

# UNIT 1

## THE ENTREPRENEURIAL INITIATIVE

In Vocational Education and Guidance you have studied the access to the labor market as an employee. On the other hand, in Business and Entrepreneurial Initiative you are going to discover the access to the labor market as a self-employed worker, or entrepreneur.

However, an “entrepreneur” is more than an employer. In fact, an employee can be considered an entrepreneur and in this case we talk about an *intraentrepreneur*. Fostering the entrepreneurial spirit is essential for both professional and personal development, and this affects employees and self-employed workers.

As you will be able to discover in this unit, being an entrepreneur implies being willing to innovate, take risks in a conscious way and firmly bet, in the event of setting up a company, on that business idea in which you believe, despite the difficulties.

### I. CREATIVITY AND INNOVATION

In the 21st century, the level of development in many countries around the world is really high compared to what happened just a century ago. Thus, basic needs (food, clothing, health care ...) are largely covered through a varied offering. In addition, we can find needs that did not exist thirty or forty years ago (such as being permanently communicated through mobile phones) that we could not understand to be uncovered today.

The great competitiveness that exists in the market undoubtedly requires a great deal of creativity and innovation, two essential aspects of the entrepreneurial spirit.

**“Creativity is thinking of new and appropriate ideas, while innovation is the successful implementation of ideas within an organization. In other words, creativity is the concept and innovation is the process”.**

Creativity is about ideas. It's about new ways of looking at things. Innovation refers to a way of doing things. This is the commercial implementation. Therefore, an idea is only truly innovative if it enters into a market and survives.

Creativity is subjective, so it is difficult to measure. Innovation, on the other hand, is completely measurable.

#### **Types of business innovation**

- **Individual initiative.** This type of business innovation refers to oneself ability to create a company culture that encourages the creativity of workers and allows them to implement their own ideas or projects. An example would be Google, which has specific programs for individual innovation, offering employees the possibility of dedicating 20% of their working hours to their own proposals.
- **Improvement of processes.** It means introducing novelties in products, services or processes as mechanisms for continuous improvement without modifying the

activity of the company or the business model. Within this group would be the new iPhone models launched by Apple.

- **Continuous innovation.** In this case, business innovation occurs by incorporating new lines of business into the business model. This is, for example, the case of Amazon, which marketed the Kindle e-book as an added value. Continuous innovation may even end with a comprehensive change in business activity. There are different examples: Tiffany's jewelry, which started out selling stationery, or Nokia, which made paper before selling mobiles.
- **Disruptive innovation.** It is, possibly, the most difficult model to achieve as it involves the emergence of a new industry, not only for the company or its target audience, but for the whole of society. This type refers, for example, to the appearance of television, computers, internet ...

Levels of innovation

[Levels Of Innovation | Leeds University Business School - YouTube](#)

## II. THE ENTREPRENEUR

### 1. Entrepreneurial spirit and entrepreneurial initiative

The entrepreneurial spirit is closely linked to initiative and action. People endowed with an entrepreneurial spirit have innovative ability, the willingness to try new things or do them in a different way, providing creativity and flexibility.

Entrepreneurship is the attitude and process of creating an economic activity that combines risk taking, creativity and innovation with an effective business management.

The entrepreneur should not be identified, in a simplistic way, with the person who has created a company. It is a broader concept that collects a set of skills and attitudes that can be developed in many different fields. In fact, we find entrepreneurs in politics, in research, in teaching, and in all areas of life.

The entrepreneurial spirit has a double facet:

- **Launch new projects** with autonomy and responsibility, assuming the risk of the operation (as does the employer).
- **Develop and carry out other's people projects**, with the same spirit of innovation and responsibility as if they were of your own (as an employee or civil servant). This is what is known as *intrapreneur*.

Entrepreneurship is a dynamic process in which people identify opportunities to innovate and put them into practice. In the business context, they are associated with the creation of companies and their subsequent management.

<b>Employed worker</b>	<b>Self-employed</b>
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<ul style="list-style-type: none"> <li>- He/she depends on a boss.</li> <li>- Responsibility limited to fulfilling their work.</li> <li>- A fixed salary, regardless of benefits.</li> <li>- Comply with a work schedule.</li> <li>- Job satisfaction is determined by the work environment.</li> </ul>	<ul style="list-style-type: none"> <li>- Be our own boss.</li> <li>- Assume responsibilities in the running of the business.</li> <li>- Profits or losses, assume the risk.</li> <li>- Take homework home after business hours.</li> <li>- It is a source of personal and professional satisfaction to take on a business challenge.</li> </ul>
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**Video:** Pros and Cons of Being Self Employed.

<https://www.youtube.com/watch?v=aklaPlo0iik>

## 2. Theories of Entrepreneurship: Cultural Theory, Economic Theory, Sociological Theory and Psychological Theory

Different thinkers have evolved different theories of entrepreneurship.

### a. Innovation Theory:

This theory was propounded by J.A. Schumpeter. According to Schumpeter, entrepreneur is basically an innovator and innovator is one who introduces new combinations.

In practice, this theory covers different cases which are given below:

- The introduction of a new good or a new quality of a good.
- The introduction of a new method of production.
- The opening of a new market.
- The carrying out of the new organisation of any industry like the creation of a monopoly position or the breaking up of a monopoly position.

### b. Need for Achievement Theory:

This theory was developed by David. C. McClelland. McClelland concerned himself with economic growth and the factors that influence it. In this context, he tries to find the internal factors i.e. "human values and motives that lead man to exploit opportunities, to take advantage of favourable trade conditions". That is why he gives importance to the **innovative characteristics of entrepreneurial role**. The entrepreneur is concerned with need for achievement (n-achievement). People with high n-achievement behave in an entrepreneurial way. So it is better to develop n-achievement among individuals to ensure high scale of economic development.

### c. Status Withdrawal Theory:

E. Hagen attempted to formulate **a theory of social change**. The theory of social change explains that when members of some social groups feel that their values and status are not respected by the society, they turn to innovation to get the respect of the society. According to Hagen, entrepreneurship is a function of status withdrawal. This theory provides that a class which lost its previous prestige or a minority group tends to show aggressive entrepreneurial drive.

#### **d. Theory of Leadership:**

According to Hoselitz, entrepreneurship is a function of managerial skills and leadership. Business also requires finance but that is of secondary importance.

### **3. Entrepreneur characteristics**

We can describe different characteristics you can improve to become a successful entrepreneur:

#### **a. Creativity**

Becoming an entrepreneur starts with an idea. You need to see opportunities, find innovative ways to do things and bring solutions to the public.

To improve your creativity, develop habits that support the creative system. Think about what makes you feel creative, such as music, meeting people, reading or some other activity. Dedicate a specific part of your day to find inspiration for new solutions.

#### **b. Passion**

Passion is what drives entrepreneurs. They usually love what they do, and this helps them invest their time in their projects.

To become a more passionate entrepreneur, focus on the meaning of your work. Remember that you contribute to finding solutions that will help many people.

#### **c. Motivation**

Motivation is the will to accomplish certain things. Entrepreneurs are driven to make their business a success and push themselves.

To increase motivation, you can start by setting small goals. Small goals can help you reach larger ones and encourage you to aim higher. Recognize the work already accomplished and celebrate your results, even minor ones. Also, keep a positive mindset.

#### **d. Product or service knowledge**

Entrepreneurs know what they have to offer and to whom they can sell it. Clearly define the category of products or services you sell and how they provide value to consumers. Also, study your target clients to make sure you answer their needs.

To increase the positive impact of this knowledge, you should continually learn about your market, understand what people needs and know the features that differentiate you from competitors. Talk with your clients and use their feedback. With this information, you can adjust your position when necessary.

#### **e. Ability to network**

The ability to connect with people and to recognize opportunities for partnership is crucial to successful entrepreneurship. Meeting new people might facilitate access to resources or knowledge that your business needs. It allows you to learn from the success of others, promote your services or goods and meet new clients.

To improve your networking skills, you must try to build genuine relationships

#### **f. Self-confidence**

Entrepreneurs believe they can achieve their goals. They may have doubt, but they persevere through it. Self-confidence is essential because it allows you to feel better and makes it easier to overcome challenges, take risks and be persistent. Therefore, it contributes to your success overall.

To improve your self-confidence, you can use the technique of visualization. Visualize yourself as the person you want to be and visualize your business at a stage you would be proud of. You can also practice affirmation by saying uplifting statements about your accomplishments.

#### **g. Optimism**

Entrepreneurs see the positive side of the situation and always move forward. Optimism supports creativity, so it helps business leaders finding new ideas for their products or services and increases their chances of success.

To develop your optimism, you can consider challenges as opportunities to grow instead of problems that could stop you.

#### **h. Vision**

Entrepreneurs have vision. They see a big picture they wish to accomplish, which fuels their efforts and pushes them to do more. Moreover, vision is what defines the culture and identity of an organization.

To improve your entrepreneurship vision, you can implement a daily action plan. Prioritizing your tasks can keep you from feeling overwhelmed and help you stick to your vision.

#### **i. Goal mindset**

Entrepreneurs are goal oriented. They know what they want to achieve, set a goal and work toward that objective. Determination is vital to overcome possible challenges, and it also inspires trust from the people who work with you.

To become more goal-oriented, you can start by identifying what you want to accomplish and clarifying your vision of the future. Then, set a goal with a timeline to guide your actions.

#### **j. Risk-taking**

Entrepreneurs are ready to take risks. They plan for the unknown so they can make calculated decisions that are profitable for them and their business.

To increase your risk-taking abilities, you can start considering your journey as a learning process, including the possible failures. You must keep your goal in mind and commit to persevering.

#### **k. Persuasiveness**

Entrepreneurs know their business and how to talk about it to people. They need to persuade others to believe in their idea.

To improve your persuasion skills, learn about your listeners and adapt to their personality.

#### **l. Decision-making**

Entrepreneurs need to make quick decisions and take action for the success of their business.

To improve your decision-making skills, you can inform yourself to understand better the problems you try to solve. Assess the impact of the decision you need to make, and allow a corresponding amount of time to decide.

#### **m. Tenacity**

Entrepreneurs overcome challenges. They persevere through difficulties and hold on to their goals and dreams.

To improve your tenacity, you can write down your goals and read them every day.

#### **n. Money management**

Entrepreneurs need to understand the financial situation of their business. Even if they hire a specialist like an accountant, they are the decision-maker and must know their situation to run the business successfully.

You can improve your basic money management skills by preparing a budget. You can also acquire more financial knowledge by taking classes or training programs.

#### **o. Adaptability**

When they start a business, entrepreneurs often need to multitask. Flexibility in your schedule, as well as in your thinking, is crucial to continue growing in challenging situations.

To increase your adaptability, you can approach all activities with an open mind and stay ready to change your ways if necessary.

#### **Videos:**

Are entrepreneurs born, or made?

<https://www.youtube.com/watch?v=s6scWUlyibk&feature=share>

What is an intrapreneur?

<https://www.fortunebuilders.com/what-is-an-intrapreneur/>

### **III. THE ENTREPRENEURIAL IDEA**

When starting a business, you must reflect on the good or service that is offered. You cannot be one more in the market, but you must differentiate yourself from the others to attract the attention of the consumer.

A question arises, how can we find a novel idea?

- By observing and analyzing the changes experienced by our society in recent years, it is possible to discover needs that have arisen as a result of these advances and that have not yet been covered by the market.
- Creating new needs.
- Studying how to offer a good or a service, already known, in another way that can satisfy the customer more. (Ex. Ikea).
- Expanding the target audience.

### **Main sectors that are currently developing the most:**

<b>CHANGES IN SOCIETY</b>	<b>MARKET OPORTUNITIES</b>
<i>Greater concern for aesthetics.</i>	Clothing stores, cosmetics, beauty centers, gyms, plastic surgery clinics, herbalists, diet products ...
<i>More time for leisure.</i>	Sports, gyms, a greater variety of trips: organized, for seniors, for singles, fair tourism, rural tourism ...
<i>Home improvements and interest in a functional and personal decoration.</i>	Increase the construction of houses, incorporation of heating, air conditioning, home automation, specialized decoration, removable or convertible furniture.
<i>New technologies.</i>	Internet, audiovisual media, mobile phones, sales through the Internet....
<i>Incorporation of women into the labor market.</i>	Nursery, domestic service, children's leisure center, prepared food.
<i>Increase in life expectancy.</i>	Residences for the elderly and day centers, home services, cultural and leisure services.
<i>Greater loneliness.</i>	Online marriage and partner search agencies.
<i>Interest in owning pets.</i>	Pet residence, restaurants, food products, games, veterinarians specialized in exotic animals, etc.
<i>Safety concerns are growing.</i>	Security, alarm, insurance, management and performance companies for the prevention of occupational hazards.
<i>Concern for disabilities.</i>	Day centers, services to improve the quality of life, home services, cultural and leisure services.
<i>Concern for the environment.</i>	Services related to the environment, campaigns for the management of energy, protection of natural areas.
<i>Time, a value in itself.</i>	Home purchase delivery, auto repair shops that pick up the car and leave it in the customer's garage, new business hours.

### **Sources of business ideas**

They arise from an opportunity that the entrepreneur sees as viable, they can be:

Personal characteristics	- Professional experience in the sector. - Personal hobbies.
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- Observation of the economic environment.	- Observe a lack in the market. - The study of other markets. - The observation of trends.
- The innovation of a product	- Offer a new product. - Offer a product in a different way.

#### IV. BUSINESS RISK

Risk is inherent to entrepreneurial activity. Business risk occurs when there are two or more possibilities to choose from and the results to which each one will lead are not known in advance. Every risk contains the possibility of winning or losing: the greater the possible loss, the greater the risk.

The components of business risk are:

- A situation of uncertainty.
- Several possible future scenarios (probability comes into play)
- A need for choice.
- The possibility of obtaining losses or profits.

Risk presupposes making decisions and assuming their consequences. It is very useful to follow an organized process, such as the following:

PHASE 1: Define the objectives.

PHASE 2: Analyze the different scenarios or possible situations that may arise.

PHASE 3: Collect as much information as possible on the factors that affect each scenario

STAGE 4: Weigh the consequences of choosing one option or another and the possible scenarios or situations that will arise.

PHASE 5: Decide on the best option and establish an action plan to implement it.

PHASE 6: Evaluate the results of the decision made.

#### Video:

How To Overcome Fear As An Entrepreneur And Business Owner

<https://www.youtube.com/watch?v=wHIPFkmhr1c&feature=share>

#### V. INNOVATION AND DEVELOPMENT

Innovation is an essential engine of economic progress that benefits consumers, businesses and the economy as a whole. From an economic point of view, an innovation is any development or application of ideas and technologies that manages to improve goods and services or makes their production more efficient.

A classic example of innovation is the invention, during the 18th century, of the steam engine, which sparked mass factory production and revolutionized rail transport.



One of the greatest benefits of innovation is its contribution to growth. In simple words, innovation makes possible an increase in productivity, that is, it allows to produce more with the same resources. When productivity increases, more goods and services are produced and the economy grows.

Innovation and increased productivity bring huge benefits to consumers and businesses. As productivity increases, workers' wages go up and they can purchase more goods and services. At the same time, companies are more profitable and can invest more and hire more employees.

This also has repercussions on social well-being, since the quality of life of the citizens of a community rises.

Obviously, all this is not possible if it is not accompanied by sustainable development, that is, economic growth allows the existing resources to be maintained for future generations.

**Video:**

Innovation - The Engine of Economic Growth

<https://www.youtube.com/watch?v=dFEY24y1Kk>