

CHAPTER ONE

THE NATURE OF ENTREPRENEURSHIP

1.1 INTRODUCTION

- The word 'entrepreneur' is originated from a French word, *entreprendre*, was considered as an individual commissioned to undertake a particular commercial project.
- Entrepreneur is someone who undertakes certain projects.
- Entrepreneurship is then what the entrepreneur does.
- Entrepreneurial is an adjective describing how the entrepreneur undertakes what he or she does.

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- ✓ In ancient period, the word entrepreneur was used to refer to a person managing large commercial projects through the resources provided to him.
- ✓ In the 17th Century a person who has signed a contractual agreement with the government to provide products or service was considered as entrepreneur.
- ✓ In the 18th Century the first theory of entrepreneur has been developed by Richard Cantillon and He said that an entrepreneur is a risk taker.

- ✓ The other development during the 18th Century is the differentiation of the entrepreneurial role from capital providing role.
- ✓ In the late 19th and early 20th century, the entrepreneur was defined as one who organizes and operates an enterprise for personal gain.
- ✓ In the middle of the 20th Century, the notion of an entrepreneur as an inventor was established.
- ✓ From the historical development it is possible to understand the fact that the perception of the word entrepreneur was evolved from managing commercial project to the application of innovation (creativity) in the business idea.

1.3 Definitions of Entrepreneurship and Entrepreneur

- *Entrepreneurship* is a process of identifying opportunities **and** investing the resources to exploit it for a profit.
- *Is the processes through which individuals become aware of business ownership, then develop ideas for, and initiate a business.*
- Entrepreneurship is a process of creating something different **and** better with value by devoting the necessary time and effort by assuming the accompanying financial, psychic and social risks and receiving the resulting monetary reward and personal satisfaction.
- Entrepreneurship is the art of identifying viable business opportunities **and** mobilizing resources to convert those opportunities into a successful enterprise through creativity, innovation, risk taking and progressive imagination.

It refers to an individual's: ability to turn ideas into action involving and engaging in socially-useful wealth creation through application of innovative thinking and execution to meet consumer needs, using one's own labor, time and ideas.

❖ *In General*, the process of entrepreneurship includes **five critical elements**. i.e:

- The ability to **perceive an opportunity**.
- The ability to **commercialize the perceived opportunity i.e. innovation**
- The ability to **pursue it on a sustainable basis**.
- The ability to **pursue it through systematic means**.
- The acceptance of **risk or failure**.

Definition of Entrepreneur from different perspectives i.e. from the economist, psychologist and capitalist philosopher's point of view.

- **To an economist,** one who brings resource, labor, materials, and other assets into combination that makes their value greater than before.
- **To a psychologist,** a person typically driven by certain forces need to obtain or attain something, to experiment, to accomplish or perhaps to escape the authority of others.
- **For capitalist philosopher,** one who creates wealth for others, who finds better way to utilize resources and reduce waste and who produce job others are glad to get.
- *In general,* entrepreneur refers to the person and entrepreneurship defines the process.
- All entrepreneurs are business persons, but not all business persons are entrepreneurs.

1.4 Types of Entrepreneurs

- **The individual entrepreneur:** is someone who started; acquired or franchised his/her own independent organization.
- **Intrapreneur:** is a person who does entrepreneurial work within large organization.
- **The Entrepreneurial Organization:** An organization that create an environment in which all of its members can contribute in some function to the entrepreneurial function.

1.5 Role of Entrepreneurs in Economic Development

- Improvement in per capita Income/Wealth Generation
- Generation of Employment Opportunities
- Inspire others towards Entrepreneurship
- Balanced Regional Development
- Enhance the Number of Enterprise
- Provide Diversity in Firms
- Economic Independence
- Combine Economic factors
- Provide Market efficiency
- Accepting Risk
- Maximize Investor's Return

1.6 Entrepreneurial Competence and Environment

1.6.1 Entrepreneurial Mindset

1.6.1.1 Who Becomes an Entrepreneur?

- *The Young Professional*
- *The Inventor*
- *The Excluded*

1.6.1.2 Qualities of an Entrepreneur

To be successful, an entrepreneur should have the following qualities:

- Opportunity-seeking
- Persevering
- Risk Taking
- Demanding for efficiency and quality
- Information-seeking
- Goal Setting
- Planning
- Persuasion and networking
- Building self-confidence
- Listening to others
- Demonstrating leadership

1.6.1.3 Entrepreneurial Skills

- **General Management Skills:** are skills required to organize the physical & financial resources needed to run the venture. i.e:
 - Strategy Skills
 - Planning Skills
 - Marketing Skills
 - Financial Skills
 - Project Management Skills
 - Time Management Skills

- ***People Management Skills***

- Communication Skills
- Leadership Skills
- Motivation Skills
- Delegation Skills
- Negotiation Skills

- All these different people skills are interrelated.
- Here entrepreneurial performance results from a combination of industry knowledge, general management skills; people skills and personal motivation.

1.6.1.4 The Entrepreneurial Tasks

- Owning Organizations
- Founding New Organizations
- Bringing Innovations to Market
- Identification of Market Opportunity
- Application of Expertise
- Provision of leadership
- The entrepreneur as manager

1.6.1.5 Wealth of the Entrepreneur

Wealth is money and anything that money can buy.

Who Benefits from the entrepreneur's Wealth?

- **Employees:**
- **Investors: stockholders/lenders.**
- **Suppliers**
- **Customers**
- **The local community**
- **Government**

1.6.2 Entrepreneurship and Environment

1.6.2.1 Phases of Business Environment

Business environment may be classified into two broad categories; namely **external** and **internal** environment.

External Environment

- **Economic Environment**
- **Legal Environment**
- **Political Environment**
- **Socio-Cultural Environment**
- **Demographic Environment**

Internal Environment;

- **Raw Material**
- **Production/Operation**
- **Finance**
- **Human Resource**

1.6.2.2 Environmental Factors Affecting Entrepreneurship

Environmental factors which hinder entrepreneurial growth are;

- Sudden changes in Government policy.
- Sudden political upsurge.
- Outbreak of war or regional conflicts.
- Political instability or hostile Government attitude towards industry.
- Excessive corruption among Government agencies.

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- Ideological and social conflicts.
- Unreliable supply of power, materials, finance, labor and other inputs.
- Rise in the cost of inputs.
- Unfavorable market fluctuations.
- Non-cooperative attitude of banks and financial institutions.
- Entrepreneurship is environmentally determined.

1.7 Creativity, Innovation and Entrepreneurship

1.7.1 Creativity; is a **process of assembling ideas** by **recombining elements** already known but wrongly assumed to be unrelated to each other.

key elements of this definition;

- Process: implies that, it is more likely a **skill than an attitude**, and that you can **get better at it with practice**.
- Ideas: creativity results in ideas that have potential value.
- Recombining: the creative process is one of putting **things together in unexpected ways**.

1.7.1.1 Steps in the Creative Process

Step 1: Opportunity or problem Recognition; A person discovers that a new opportunity exists or a problem needs resolution.

Step 2: Immersion; the individual concentrates on the problem and becomes immersed in it.

Step 3: Incubation; a person does not appear to be working on the problem actively; however, the subconscious mind is still engaged.

Step 4: Insight; the problem-conquering solution flashes into the person's mind at an unexpected time, such as on the verge of sleep, during a shower, or while running. Insight is also called the Aha! Experience.

Step 5: Verification and Application; the individual sets out to prove that the creative solution has merit.

1.7.1.2 Barriers to Creativity

There are a numerous barriers to creativity, i.e.

- ✓ Searching for the one 'right' answer
- ✓ Focusing on being logical
- ✓ Blindly following the rules
- ✓ Constantly being practical
- ✓ Viewing play as frivolous
- ✓ Becoming overly specialized
- ✓ Avoiding Ambiguity
- ✓ Fearing looking Foolish
- ✓ Fearing mistakes and failure
- ✓ Believing that 'I'm not creative

- ✓ Innovation **is the implementation of new idea at the individual, group or organizational level.**
- ✓ It is a process of intentional change made to rate value by meeting opportunity and seeking advantage
- ❖ **Types of Innovation;** there are 4 types of innovation.
 1. Invention - the creation of a **new product, service or process**
 2. Extension - the **expansion of a product, service or process**
 3. Duplication - **replication of already existing product, service or process**
 4. Synthesis - **the combination of existing**

1.7.2.1 The Innovation Process

- **Analytical planning:** carefully identifying the product or service features, design as well as the resources that will be needed.
- **Resources organization:** obtaining the required resources, materials, technology, human or capital resources
- **Implementation:** applying the resources in order to accomplish the plans
- **Commercial application:** the provision of values to customers, reward employees and satisfy the stakeholders.

1.7.2.2 Areas of Innovation

- ✓ *New product*
- ✓ *New Services*
- ✓ *New Production Techniques*
- ✓ *New Way of Delivering the Product or Service to the Customer*
- ✓ *New Operating Practices*
- ✓ *New Means of Informing the Customer about the Product*
- ✓ *New Means of Managing Relationship within the Organization*
- ✓ *New Ways of Managing Relationships between Organizations*

1.7.3 From Creativity to Entrepreneurship

- **Creativity**, is the ability to develop new ideas and to discover new ways of looking at problems and opportunities.
- **Innovation**, is the ability to apply creative solution to those problems and opportunities in order to enhance people's lives or to enrich society.

Entrepreneurship = creativity + innovation.

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Creativity

Thinking new things



Innovation

Doing new things



Entrepreneurship

Creating value in the marketplace

