

## TOPIC ONE

### ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

#### Evolution of entrepreneurship

The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Many simply equate it with starting one's own business. Most economists believe it is more than that.

To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur's role as an innovator who markets his innovation. Still other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

In the 20th century, economist Joseph Schumpeter (1883-1950) focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change. Schumpeter viewed entrepreneurship as a force of "creative destruction". The entrepreneur carries out "new combinations", thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them.

Business expert Peter Drucker (1909-2005) took this idea further, describing the entrepreneur as someone who actually searches for change, responds to it, and exploits change as an opportunity. A quick look at changes in communications – from typewriters to personal computers to the Internet – illustrates these ideas.

Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world, successful small businesses are the primary engines of job creation, income growth, and poverty reduction. Therefore, government support for entrepreneurship is a crucial strategy for economic development.

As the Business and Industry Advisory Committee to the Organization for Economic Cooperation and Development (OECD) said in 2003, "Policies to foster entrepreneurship are essential to job creation and economic growth". Government

officials can provide incentives that encourage entrepreneurs to risk attempting new ventures. Among these are laws to enforce property rights and to encourage a competitive market system.

The culture of a community also may influence how much entrepreneurship there is within it. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding personally. A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship. A culture or policy that accords high status to the "self-made" individual is more likely to encourage entrepreneurship.

This overview is the first in a series of one-page essays about the fundamental elements of entrepreneurship. Each paper combines the thinking of mainstream economic theorists with examples of practices that are common to entrepreneurship in many countries. The series attempts to answer: Why and how do people become entrepreneurs? Why is entrepreneurship beneficial to an economy? How can governments encourage entrepreneurship, and, with it, economic growth?

### **Concepts and Definition of Entrepreneurship**

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. The most prominent example of entrepreneurship is the starting of new businesses. In economics, entrepreneurship connected with land, labour, natural resources and capital can generate a profit. The entrepreneurial vision is defined by discovery and risk-taking and is an indispensable part of a nation's capacity to succeed in an ever-changing and more competitive global marketplace.

**Entrepreneurship** is the process of designing, launching and running a new business, which is often initially a small business along with any of its risk in order to make a profit. The people who create these businesses are called entrepreneurs.

**An entrepreneur** refers to the person or persons who undertake the task and risk of organizing other factors of production (land labor and capital). He is the coordinator or mobilizer, a risk taker, innovator and decision maker. The entrepreneur therefore organizes natural resources and capital goods for production to take place. This is

done in anticipation of demand and supply.

A **small business** is an organization, partnership or sole proprietorship that has fewer resources and annual revenue than a medium or large company.

There is a fine line between being a small business (SB) owner and an entrepreneur—the roles actually have a lot in common—but there are distinct differences that set them apart. Small businesses usually deal with known and established products and services, while entrepreneurial ventures focus on new, innovative offerings. Because of this, small business owners tend to deal with known risks and entrepreneurs face unknown risks.

### **Entrepreneur and Entrepreneurial characteristics**

- **Ability to take a risk-** Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.
- **Innovation-** It should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.
- **Visionary and Leadership quality-** To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.
- **Open-Minded-** In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, Paytm recognised the gravity of demonetization and acknowledged the need for online transactions would be more, so it utilized the situation and expanded massively during this time.
- **Flexible-** An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.

- **Know your Product**-A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.
- They are enterprising that is; have the courage and willingness to do new things.
- They are creative and innovative that is; they bring about new ideas and things.
- They are decision makers i.e. they are good and quick at deciding.
- They are mobilizes that is are able to bring together the resources (land, labor and capital) for production.
- Good planning i.e. should be good at determining in advance what, when, where, and how to produce something.
- Patient, this is the ability to persevere and be diligent i.e. to endure all kinds of business problem.
- Restless. they don't rest unless their dreams come true
- Independence that is they are free from control, support or influence of others.