



ENTREPRENEURSHIP



THE ENTREPRENEURIAL PROCESS

The Entrepreneurial Process includes the systematic steps required to create and implement a new business venture. This includes all the functions activities, and actions associated with perceiving opportunities and creating organizations to pursue them.

The process has four distinct phases:

- (1) Identification and evaluation of the opportunity,
- (2) Development of the business plan,
- (3) Determination of the required resources, and
- (4) Management of the resulting enterprise.

Although the phases proceed progressively, no one stage is dealt with in isolation or is totally completed before work on the other phases occurs. For example, to successfully identify and evaluate an opportunity (phase 1), an entrepreneur must have in mind the type of business desired (phase 4).

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1. Identify and evaluate the opportunity :

The first step in the entrepreneurial process is the identification of opportunity. This may be from his own idea or from external sources like consumers and business associates, members of distribution system, independent technical organizations, consultants, etc. Consumers are the best source of ideas for a new venture who spells out the need of a product or service. The business associates also can give ideas of a product or service.

Due to the close contact with the end user, member of distribution system also see product needs one can identify new business opportunities through a discussion with a retailer, wholesalers or a trade representative.

Some individuals are highly technical oriented and are not interested in any entrepreneurship. Such people conceptualize new business opportunities that can be given to the interested. Some government organizations and R & D centers also provide new ideas.

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Whether the opportunity is identified by using input from consumers, business associates, channel members, or technical people, each opportunity must be carefully screened and evaluated. This evaluation of the opportunity is perhaps the most critical element of the entrepreneurial process, as it allows the entrepreneur to assess whether the specific product or service has the returns needed compared to the resources required. This evaluation process involves looking at the length of the opportunity, its real and perceived value, its risks and returns, its fit with the personal skills and goals of the entrepreneur, and its uniqueness or differential advantage in its competitive environment.

Finally, the opportunity must fit the personal skills and goals of the entrepreneur. It is particularly important that the entrepreneur be able to put forth the necessary time and effort required to make the venture succeed. Although many entrepreneurs feel that the desire can be developed along the venture, typically it does not materialize. An entrepreneur must believe in the opportunity so much that he or she will make the necessary sacrifices to develop the opportunity and manage the resulting organization. Opportunity analysis, or what is frequently called an opportunity assessment plan, is one method for evaluating an opportunity. It is not a business plan. Compared to a business plan, it should be shorter; focus on the opportunity, not the entire venture; and provide the basis for making the decision of whether or not to act on the opportunity.

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An opportunity assessment plan includes the following: (a) Description of product or service (b) An assessment of the opportunity (c) Assessment of the entrepreneur and his team (d) Resources needed (e) Amount and source of capital needed (f) Rewards and profit expected. The assessment of the opportunity requires answering the following questions:

- ☐ What market need does it fill?
- ☐ What personal observations have you experienced or recorded with regard to that market need?
- ☐ What market research data can be marshalled to describe this market need?
- ☐ What patents might be available to fulfill this need?
- ☐ What competition exists in this market?
- ☐ How would you describe the behavior of this competition? What does the international market look like?
- ☐ What does the international competition look like?
- ☐ Where is the money to be made in this activity?

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2. Developing a business plan

A good business plan must be in order to exploit the defined opportunity. This is a very time-consuming phase of the entrepreneurial process. An entrepreneur usually has not prepared a business plan before and does not have the resources available to do a good job. A good business plan is essential to developing the opportunity and determining the resources required, obtaining those resources, and successfully managing the resulting venture.

A typical business plan includes the following:

- ☐ Assessment of the business environment.
- ☐ A competitor's analysis.
- ☐ Description of the business strategic direction.
- ☐ A detailed description of the potential business (i.e. the products and services, legal structure, governance of the business, etc.).
- ☐ The management and decision making structure.
- ☐ The business organization and major appointments.
- ☐ Marketing and sales plan with multi-year sales projections.
- ☐ A human resource management plan.
- ☐ A resource and infrastructure plan.
- ☐ A performance management plan.
- ☐ A detailed multi-year financial plan.
- ☐ Timelines for implementation of the plan.
- ☐ Other issues important to business implementation and growth.

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3. Determination and Organizing the Resources

This process begins with the assessment of present resources. Enough care must be taken not to underestimate the amount and nature of resources required. The risk involved with insufficient or incorrect resources should be calculated. Organizing the required resources at the appropriate time is another important aspect of entrepreneurial process. Alternative sources of supply, process of manufacture etc., are to be planned.

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4. Manage the Enterprise:

After resources are acquired, the entrepreneur must use them to implement the business plan. The operational problems of the growing enterprise must also be examined. This calls for a management with all functions like planning, organizing, directing, and controlling.

Role of Entrepreneurship in Economic Development

The role of entrepreneurship in economic development has nine salient takeaways: entrepreneurship is an instrument of social change and economic growth.

1. Raises Standard of Living

A significant role of entrepreneurship in economic development is that it can greatly enhance the standard of living for individuals and communities by setting up industries and creating wealth and new positions. Entrepreneurship not only provides large-scale employment and ways to generate income, it also has the potential to improve the quality of individual life by developing products and services that are affordable, safe to use, and add value to their lives. Entrepreneurship also introduces new products and services that remove the scarcity of essential commodities.

2. Economic Independence

Entrepreneurship can be a path to economic independence for both the country and the entrepreneur. It reduces the nation's dependence on imported goods and services and promotes self-reliance. The manufactured goods and services can also be exported to foreign markets, leading to expansion, self-reliance, currency inflow, and economic independence. Similarly, entrepreneurs get complete control over their financial future. Through their hard work and innovation, they generate income and create wealth, allowing them to achieve economic independence and financial security.

3. Benefits of New Firms and Businesses

Entrepreneurs identify market needs and develop solutions through their products and services to begin their business venture. By starting new firms and businesses, entrepreneurs play a key role in shaping the economy and creating a more dynamic and diverse business landscape. Entrepreneurship also promotes innovation and competition, leading to new and improved products and services that contribute to economic growth and development.

4. Creation of Jobs

Entrepreneurship is a pivotal driver of job creation. Running the operations of new businesses and meeting the requirements of customers results in new work opportunities. Entrepreneurship also drives innovation and competition that encourages other entrepreneurs and investments, creating new jobs in a wide range of industries, from manufacturing and construction to service and technology sectors.

5. Encourages Capital Formation

Capital formation is the process of accumulating resources, such as savings and investments, to fund new business ventures and support economic growth. Entrepreneurship can encourage capital formation by attracting investment. In addition, the creation of new businesses and the growth of existing firms can also contribute to the development of a more diverse and dynamic economy that encourages capital formation and opens the door to a wide range of investment opportunities.

6. Elimination of Poverty

Entrepreneurship has the potential to lift people out of poverty by generating employment and stimulating economic activity. Entrepreneurship also contributes to the development of local economies and helps improve the overall standard of living.

7. Community Development

Entrepreneurship promotes economic growth, provides access to goods and services, and improves the overall standard of living. Many entrepreneurs also make a positive impact on their communities and improve their well-being by catering to underserved areas and developing environment-friendly products. Their work can help build stronger, more vibrant communities and promote social and economic development.

8. Optimal Use of Resources

Entrepreneurship can help identify market opportunities and allocate resources in the most effective way possible. Entrepreneurs also play a key role in developing innovative products and services that meet the needs of customers while optimizing the use of available resources.

9. Increases Gross Domestic Product (GDP): Entrepreneurship can contribute to GDP by creating new businesses and industries, which can lead to job creation.

Thanks