

The Importance of Entrepreneurship in Economic development.

Entrepreneurship and economic development are intimately related concepts. Joseph Schumpeter, the father of entrepreneurship and innovation studies argues that entrepreneurship is the key to economic growth at the individual, organizational, national and even global level. Whatever be the form of economic and political set-up of a country, entrepreneurship is indispensable for economic development.

The growing interest in entrepreneurship studies has developed alongside interest in the changing role of small businesses, which are now known to be the engines for growth in all countries regardless of its size or level of development. Small enterprises have the potential to upgrade the development level of a country if they became more entrepreneurial in nature and constant look out for better ways to enhance their products and services to match those from developed economies.

Empirical studies in economics and innovation studies do indeed confirm that small businesses in most countries have grown faster than large industries over the last couple of decades, thereby creating wealth and employment opportunities for millions of people worldwide unlike their larger counterparts, many of which have actually stagnated with many of them laying off staff especially in the recent economic downturn faced in the world.

The contributions made by entrepreneurship in economic development therefore include:

- 1) Injecting new ideas that grow the economy: Entrepreneurs acts as a trigger heads to give spark to economic activities by their entrepreneurial decisions. They introduce new ideas into a fledgling or lagging economy to help it grow. In some cases, they introduce tried and tested ideas from other countries or regions which are replicated successfully in the local economy through their own efforts. In many cases they are also the originators of new inventions and innovations. The exact process by which this occurs varies by the needs of the country, the supplies of the country, and the cost versus financial ability of the country or the entrepreneur.
- 2) **Promotes Capital Formation:**

Entrepreneurs promote capital formation by mobilizing the idle savings of public when they convince others to invest in their ideas. They employ their own as well as borrowed funds to set up their enterprises which grow and increase in value leading to creation of wealth for the economy and for those involved.

3) Creation of large-scale employment Opportunities:

With the setting up of more entrepreneurial units around the country, entrepreneurs create many immediate job opportunities for more people thereby helping reducing the unemployment problem which is currently a great challenge in the entire world more serious in developing countries. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more thus reducing chances of chronic unemployment and its attendant social ills like crime, alcoholism and domestic violence.

4) Promotes balanced regional development:

Entrepreneurs help to reduce regional disparities through setting up of industries in less developed and backward countries thereby helping them grow and tend to catch up with the more developed ones. The growth of industries and business in marginal areas lead to a large number of public benefits like better transport network, health, education, entertainment, etc which also reduce regional development even within the same country.

5) Reduces concentration of economic power:

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few which results in the growth of monopolies with their resultant ills like unfair trade practices and expensive commodities. In order to redress this problem a large number of entrepreneurs need to be developed in least developed economies, which will help reduce the concentration of economic power amongst a few.

6) Wealth Creation and Distribution:

Entrepreneurship stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections

of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy as a whole.

7) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always on the lookout for new opportunities. As they explore and exploit these opportunities, they encourage effective resource mobilization, bring in new products and services and develop markets for growth of the economy. In this way, they help increase gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

8) Improvement in the Standard of Living:

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of consumer goods and services in large scale that are offered at more affordable costs thereby increasing their standards of living.

9) Promotes a Country's Export Trade

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose of earning large amount of foreign exchange from export in order to combat the import duty requirement. Hence import substitution and export promotion ensures economic independence and development.

10) Induces Backward and Forward Linkages

Entrepreneurs like to work in an environment of change and try to maximize profits by innovation. When an enterprise is established within the realm of changing technology, it induces backward and forward linkages which stimulate the process of economic development in the least developed countries leading to what is known as technological catch up.

11) Facilitates Overall Development:

Entrepreneurs act as catalytic agent for change which results in a chain reaction towards overall development. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of complimentary units required for its effective use and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area or country.

The entrepreneurial process

Now that we have looked at the important, let look at what the process of entrepreneurship involves. Although enterprises are as different and unique as the entrepreneurs who create them, most entrepreneurs seem to work through a simple generic process that can be observed and described as below

1**SELF-DISCOVERY:**

Learning what you enjoy doing; examining your strengths and weaknesses. Examining work experience and relating it to potential opportunities.

2**IDENTIFYING OPPORTUNITIES:**

Looking for needs, wants, problems, and challenges that are not yet being met, or dealt with effectively.

3**GENERATING AND EVALUATING IDEAS:**

Using creativity and past experience to devise new and innovative ways to solve a problem, or meet a need, and then narrowing the field to one best idea.

4**PLANNING:**

Researching and identifying resources needed to turn the idea into a viable venture. Preparing the research in the form of a written business plan. Preparing marketing strategies.

5**RAISING START-UP CAPITAL:**

Using the business plan to attract investors, venture capitalists partners. This stage can involve producing prototypes or test-marketing services.

6**START-UP:**

Launching the venture, developing a customer base, and adjusting marketing and operational plans as required.

7**GROWTH:**

Growing the business: developing and following strategic plans, adapting to new circumstances.

8**HARVEST:**

Selling the business and harvesting the rewards. For many entrepreneurs, this also means moving on to new ventures and new challenges.

The identification and evaluation of business ideas and opportunities

Definition of Business Idea

A business idea can be defined as a concept which can be developed further and used for commercial gains. It typically centers on a commodity or service that can be sold for money, based on its unique model.

A business idea is about a **commodity** or a **service** that can be sold for **money**. Initially, any idea will have no commercial value until its feasibility to generate income and innovativeness to ensure sustainability of income in the market is established. Thus a promising business idea must satisfy the following criteria of evaluation:

- 1-Does it fulfill a customer need or solve a pressing problem?
- 2-Is it innovative and unique?
- 3-Does it have a market or ability to create a new market niche?
- 4-Is it profitable in long term (sustainable) due to its unique model?

Distinction between Business Idea and Business Opportunity

Building a successful business demands lots of skills in an entrepreneur. These include the ability to recognize where improvements can be made, and knowing when help is needed to look after certain aspects of a business and ability to distinguish between an idea and an opportunity. An entrepreneur may generate many ideas but only a few of them have the feasibility to become real opportunities for economic purposes. A business idea is thus a concept that can be used to make money and usually it centers on a product or service that can be offered for the money whereas a business opportunity is any ongoing business activity that generates income. Thus a business opportunity is a chance for a person to own a business. It is the beginning process of the sale or purchase of a business venture.

A business idea is the first milestone in the process of founding a business. Every successful business started as someone's idea. In fact, most business ideas exist in abstract form; usually in the mind of its creator or investor and not all business ideas, no matter how brilliant they may seem at first, would end up being profitable. To find out about an idea's chances in the market and check its innovative content and feasibility, you need to conduct a plausibility check. A promising business idea must have the following characteristics:

- Relevant (must fulfill customers' needs or solve their problems)
- Innovative
- Unique
- Clear focus
- Profitable in the long run

The acceptability and profitability of a business idea hinges largely on how innovative the idea is. Being innovative means that the idea is new to that area and is a modification of what is already in use elsewhere (incremental) or new to the world and has never been seen or heard before (radical). For example, FedEx revolutionized mail post services through 24-hour operation and very quick delivery worldwide which made it a very profitable business. The company adopted an innovative system which was already in use to meet a growing demand of full day service and fast delivery, which eventually spurred it to becoming one of the world's leading mail and parcel delivery services beating the competitors by a long margin..

However, even more important is the benefit that a business idea promises to offer customers. Such benefits could be passed on to customers in the form of reduced costs. (*We all like to buy quality for less*). So, any business idea that, at least, focuses on lowering costs would most likely be profitable in the long term. A successful business idea must meet the following three conditions:

1. It must offer benefit to the customer by solving a problem or fulfilling a need. Customers buy products and services for just one reason; to satisfy a need. So, if your business idea cannot satisfy some customer needs, it won't be successful in the market. Every successful business idea must have a unique selling proposition that persuades a customer to leave the rest.

2. It must have a market that is willing to accept it and can afford it. A promising business idea must offer a product or service that would be accepted by a large market share.
3. It must have a mechanism for making revenue repeatedly. A successful business idea must show how much money can be earned from it and how the money will be earned. Having discussed in full detail what a business idea means, let's now look at "business opportunity."

What is a business opportunity?

A business opportunity on the other hand is a proven concept that already generates on-going income. In other words, a business opportunity is a business idea that has been researched upon, refined and packaged into a promising venture that is ready to be launched or already launched but available for sale. While multiple business ideas may strike you on a daily basis, only a few of them will be profitable in the long run based on market research and feasibility study conducted. These few are the real business opportunities. An opportunity is regarded as one after it has been found to meet the feasibility criteria:

- It must have high gross margins.
- It must have the potential to reach break-even cash flow usually within 12 – 36 months.
- The startup capital investments must be realistic and within the range of what you can access.
- You must have the ability and capability needed to drive the business to success.
- Your level of / passion for the business must be high.
- It must have the potential for residual income.
- It must have the potential to keep on improving with time.
- It must have a low level of liability risk.

After you have refined and packaged your business opportunity in your mind, you can have it documented by writing a business plan. You can then either implement on your own or sell it to someone else for profit (*probably because you cannot afford the capital required to flag off the business*).

In conclusion, the world is filled with brilliant ideas but the world lacks entrepreneurs who have the capacity to turn such ideas to profitable business opportunities. It is one thing to develop an idea, but it is an entirely different ball game to turn an idea into a viable business opportunity.

So, a major difference between an idea and an opportunity is that you can sell a business opportunity, but you cannot sell an idea (*it is not entirely impossible but it's difficult*). Colonel Sanders tried for many years to sell his chicken recipe idea but no one listened to him until he repackaged it and KFC (*Kentucky Fried Chicken*) was born. **The moral of this lesson is that investors invest in business opportunities and ventures, not business ideas.**

But how do you turn a business idea into an opportunity?

One can turn a business idea into a business opportunity by conducting market research and feasibility study on the idea, writing a business plan and assembling a business team that will further develop the idea further. Only then will such idea become an opportunity that will attract investors and probably get the necessary finance.

Evaluating Business Ideas and Opportunities

A successful company always starts with a compelling business idea. It's the first milestone in the process of founding a growth based company. Each idea, no matter how brilliant, initially has no commercial value. A plausibility check gives more information about an idea's chances in the marketplace and helps to check its feasibility and innovative content.