

Evaluating the role and importance of entrepreneurship commerce essay



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Historically, entrepreneurship has been defined as different ways of resource allocation and optimization of organizational processes, always in a creative way in order to lower costs and improve results. Biased, is associated with the term of entrepreneurship to create new businesses, generally small and micro enterprises. Besides that entrepreneurship is linked to risk taking.

In Drucker's (1986), the entrepreneurial profile involves characteristics as: the search for change, the vision of opportunity, creativity, innovation and acceptance of risks and uncertainties related to business.

The association between entrepreneurship and risk tolerance is usually routine. Generally, it is customary to assume that entrepreneurs are more risk tolerant. This was the purpose of analysis in this study, which study the association between level of entrepreneurship of an individual and their level of risk tolerance. This article explores the association between two variables, presented as the level of entrepreneurship of an individual, their level of risk tolerance and risk taking.

Defining Entrepreneurship Characteristics or traits

According to Drucker, P. (1986 pp. 131) argue that the definition of entrepreneurship in recent years see changes suffered by influences from areas as anthropology, sociology and business strategies to present their theories and assist the creation of new entrepreneurs.

The idea and principle that the entrepreneurship process begins in institutions with social and cultural implications. The big question about entrepreneurship is linked in the risk that the entrepreneur runs to develop and implement a new business. There is a correlation in entrepreneurship

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and the theory of prospect, which deals with behaviour and relation to risk, it is the entrepreneur willing to take financial risk, strategic and operational levels to develop a new business.

The issue of entrepreneurship in making decisions in relation to risk was the subject of research by Daniel Kahneman and Amos Tversky, whose results were known by researchers as Prospect Theory. The early study was due to the fact that entrepreneurs behave or have an average performance in accordance with the standard of the average return.

The experiments have revealed patterns of behaviour determined by two major human shortcomings: the emotion that inhibits or restricts the self-control essential to the process of decision making, and cognitive difficulties that hinder the full understanding of the problem faced, particularly given the difficult to draw valid generalizations of samples available, which leads to the adoption of more subjective methods, known as degrees of belief.

According to Schumpeter, J. (1987) agrees that every entrepreneur has a profile of innovative capacity and acceptance of risk, and also that not all outcomes are successful, and the entrepreneurial function has the responsibility of the relationships between the business and cultural factors that are present in organization.

Entrepreneurial culture

Burns, P. (2007) reports that since the beginning of the era of entrepreneurship was hoped that the cultural context had a substantial impact on the development of entrepreneurship. The tendency for

entrepreneurship differs among societies, because that culture moderates the characteristics of entrepreneurs differ from place to place. As the understanding Burns, P (2007), human beings are not born an entrepreneur, he develops this trait in the environment they live and the environment, both the time and the place is a positive or negative influence of this trend.

The entrepreneurial culture is based on the concentration of various forms of entrepreneurship, necessary for the determination of this culture. In the view of Kent, C. (1990), there are several initiatives and forms of entrepreneurship as the entrepreneurial profile, the entrepreneurial management, intrapreneurship, entrepreneurship collective, according to this author, there are entrepreneurial culture requires at least two of these forms.

he entrepreneurial culture emphasizes the emergence of new opportunities, the means to capitalize on them and the creation of adequate infrastructure to take advantage of them. The strategy and planning are the foundations of entrepreneurial culture, to reduce uncertainties in the business opportunities, which is consistent with the attitude of the entrepreneur always calculate the risk of premeditated manner.

In this sense, one can establish that Entrepreneurship Education is the process that aims at human development in the context of identifying and exploiting opportunities and their subsequent transformation into reality, thus contributing to the generation of financial values, social and cultural society in which the human being is. Through planning and developing strategies and risk measurement and goals.

process of entrepreneurship

Each entrepreneurial mission is different, some endeavour had success history and other did not. The entrepreneurship venture are the consequence that victory history in entrepreneur way. Nevertheless, the entrepreneurship process should be analyse an global way, since the provides a contents for analyse how entrepreneurship invents new ideas and new ways to provide opportunities and ventures. Furthermore, the procedure of entrepreneurship gives knowledge to mapping and to analyse the innovative actions.

According to Wickham, P. (2006, pp. 223) affirms that “ the approach to the entrepreneurial procedure that will be described here is based on four interacting contingencies.” The business person is responsible to bring these factors together to create innovation value. The four contingencies factors in the entrepreneurship process are, entrepreneur, opportunity, organisation and resources.

Source: Wickham, P. (2006, pp. 224): The entrepreneurial process: opportunity, resources and organisation.

entrepreneur

According to Wickham, P. (2006, pp. 209) “ success is based on the venture’s ability to satisfy economic, social and developmental needs”. In other words, the entrepreneurial success is consequence of set characteristics of personal skills, knowledge, perception and personality traits that lead to analyse and evaluate the entrepreneurial success.

The entrepreneur is a business man who is responsible of entrepreneurial process, in other words, he is charge to manage and lead the organisation objectives. Entrepreneurs are not only those who have ideas, create new products or processes. They are also those who implement, lead teams and sell their ideas. It is difficult to find all these characteristics in one person. Therefore, the identification of each profile is the key, and teamwork can be critical to the success of entrepreneurs within an organization.

For example, Steve Jobs is the co-founder of Apple, Pixar's former owner and creator of the hottest gadgets of the last 10 years is not only a businessman, but it is undoubtedly one of the most visionary and courageous entrepreneurs who appeared in the business world in recent decades.

Opportunity

The opportunity is the gap in the market that should be occupied by competitors or suppliers. The opportunity aims the space on the sector or environment market that should be met by entrepreneurs. The main objective of entrepreneur is to scan and observe the available or potential opportunity in the market. The best scenario of achieve the opportunity is the innovation approach that the business man shows to the market.

Organisation

Searching to serve the innovation to the environment competitive the functions and activities of the employees should be coordinated, this is the propose of the company should deliver. The companies can be changed

according to the actions and strategies, like, their size, their structure, their research and development area, the core business and culture aspects.

According to Wickham, P. (2006, pp 224) agrees that “ entrepreneurial companies are characterised by leadership, style, behaviour and spirit from their founder”. These organisations may have unstructured hierarchy, rules or process, on the other hand this factor can be a strength in the learning process, innovation and development by being active to bring new ideas and approaches to organisation change.

In addition, entrepreneurial companies are often set as a network of relationships between employees, suppliers and other stakeholders which are led by the entrepreneur. These relationship connections build a formal and mixed organisation. Some relations are classified by contracts, open markets, formal, informal and long term. In the network study, the company is defined by a nexus of relationships and the level can be complex. This relation provides to the organisations a good opportunity to analyse how they are positioned in the market.

Resources

The last term in the entrepreneurial process is the resources. This contingency aims to raise capital and resource that is capitalised in the company, such as investors who sponsor their capital, information, skills, know-how, experience and knowledge. These elements that lead to growth can be intangible property, like, consulting, brand, loyalty and customer goodwill can lead to investment. The main objective of the entrepreneur is to raise

capital and investment to the company and focus the investment to increase, build and develop the value proposition deliver to the customer.

According to Burns, P. (2007, pp. 117) commented that “ entrepreneurs typically identify opportunity, building and leading the company”.

Furthermore, entrepreneur attract and mange resources. The entrepreneurs must deliver responsibilities to the employees and the managers may take over the function to manage and bring resources. For example, the production department may take over the functions to attract resources and innovation to develop new products; the sales department may take over the responsibility to bring opportunities on the market. In the way, the entrepreneur becomes business facilitator, advisor and leader of the business.

According to Wickham, P. (2006) agrees that there are three main resources available to the entrepreneur, such as financial resources, human resources and operating resources.

FINANCIAL RESOURCES

The financial resource is the source that the entrepreneur raises capital to invest the company. Money is the most common form of the financial resource and can be used to buy other resources. Financial resources are the source for the entrepreneur to invest more money in the organization. The entrepreneur must find a balance between financial gain and also the company's performance and flexibility of resource use. The financial resources that the entrepreneur has access varies according to sector, scenario and strategy also adopted by the organization.

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HUMAN RESOURCES

Human resources are critical success factors in a entrepreneurship venture.

They can bring innovation, experience and make up the company.

Furthermore, the human resources can provide advantage competitive to the organisation. The employees who make up in the venture offer their labour towards the entrepreneur.

OPERATING RESOURCES

Operating resources are the materials which contribute and are used by the organisation to deliver and offer outputs to the business environment. The main function of operational resources aims the capacity of the organisation deliver its innovation to the market.

Risk and taking decisions

According to Knight F. (2002), affirms that uncertainty occurs when the investors are not able to analyse and measure the possibilities and probabilities of different results. The same author agrees that risk is a consequence of the free and conscious decision to expose himself to a situation in which the struggle for the realization of the good with the possibility of injury or loss.

According to Knight, F. (2002) states that the prospect of failure and taken as the meaning of risk. And that risk is present in any entrepreneurial process, besides being an inherent situation of decision-making.

Furthermore, the risk can be controlled and measured, unlike other elements, such as external factors, environmental and political. The same

author defines distinction between risk (when the probability of a result can be given calculated [or is known]) and uncertainty (when the probability Ccan not be determined [or unknown]). This thesis made the insurance industry attractive, and entrepreneurship, in Knight's words, " tragic".

According to Knight, F. (2002) says that every organization faces risk, regardless of size, industry, parents and strategy. And that is not calculated risks may cause loss of investment opportunity, loss of brand image, prejudice and even financial risk of its existence. Analyse and understand the risks that the company may face and essential for growth and development objectives and strategy, moreover, the risk monitoring helps protect your investment. There are four types of business risk, are strategic risk, operational, financial and transfer.

Strategic Risk

Strategic risk and the most complex type of risk that an organization can face. Strategic risks can be controlled and directed according to the market, competitors, external changes and launch new innovative products that can change the configuration of market competition.

Organizations also face strategic risks when considering performance challenges that are outside its control, such as climatic variables, the other environmental factors that provide benefit to the competition. Companies that succeed in having the best ratings and control of strategic risks can identify the greatest threats to their business and financial objectives and therefore assess and identify possible solutions.

Operational Risk

Operational risks are also important for the performance of the company as it affects the performance and operation of the company. Operational risk can be considered as the risk of loss of processes, people, systems or errors that hurt the performance of the organization. Operational risks as is the case of failures in IT systems, equipment, supply outages and fraudulent behaviour, may have a strong impact on business continuity.

The evaluation of operational risk assessment beyond the operational errors, fraud and probability not meet any company's contract. An example of risk-taking operating a new business, customers are increasingly sensitive to quality service delivery. Thus, the entrepreneurship should consider operational risk to maintain service delivery.

Financial Risk

The financial risk and the risk that consumers do not understand liquidity necessary to meet the expenses and liabilities of the company. Financial risk means the risk of a possible future change in one or more interest rates, prices of financial instruments, commodity prices, exchange rates, indices of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to one part of the contract.

Transfer Risk

Risk transfer involves the use of an entity that accepts bear the risks. Risk

transfer involves the use of an entity that accepts responsibility for
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supporting economic damage from a hazard. in exchange for a premium. The insurance came from the need of economic security through a transfer position for someone else, the risks that could affect the assets of individuals, families or a particular community. In a new enterprise making process of risk can lead to transfer of risk by the entrepreneur if the entrepreneur seeks to dilute the risks of the investment, but the transfer of risk generates an additional cost in developing the business. Such as the entrepreneur uses a purchasing insurance coverage or issuing debt.

Decisions under certainty

The decisions under certainty, occurs when the actual result is always the expected result, for example an entrepreneur seeking an investment that has high chances of success. In this scenario the developer simply chooses the action that will give higher returns and profitability, and the return will be definitely achieved. Within the business world, the decisions under certainty are rare, because currently no investor takes a decision with certainty that it will be successful, there will always be some uncertainty and risk.

Decisions under uncertainty

Knight F. (2002) argues that uncertainty should be taken as radically distinct from the familiar notion of risk, which have never been properly separated. The term risk is related to a quantity susceptible of measurement, the risk appears as measurable uncertainty, which is different from something not measurable, a fact of uncertainty.

The definition of uncertainty used here is not derived from ergot perspective of the world presented by Knight and Keynes at the beginning of last century and is understood as a perceptual phenomenon described as the individual and the perceived ability to predict the occurrence of future events from the study of past events. Decisions under uncertainty, in fact despite the use of the word risk in risk decisions are rare in organizational settings. Why, for instance an entrepreneur can know what may happen, but it can hardly know what may happen in a competitive environment such as the launch of a product or a competitor's new strategy. The decisions under uncertainty should seek to maximize returns and reduce risks and losses.

Decisions under risk

According to Knight, F. (2002) states that every action may involve a series of possible outcomes, each of which may occur as a known probability. In other words, the decision under risk occur on facts that are known but not known whether that will happen. The only thing you can know about the decision under risk and probability of occurrence of the event, and the risk is present only if this probability and known. As an example, the launch of a product can have according to the probability 50% market share in a year. The decision for the entrepreneur will be in or not to launch the product in accordance with the probability study.

decisions under ambiguity

Decisions on an ambiguous action can be assessed by the manager of consequences that will have if a product is launched. That his trial by the entrepreneur will be made according to the knowledge market and how the <https://assignbuster.com/evaluating-the-role-and-importance-of-entrepreneurship-commerce-essay/>

competitors and the market were in the past. The decision on this ambiguity between decisions of uncertainty and risk, because there is no chance to learn the result set.

decisions under ignorance

The decisions under ignorance represent the opposite of decisions under certainty because there is no information about the consequences of the decision, there are odds and also know what can happen. Are decision situations where we can not calculate the probability for different reasons, or where it makes sense to use probabilities.

Conclusion

During the process of entrepreneurship, the entrepreneur must deal with the business opportunity, with financial sources, operational and human, in addition to the organization seeking a leadership influence. Besides promoting a culture and an innovative and entrepreneurial goals according tracings.

The entrepreneurial culture influences and provides a very distinguished contribution in enterprises, companies and groups that cultivate it, since it is a promoter of innovation, making their players better able to compete in a fast-changing and continuous.

In addition, the risk-taking is therefore present in the process of entrepreneurship, because every decision to invest and seek new things requires risk taking. For the entrepreneur there are financial risks, transfer of

operational and strategic, and the entrepreneur must be aware of and awareness about the consequences and risks of each goals.

Decisions are based on previous knowledge of market and competitors, such decisions aimed at seeking further results and development issues for the company. The entrepreneur can make decision about risk, certainty, uncertainty and ambiguity and ignorance. Besides the main factor in the process of entrepreneurship and risk-taking and decisions within the process of developing the business.