

The entrepreneurial process in smes



Assignment Question:

“ Describe the Entrepreneurial Process and how this process can be applied within SME’s.”

During this essay I will discuss exactly what the Entrepreneurial Process is and will then go onto discuss the definition of a Small to Medium Sized Enterprise (SME) and how the Entrepreneurial Process can be applied within a SME.

Firstly a SME can be officially be describe as a firm which has no more than 250 employees, a maximum annual turnover of no more than £11. 2million and a maximum annual balance sheet of no more than £5. 6million. The previous figures are the maximum to classify a medium sized business, however for a smaller size business they vary slightly. A small sized business can be classified as having a maximum of 50 employees, maximum annual balance sheet of £1. 4million and a maximum annual turnover of £2.

8million, these stats are in coherence with the ‘ UK Companies Act 1985’ .

UK national statistics show that SME’s in Scotland employed 84, 130 in the year 2007 with a total amount of 292, 330 enterprises SME’s within Scotland alone in the year 2007 also. All SME enterprises within Scotland in the year 2007 contributed to a turnover of £160, 720 million.

SME’s rely heavily on the personality and influence of managers towards customers whether they are entrepreneurs or not. According to Deakins and Freel (2009a) “ small firms have relatively small share of the market place and are independent, in the sense of not being part of a large enterprise.”

The definition of what a small business actually is, can be varied and ‘ depend’ on certain things i. e. Aston Martin (although not an SME) employs

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700 people which can be described as being 'small' when compared to other companies such as Ford or Honda, however when comparing Aston Martin to its key competitors such as Caterham it is considered to be relatively large.

The Entrepreneurial Process according to Bolton and Thompson (2007a) consists of 10 processes. These processes range from the first stage of being motivated, to the most important stage of creating capital. Capital can be split into 3 main categories; Financial, Social and Aesthetic. The diagram below shows the full model of the Entrepreneurial Process:

Stage one is being 'motivated to make the difference', this is a very important stage and I feel that this is what can really define and make a business successful. If the entrepreneur is motivated enough to really make a difference in a specific market then he/she will break into that market and achieve whatever goals they have set out to achieve. Paul Burns (2007a) states that "motivation is about inspiring customers and financiers so that they understand where the business is going". In my opinion if someone is not willing to go through with an idea and does not have a successful drive to communicate their idea effectively to others then he/she will not make it.

There are many ways to describe an entrepreneur and the characteristics of one, however the one which I prefer the most comes from Burns (2007b) "Entrepreneurs are highly self-motivated...and this is driven by their exceptionally strong inner need for achievement."

The second and third stages of the Entrepreneurial Process go hand in hand because 'Creativity and Innovation' can only be thought of by 'Spotting and creating opportunities'. Joseph Schumpeter (1996) created a model which

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consists of 5 forces to help define exactly what innovation is, 2 of the forces can be described as; “ The introduction of a new product/service, the conquest of a new source of supply of raw materials or half-manufactured goods...” Being innovative should be a main objective to any firm if it desires to keep up with the fast moving modern times. For example a small computer hardware production business cannot possibly survive if it’s still purchasing raw materials that are no longer desired as much, such as floppy disk drives. The company should perhaps be looking at purchasing more USB drives which have become much more popular pieces of hardware in modern times. As previously stated this goes hand in hand with spotting and exploiting opportunities, as the computer hardware company will need to spot and exploit the opportunity for installing more USB hardware to computers. Paul Burns (2007c) states that “ Innovation is a core characteristic of an entrepreneur.”

The next four stages of the Entrepreneurial Process are all ways of managing obstacles which any business will face during its life cycle. Fourthly the business should ‘ find the required resources’ this could be done by using the fifth stages of ‘ using networks extensively’. Networking is a very important factor especially for SME’s as they usually require more help to compete with the large, and better reputable companies. Richard Branson founder of Virgin famously built up a large number of networks to help establish his company to where it is at now. Networking has many benefits to a company such as; cost and risk sharing, speeding products to markets, acting as a vehicle for obtaining access to external knowledge (Deakins and Freel 2009c).

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