



AAiT

Addis Ababa Institute of Technology

Addis Ababa University
Addis Ababa institute of Technology

School of Civil and Environmental Engineering

Entrepreneurship for Engineers

Instructor: Tamru T.

2019/20 2nd Sem



Chapter 1

Introduction

Outline

1. Core concepts of Entrepreneurship
2. What is Entrepreneurship
3. Who is an entrepreneur?
4. Types/Classification of Entrepreneurs
5. Entrepreneurship and Innovation
6. Role and significance of Entrepreneurship in Development

Why Study Entrepreneurship?

- Scientists and engineers who want to lead companies need to know how to **back up ideas with numbers**
- You will learn the complex business processes involved in commercialization
- You learn how to make trade-offs among features, benefits, risks, price, markets, and operations
- You learn how to adapt to **uncertainty and change**
- You learn techniques for managing people



Core Concepts of Entrepreneurship

Core Concepts of Entrepreneurship

A. Entrepreneur:

- Although no single definition of entrepreneur exists and no one profile can represent today's entrepreneur, research is providing an increasingly sharper focus on the subject.
- Entrepreneur is derived from the French *entreprendre*, meaning "to undertake."
- The entrepreneur is one who undertakes to organize, manage, and assume the risks of a business.

Cont'd

- **Entrepreneurs** create something new, something different; they change and transmute value.
- **Entrepreneurs** see change as the norm and as healthy.
- **The entrepreneurs** always search for change, responds to it, and exploits it as an opportunity

Cont'd

- **Entrepreneurs-** are people who own, operate, and take the risk of a business venture
- **Entrepreneurs** are those individuals who establishes a new organization without the benefit of corporate sponsorship.

Definitions given by different authors

- Entrepreneur is a person who only provides capital without taking active part in the leading role of an enterprise (**Adam Smith**).
- Entrepreneurs are persons endowed with the qualities of judgment, perseverance, and knowledge of the world as well as of business (**B. Say**)
- **Marx** regarded the entrepreneur as a social parasite.
- Entrepreneur is a person who introduces innovative changes. Entrepreneur is an integral part of economic growth and is a fundamental source of economic disequilibria (**Schumpeter**).

Cont'd

- **Frank Young** described the entrepreneur as a change agent.
- **Francis A. Walker** observed that the true entrepreneur is one who always searches for change, responds to it, and exploits it as an opportunity.
- **Robert D. Hirsch** said entrepreneur is the person who establishes a new business venture and is a visionary leader—a person who dreams great dreams.
- Entrepreneur is a person who organizes and manages a business undertaking assuming the risk for the sake of profit (*Hull, et al*)

Cont'd

- **Entrepreneur** is person who has the ability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them, and to initiate appropriate action to ensure success (**Meredith, 1982**).
- **Entrepreneur** is someone who is specialized in taking judgmental decisions about the coordination of scarce resources (**Casson**).
- **Entrepreneur** is a person who owns, organizes, manages and runs an enterprise assuming the risk of a business (**NIESBUD, 1994**).

Disciplines point of view.....

- To an **economist** - an entrepreneur is one who brings resources, labor, materials and other assets into combinations that make their value greater than before and also one who introduces changes, innovations and a new order.
- To a **psychologist** such a person is typically driven by certain forces; need to obtain or attain something to experiment to accomplish or perhaps to escape authority of others.

Cont'd

- The same person is seen by a **capitalist philosopher** as one who creates wealth for others as well who finds better ways to utilize resources and reduce waste and who produces jobs others are glad to get (*Karl Vesper.*)

Intrepeneur

- *The term 'Intrapreneur' was coined in the United States of America in the late seventies.*
- *Gifford Pinchot defined **Intrapreneurs** as the persons who resigned from their well paid executive positions to launch their own ventures.*
- *Gifford devised the way by which such executives could be retained in the industry and their entrepreneurial urge was also satisfied by their bosses.*
- *So a system was devised whereby such executives would operate as entrepreneurs with full independence and autonomy but within the organisation.*

Cont'd

- ***Intrapreneur:*** - Intra ... means "with in" Intrapreneurs are people who are entrepreneur employed by and working within the constraints and support of complex organization. An intrapreneur is a person who does entrepreneurial work within large organizations.
- The process by which an intrapreneur affects change is called **intrapreneurship**. Intrapreneurs introduce and produce new products, processes, and services, which in turn enable the company to grow and earn profit. It is important to know important facts about intrapreneurship.

Cont'd

- **Intrapreneurs** exist at all levels in an organization. They can be factory floor employees or research and development scientists, lower level team leaders or high-level managers.
- The work of intrapreneurs and the exact process of intrapreneurship differ from organization to organization, from idea to idea.

Cont'd

- The development of new products, processes, and ideas is "messy," following no one set path.
- There is no one formula into which to place and understand the intrapreneurial process, there are common elements to this process and common behaviors intrapreneurs engage in wherever they work and whoever they are.

Social Entrepreneur:

- **Social Entrepreneur:** Social entrepreneurs drive social innovation and transformation in various fields including education, health, environment and enterprise development.
- They pursue poverty alleviation goals with entrepreneurial zeal, business methods and the courage to innovate and overcome traditional practices.
- A social entrepreneur, similar to a business entrepreneur, builds strong and sustainable organizations, which are either set up as **not-for-profit or for-profit companies**.

Cont'd

- According to the European Union definition of Social Enterprise: 'Social enterprise' means an enterprise whose primary objective is to achieve social impact rather than generate profit for owners and stakeholders.
- It operates in the market through the production of goods and services in an entrepreneurial and innovative way, and uses surpluses mainly to achieve social goals. It is managed in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity.

Cont'd

- **Social entrepreneurship** is about applying practical, innovative and sustainable approaches to benefit society in general, with an emphasis on those who are **marginalized and poor**.
- It is a term that captures a unique approach to economic and social problems, an approach that cuts across sectors and disciplines.
- It is grounded in certain values and processes that are common to each social entrepreneur, independent of whether his/ her area of focus has been education, health, welfare reform, human rights, workers' rights, environment, economic development, agriculture, etc., or whether the organizations they set up are non-profit or for-profit entities.

Difference between Entrepreneur and Intrapreneur

1. An entrepreneur is an independent person who starts his venture and bears full risk of his failure and enjoys the fruit of his success whereas intrapreneur is partially independent and is sponsored by the corporation in which he is working. He is also not liable to bear the losses in case of his failure.
2. An entrepreneur raises the finance from various sources and also guarantees their return whereas an intrapreneur does not own responsibility to raise the capital or to return it.
3. An entrepreneur has no relation with any organisation whereas an intrapreneur operates within the organisation where he is working.

Cont'd

- 4. Entrepreneurs** are people that notice opportunities and take the initiative to mobilize resources to make new goods and services.
- 5. Intrapreneurs** also notice opportunities and take initiative to mobilize resources, however they work in large companies and contribute to the innovation of the firm.
- 6. Intrapreneurs** often become entrepreneurs.

Cont'd

- 7. Entrepreneurs:** Individuals who establish a new organization without the benefit of corporate support.
- 8. Intrapreneurs:** New-venture creators working inside big companies; corporate entrepreneurs.



What is Entrepreneurship

What is Entrepreneurship?

- **Entrepreneurship** is a mindset that is:
 - opportunity-focused
 - innovative
 - growth-oriented
- **Entrepreneurship-** is the process of running a business of one's own
 - **Entrepreneurship** -is what an entrepreneur does.

Cont'd

- Entrepreneurship is the process of doing something new and something different for the purpose of creating wealth for the individual and adding value to the society (RAO, 1993).
- Entrepreneurship is a creative and innovative response to the environment where such responses can take place in any field of social endeavor - business, industry, agriculture, social work, and the like. It refers to doing new things or doing things that are already being done in a new way (Rao).

Cont'd

- Entrepreneurship is a quality required to perceive opportunities, organize resources, create facilities, and set up and run a business successfully (NIESBUD, 1994).
- Entrepreneurship may also be defined as a purposeful activity indulged in initiating, promoting, and maintaining economic activities for the production and distribution of wealth. It means the willingness to exercise initiative and to take considerable risk to operate one's own business (Mauser, et al, 1982)

Cont'd

- Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity time and/or career commitment or providing value for some product or service. The product/service may or may not be new but value must somehow be infused by the entrepreneur by allocating the necessary skills and resources (*Robert C. Ronstad.*)
- Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort assuming the accompanying financial and social risks and reserving the resulting rewards of monetary and personal satisfaction.

Cont'd

- Entrepreneurship is a dynamic process that requires the function of talents, ideas, capital, and know-how, the process of which can be risky, uncertain and sometimes hazardous, but always dynamic. *(Kao)*
- In summary, a wide verity of definitions for the term entrepreneurship exists depending on the particular scholar's exposure.

Generally, it can be concluded that
entrepreneurship is:

- Essentially a creative activity that consists of doing things that are not generally done in the ordinary course of business.
- Generally a trait, a skill, and a profession, which must be developed; Considered as the personal quality that enables people to start new business vigorously and innovatively and expand an existing one; and
- Composed of four crucial elements:
 - The ability to perceive an opportunity;
 - The ability to commercialize the perceived opportunity (both leading to innovation);
 - The ability to pursue it on a sustainable basis; and
 - The ability to pursue it through systematic means

Cont'd

- "In almost all of the definitions of entrepreneurship there is agreement that we are talking about a kind of behavior that includes (1) initiative taking; (2) the organizing and reorganizing of socially/economic mechanisms to turn resources and situation to practical account; and (3) the acceptance of risk or failure. (*Albert Shapiro*)
- Moreover, although each of these definition views entrepreneurs from a slightly different perspective, each contains similar notions: *newness, organizing wealth, and risk taking*. Entrepreneurs are found in all professions - education, medicine, research, law, architecture, engineering, social work, and distribution.

Cont'd

- **A dynamic process of vision, change, and creation**
 - Requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions.
- **Essential ingredients include:**
 - The willingness to take calculated risks—in terms of time, equity, or career.
 - The ability to formulate an effective venture team; the creative skill to marshal needed resources.
 - The fundamental skills of building a solid business plan.
 - The vision to recognize opportunity where others see chaos, contradiction, and confusion.

Cont'd

- **(Robert C. Ronstadt)**
 - The dynamic process of creating incremental wealth.
 - This wealth is created by individuals who assume major risks in terms of equity, time, and/or career commitment of providing value for a product or service.
 - The product or service itself may or may not be new or unique but the entrepreneur must somehow infuse value by securing and allocating the necessary skills and resources.

Benefits of Entrepreneurship

The opportunity to:

- Create your own destiny
- Make a difference
- Reach your full potential
- Reap impressive profits
- Contribute to society and to be recognized for your efforts
- Do what you enjoy and to have fun at doing it

Drawbacks of Entrepreneurship

- Uncertainty of income
- Risk of losing your entire investment
- Long hours and hard work
- Lower quality of life until the business gets established
- High levels of stress
- Complete responsibility
- Discouragement



Common Myths about Entrepreneurship

- **Myth 1:** Anyone can start a business.
- **Myth 2:** Entrepreneurs are gamblers
- **Myth 3:** Entrepreneurs want the whole show to themselves.
- **Myth 4:** Entrepreneurs are boss for their own and completely independent.
- **Myth 5:** Entrepreneurs work longer and harder than managers in big companies.
- **Myth 6:** Entrepreneurs experience a great deal of stress and pay a high price.

Cont'd

- **Myth 7:** Entrepreneurs are motivated solely by the quest for the almighty dollar.
- **Myth 8:** Entrepreneurs seek power and control over others.
- **Myth 9:** If an entrepreneur is talented, success will happen in a year or two.
- **Myth 10:** Any entrepreneur with a good idea can raise venture capital.
- **Myth 11:** If an entrepreneur has enough start-up capital, he or she can't miss.

Cont'd

Myth 13: Entrepreneurs are born, not made.

Myth 14: Money is the key to entrepreneurial success.

Myth 15: You have to be young to be an entrepreneur.

Myth 16: You must have a degree in business to be an entrepreneur.

Ten Deadly Mistakes of Entrepreneurship

1. Management mistakes
2. Lack of experience
3. Poor financial control
4. Weak marketing efforts
5. Failure to develop a strategic plan

Ten Deadly Mistakes of Entrepreneurship

6. Uncontrolled growth
7. Poor location
8. Improper inventory control
9. Incorrect pricing
10. Inability to make the "entrepreneurial transition"

Putting Failure into Perspective

- Entrepreneurs are *not* paralyzed by the prospect of failure.
- Failure - a natural part of the creative process.
- Successful entrepreneurs learn to fail *intelligently*.

WHAT WOULD
YOU ATTEMPT
TO DO IF YOU
KNEW YOU
COULD NOT FAIL?

A woman with long brown hair is holding a white sign with blue text in front of her eyes. She is looking directly at the camera with a neutral expression. The sign is held up by her hands, which are visible on either side of the sign.

What's holding you back?



Who are Entrepreneurs?



Who are Entrepreneurs?

- Original thinkers
- Risk takers
- Take responsibility for own actions
- Feel competent and capable
- Set high goals and enjoy working toward them

- Self employed parents
- Firstborns
- Between 30-50 years old
- Well educated - 80% have college degree and 1/3 have a graduate level degree

Cont'd



Internal vs. External Locus of Control

Internal Locus of Control:

- Entrepreneurs tend to hold themselves accountable for their own successes or failures.

External Locus of Control:

- Non-entrepreneurs tend to believe that external circumstances, luck or fate impact upon their worlds.

Successful and Unsuccessful Entrepreneurs

- **Successful**

- Creative and Innovative
- Position themselves in shifting or new markets
- Create new products
- Create new processes
- Create new delivery

- **Unsuccessful**

- Poor Managers
- Low work ethic
- Inefficient
- Failure to plan and prepare
- Poor money managers

Functions of an Entrepreneur

There has been a great deal of confusion and contradiction in literature on the functions of an entrepreneur.

1. Innovations: *J.Schumpeter has made substantial contribution to the literature of entrepreneurship. The process of innovations may be in the form of:*

- a) Introduction of a new product.*
- b) Use of new methods of production.*
- c) Opening of a new market.*
- d) The conquest of new source of supply of raw material.*
- e) A new form of organisation.*

Cont'd

2. **Risk-taking:** *Richard cantillon states that entrepreneur is an agent who buys means of production at certain prices and sells them at uncertain prices.*

The entrepreneur performs the function of reducing uncertainty in his plan of investment and expansion of the enterprise.

J.B. Say also stresses risk-taking as the specific function of an entrepreneur.

Cont'd

3. **Decision Maker:** *Entrepreneur as a decision maker describes the following functions of an entrepreneur.*

- a) *The determination of objectives of an enterprise and the change of those objectives as conditions required or made advantageous,*
- b) *The development of an organisation including efficient relations with subordinates and all employees,*
- c) *Securing adequate financial resources, the relations with existing and potential Investors,*
- d) *The acquisition of efficient technological equipment and the revision of it as new machinery appears,*
- e) *The development of a market for the products and the devising of new products to meet or anticipate consumer's demand,*
- f) *The maintenance of good relations with public authorities and with society at large.*

Cont'd

4. Organization and Management

When the organisation grows bigger, the entrepreneur effectively delegates authority and finds responsibility at various levels of management.

The network of decision making becomes more complex.

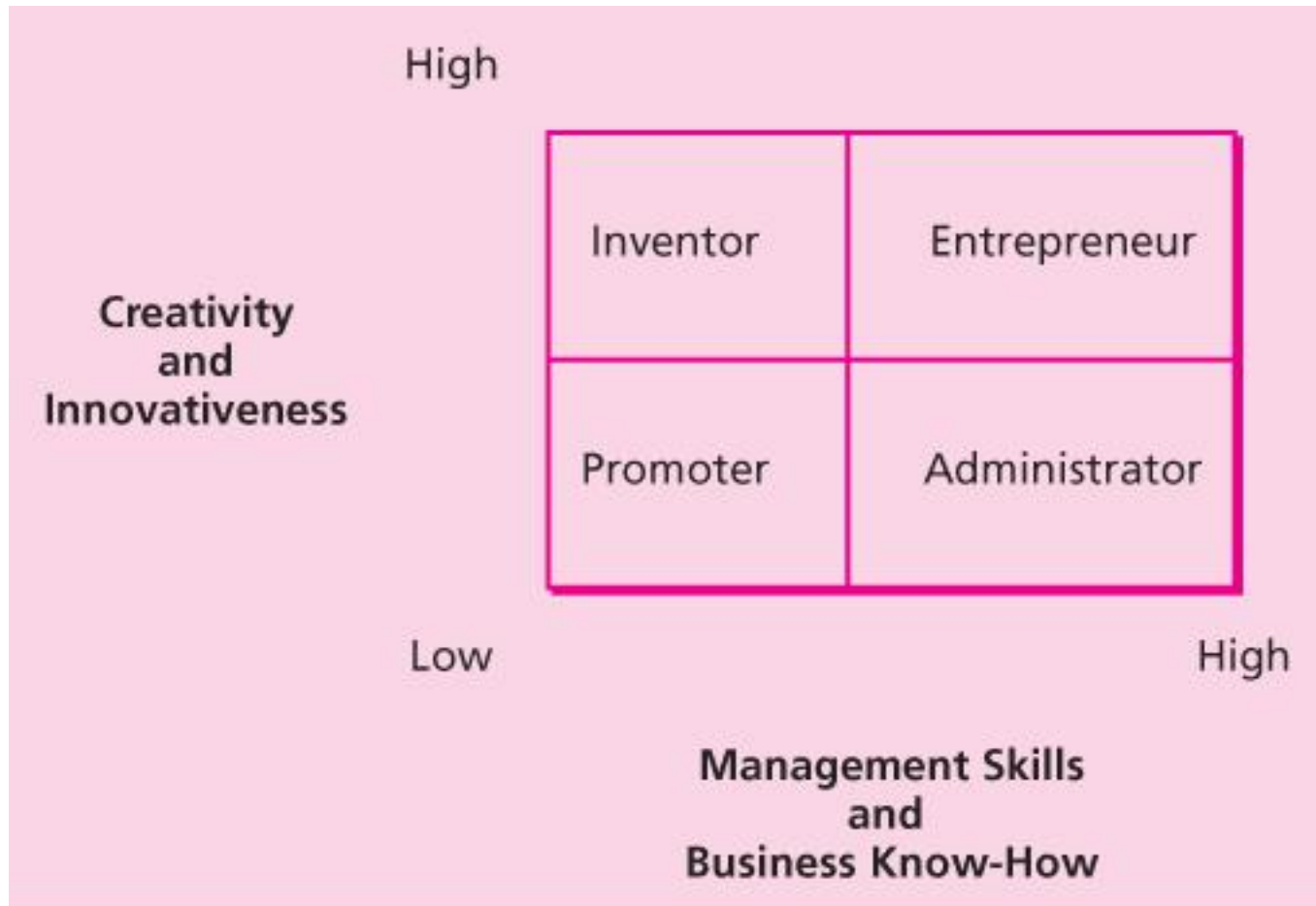
The functions of organisation and management includes:

- a) Planning of an enterprise,*
- b) Co-ordination, administration and control,*
- c) Routine type of supervision.*

Entrepreneurship

- **Entrepreneurship** is the process of bringing together creative and innovative ideas and actions with the management and organizational skills necessary to mobilize the appropriate people, money, and operating resources to meet an identifiable need and create wealth in the process
 - Inventors
 - Promoters
 - Administrators
 - Entrepreneurs

Distinction between an Entrepreneur and a Manager



Cont'd

ENTREPRENEURS

- 1. Status: An entrepreneur is the owner of his enterprise. He makes his own investment and owns his business.*
- 2. Target: The main target of an entrepreneur is to start his venture by setting up as a sole-trader or firm or a company.*

MANAGERS

- 1. Status: A manager is just an employee in the enterprise which is owned and run by entrepreneur.*
- 2. Target: The main goal or motive of a manager is give his services to an enterprise set up by someone else i.e. an entrepreneur.*

ENTREPRENEURS

3. Decision making: All of the policies and strategic decisions, like those comprising of expansion diversification, take-over etc are taken by the entrepreneur.

4. Rectification of wrong decisions: The wrong decisions taken by the entrepreneur may not be rectifiable and may result in losses or even closure of the unit.

MANAGERS

3. Decision making: While all those managerial, operational decisions which would have impact on the short-and medium-term results are taken by the managers.

4. Rectification of wrong decisions: Whereas the wrong decisions taken by the managers can be amended and rectified by the entrepreneur.

ENTREPRENEURS

5. Innovations: An entrepreneur innovates and exploits his innovation commercially.

6. Risk bearing: An entrepreneur being the owner of his unit undertakes all risks and uncertainty of running his enterprise.

7. Skills: The skill expected from an entrepreneur is in the form of creativity, innovation, desire for high achievement, intuition etc.

MANAGERS

5. Innovations: A manager is merely an officer or an executive who is appointed for the promotion of the unit.

6. Risk bearing: A manager doesn't bear any risk because he is paid fixed salary.

7. Skills: Whereas manager depends on public dealing abilities and conceptual abilities.

ENTREPRENEURS

- 8. Qualification: An entrepreneur doesn't need to have distinct degree from a reputed university.*
- 9. Rewards: The reward of an entrepreneur is the profit earned by him.*

MANAGERS

- 8. Qualification: On the other hand, a manager now a days need to possess degree in the stream of management theory and practice.*
- 9. Rewards: A manager gets his monthly salary as his reward for the services rendered by him.*

Entrepreneurs Vs. Inventors

- An inventor, an individual who creates something for the first time, is a highly driven individual motivated by his or her own work and personal ideas
- Entrepreneur falls in love with the organization (the new venture) and will do anything
- An inventor falls in love with the invention and will not try modify the invention to make it more commercially feasible.



Tips to Become a Successful Entrepreneur

- 1. Acquire sufficient and all-round knowledge about an enterprise you intend to start.*
- 2. Be conservative in calculating income and lavish in calculating expenditure.*
- 3. Don't expect quick and easy returns from your venture.*
- 4. Be prepared for delegation of work when needed.*
- 5. Take moderate risks; neither too high nor too low.*
- 6. Plan systematically and march ahead step by step according to the plan to achieve your goal.*
- 7. Time management is necessary to maximum utilization of your resources.*
- 8. Collect maximum information about your competitor on continuous basis.*
- 9. Don't avoid or run away from problems.*
- 10. Take the help of experts and experienced persons or entrepreneurs, when in doubt.*



Types of Entrepreneurs

Types of Entrepreneurs

According to the Type of Business

- i. **Business entrepreneur:** Business entrepreneurs are those entrepreneurs who conceive the idea of a new product or service and then translate their ideas into reality.*
- ii. **Trading entrepreneur:** As the very name indicates trading entrepreneur is concerned with trading activities and not manufacturing.*
- iii. **Industrial entrepreneur:** As the very name indicates, an industrial entrepreneur is one who sets up an industrial unit.*
- iv. **Corporate entrepreneur:** Corporate entrepreneur is the one who plans, develops and manages a corporate body.*
- v. **Agricultural entrepreneur:** Agricultural entrepreneur is the one who is engaged in the agricultural activities.*

Cont'd

According to Motivation

- i. Pure entrepreneur: Pure entrepreneur is one who may or may not possess an aptitude for entrepreneurship but is tempted by the monetary rewards or profits to be earned from the business venture.*
- i. Induced entrepreneur: Induced entrepreneur is attracted by the various incentives, subsidies and facilities offered by the government.*

Cont'd

According to Use of Technology

- i. **Technical entrepreneur:** The strength of a technical entrepreneur is in his skill in production techniques. He concentrates more on production than on marketing.*
- ii. **Non-technical entrepreneur:** Unlike technical entrepreneur, non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternative strategies of the marketing and distribution to promote his business.*
- iii. **Professional entrepreneur:** Professional entrepreneur means an entrepreneur who is interested in floating a business but does not want to manage or operate it.*

Cont'd

Classification Given by Danhof

- i. **Innovating entrepreneur:** Innovative entrepreneurs are generally aggressive and possess the art of cleverly putting the attractive possibilities into practice.*
- ii. **Imitative entrepreneurs:** Imitative entrepreneurs are characterized by readiness to adopt successful innovations inaugurated by successful innovating entrepreneurs.*
- iii. **Fabian entrepreneur:** Fabian entrepreneurs are cautious and skeptical in experimenting change in their enterprises. Such entrepreneurs are shy, lazy and lethargic.*
- iv. **Drone entrepreneur:** Drone entrepreneurs are characterized by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns.*

Cont'd

According to Capital Ownership

- i. **Private entrepreneur:** When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the group is called as private entrepreneur/entrepreneurs.*
- ii. **State entrepreneur:** As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.*
- iii. **Joint entrepreneur:** Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.*

Cont'd

According to Gender and Age

- i. Man entrepreneur
- ii. Woman entrepreneur
- iii. Young entrepreneur
- iv. Old entrepreneur
- v. Middle-aged entrepreneur


According to Area

- i. *Urban entrepreneur*
- ii. *Rural entrepreneur*

Cont'd

According to Scale

- i. Large scale industry entrepreneur*
- ii. Medium scale industry entrepreneur*
- iii. Small scale industry entrepreneur*
- iv. Tiny industry entrepreneur*



Innovation And Entrepreneurship

From Creativity to Entrepreneurship

Creativity

Thinking new things



Innovation

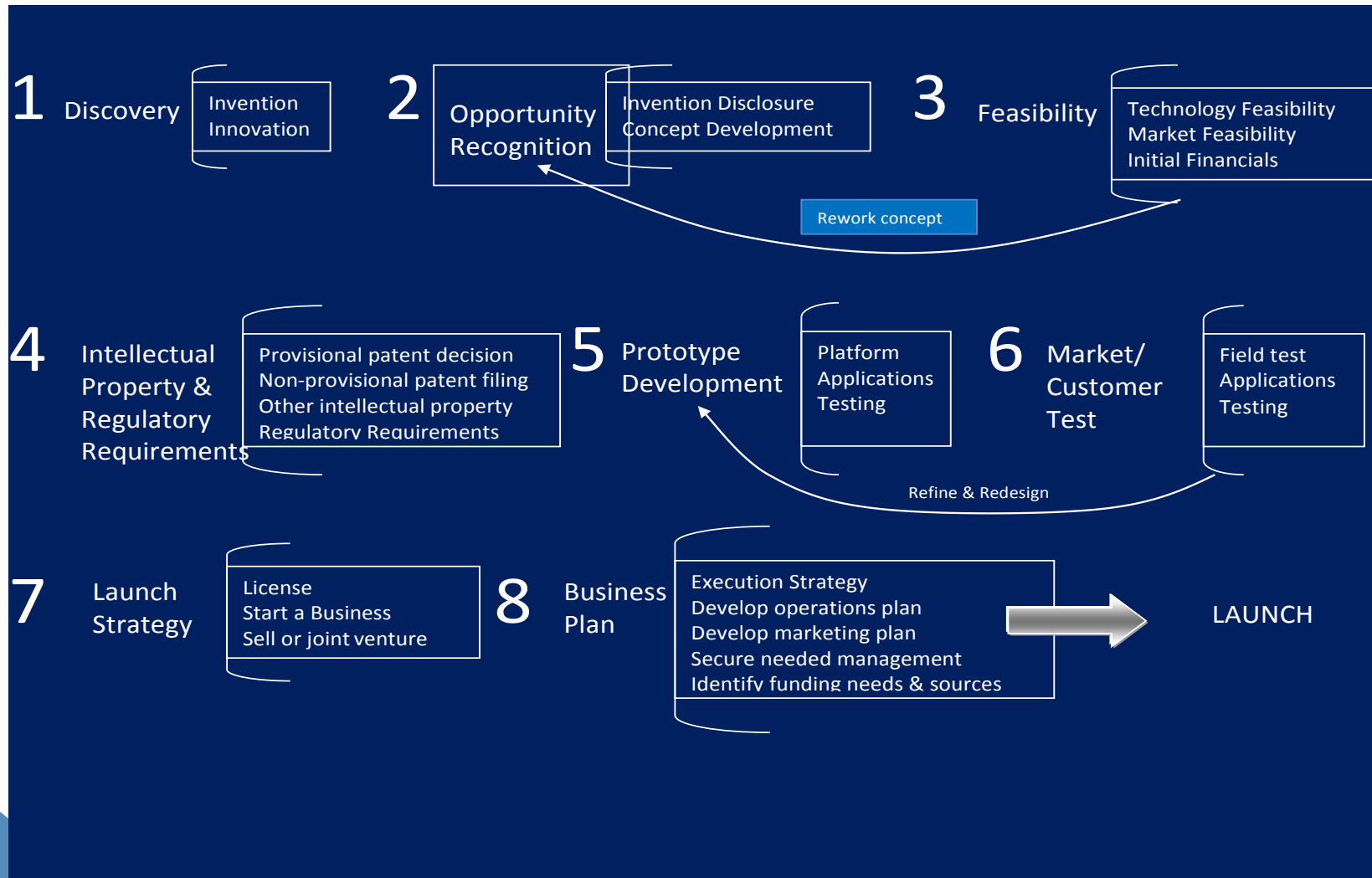
Doing new things



Entrepreneurship

Creating value in the marketplace

The Commercializing Process



Creativity, Innovation and Entrepreneurs

- 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 solutions to those problems and opportunities in order to enhance people's lives or to enrich society.
- Researchers believe that entrepreneurs succeed by thinking and doing new things or old things in new ways .

Cont'd

- **Entrepreneurship** is the result of a disciplined, systematic process of applying creativity and innovation to needs and opportunities in the **marketplace**.
- Entrepreneurs are those who marry their creative ideas with the purposeful action and structure of a business.

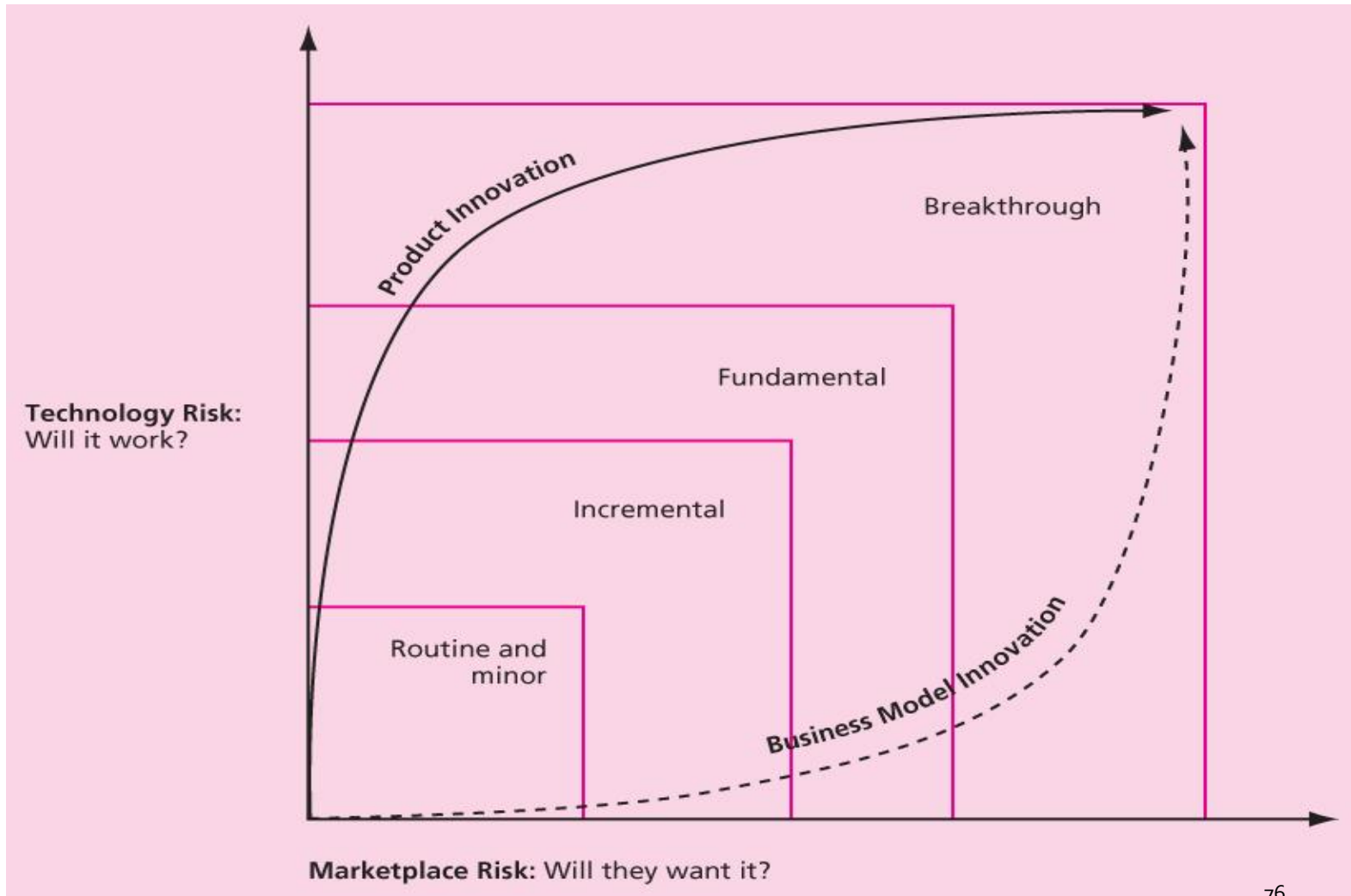
Cont'd

- **Innovation** is the creation of new products or processes through the development of new knowledge or from new combinations of existing knowledge
- **Innovation** is the initial commercialization of invention by producing and selling a new product, service, or process
 - Product innovation
 - Service innovation
 - Process innovation

Cont'd

- Schumpeter's five types of innovation
 - New product or substantial change in existing product
 - New process
 - New market
 - New sources of supply
 - Changes in industrial organization
- Incremental innovation = improvements on existing products
- Disruptive innovation = game changers

Cont'd



Cont'd

- **Incremental innovation** refers to simple changes or adjustments in existing products, services, or processes
- **Continuous improvement**, what in Japanese is called *kaizen*, is the process of relentlessly trying to find ways to improve and enhance a company's products and processes from design through assembly, sales, and service

Incremental Innovation

1. Define quality and customer value
2. Develop a customer orientation
3. Focus on the company's business processes
4. Develop customer and supplier partnerships
5. Take a preventive approach
6. Adopt an error-free attitude
7. Get the facts first
8. Encourage every manager and employee to participate
9. Create an atmosphere of total involvement
10. Strive for continuous improvement

Breakthrough Innovation

- A **breakthrough innovation** is an innovation in a product, process, technology, or the cost associated with it that represents a quantum leap forward in one or more of those ways
- Breakthrough approaches to innovation are inherently more risky than incremental innovation approaches

Risks Associated with Innovation

- Innovation involves creating something that doesn't now exist
- Long odds for success
- Market risk
- Technology risk



Ways to Lower Risk

- Product teams
- Cross-functional groups
- Joint ventures
- Cooperation with lead users
- “Do it yourself” innovation
- Acquiring innovation
- Outsourcing innovation

Idea Factors

- Need spotting
- Solution spotting
- Mental inventions
- Random events
- Market research
- Trend following





Role and Significance of Entrepreneurship in Development

Role and Significance of Entrepreneurship in Development

- 1. Economic growth**
- 2. New industry formation**
- 3. Job creation**

1. The Roles of Entrepreneurs within the Economy

- The role of entrepreneurship in economic development involves more than just increasing **per capita output and income**; it involves initiation and constituting change in structure of business and society.
- This change is accompanied by growth and increased output, which allows more to be divided by the various participants.

Cont'd

- Entrepreneurship is one of the most effective methods for bridging the **gap between science and technology and the market place, creating new enterprises, and bringing new products and services to market.**
- These entrepreneurial activities significantly affect the economy of an area by building the economic base and providing jobs.
- There is a wide range of significant contributions that entrepreneurs and entrepreneurship can make to the development process.

Cont'd

- Entrepreneurship raises productivity through technical and other forms of innovation.
- Entrepreneurship is powerful tool of job creation.
- Entrepreneurship facilitates the transfer of technology.
- Entrepreneurs play a strategic role in commercializing inventions and products.
- Entrepreneurs play a critical role in restructuring and transformation of economy.

Cont'd

- Entrepreneurship and entrepreneurial behavior can breathe vitality into the **life of large corporations** and government enterprises.
- Entrepreneurs make markets more competitive and thereby reduce both **static and dynamic market inefficiencies**.
- Entrepreneurs improve the **social welfare** of a country by harnessing dormant, previously overlooked talent.
- Entrepreneurs create new **markets and facilitate expansion** into international markets.

2. New Industry Formation

- New industries are born when technological change produces a new opportunity that an enterprising entrepreneur seizes.
- Disruptive or metamorphic technologies that destroy previous technologies and create new industries display a different pattern of behavior.
- The pattern of growth, shakeout, stabilization, and decline of industry can be interrupted at any time by the entry of another disruptive technology.

3. Job Creation

- The important role that an entrepreneurship plays in the economic development of an economy can be put in a more systematic manner as follows:

Cont'd

- Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
- It provides immediate large-scale employment. Thus it helps to reduce unemployment in the country.

Cont'd

- It provides balanced regional development.
- It helps reduce the concentration of economic power.
- It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.

Cont'd

6. It encourages effective resources mobilization of capital and skill which might otherwise remain unutilized and idle.
7. It also induces backward and forward linkages which stimulated the process of economic development in the country.
8. It promotes country's export trade i.e. an important ingredient for economic development.

To Summarize....

An entrepreneur performs various type of functions. Growth of his enterprise depends upon the way, he performs various functions like innovation, risk-taking, decision-making, organization and management.





Thank You !!!