

LECTURE SESSION FIVE

NATURE OF ENTREPRENEURSHIP

Lecture Outline

- 1.1 Introduction Learning Outcomes
- 1.2 Learning Outcomes
- 1.3 Entrepreneur and Manager
- 1.4 Characteristics of Entrepreneurs
- 1.5 Functions of an Entrepreneur.
- 1.6 Role of Entrepreneur in Economic Development.
- 1.7 Summary
- 1.8 Review activity
- 1.9 References and Further Reading

1.1 Introduction

Welcome to this fifth lecture in Entrepreneurship Skills. In this lecture, we shall highlight the distinction between an Entrepreneur and a Manager. We shall also look at the characteristics of Entrepreneurs and their functions. Finally we shall look at the Role of Entrepreneurship in Economic Development..



1.2 Learning Outcomes

At the end of this lecture, you should be able to:

- i) **Distinguish between an entrepreneur and a manager.**
- ii) **Explain the characteristics of a successful entrepreneur.**
- iii) **Identify the functions of an entrepreneur.**
- iv) **Enumerate the Role of entrepreneurs in the economic development of the country.**

1.3 The Characteristics of Entrepreneurs..

Let us start our discussion by asking ourselves this question.



Intext Question 1: What inbuilt qualities should one have to be successful in business?

Well done. I believe you have given many reasons that make people be successful in business. s. Now we can go to our discussion of characteristics of Entrepreneurs.

CHARACTERISTICS OF AN ENTREPRENEUR



ENTREPRENEURS INBUILT QUALITIES MAKE THINGS HAPPEN

- Various literature of entrepreneurship have cited successfully entrepreneurs such as Henry Ford, Bill Gates, Ray Kroc, Warren Buffet, Ibrahim Ambwere, Vimal Shah,

and others, who have initiated their ventures with small size and made good fortunes.

- Success or otherwise of a small venture is to a great extent, attributed to the success or otherwise of the entrepreneur him/herself.
- Then, the question is, what makes the entrepreneurs successful? Whether they had anything common in their personal characteristics? The scanning of their personal characteristics indicates that there are certain characteristics of entrepreneurs, which are found usually prominent in them.
 - a) **Innovative.** This involves coming up with new things using new techniques of creating them. Innovation is the core aspect of entrepreneurship. Successful entrepreneurs try to create value and make a contribution to commodities. Entrepreneurs create new and different values and new and different satisfaction to convert material into resources or combine the existing resources in a new and more productive configuration.
 - b) **Risk Bearing.**

An average entrepreneur is a risk bearer. This may either be avoidable or unavoidable risk. Without some elements of risk in the business, an



KEEP RISKS AT LOWEST: ENTREPRENEURS TAKE MODERATE RISK

entrepreneur may not be challenged to work hard towards success. Some decisions s/he takes depend on the nature of the risks inherent in the enterprise. The risk involved must be first evaluated to see if it can be avoided, reduced or transferred. Before venturing in any enterprise, the outcome should first be assessed to ensure that it is commensurate with the risk involved. In other words, high and moderate risks should have high and moderate returns.

- c) **Internal Locus of Control.** Locus of control occurs when an individual general expectancy of the outcome of an event as being either within or beyond one's personal control or understanding. An entrepreneur should believe strongly that the success of his/her business depends on some personal controllable factors and not on fate or luck. S/he should believe that in her/him lies the controlling factor for the change s/he is looking for and not on anyone else or on the circumstance around her/him.
- d) **Tolerance of ambiguity and uncertainty.** The term ambiguity refers to dealing with new or complex situations. It is an uncertainty about an outcome or result due to insufficient convictional data, information or knowledge. Because ambiguity and uncertainty exist, and humans must cope with them; individuals display varying levels of tolerance or intolerance of ambiguity or ambiguous situations. Ambiguous situations are conceptualized as lack of sufficient information and this lack emerges in three contexts:
 - i) A completely new situation in which there are no familiar cues
 - ii) A complex situation in which there are a great number of cues to be taken into account
 - iii) A contradictory situation in which different elements or cues suggest different structure.
- e) **Need of Independence or Autonomy.** This refers to taking actions without guidance from others. Entrepreneurs have known to make their own decisions in running their enterprises and follow their routine. In entrepreneurship process, autonomy implies to actions undertaken by individuals or teams

intended to establish a new business concept, idea, or vision or to do things without regard to what others may think and to avoid responsibilities and obligations.

f) **Self-confidence:**



BE SURE OF YOURSELF: ENTREPRENEURS ARE SURE OF THEMSELVES

This is being sure of one-self. An entrepreneur is confident of achieving realistic and challenging goals. An entrepreneur gets into business or industry with a high level of self confidence. This, coupled with a sense of effectiveness will ultimately contribute to the success of the venture

- g) **Need for Achievement.** This is the desire to accomplish something with one's own efforts. The urge to succeed or will to do well. Entrepreneurs have a high need for achievement and are guided by their inner self, motivating the behavior towards the accomplishment of goals. Most of the successful entrepreneurs are attracted to this innovative career, because it is challenging and demands a high

degree of intelligence and involvement. Achievement motivate entrepreneurs are the doers. They always accept any challenge and take calculated risk to do something worthwhile.

- h) **Goal Setting.** Human behavior is goal oriented. Goal setting is necessary part of all the activities of an entrepreneur. The goal should be clearly defined, attainable, and challenging. Setting goals both for herself/himself and for other employees' serves as a driving force for the accomplishment of the enterprise objective.
- i) **Initiative and Personal Responsibility.** An entrepreneur, as an innovator and inventor, takes responsibility towards accomplishing the defined goal. It is her/his sole responsibilities to see that the target s/he sets for herself/himself is achieved. s/he takes initiative action and assumes personal responsibility necessary for the success of her/his business. S/he does this willingly without coercion and compulsion from anywhere.

- j) **Commitment.** An ideal entrepreneur is one who has a strong determination, with sound thinking, strong willpower with a hundred per cent commitment and two hundred per cent involvement. It is the determination that provides the entrepreneur energy to work for 14 to 18 hours a day, 7 days a week and 365 days in a year, till her/his unit reaches a natural stage of take off.
- k) **Ability to work for a longer period**
- l) **Total involvement**
- m) **Persistent Problem Solving**
- n) **Competitiveness**
- o) **Dealing with Failure**
- p) **Seek Feedback on how business performs**
- q) **Team Building**
- r) **Clear objective**
- s) **Human relations**

Also,

1. Curiosity

Successful entrepreneurs have a sense of curiosity that allows them to continuously seek new opportunities. Rather than settling for what they think they know, curious entrepreneurs ask challenging questions and explore different avenues.

In [Entrepreneurship Essentials](#), entrepreneurship is described as a “process of discovery.”

Without the drive to continuously ask questions and challenge the status quo, valuable discoveries can easily be overlooked.

2. Structured Experimentation

Along with curiosity comes the need for structured experimentation. With each new opportunity that arises, an entrepreneur must run tests to determine if it's worthwhile to pursue.

For example, if you have an idea for a new product or service that fulfills an underserved demand, you'll have to ensure customers are willing to pay for it. To do so, you'll need to conduct thorough market research and run meaningful tests to validate your idea and determine whether it has potential.

3. Adaptability

The nature of business is ever-changing. Entrepreneurship is an iterative process, and new challenges and opportunities present themselves at every turn. It's nearly impossible to be prepared for every scenario. Entrepreneurs need to evaluate situations and adapt so their business can keep moving forward when unexpected changes occur.

4. Decisiveness

To be successful, an entrepreneur has to make difficult decisions and stand by them. As a leader, they're responsible for guiding the trajectory of their business, including every aspect from funding and strategy to resource allocation.

Being decisive doesn't always mean having all the answers. If you want to be an entrepreneur, it means having the confidence to make challenging decisions and see

them through. If the outcome turns out to be less than favorable, the decision to take corrective action is just as important.

5. Team Building



WORKING TOGETHER AS A TEAM: COMPLIMENT ONE ANOTHER

A great entrepreneur is aware of their strengths and weaknesses. Rather than letting shortcomings hold them back, they build well-rounded teams that complement their abilities.

In many cases, it's the entrepreneurial team, rather than an individual, that drives a venture toward success. When starting your own business, it's critical to surround yourself with teammates who have complementary talents and contribute to a common goal.

6. Risk Tolerance

Entrepreneurship is often associated with risk. While it's true that launching a venture requires an entrepreneur to take risks, they also need to take steps to minimize it.

While many things can go wrong when launching a new venture, many things can go right. The key, according to [Entrepreneurship Essentials](#), is for entrepreneurs to actively manage the relationship between risk and reward, and position their companies to “benefit from the upside.”

Successful entrepreneurs are comfortable with encountering some level of risk to reap the rewards of their efforts; however, their risk tolerance is tightly related to their efforts to mitigate it.

7. Comfortable with Failure

In addition to managing risk and making calculated decisions, entrepreneurship requires a certain level of comfort with failure.

It's estimated that nearly 75 percent of new startups fail. The reasons for failure are vast and encompass everything from a flawed business model to a lack of focus or motivation. While many of these risks can be avoided, some are inevitable.

Successful entrepreneurs prepare themselves for, and are comfortable with, failure. Rather than let fear hold them back, the possibility of success propels them forward.

8. Persistence



ENTREPRENEURS DON'T GIVE UP HOWEVER MANY THE CHALLENGES

While many successful entrepreneurs are comfortable with the possibility of failing, it doesn't mean they give up easily. Rather, they see failures as opportunities to learn and grow.

Throughout the entrepreneurial process, many hypotheses turn out to be wrong, and some ventures fail altogether. Part of what makes an entrepreneur successful is their willingness to learn from mistakes, continue to ask questions, and persist until they reach their goal.

9. Innovation

Many ascribe to the idea that innovation goes hand-in-hand with entrepreneurship. This is often true—some of the most successful startups have taken existing products or services and drastically improved them to meet the changing needs of the market.

Innovation is a characteristic some, but not all, entrepreneurs possess. Fortunately, it's a type of strategic mindset that can be cultivated. By developing your strategic thinking skills, you can be well-equipped to spot innovative opportunities and position your venture for success.

10. Long-Term Focus



ENTREPRENEURS ARE FUTURISTIC IN NATURE

Finally, most people think of entrepreneurship as the process of starting a business. While the early stages of launching a venture are critical to its success, the process doesn't end once the business is operational.

In [Entrepreneurship Essentials](#), it's stated that "it's easy to start a business, but hard to grow a sustainable and substantial one. Some of the greatest opportunities in history were discovered well after a venture launched."

Entrepreneurship is a long-term endeavor, and entrepreneurs must focus on the process from beginning to end to be successful in the long run.

.



Activity

Choose FIVE characteristics and give a real life example of how EACH will be achieved?

Well done. You have been able to give examples of FIVE characteristics and how they can be achieved in real life. This leads us to our last two subsections in this lecture on functions of an entrepreneur and the role of Entrepreneur in Economic Development.

FUNCTIONS OF AN ENTREPRENEUR

- An entrepreneur does perform all the functions important right from the genesis of an idea until the establishment of an enterprise. These can be listed in the following sequential manner:
 - a) Idea generation and scanning of the best suitable idea.
 - b) Determination of the enterprise objective
 - c) Commodity analysis and market research
 - d) Determination of the form of the ownership of business
 - e) Completion of promotional formalities
 - f) Raising necessary funds
 - g) Procuring raw materials and machines
 - h) Recruitment of staff
 - i) Undertaking the enterprise operations
 - j) Upgrading process and commodity quality
 - k) Introduction of new production techniques and commodities
 - l) Management of customer and supplier relations
 - m) Dealing with the public bureaucracy.
- Modern scholars of entrepreneurship have categorized the above functions into three categories

- a) Innovation
- b) risk taking and uncertainty bearing
- c) Organization and management of enterprise so as to have leadership and control over it.

3.4 ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT

- Economic development of a country is the outcome of purposeful human activity. In most developed countries, industrialization has been known to contribute to the high growth of the economy. Most of these industries have emerged as a result of entrepreneurship.
- Entrepreneurship contributes significantly to economic growth of any country in the following areas:
 - a) Employment Generation:-Entrepreneurship activities raise the levels of employment in the economy and also the levels of national income.
 - b) Source of foreign exchange
 - c) Effective utilization of domestic resources
 - d) Nurturing new entrepreneurs(Role Models)
 - e) Equitable distribution of income and wealth
 - f) Linkages and networking among industries
 - g) Competition
 - h) Development of new markets
 - i) Discover new sources of materials
 - j) Mobilize capital resources
 - k) Introduce new technologies, new industries and new commodities.
 - l) Capital formation:-It's easily brought up entrepreneurial activities through production of goods and services.
 - m) Increasing per Capital Income:- This refers to average income in a country with all citizens assumed equal shares. Entrepreneurship raise levels of individual income and therefore boosting per-capita Income.

- n) Growth of infrastructure:-It plays a great role in opening of infrastructure such as factories, roads, buildings, schools, which contributes to economic growth and development.
- o) Boosting economic Independence:- Entrepreneur through their activities enhances self-reliance or it minimizes the level of external or foreign dependence economies. This makes a community/Country self-reliant.
- p) Improving the standards of living:- Through innovative activities, they produce essential goods and services that contribute to the welfare of the citizens.
- q) Growth of Industries:-Entrepreneurial activities results to growth of industries.
- r) Provision of Essential goods and services:-Which are key to economic growth and development.
- s) Diversification of business
- t) Promotion of Technology
- u) Promotion of an entrepreneurial culture
- v) Conversion of waste products into useful products.
- w) Tax obligations—Add revenue to the exchequer
- x) Assist in marketing local products abroad.



1.6 Summary

The session looked at entrepreneur and characteristics of a successful entrepreneur. Also it looked at the functions of an entrepreneur and the Role of entrepreneurs in Economic

Development of the country.



1.7 Review Activity

- i) Explain in your own words the difference between a Manager and an Entrepreneur.
- ii) Discuss how entrepreneurs have impacted your local area development wise.



1.8 References and Further Reading

- I) Hirsch, R.D., Peters, M.P. & Shepherd, D.A.(2014). **Entrepreneurship**, 8th Edition. Boston, U.S.A: McGraw Hill Education (ISBN: 987-0073530321).
- ii) Kuratko, D. F. (2016). **Entrepreneurship: Theory, Process and Practice**, 10th Edition. Boston, MA, USA: CENGAGE Learning (ISBN-13: 978-1285051758).
- iii) Scarborough, M.N. (2015). **Essentials of Entrepreneurship and Small Business management**, 8th Edition

