SUMMARY NOTE ON ENT211 - ENTREPRENEURSHIP AND INNOVATION

Entrepreneurship is the ability to take financial risks to start and manage a business. An **entrepreneur** is a person who starts and manages a business venture and bears the business risk involved. Entrepreneurs are known for positive traits such as innovativeness, risk-taking, self-confidence, initiative, creativity, vision, persistence, and decision-making ability, while laziness and risk avoidance are not entrepreneurial characteristics.

Innovation in entrepreneurship means creating or improving ideas, products, or services, while creativity refers to generating new ideas. Entrepreneurs succeed by recognizing opportunities, which involves identifying viable business ideas from sources such as personal experience, market needs, and technological changes. The process of turning ideas into viable opportunities is called innovation, and entrepreneurs may be innovative, imitative, technological, trading, or agricultural in nature.

Capital refers to the money and assets used to start a business, which can be obtained from internal sources like retained earnings and external sources such as bank loans. Entrepreneurs conduct market research to identify customer needs and preferences and prepare a business plan to guide operations and attract investors. Before starting, a feasibility study is carried out to determine the viability of the business.

Entrepreneurship aims to make profit and create value, contribute to economic development, and reduce poverty through job creation. Small and medium enterprises (SMEs) play the largest role in employment creation. However, entrepreneurship can be discouraged by challenges such as poor infrastructure, especially poor power supply in Nigeria.

Common forms of business ownership include sole proprietorship, owned by one person, and partnership, owned by two or more people. An advantage of sole proprietorship is ease of decision-making. Cooperative societies are owned by their members.

Entrepreneurial success depends on key skills such as human relation skills, time management, decision-making, and motivation, which is the desire to achieve goals. Proper time management helps entrepreneurs use time effectively.

In business operations, the income statement shows income and expenditure, while the journal records daily business transactions. Marketing is the process of selling goods and services, and innovation gives a business competitive advantage. The major reward of entrepreneurship is profit.

Entrepreneurs must have vision, defined as the ability to foresee future opportunities, and must remain persistent because challenges are inevitable. Business decisions are influenced by factors such as market, infrastructure, and raw materials availability. Government policies are part of the macro-environment, and access to training promotes entrepreneurship.

Overall, the main driver of entrepreneurship is opportunity, and entrepreneurship education encourages individuals to become self-reliant, acquire skills, create wealth, and contribute meaningfully to economic development.

ENTREPRENEURSHIP AND BUSINESS STUDIES

Profit is the excess of revenue over cost, while revenue refers to the total income generated from sales before expenses are deducted. The main goal of most businesses is to make profit, but long-term survival depends largely on customer satisfaction.

In production, there are four main factors: land, labour, capital, and entrepreneurship. Entrepreneurship is the factor that organizes and coordinates all others into productive use. Each factor has a reward: land earns rent, labour earns wages, capital earns interest, while entrepreneurship earns profit as a reward for bearing risk.

Entrepreneurship involves **risk-taking, innovation, and opportunity recognition**. Risk refers to the uncertainty of outcomes, and entrepreneurs differ from managers because entrepreneurs bear business risks, while managers usually work for salaries. Copying an existing business idea into a new market is known as imitation, while introducing new ideas, products, or methods is innovation.

Opportunity identification means discovering unmet needs in the market. To evaluate such opportunities, entrepreneurs conduct a feasibility study, which helps determine whether a business idea is viable. A business plan then outlines the business goals, strategies, and methods of operation.

Sources of finance can be internal or external. Personal savings and retained profit give entrepreneurs maximum control, while venture capital involves sharing ownership. **Taxation** is not a source of business finance. Reinvesting profit back into the business leads to capital formation, which supports growth and expansion.

Small-scale enterprises usually operate with limited capital, few employees, and local markets. The easiest form of business to establish is the sole proprietorship, which also has unlimited liability. Partnerships are businesses where profit and loss are shared among owners.

Capital can be divided into fixed capital (such as machines and tools) and working capital (such as cash). Costs in business include fixed costs (e.g., rent) and variable costs (e.g., raw materials).

Market research helps entrepreneurs identify customer needs, while entrepreneurship education aims to develop job creators rather than job seekers. Business expansion means increasing the scale of operation, and the starting point of every successful business is identifying a good opportunity.

Finally, business risks may arise from various sources, including political risk, which results from changes in government policies. Poor management, lack of capital, and competition can cause business failure, but adequate planning helps prevent it.

ADVANCED ENTREPRENEURSHIP CONCEPTS, THEORIES, AND PRACTICE

The term **entrepreneur** originates from the French word *entreprendre*, meaning **to undertake or start something**. Early entrepreneurship thought was shaped by **Richard Cantillon**, who described the entrepreneur as a **risk bearer** who buys at a certain price and sells at an uncertain price. Later, **Peter Drucker** emphasized that entrepreneurship is about **responding to and exploiting change as an opportunity**, rather than merely taking risks.

At its core, entrepreneurship is the **process of value creation**, involving the intentional creation of something new that has value. Unlike traditional management, which focuses on maintaining existing operations, entrepreneurship emphasizes **opportunity recognition and exploitation**. Entrepreneurs are fundamentally **risk takers**, not risk eliminators.

Several **entrepreneurship theories** explain entrepreneurial behavior. **Effectuation theory** (Saras Sarasvathy) argues that entrepreneurs begin with **available means** and continuously adapt goals as conditions change. **Economic theory** highlights market disruption through **new products and processes**, while **sociological theory** focuses on **family background, social networks, and community support**. **Psychological theory** examines traits such as a **high need for achievement**, and **resource-based theory** stresses that venture success depends on **access to critical resources**. The **knowledge spillover theory** explains how innovation arises when knowledge leaks from established firms or research institutions. **Property rights theory** links ownership structure to entrepreneurial outcomes.

An **intrapreneur** is someone who demonstrates entrepreneurial behavior **within an existing organization**, driving innovation internally. Entrepreneurs may adopt an **innovative approach**, which emphasizes creativity and new combinations, rather than a purely trade-based approach. Innovation itself differs from general change because it involves the **intentional creation of new value**.

Business ownership structures vary in risk and control. **Sole proprietorships** are easy to form but suffer from **unlimited personal liability**. In **general partnerships**, all partners also face unlimited liability. **S-corporations** offer special tax treatment that avoids double taxation, while **LLCs** combine **limited liability protection with flexible management**. **Cooperatives** are unique because they operate on **democratic member control and shared benefits**.

Before starting a business, entrepreneurs conduct a **feasibility study**, which is broad and exploratory and produces a **Yes-or-No decision** on project viability. Once feasibility is confirmed, a **business plan** is written to demonstrate viability, outline implementation strategies, and enhance credibility with stakeholders. Unlike feasibility studies, business plans contain **detailed operational and implementation plans**.

Innovation takes multiple forms. **Radical innovation** fundamentally transforms industries, such as the internet revolutionizing communication. **Disruptive innovation** begins by serving overlooked market segments before displacing established firms. **Business model innovation** focuses on how value is created, delivered, and captured, while **organizational innovation** involves changes in structure, management, culture, and processes. **Marketing innovation** emphasizes new approaches to promotion, distribution, and customer engagement.

Successful entrepreneurs require key **contemporary skills**, including **networking**, which involves building meaningful relationships; **resilience**, shown by recovering from setbacks; **global savvy**, which is awareness of global market trends; **time management**, which improves productivity and deadline management; and **technology proficiency**, such as using AI and digital tools for competitive advantage.

Entrepreneurs operate within complex environments. **PESTLE analysis** examines political, economic, social, technological, legal, and environmental factors, with "L" representing **legal factors**. **Porter's Five Forces** explains industry competition, where high supplier power allows suppliers to influence prices, and buyer power increases when buyers have many alternatives and low switching costs. **Environmental scanning** helps entrepreneurs forecast trends and identify opportunities and threats. In Nigeria, a major socio-economic challenge for entrepreneurs is the **high cost of doing business and inadequate infrastructure**.

Managing change is essential in entrepreneurship. **Kotter's change model** begins with establishing a **sense of urgency**. Resistance to change often arises from fear of failure, comfort with existing conditions, and short-term thinking. **Entrepreneurial leadership** in change requires building a guiding coalition and communicating a clear vision. **Knowledge sharing** enhances collective intelligence and performance, while the managerial function of **controlling** involves monitoring performance and making corrective actions.

Modern entrepreneurship increasingly relies on collaboration. **Open innovation** leverages external ideas and networks rather than relying solely on internal R&D. A **joint venture** involves pooling resources from multiple parties for a specific project, and its most critical first step is **selecting the right partner with aligned objectives**. **Strategic alliances** allow firms to share resources, spread risk, and accelerate innovation.

Overall, entrepreneurship is opportunity-driven, innovation-focused, and deeply influenced by theory, environment, leadership, and strategic collaboration.

SUMMARY NOTE: ENTREPRENEURSHIP THEORIES, INNOVATION, STRUCTURES, AND ENVIRONMENT

Entrepreneurship was strongly shaped by **Joseph Schumpeter**, who defined it as **carrying out new combinations**, emphasizing innovation as the engine of economic development. The term *entrepreneur* originates from the French word *entreprendre*, meaning **to undertake**. According to **Peter Drucker**, entrepreneurship is not merely starting businesses or taking risks, but **searching for change and exploiting opportunities** created by that change.

Modern entrepreneurship theory highlights several perspectives. **Effectuation theory**, developed by **Saras Sarasvathy**, explains that entrepreneurs start with **available**

means (who they are, what they know, and whom they know) and continuously adapt goals rather than relying solely on prediction. The **economic entrepreneurship theory** focuses on **market disruption**, innovation, and creative destruction. **Knowledge Spillover Theory** explains that entrepreneurial opportunities arise when **knowledge spills over from established firms and research institutions**. **Social network and sociological theories** emphasize how **social structures, networks, and relationships** influence entrepreneurial behavior. **Psychological theory** examines individual characteristics such as motivation, self-confidence, and achievement orientation, while **property rights theory** links ownership structure to entrepreneurial outcomes.

Entrepreneurs are typically **risk bearers**, future-oriented, visionary, and opportunity-focused. They differ from intrapreneurs in that **intrapreneurs operate within existing organizations**, applying entrepreneurial thinking internally. The **trade approach** to entrepreneurship emphasizes routine trading and short-term gains, whereas innovative entrepreneurship emphasizes creativity, vision, and long-term value creation. The ability to identify opportunities where others see problems is known as **opportunity recognition**.

Regarding business ownership, **sole proprietorship** is the simplest and least expensive structure but suffers from **unlimited liability**. **Corporations** provide limited liability and perpetual existence but are more complex to establish. In partnerships, profit and loss sharing is based on a **predetermined agreement**. **Limited Liability Companies (LLCs)** combine limited liability with management flexibility.

A **feasibility study** is conducted **before a business plan** and provides a **Yes/No decision** on whether a project is viable, practicable, and profitable. Once feasibility is confirmed, a **business plan** is prepared to communicate the venture's strategy, operations, and financial projections to **investors, lenders, partners, and employees**. Personal history of the founder is not a formal component of a business plan.

Innovation exists in different forms. **Incremental innovation** involves small, continuous improvements to existing products or services, while **radical innovation** brings fundamental breakthroughs. **Disruptive innovation** creates new markets and eventually displaces established firms. **Business model innovation** focuses on changes in how value is created, delivered, and captured. **Service innovation** emphasizes improving customer experience and service delivery rather than physical products. **Organizational innovation** involves changes in structure, culture, management, and internal processes.

Entrepreneurs require key contemporary skills to succeed. **Networking skills** help build strong relationships with customers and stakeholders. **Resilience** is the ability to recover from setbacks and persist despite challenges. **Marketing skills** enable entrepreneurs to communicate value propositions effectively. **Global savvy** refers to awareness of global market developments. **Time management skills** help optimize workflows and meet deadlines efficiently.

Entrepreneurs operate within dynamic environments. **PESTLE analysis** examines political, economic, social, technological, legal, and environmental factors. **Porter's**

Five Forces explains industry competition, where threats such as **new entrants** and **buyer power** influence profitability. In Nigeria, a major environmental challenge for entrepreneurs is the **high cost of doing business combined with poor infrastructure**. **Environmental scanning** helps entrepreneurs forecast trends and identify opportunities and threats.

Change management is essential in entrepreneurship. The first step in managing change is establishing a **sense of urgency**. Resistance to change often arises from fear of failure and comfort with the status quo. Innovation differs from general change because it intentionally creates **new value**. Knowledge sharing enhances innovation by building **collective intelligence and improved performance**. Core managerial functions in entrepreneurship include **planning, organizing, leading, and controlling**.

Modern ventures increasingly rely on collaboration. **Open innovation** involves leveraging external ideas and partnerships. A **joint venture** is a formal agreement where firms pool resources for a specific project. **Strategic alliances** enable firms to **share resources, spread risks, and accelerate innovation**, making them a critical strategy in competitive environments.

Entrepreneurship Summary Notes

Entrepreneur: From French entreprendre – meaning to undertake or embark on a venture.

Entrepreneurs are risk bearers and navigate uncertainty, creating value by identifying and exploiting opportunities.

Theories of Entrepreneurship

Joseph Schumpeter: Entrepreneurs drive innovation through "new combinations" that disrupt markets.

Peter Drucker: Entrepreneurship involves searching for change, responding to it, and exploiting it as opportunity.

Effectuation Theory (Saras Sarasvathy): Entrepreneurs start with available means and allow goals to emerge rather than predetermine plans.

Economic Theory: Focuses on market disruption and innovation.

Sociological Theory: Examines family, community, and cultural influences on entrepreneurial behavior.

Knowledge Spillover Theory: Opportunities arise when new knowledge spills over from firms or research institutions.

Property Rights Theory: Studies how ownership structures affect entrepreneurial outcomes.

Intrapreneurship: Employees within existing firms who act entrepreneurially.

Entrepreneurial Approaches

Trade Approach: Task-oriented risk-takers managing existing resources.

Entrepreneurs are risk bearers and uncertainty navigators.

Visionary leadership: Involves articulating future goals and inspiring others.

Business Structures

Sole Proprietorship: Simplest; unlimited personal liability.

Partnership: Shared ownership, profits, and liabilities.

Corporation: Separate legal entity; owners have limited liability.

S-Corporation: Avoids double taxation.

LLC (Limited Liability Company): Combines limited liability with management flexibility.

Cooperatives: Operate on democratic control and mutual benefit.

Joint Venture: Limited-purpose collaboration between parties.

Strategic Alliance: Broader, less formal cooperation than joint ventures.

Feasibility Study vs Business Plan

Feasibility Study: Determines if a project is worth undertaking (Yes/No decision).

Business Plan: Detailed operational blueprint for implementing a business.

Executive Summary: Concise overview for quick stakeholder review.

Financial Projections: Demonstrate potential profitability and viability.

Innovation

Incremental Innovation: Small, continuous improvements.

Radical Innovation: Major breakthroughs changing industries.

Disruptive Innovation: Creates new markets and displaces existing ones.

Business Model Innovation: Changes how value is created, delivered, and captured.

Open Innovation: Leverages external ideas and collaboration.

Closed Innovation: Innovation confined within the organization.

User-Centered Innovation: Prioritizes customer needs in design.

Continuous innovation requires a culture encouraging creativity, tolerating failure, and supporting experimentation.

Entrepreneurial Skills

Networking: Building relationships for support, opportunities, and resources.

Resilience: Ability to recover from setbacks and persist.

Global Savvy: Awareness of global international market trends.

Time Management: Prioritizing tasks for optimal productivity.

Technological Proficiency: Using tools like AI and blockchain for advantage.

Negotiation: Securing favorable terms and creating value.

Value Creation: Delivering meaningful benefits customers will pay for.

Environmental Analysis

PESTLE Analysis: Evaluates Political, Economic, Social, Technological, Legal, Environmental factors.

Porter's Five Forces: Analyzes competitive intensity and industry attractiveness.

Substitute products can limit price potential.

Buyer power is high when alternatives exist and switching costs are low.

Nigerian Entrepreneurial Challenge: High cost of doing business and infrastructural deficits.

Change Management & Organizational Innovation

First step in change: Establish a sense of urgency.

Resistance to change: Often due to fear of failure, comfort with status quo, short-term focus.

Knowledge sharing: Enhances collective intelligence and innovation.

Entrepreneurial leadership: Creates a guiding coalition and communicates vision.

Organizational innovation: Involves structure, management, culture, and processes.

Definition and Concept

Entrepreneurship: The ability to take financial risks to start and manage a business.

Entrepreneur: A person who starts and manages a business venture, bearing risks and creating value.

Characteristics of Entrepreneurs: Innovativeness, risk-taking, self-confidence, initiative, visionary leadership, persistence.

Innovation: Creating or improving ideas, products, or services to gain competitive advantage.

Opportunity Recognition: Identifying viable business ideas and turning them into business opportunities.

Motivation: Desire to achieve goals and create value.

Rewards of Entrepreneurship: Profit, independence, and personal growth.

Theories of Entrepreneurship

Schumpeter: Entrepreneurship = innovation through new combinations.

Peter Drucker: Focus on searching for change, exploiting opportunities.

Effectuation Theory (Saras Sarasvathy): Start with available means, allow goals to emerge.

Economic Theory: Focuses on market disruption and creative destruction.

Sociological Theory: How family, culture, and community influence entrepreneurship.

Knowledge Spillover Theory: Opportunities arise from knowledge spilling over from firms/research.

Property Rights Theory: Examines ownership structures and entrepreneurial outcomes.

Intrapreneurs: Employees who act entrepreneurially within organizations.

Trade Approach: Entrepreneurs as task-oriented risk-takers.

Functions of an Entrepreneur

Risk bearing: Accepting the possibility of loss or gain.

Innovation: Introducing new ideas, products, processes, or services.

Opportunity Evaluation: Converting ideas into viable business opportunities.

Resource Mobilization: Utilizing capital, human, and technological resources efficiently.

Business Structures

Sole Proprietorship: Owned by one person, easy to manage, unlimited liability.

Partnership: Two or more owners, shared profits and liabilities.

Corporation: Separate legal entity, limited liability, perpetual existence.

S-Corporation: Avoids double taxation.

LLC: Combines limited liability with management flexibility.

Cooperative: Owned and controlled by members democratically.

Joint Venture: Specific, limited-purpose collaboration for a defined project.

Strategic Alliance: Broader, less formal collaboration than joint ventures.

Business Planning and Feasibility

Feasibility Study: Determines whether a business is worth undertaking (viable).

Business Plan: Detailed operational blueprint to implement the business.

Executive Summary: Provides a concise overview for stakeholders.

Financial Projections: Show potential profitability and viability.

Market Research: Identifies customer needs and preferences.

Innovation Types

Incremental: Small, continuous improvements.

Radical: Major breakthroughs changing industries.

Disruptive: Creating new markets and displacing incumbents.

Business Model Innovation: Changing how value is created, delivered, and captured.

Open Innovation: Using external ideas and collaboration.

Closed Innovation: Innovation confined within the organization.

User-Centered Innovation: Designing around customer needs.

Entrepreneurial Skills

Networking: Building relationships for resources and opportunities.

Resilience: Recovering from setbacks and persisting toward goals.

Global Savvy: Understanding and adapting to international markets.

Time Management: Prioritizing tasks to optimize productivity.

Technological Proficiency: Leveraging tools like AI, blockchain for advantage.

Negotiation Skills: Securing favorable agreements.

Value Creation: Delivering benefits customers will pay for.

Decision-Making: Ability to make sound business decisions.

Human Relation Skills: Effectively relating to people and managing teams.

Financial Concepts

Capital: Money and assets used to start a business.

Internal Sources of Finance: Retained earnings.

External Sources of Finance: Bank loans, venture capital.

Market and Environmental Analysis

PESTLE Analysis: Political, Economic, Social, Technological, Legal, Environmental factors.

Porter's Five Forces: Competitive intensity, industry attractiveness, threat of substitutes, buyer power.

Business Location Factors: Market, infrastructure, raw materials.

Nigerian Challenges: Poor infrastructure, high cost of doing business.

Entrepreneurial Education and Impact

Objectives: Wealth creation, job creation, skill acquisition, self-reliance.

Impact: Promotes economic development, reduces poverty, fosters innovation.

Discouraging Factors: Poor infrastructure, lack of finance, corruption.

Operational and Accounting Essentials

Income Statement: Shows business income and expenditure.

Journal: Records daily transactions.

Marketing: Process of selling goods and services.

Entrepreneurship Principles

Vision: Ability to foresee future opportunities.

Persistence: Essential because challenges are inevitable.

Main Driver: Opportunity recognition motivates entrepreneurial action.