

Institute of Finance Management (IFM)

Entrepreneurship – MSU 06500

Bachelor of Accounts with Information Technology (BAIT)

Semester One (2023/2024) – 3rd Year

Lecturer - Madame : Siriel Shaidi Mchembe

Contacts : sirielmchembe@gmail.com

Topic One - Outline

Entrepreneurship skills in running a successful business

- 1.1 Explain the evolution of entrepreneurship
- 1.2 Entrepreneurship Perspective
- 1.3 Describe creativity and Innovation
- 1.4 Describe corporate entrepreneurship
- 1.5 Explain concepts of social and public entrepreneurship
- 1.6 Analyse qualities of an entrepreneur

1.1 Evolution of Entrepreneurship

In order to easily understand the meaning of “entrepreneurship” look around you. You will see a lot of businesses and business people. Another simple way to understand the meaning of entrepreneurship is to look at different products you own or purchase. These products are made by people called entrepreneurs.

- In simple terms entrepreneurs are people who own businesses, although, in today’s world this definition is not sufficient to explain the real meaning of entrepreneurship due to a variety of changes as far as the concept is concerned. In this case entrepreneurship is more than owning a business.
- Entrepreneurship concept originates from the French word “*entreprendre*” which means “*to undertake*”
- From this word an entrepreneur is a person who undertakes a business, manages it and assumes its risks.

1.1 Evolution of Entrepreneurship...

Due to environmental changes in recent years, the definition has been broadened to encompass various meanings;

- As an innovator or developer who recognizes and seizes opportunities, converts those opportunities into marketable ideas, adds value through time, effort, money or skills, assumes the risks of the competitive marketplace to implement these ideas and realize its rewards from these efforts.
- As the **AGGRESSIVE CATALYST** for change in the world of business.
- An independent thinker who dares to be different in a background of common events.

1.1 Evolution of Entrepreneurship...

Most of the definitions of entrepreneurship were developed by economists beginning with;

- Richard Cantillon (1725) - a French economist, who associated entrepreneurship with “a risk bearing activity in the economy.” In this case entrepreneurs are considered as people who undertake risk bearing activities.
- Another definition was developed during the period of **INDUSTRIAL REVOLUTION** In England whereby an entrepreneur was seen as a person playing a visible role in risk taking and transforming resource
- Other economists who gave contribution to the development of entrepreneurial definitions include; Jean Baptiste Say (1803)- the famous French economist and Joseph Schumpeter (1934)- a 20th century economic intellect.

1.1 Evolution of Entrepreneurship...

Most of the definitions of entrepreneurship were developed by economists beginning with;

- Kuratko, D. and Hodgetts, R. (Entrepreneurship: Theory, Process and Practice, 6th ed.) incorporated features of the 21st century and defined entrepreneurship as
“A dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks- in terms of time, equity or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and finally, the vision to recognize opportunity where others see chaos, contradiction and confusion.”

1.1 Evolution of Entrepreneurship...

- *“Entrepreneurship is a dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/ or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources (Robert C. Ronstadt)”*
- A theory of entrepreneurship is defined as a verifiable and logically coherent formulation of relationships or underlying principles that explain entrepreneurship. These principles predict entrepreneurial activity (for example, by characterizing conditions that are likely to lead to new profit or social opportunities and the formation of new enterprises), or provide normative guidance (that is, prescribe the right action in particular circumstances)

1.2 Approaches to Entrepreneurship Perspective

Approaches to entrepreneurship have been developed to increase one's understanding on the field of entrepreneurship in terms of the activities involved. To understand its nature and perspective it is important to consider some of its theories:

i) School of entrepreneurship thought approach

- *Macro*
- *Micro*

i) Process approach

- *An integral approach*
- Entrepreneurship assessment approach
- Multidimension approach

(i). School of entrepreneurship thought approach

a. Macro View of Entrepreneurship

Macro view presents a broad array of factors that relate to success or failure in contemporary entrepreneurial ventures. This array includes external processes that are sometimes beyond the control of the individual entrepreneur for they exhibit a strong external locus of control point of view.

Macro view

- a. Environmental school of thought:*
- b. The financial/ Capital school of thought*
- c. The displacement school of thought*

a. The Ecological School of Thought:

This school of thought comes from the growing perception of the natural world and our relationship to it as entrepreneurs. It is based on the idea that everything is related with everything everywhere. The systems which uphold life on our planet can no longer endure the rhythm of want on exploitation and consumption that entrepreneurs have subjected them to. This school of thought is based on the fields of green economics and ecological economics

b. The Financial / Capital school of thought:

This school of thought is based on the capital seeking process. The search for seed and growth capital is the entire focus of this entrepreneurial emphasis. This school of thought views the entire entrepreneurial venture from a financial management standpoint. Decisions involving finances occur at every major point in the venture process.

c. The Displacement School of Thought:

This school of thought focuses on group phenomena. It holds that the group affects or eliminates certain factors that project the individual into an entrepreneurial venture. As Ronstadt has noted, individuals will not pursue a venture unless they are prevented or displaced from doing other activities.

- ❑ **Political Displacement:** This is caused by factors ranging from an entire political regime that rejects free enterprise) to governmental regulations and policies that limit or redirect certain industries.
- ❑ **Cultural Displacement:** This deals with social groups precluded from professional fields. Ethnic background, religion, race and sex are examples of factors that figure in the minority experience. Increasingly this experience will turn various individuals from standard business professions and towards entrepreneurial ventures.
- ❑ **Economic Displacement:** This is concerned with the economic variations of recession and depression. Job loss, capital shrinkage or simply bad times can create the foundation for entrepreneurial pursuits, just as it can affect venture development and reduction.

(i). School of entrepreneurship thought approach

b. Micro View of Entrepreneurship

The micro view of entrepreneurship examines the factors that are specific to entrepreneurship and are part of the internal locus of control. The potential entrepreneur has the ability, or control, to direct or adjust the outcome of each major influence in this view. Unlike the macro approach, which focuses on events from the outside looking in, the micro approach concentrates on specifics from the inside looking out.

Micro view

a. The entrepreneurial trait school of thought

b. The venture opportunity school of thought

c. The strategic formulation school of thought:

a. The Entrepreneurial Trait School of Thought:

This approach is grounded in the study of successful people who tend to exhibit similar characteristics that, if copied, would increase success opportunities for the emulators.

For example, achievement, creativity, determination and technical knowledge are four factors that usually are exhibited by successful entrepreneurs

b. The Venture Opportunity School of Thought:

This school of thought focuses on the opportunity aspect of venture development. The search for idea sources, the development of concepts and the implementation of venture opportunities are the important interest areas for this school.

Creativity and market awareness are viewed as essential. Additionally, according to this school of thought, developing the right idea at the right time for the right market niche is the key to entrepreneurial success.

c. The Strategic Formulation School of Thought:

The strategic formulation approach to entrepreneurial theory emphasizes the planning process in successful venture development. One way to view strategic formulation is as a leveraging of unique elements. Unique markets, unique people, unique products, or unique resources are identified, used, or constructed into effective venture formations.

The interdisciplinary aspects of strategic adaptation become apparent in the characteristic elements listed here with their corresponding strategies.

ii. Process Approaches

a. *An integrative approach by Morris et al. (1994)*

This approach views entrepreneurship as the activity which consists of inputs and outcomes. The input component consists of the entrepreneurial process i.e. **1. Identify opportunity 2. Assess and acquire necessary resources 3. Implementation**; according to this theory the following factors affect the entrepreneurial process at different times in each stage;

- ***Environmental opportunities*** such as demographic change, the development of new technology or modification to a current regulation
- ***Individual entrepreneur***: the person who assumes personal responsibility for conceptualizing and implementing a new venture.
- ***Organizational context***: ranging from sole proprietorship, franchise to an autonomous business unit within a large corporation.- this is important in step no. 3 because
- ***Resources***: financial and non- financial

ii. Process Approaches

b. *Entrepreneurial assessment approach by Robert C. Ronstadt*

It emphasizes quantitative, qualitative, strategic and ethical assessment with regard to the entrepreneurs themselves, the venture and the environment. The results of the assessment must make sense given the stage of the entrepreneurial career i.e. early, mid- career or late career.

ii. Process Approaches...

c. Multidimensional Approach

This a more detailed process approach to entrepreneurship. This approach views entrepreneurship as a complex and multidimensional framework which emphasizes on:-

- i. **The individual** (need for achievement, locus of control, risk- taking propensity, job satisfaction, previous working experience, entrepreneurial parents, age and education),
- ii. **The environment** (i.e. venture capital availability, presence of experienced entrepreneurs, technically skilled labor force, accessibility of suppliers, accessibility of customers or new markets, governmental influences, proximity of universities, availability of land or facilities, accessibility of transportation, attitude of the area population, availability of supporting services, and living conditions) **the organization** (i.e. type of firm, entrepreneurial environment, partners, competitive entry wedges and strategic variables- cost, differentiation and focus)
- iii. **The venture process** (locating a business opportunity, accumulating resources, marketing products and services, producing the product, building an organization and responding to government and society).

1.3 Describe Creativity and Innovation

(a). Creativity:

❑ Creativity is the generation of ideas that result in the improved efficiency or effectiveness of a system. Creativity is the process that can be developed and improved. Everyone is creative to some degree although some are more creative than the others. Some people have been raised in the creative environment which encouraged them to be creative.

❑ Creativity has two important aspects

- Process: it is goal- oriented and it is designed to attain a solution to the problem
- People: the process will remain the same but the approach that people use will vary.

For instance, sometimes they will adapt a solution and sometimes they will formulate highly innovative solution. In this case, people are sometimes adaptors and other times they are innovators.

Creativity has a role in growth and developing a new business as follows: -

- i. New way of thinking
- ii. Problem solving
- iii. Increased productivity. You focus on what things you can streamline and what things you need to cut off.
- iv. Creativity encourages innovation
- v. Foster growth
- vi. Boosts productivity
- vii. Allows for adoptability

Barriers to Creativity:

- i. Believing "I am not creative"
- ii. Searching for the one right answer
- iii. Avoiding ambiguity/ uncertainty
- iv. Fearing looking foolish
- v. Fearing mistakes and failure
- vi. Focusing on being too logical
- vii. Constantly being too practical
- viii. Creating fear to employees
- ix. Not setting goals
- x. Discouraging communication between employees and top officials

Environment for creating creativity climate:

- i. A trustful management that does not over control the employees
- ii. Open channels for communication among all business members
- iii. Considerable contact and communication with the outsiders
- iv. A large variety of personality types
- v. A willingness to accept change
- vi. An enjoyment in experimenting with new ideas
- vii. Little fear of negative consequences for making a mistake
- viii. The selection and promotion of employees on the basis of merit i.e. good points
- ix. The use of techniques which encourage ideas, including suggestion systems and brain- storming
- x. Sufficient financial, managerial, human, and time resources for accomplishing goals

(b). Innovation

- ❑ Innovation is the process by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth (**Peter F. Drucker- 1985**).
- ❑ It is also the process by which entrepreneurs convert opportunities into marketable ideas. It is the means by which they become catalysts for change (**Jane M. Howell and Christopher A. Higgins- 1990**).
- ❑ The innovation process is more than just a good idea. A good idea is important but if it will not be developed it has no meaning.
- ❑ Innovation differs from creativity in that it involves doing new things while creativity is about thinking new things.

According to Peter Drucker and Schumpeterian the view of innovation in developing new business is mentioned in different ways: -

- I. Introduction of new product
- II. Introduction of new production processes
- III. Opening up of new market
- IV. Securing of new sources of raw material/inputs
- V. Creation and application of new organizational
- VI. Unexpected occurrence/success/failure
- VII. Feedbacks example customer complaints,
- VIII. Process needs eg, task force, capabilities, and weak points.
- IX. Industry & market changes
- X. Demographic changes
- XI. Change in perceptions
- XII. New knowledge

1.4 Describe Corporate Entrepreneurship (CE)

- ❑ CE is the process of identifying opportunities, the discovery and exploitation of new ideas, and the creation of new products, services, or markets by established organization.
- ❑ CE is the process of creating new businesses within established organizations.
- ❑ CE is the process of creating new businesses within established organizations by identifying and exploiting opportunities that are not currently being served by the firm.

Refer - (Kuratko, 1993; Kuratko, 2021; Hisrich et al., 2022))

1.5 (a). Explain concepts of Social Entrepreneurship (SE)

- ❑ SE is the field in which entrepreneurs tailor their activities to be directly tied with the ultimate goal of creating social value. In social entrepreneurship there is little or no intention to gain personal profit (Porter et al., 2002).
- ❑ A social entrepreneur ‘combines the passion of a social mission with an image of business-like discipline, innovation, and determination commonly associated with, for instance the high-tech.
- ❑ Social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviors to deliver a social value to the less privileged , all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable (Samer Abu-Saifan, 2012).
- ❑ Social entrepreneurs typically adopt a hybrid model that incorporates both for-profit and non-profit elements. They leverage business principles and strategies to create sustainable revenue streams while reinvesting a portion of the profits back into the social mission.

Four factors that make Social Entrepreneurship (SE) distinct from other forms of entrepreneurship:-

SE are *mission-driven*. They are dedicated to serve their mission of delivering a social value to the underserved.

- ❑ SE *act entrepreneurially* through a combination of characteristics that set them apart from other types of entrepreneurs.
- ❑ SE act within *entrepreneurially oriented organizations* that have a strong culture of innovation and openness.
- ❑ SE act within *financially independent organizations* that plan and execute earned-income strategies. The objective is to deliver the intended social value while remaining financially self sufficient (blend social and profit-oriented activities for self-sufficient, reduce reliance on donations and government funding, and increase the potential of expanding the delivery of proposed social value (Bacq et al., 2011)

1.5 (b). Explain concepts of Public Entrepreneurship (PE)

- ❑ PE is the process of introducing innovation, the generation and implementation of new ideas, in the public sector. PE involve application of innovative and entrepreneurial approaches to address public problems and create public value. Societal needs are the key driver to PE.
- ❑ Four types of PE are; (i) Policy entrepreneurs, (ii) Bureaucratic entrepreneurs, (iii) Executive entrepreneurs and (iv) Political entrepreneurs.
 - (i) Policy entrepreneurs work outside the formal position of the government (introduce and facilitate the implementation of new ideas into the public sector).
 - (ii) Bureaucratic entrepreneurs occupy non-leadership position in government (introduce and implement new ideas from their particular vantage point in public organizations).
 - (iii) Executive entrepreneurs occupy leadership from government agencies and departments (generate and implement new ideas)
 - (iv) Political entrepreneurs introduce and implement new ideas as holders of elective office

1.5 (c). Public Vs Private Entrepreneur

- ☐ Public entrepreneurs may face bureaucratic process compared to private entrepreneurs
- ☐ Public entrepreneurs work within existing legal and regulatory frameworks
- ☐ Public entrepreneurs collaborate with various stakeholders to implement their ideas
- ☐ Public entrepreneurs has advantage of being in a position to leverage government resources including access to data and information.
- ☐ Public entrepreneurs has the ability to influence public policies and systems.
- ☐ Private entrepreneurs are driven by the profit move. They seek growth and profits with the business world. They are constant innovators and always are trying to capture larger market shares in the competitive market place. They are pioneering individuals who create one venture after another and one innovation after another.

1.6 Analyse qualities/characteristics of an entrepreneur

- ❑ An entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; and assumes the risks of the competitive marketplace to implement these ideas.
- ❑ The entrepreneur, a catalyst for economic change, uses purposeful searching, careful planning and sound judgement when carrying out the entrepreneurial process.
- ❑ The entrepreneur – uniquely optimistic and committed – works creatively to establish new resources or endow old ones with a new capacity, all for the purpose of creating wealth.

1.6 Analyse qualities/characteristics of an entrepreneur

- 1, Risk taking
2. A desire for autonomy (independence)
3. Management skills
4. Confidence
5. Goal- oriented
6. Intuitiveness
7. Reality- based actions
8. Visionary
9. Personal initiative
10. The desire to consolidate resources
11. Opportunistic behavior
12. Aggressiveness
13. The ability to learn from mistakes
14. Competitiveness
15. Self motivated
16. The ability to employ human relations skills

THE END

*OF
TOPIC ONE*

*(Refer recommended books
class assignment and tutorial questions)*