurship:-

- non-availability of raw material and power
- Shortage of finance
- Problem of getting the loan sanctioned
- Incompetence and poor management.
- Restrictions Imposed by custom and tradition.
- Involvement of high risk.
- Socio-cultural rigidities.
- Lack of motivation.

- Lack of communication network.
- Absence of entrepreneurial aptitude.
- Low status of businessmen
- Instability in market
- Legal formalities involved to set up a unit.
- Low quality products.
- Low package of salaries to employees.

With all this there are few **social factors** like:--

- Lack of education,
- Dual role of women,
- Lack of independence,
- Family burden,
- Lack of cooperation from family members.

# PROS AND CONS OF BEING AN ENTREPRENEUR:-

# IMPORTANCE OF ENTREPRENEUR

An entrepreneur is a person who combines various factors of productions and provides finished products and by selling the products he generates his profits. An entrepreneur can helpful in economic growth, following are the points in this regard:-

- Generation of employment.
- Increasing per capital income.
- Helping in capital formation.
- Balanced regional development.
- Promoting self reliance.

# CONS OF ENTREPRENEURSHIP:-

Following are the factors which are responsible for the failure of entrepreneurship:-

- Lack of viable concept
- Lack of market knowledge
- Lack of technical skill
- Lack of seed capital
- Lack of business knowledge
- Lack of motivation
- Over confidence
- No guarantee of earning profits
- Legal constraints and regulations
- Create Monopoly.

# INTRAPRENEURSHIP.

Employees of an organization who have entrepreneurial talent and motivated to use their abilities and initiative and do something on their own, but who may not want to start their own business are known as *Intrapreneurship*.

Intrapreneurship is the term given to the establishment and fostering of entrepreneurial activities in large organizations which either improve the existing products and services or brand new products'



# ESSENTIALS OF INTRAPRENEURSHIP.

There are 4 elements for the success of intrapreneurship, which are as follows:-

- The strategic and structural environment within the organisation should be right.
- Talents of the employees are recognised and their skills are trained, and should be rewarded time to time.
- Employees should be encouraged to collaborate and try to coordinate their activities with each other.
- Successful employees should be rewarded and should not be given tough punishment when they are wrong in their work.

# Conclusion.

From all this I concluded that it is as old as civilisation. Entrepreneurship is a role played by or task performed by the entrepreneur. Entrepreneurship become important and caught strong waves during last 3 decades of the previous century.

**JAMES SCHUMPETER'S** contribution in this concept is very much wide. His versatile and multi-disciplinary approach could influence the history of economic thoughts.

Schumpeter distinguished between an **inventor** and **innovator** by saying that inventor is discovers new methods and materials whereas innovator utilizing inventions and make a new combinations and produces newer and better product. From all this he generates his profits.

JOSEPH SCHUMPETER was the person who gave a well-rounded picture of an entrepreneur. He disclosed the various aspects of entrepreneurship and produced the competent history of entrepreneurship in economic theory.

In his book **The Theory of Economic Development** he said that art, political, innovative activities are on one side & repetitive and mechanical activities are on other side. He developed theories of interest, profit, credit & business cycle. He said that entrepreneur doesn't have to be a single person but can be an organization. He stressed more on technological innovations rather than on organizational innovations.