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The mutual relationship

between entrepreneurship and businesses

This chapter discusses the following facts.

- 2.1 Introduction of business and businessman
- 2.2 Needs and wants
- 2.3 Characteristics of businesses
 - 2.4 Similarities of a businessman and an entrepreneur
 - 2.5 Differences between a businessman and an entrepreneur
- 2.6 Types of entrepreneurs

Business entrepreneurs

Social entrepreneurs

Internal entrepreneurs

2.1 Introduction of business and businessman

It is not necessary to explain about businesses. That is because we deal with businesses all the time. Think of goods and services we consume to fulfill our day to day needs and wants in the following contexts.

Example :-

Wash yourself in the morning

Have a cup of tea

Prepare daily meals

Watch television

Get ready to go to school or to work

We need to consume a variety of goods and services for the above activities. Think about the complexity of processes from producing goods and services by different institutions and people to fulfil human needs. All the production and distribution of goods and services are done by businesses. Now we can identify what businesses are.

Business refers to all the activities related to production and distribution of goods and services to fulfil human needs and wants. The people who carry out these activities are called businessmen.

2.2 Needs and Wants

The basic things which are essential in order to live are known as needs. The various ways by which the needs are fulfilled are called wants. Each want is created on a need. Accordingly, needs are fulfilled by satisfying wants.

Differences between needs and wants

| Needs | Wants |
|--------------------|---|
| Basically required | Arise after the needs. |
| Limited | There are lots of wants to fulfill one particular need. |
| Common to all | Vary according to the personality of each person. |
| Occur with birth | Entrepreneurs and businessmen create wants according to the requirements of people. |

You need to understand the goods and services related to the needs and wants which you have already learnt. Anything which fulfills human needs and wants is called goods and services.

Identify some specific characteristics of goods and services by studying the following table.

| Goods | Services |
|---|---|
| Tangible and exist physically | Intangible and do not exist physically. |
| Storable | Non-storable |
| Can preserve the homogeneity. | Cannot preserve homogeneity. Differ according to the supplier and the context. |
| Consumer is not essential for the production process. | Most of the time, consumer is a part of the production process. |
| Can separate from the supplier | Cannot separate from the supplier. |

2.3 Characteristics of business

Let us examine some features of businesses to improve your knowledge on businesses.

Characteristics Explanation

Carry out the transactions using resources

Continuous transactions

There is an objective

Transactions in a business never end with one or few but continue.

There is a risk

There are businesses with profit motive and non profit motive as well.

Transactions are based on price

There may be a profit as well as a loss in business activities. Businesses will have to face these uncertainties.

An economic activity

The value is expressed in terms of price when buying and selling of goods.

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Every business involves in the activity of production or purchase and sale of goods and services.

This is considered as an economic activity because limited resources are used for the production of goods and services, and transactions are carried out based on price.

2.4 Similarities of a businessman and an entrepreneur

Business activities are carried out by both businessmen and entrepreneurs. Following similarities exist between them.

Carry out an economic activity

Face a risk

Carryout transactions

Use resources

Make decisions on production, purchasing and selling of goods and services

Face competition

Think of survival

Self motivation

2.5 Differences between a businessman and an entrepreneur

All businessmen are not entrepreneurs. Likewise all entrepreneurs are not businessmen. Study the following venn diagram.

Non Entrepreneurs entrepreneurial who are not businessmen
businessmen

Entrepreneurial Businessmen

How an entrepreneur and a businessman differ from each other is presented below. Try to understand the different characteristics clearly.

Businessman Entrepreneur

Carries out business activities in a traditional and conventional method.

Example :-

Most of the traditional retail shops

Doesn't like to face or take risks.

Example :-

Doesn't like to extend the business

Doesn't like to face competition.

Example :-

Doesn't like opening new business
by other people

Scared of imported items

Doesn't take maximum advantage
from existing resources.

Example :-

Minimum use of buildings, motor vehicles, tools and equipments and raw materials

Extends the business through new investments, enters new markets

Seeks for competition.

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Carries out business activities based on new products and considering the realities and changes in the environment.

Example :-

Takes competition as a challenge

Example :-

Super markets

Takes maximum use of the existing resources, as per required.

Accepts risks which can be bearable after a careful calculation of risks.

Example :-

Maximum use of available resources
Creates by-products from waste

Example :-

Tries to solve problems in a conventional way.

Traditional retail business
Solves problems creatively.

Example :-

Sells goods when customers come
Sells only the goods and services which are available at the moment

Example :-

Finds customers and sells goods at their doorstep. Produces goods and services suitable for the hidden requirements of customers

Setting short term objectives.

Setting long term and visionary objectives.

Example :-

Tries to sell goods some way or the other to earn a quick profit

Example :-

Long term survival in the market tries to bring the customers back to the business

Be Satisfied by keeping the business in the same way.

Example :-

Pavement business

Extends the business day by day, is not satisfied of the present position.

an exporter

Example :-

Looks for new markets and becomes

As a whole, according to the information given above, entrepreneurs have more ability than a businessman or a trader to become more successful.

2.6 Types of entrepreneurs

We can identify three types of entrepreneurs.

Business Entrepreneurs

These are the traders or businessmen who involve in business activities with the motives of earning profits.

Example :-

Retail trading businessman

Social Entrepreneurs

Social entrepreneurs are those who submit or show creative solutions for social problems.

Today, the society faces a lot of problems. Spread of epidemic diseases, problems of nutrition, problems of illiteracy, use of drugs, and poverty are some of them. People who endeavour to solve these problems creatively are known as social entrepreneurs.

Example :-

Grameen loan system

Introduction of activities related to eradication of epidemic diseases.

Social entrepreneurs attempt to transform the society by proposing various solutions to these social issues. These can be seen implemented provincially, nationally and internationally. There are number of world famous entrepreneurs.

Example :-

Mahatma Gandhi, Marie Curie, Prof. Mohomad Yoonus. Nationally,

we have a number of popular social entrepreneurs.

Example :-

Dr. C.W.W. Kannangara

Internal (institutional) Entrepreneurs

A recent attention has been focused on the type of people called internal entrepreneurs. These entrepreneurs can be seen among the existing employees in the business.

Internal entrepreneurs are those who hold top level jobs within the business with entrepreneurial skills. These people make changes on their own as examples to others.