

## Unit 8: Basic Entrepreneurship

# Introduction to Entrepreneurship

The concept of entrepreneurship has long been debated by scholars, primarily Economists and Historians. The term "entrepreneur" originates from the French word "entrepreneur," which closely aligns with the English concept of business conduct. Over the years, the theory of entrepreneurship has evolved with various definitions and characteristics proposed by different scholars. These foundations of entrepreneurship are rooted in various disciplines, including Economics, History, Politics, Education, Culture, Experience, and Networking.

## Key Concepts

### 1. Definitions: Enterprise, Entrepreneur, and Entrepreneurship

- **Enterprise:** A legal entity with the right to conduct business, such as entering contracts, owning property, incurring liabilities, and establishing bank accounts.
- **Entrepreneur:** A person who creates and develops a business idea, taking the risk of setting up an enterprise to produce products or services that meet customer needs.
- **Entrepreneurship:** The process of identifying market opportunities, arranging the necessary resources, and investing them to exploit these opportunities for long-term gains. It involves creativity, innovation, and enterprise development, transforming people from "job seekers" to "job creators," which is crucial in high-unemployment countries like Ethiopia.

### 2. History of Entrepreneurship

The term "entrepreneur" historically referred to individuals managing large commercial projects. In the 17th century, it described those who entered into contractual agreements with the government to provide goods or services. The 18th century saw Richard Cantillon describe entrepreneurs as risk-takers. The 19th and early 20th centuries viewed entrepreneurs from an economic perspective as those organizing and operating enterprises for personal gain. The mid-20th century introduced the concept of the entrepreneur as an inventor. This evolution reflects a shift from managing projects to applying innovation in business ideas.

### 3. Social Entrepreneurship

Social entrepreneurship is gaining attention for its role in driving social change and benefiting society. However, its definition remains unclear. Social entrepreneurs like Muhammad Yunus and Steve Jobs created products and services that significantly improved lives. Social entrepreneurship extends beyond personal gain, focusing on societal benefits and addressing social challenges.

## 4. Creativity and Innovation in Solving Local Problems

- **Creativity:** The process of generating new ideas and identifying new ways of looking at problems and opportunities. It involves recombining known elements in unexpected ways.
- **Innovation:** The application of creative ideas to solve problems and exploit opportunities. Innovation can take the form of invention, expansion, duplication, or synthesis.
- **From Creativity to Entrepreneurship:** Creativity leads to innovative ways of doing business, giving entrepreneurs a competitive advantage.

## 5. Entrepreneurial Attitudes, Behavior, and Mind-set

An entrepreneurial mindset is crucial for success. Key attitudes include:

- **Passion:** Drives entrepreneurs to pursue their ideas and goals.
- **Bravery:** Encourages them to take risks and learn from failures.
- **Flexibility:** Allows them to adapt to challenges and obstacles.
- **Strong Work Ethics:** Involves dedication and hard work.
- **Integrity:** Builds trust with colleagues, customers, suppliers, and investors.

Entrepreneurs also require a combination of general management skills (strategy, planning, marketing, financial, project, and time management) and people management skills (communication, leadership, motivation, delegation, and negotiation).

## 6. Windows of Entrepreneurial Opportunities

Identifying entrepreneurial opportunities requires developing the right mindset and conducting thorough research. Economist Joseph Schumpeter introduced the concept of "creative destruction," where entrepreneurial innovation disrupts established companies and creates new opportunities. Methods for finding business opportunities include:

- Developing new markets for existing products.
- Finding new sources of resources for cost-effective production.
- Using existing technology in new ways or for new products.

## 7. Entrepreneurial Success, Teamwork, and Diversity

Teamwork is essential for business success. It fosters cooperation, broadens perspectives, and enhances creativity. Companies increasingly value teamwork, spending millions on team-building strategies to achieve better results.

## 8. Finance and Promotion of Entrepreneurship

### Financial Requirements for Entrepreneurial Ventures

Entrepreneurs need funds for various stages of their business. Key financial requirements include:

1. **Permanent Capital:** Long-term investment used for starting and expanding a business. It can come from personal savings, investments from partners, or loans.
2. **Working Capital:** Short-term funds needed for daily operations, like purchasing raw materials.
3. **Asset Finance:** Medium- to long-term loans used for buying physical assets like machinery or buildings.

### Financing Options

1. **Personal Savings:** Entrepreneurs should use their own savings as the first source of finance.
2. **Friends and Relatives:** Additional funds can be raised from close contacts who are willing to invest.
3. **Partners:** Bringing in partners can help increase capital and share risks.
4. **Angels:** Wealthy individuals who invest in start-ups in exchange for equity.
5. **Venture Capital Firms:** Private organizations that invest in businesses with high growth potential, expecting a significant return.