***TTOPIC ONE***

**ENTREPRENEURSHIP**

**OVERVIEW AND INTRODUCTION TO ENTERPRENEURSHIP**

* Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence. If you aren’t the lead dog, the scenery never changes.
* Entrepreneurial development in any nation proves to be a boon for the growth of its economy. In present day world entrepreneurship is a popular career option. Many people are now planning to set up their own enterprises that can solve the problems of unemployment, regional disparities, underutilization of resources.
* Entrepreneurship has never been as important as it is today when the world is confronted with big challenges that extend well beyond the global economy. Entrepreneurship is a tremendous force that can have a big impact in growth, recovery and societal progress by fuelling innovation, employment generation and social empowerment.
* While it as clear that the world is in need of more entrepreneurial societies who can address more complex, interlinked and fast changing problems, greater awareness is needed about the critical role education has in developing the next wave of leaders, innovators and entrepreneurs who cannot only create jobs and value for society, but also empower others to dream of a better future.
* Therefore, entrepreneurship is the engine that drives the economy and ought to be emphasized in all areas. Entrepreneurship is the practice of starting new organizations or revitalizing mature organizations

particularly new businesses generally in response to identified opportunities.

* Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organization that is being started.
* Entrepreneurship is a term that is used in many business disciplines. it essentially has the money-making connotation as commonly understood by many. however, entrepreneurship is much more than that. it entails coming up with an idea that no one else has thought of and capitalizing on it to set up an enterprise. the chapter gives a broad description of the various forms of entrepreneurship and even the challenges the entrepreneur will go through in an attempt to make his dream come true.

**KEY TERMS**

* **Entrepreneur**: someone who devises a new production methodology and producing output (goods or service) based on the new concept
* **Entrepreneurship:**the process of coming up with new processes or ways of achieving some set objectives. it is the process of devising a new process that will make production more efficient.
* **Self employment:** this is a concept that arises when the entrepreneur relies on revenues from his business as a source of income

**Definition of Entrepreneurship**

Entrepreneurship is the process of coming up with new processes or ways of achieving some set objectives. mostly it will involve the production of goods and services. it requires some ingenuity coupled with a lot of time and effort. there are risks involved in this process and they all have to be assumed. With the risks come rewards that are derived by the person who has come up with the new process.

**Who is an entrepreneur?**

an entrepreneur is someone who devises a new way of looking at things and producing output out of the new concept. Given an existing technology or some kind of invention, the entrepreneur will come up with a process that will utilize the available tools and technologies to produce a good or a service that will add value to the economy ad benefit both him and the society. He is one who will take the risk of the success or failure of the new venture and will also stand in to reap the rewards.an entrepreneur takes the chance that the new idea will work and he directs all his resources towards making the process a success. the fear of failing always looms but driven by ambition and the desire to succeed, the entrepreneur sees his project to completion.

**Definitions of entrepreneurship**

There are many definitions of the concept of entrepreneurship. Here below follows a sample of these definitions: -

* According to Cunningham and Lischeron (1991), “Entrepreneurship is a series of learned activities which focus on the central functions of managing a firm (p.52)”.
* Stevenson et. al (1989) see entrepreneurship as, “…the pursuit of opportunity without regard to resources currently controlled (Chell, Haworth and Brearly, 1991, p.58)”.
* Peterson (1985) says that entrepreneurship is, “…the opportunity seeking style of management that sparks innovation (Cunningham and Lischeron, 1991, p.52)”.
* “Entrepreneurship is the act of forming a new organization of value (Bateman & Snell, 1996, p.208)”.
* “Entrepreneurship is the seemingly discontinuous process of combining resources to produce new goods or services (Stoner, Freeman & Gilbert, 1995, p.160)”.
* Entrepreneurship is, “…the creation of a new enterprise (Bartol & Martin, 1998, p.672)”.
* Entrepreneurship is, “…the creation of an innovative economic organization (or network of organizations) for the purpose of gain under conditions of risk and uncertainty (Dollinger, 1995, p.7)”.
* Entrepreneurship is, “…the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence (Hisrich & Peters, 1998, p.9)”.
* “Entrepreneurship is the process of conceptualising, organising, launching and – through innovation - nurture a business opportunity into a potentially high growth venture in a complex, unstable environment (Venter and Rwigema, 2004, p.6)”.

**1.2 THE ENTREPRENEUR**

The word entrepreneur is derived from the French word “entreprendre" which means “to undertake” i.e. individuals who undertake the risk of a new enterprise. The word entrepreneur therefore, first appeared in the French language in the beginning of the sixteenth century. The word was also applied to the leaders of military expedition. But it was Richard Cantillon, an Irishman, living in France who first used the term entrepreneur to refer to economic activities. According to Cantillon: “An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices.”Thus, to Cantillon, an entrepreneur is a bearer of risk which is non-insurable.

International Labour Organisation (ILO) defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage to them and to initiate appropriate action to ensure success.

**Definitions of an entrepreneur**

Entrepreneurs have many of the same character traits as leaders. Similarly, to the early great man theories of leadership; however, trait-based theories of entrepreneurship are increasingly being called into question. Entrepreneurs are often contrasted with managers and administrators who are said to be more methodical and less prone to risk-taking. Such person centric models of entrepreneurship have shown to be of questionable validity, not least as many real-life entrepreneurs operate in teams rather than as single individuals. Still, a vast but now clearly dated literature studying the entrepreneurial personality found that certain traits seem to be associated with entrepreneurs:

David McClelland (1961) described the entrepreneur as primarily motivated by an overwhelming need for achievement and strong urge to build.

Collins and Moore (1970) studied 150 entrepreneurs and concluded that they are tough, pragmatic people driven by needs of independence and achievement. They seldom are willing to submit to authority. Bird (1992) sees entrepreneurs as mercurial, that is, prone to insights, brainstorms, deceptions, ingeniousness and resourcefulness, they are cunning, opportunistic, creative and unsentimental

Cooper, Woo, Dunkelberg (1988) argue that entrepreneurs exhibit extreme optimism in their decision- making processes. In a study of 2994 entrepreneurs they report that 81% indicate their personal odds of success as greater than 70% and a remarkable 33% seeing odds of success of 10 out of 10. Busenitz and Barney (1997) claim entrepreneurs are prone to overconfidence and over generalizations.

Cole (1959) found there are four types of entrepreneur: the innovator, the calculating inventor, the over- optimistic promoter, and the organisation builder. These types are not related to the personality but to the type of opportunity the entrepreneur faces.

An entrepreneur is therefore a central individual in the society for he/she makes things happen for economic development. In recent years entrepreneurs have been doing so many things that it is necessary to breach this definition. Although no single definition of entrepreneur exists and no one profile can represent today’s entrepreneur, research is providing an increasingly sharper focus on the subject.

The entrepreneur is the aggressive catalyst for change in the world business. He / she is an independent thinker who dares to be difficult in a background of common events.

Today, 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; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from

these efforts.

Entrepreneurs are many things to many people. Following below is a sample of the definitions of the term entrepreneur(s):-

* According to Webster’s New World Dictionary (1966) an entrepreneur is, “…a person who organizes and manages a business undertaking, assuming the risk for the sake of profit (Chell, Haworth and Brearly, 1991, p.3)”.
* Hull et. al (1980) have extended the Webster’s definition to include among entrepreneurs, “…individuals who purchase or inherit an existing business with the intention (and effort toward) expanding it (Chell, Haworth and Brearly, 1991, p.3)”.
* Harwood (1982) thought that an entrepreneur, “…takes initiative, assumes considerable autonomy in the organization and management of resources, shares in the asset risk, shares in an uncertain monetary profit, and innovates in more than a marginal way (Chell, Haworth and Brearly, 1991, p.3)”.
* Meredith et. al (1982) said that, “Entrepreneurs are people who have the ability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them, and to initiate action to ensure success (Chell, Haworth and Brearly, 1991, p.4)”.
* Carland et al. (1984) on their part defined an entrepreneur as “…an individual who establishes and manages a business for the principal purposes of profit and growth…. and who is characterized…. by innovative behavior and will employ strategic management practices in the business (Carland and Carland, 1990, p.14).
* Jacobowitz and Vidler (1982) saw the entrepreneur as “...a person who initiates and maintains a business venture (Stanworth et. al, 1989, p.16)”.
* The International Labour Organization, ILO (1986) says that an entrepreneur is “…a person who is able to look at the environment, identify opportunities to improve the environment, marshall resources and implement action to maximize those opportunities (Chell, Haworth and Brearly, 1991, p.4)”.
* Hebert and Link (1989) concluded that an entrepreneur is … “someone who specializes in taking responsibility for and making judgemental decisions that affect the location, the form and the use of goods, resources or institutions (Chell, Haworth and Brearly, 1991, p.39)”.

**Evolution of Entrepreneurship**

The word entrepreneur is derived from the French entrepreneur, meaning “to undertake.” The entrepreneur is one who undertakes to organise, manage, and assume the risks of a business. In recent years, entrepreneurs have been doing so many things that it is necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognises and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realises the rewards from these efforts.

The entrepreneur is the aggressive catalyst for change in the world of business. He or she is an independent thinker who dares to be different in a background of common events. The literature of entrepreneurial research reveals some similarities as well as great many differences, in the characteristics

of entrepreneurs. Chief among these characteristics are personal initiative, the ability to consolidate resources, management skills desire for autonomy and risk taking. Other characteristics include aggressiveness, competitiveness, goal oriented behaviour, confidence, opportunistic behaviour, intuitiveness, reality based actions, the ability to learn from mistakes, and the ability to employ human relation skills.

***ENTREPRENEURAL BEHAVIOUR***

(1) initiative taking,

(2) the organizing or reorganizing of social economic mechanisms to turn resources and situations to practical account, and

(3) the acceptance of risk of failure.

Entrepreneurship is the 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.

According to Hisrich, Peters and Shepherd (2007), the concept of entrepreneurship has evolved from a risk taker to one who innovates.

The concept of the entrepreneur as a risk taker evolved through the following phases:

**a)Earliest Period**

 Entrepreneur was defined as a go-between.

 Entrepreneur would sign a contract with a money person to sell his goods

 The money person would provide a loan to the merchant-adventurer at a 22.5%, including insurance.

 The entrepreneur would thus bear all the risks trading, including physical and emotional risks

 At the end of the trip, the two would divide the profits, say, at 75 and 25 percent for the entrepreneur and the business person respectively.

**b. Middle Ages**

 Entrepreneur was seen as both an actor and a person who managed large production projects.

 Here he did not take risks but rather only managing the production using the resources provided, usually by the government .Examples – a cleric - person in charge of great architectural works, e.g. castles and fortifications, public buildings, and cathedrals.

**c) 17th Century**

 Entrepreneur seen as a person who would enter contractual agreement with the government to perform a service or supply stipulated products.

 The contract price was fixed, so entrepreneur would bear any profits/losses.

 Richard Cantillon, an economist and author in the 1700s developed one of the earliest theories of the entrepreneur. He viewed the entrepreneur as a risk taker.

 According to Cantillon, merchants, farmers, craftsmen and other sole proprietors bought at a given price and sold at an uncertain price, thereby operating at a risk

**d)18th Century**

 Here the provider of capital (capitalist) was seen as being different from the one who needed it (the entrepreneur).This was the period of rapid industrialisation, as reaction to which, many inventions developed

 The inventors (entrepreneurs) often did not have adequate finances to meet the huge technological needs e.g. Eli Whitney’s cotton gin. He financed the invention using money expropriate from the government. Other inventors raised the finances required from private sources

**e)19th Century**

 During this period, entrepreneurs were not distinguished from managers.

 An entrepreneur was defined from the economic perspective.

 The entrepreneur was seen as the person who organizes and operates an enterprise for personal gain. He pays the current prices for the materials used, the use of land, for personal services that he employs, and for the capital required.

 He contributes his own initiative, skill, and ingenuity in planning, organizing and administering

the enterprise. He assumes the risk and retains the net profit

**f)20th Century**

 Entrepreneur seen as an innovator

 This concept of the entrepreneur as an innovator took centre-stage in the 20th century

 Function of entrepreneur seen as to reform the production pattern by exploiting an invention or an untried technological method of producing a new or old productivity in a new way, or opening a new source of supply of materials or a new outlet for products, by organizing a new industry. E.g. Andrew Carnegie who revolutionized the steel industry through competitiveness rather than his inventiveness.

 Invention is the act of introducing something new.

NB: The ability to innovate can be seen through history, e.g. Egyptians who designed and built great pyramids, the laser surgery, and wireless communication.

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| a) |  | **Today**  Many principles and terms from business, managerial etc are today apply to refine the concept of |
|  |  | entrepreneur. |
|  |  | Entrepreneurship refers to a behaviour that includes initiative taking; organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account; and the acceptance of risk or failure |
|  |  | Economic perspective: an entrepreneur brings resources into combinations that make their value greater than before; introduces change, innovations, and a new order. |
|  |  | Psychological perspective: an entrepreneur is driven by certain forces e.g. the need for freedom, the need to obtain something, the need to experiment or to accomplish. |

OTHER ENTERPRENEURAL CONCEPTS

**TECHNOLOGICAL INNOVATION**

This is the technical, industrial and commercial use of new technical processes and equipment. This range from simple investment in new manufacturing equipment or any technical measures to improve method of production, to the sequence of scientific research, market research, invention, development design first production and marketing of a new product.

**DISCOVERY**

This is bringing into knowledge something that already exists but better to not known or facts previously ignored e.g. a graduate finding a booming business in newspaper vending.

**INVENTION**

Creation or design of something which did not exist before. Process by which new idea is created or developed. It’s an act of inventing , A creation (of a new device or process) resulting from study and experimentation ,Creation of something in the mind ,A novel device, material or technique ,It is the conception of a new idea and useful article, machine, composition or process enough to produce a significant change in the application of technology . e.g. Items fire, plane, toothpaste, aspirin, gold,

telephone, electricity, wheel.

**RE-INVENTION**

The process by which an innovation is changed in the process of adoption or implementation. The expression “re-inventing the wheel” suggests the apparent ambiguity with which a new idea is separately recreated in adopting unit. This implies that re-invention occurs fairly often in a spontaneous and unplanned fashion and that it represents an intended waste of resources through a duplication of activities.

**INNOVATION** -Ideas applied successfully, production, improving, changing, modifying. **TECHNOLOGY DIFFUSION** -Means becoming known to others e.g. the spread of an innovation or invention through the industry or economy to many users. It is a one to many or many to many processes.

***ASS: Differentiate between entrepreneurship and intrapreneurship?***