

# [The principles and foundations of entrepreneurship business essay](https://assignbuster.com/the-principles-and-foundations-of-entrepreneurship-business-essay/)

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## Executive Summary

This assignment is introduced about what is the banking industry. A bank is a government-licensed financial institution whose primary activity is to act as a payment agent for customers and to borrow and lend money at differing maturities. It is an institution for receiving, keeping, and lending money at interest. In order to make profits, modern banks generally “ borrow short and lend long.” That is take money from depositors and lend that money for longer-term projects. Many other financial activities were added over time. For example banks are important players in financial markets and offer financial services such as investment funds. In some countries such as Germany, banks are the primary owners of industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan, banks are usually the nexus of a cross-share holding entity known as the zaibatsu. The level of government regulation of the banking industry varies widely, with countries such as Iceland, the United Kingdom and the United States having relatively light regulation of the banking sector, and countries such as China having relatively heavier regulation (including stricter regulations regarding the level of reserves).

## Introduction

## What is Entrepreneurship?

## “ Entrepreneurship is the process of creating value by bringing together a unique combination of resources to exploit an opportunity.”

Seven perspectives on the nature of entrepreneurship: Creation of wealthCreation of enterpriseCreation of innovationCreation of changeCreation of changeCreation of employmentCreation of valueCreation of growthAnd the most common keywords found in the definition of entrepreneurship are staring/ foundation/ creating/ new business/ new venture/ innovation/ new products/ new market/ pursuit of opportunity/ risk-taking/ risk management/ uncertainty/ profit-seeking/ personal benefit. In today’s fast moving competitive environment, entrepreneurship is valued for its ability to capitalize on commercial opportunities in ways that are valued by customers, profitable for business, and contribute to growth of local, regional and national economies. Entrepreneurship is also widely regarded as a solution to macroeconomic problems of stagnation or recession. Consequently, many governments are actively seeking ways to promote encourage entrepreneurship among their citizens (cf. Sexton & Landstrom, 2000). Examples include Australia, Brazil, China, Denmark, Ireland, Japan, Russia, Singapore, and the United Kingdom (Bonnell & Gold, 2002; Reynolds, Camp, Bygrave, Autio & Hay, 2001). Historical evidence suggests that national policy does affect entrepreneurship, although not always productively (Baumol, 1990). Many major corporations �" whose size and complexity may rival that of nation-states �" have developed strategies and principles of management that are successful in and principles of management that are successful in fostering new-venture growth within or as a subsidiary of the organization. We review and consolidate these corporate entrepreneurship strategies and we extra-polate their dynamics to the national level. In so doing, we point out similiarities between a major corporation, which seeks to foster entrepreneurship and growth of new corporate ventures, and a nation, which seeks to foster entrepreneurship and growth of new ventures within its national economy. We translate business-level entrepreneurship advice to the national level, developing policy prescriptions for governments that should support and encourage higher levels of entrepreneurship, venture creation, and most important, growth of new ventures that will aggregate to growth the national economy.

## Understanding of the principles and foundations of entrepreneurship:

We propose that strategies typically applied to support corporate entrepreneurship can be extended and applied at the national level, with the objective of stimulating not just entrepreneurship �" but new ventures that grow. Only when individual ventures grow, can sustained growth occur at the level of the macroeconomy. Keys to growth of new ventures in this model include effective management of knowledge, resources, rewards, and infrastructure. (Jan Hasen and Terrence C. Sebora)

## Banking Industry

The banking environment for the coming year likely contains equal resolution of past challenges and introduction of new ones. The economy in the United States is showing evidence of continued recovery, with jobless rates continuing their slow decline and the housing market evidence of some recovery. Deloitte’s 2013 banking industry outlook examines a series of interdependent issues that senior-level bankers should consider. The issues presented below are arranged in pairs from most critical and rapidly evolving, to those that are the more evergreen challenges that bank leaders face. Starting the lists are two issues that are fundamental and upon which all the other issues are based, making hard decisions about where to compete and building the data-centric organization. http://www. deloitte. com/assets/Dcom-UnitedStates/Local%20Assets/Images/Business%20Graphics/US\_FSI\_B&SOUTLOOK2013\_480X480\_111212. jpgThe Deloitte 2013 banking outlook explores the topics in four major themes: industrial operations, asset protection, delivery transformation, and return on capital.

## Global Banking Industry Issues Facing

When we issued our first global banking outlook in March 2012, there was little doubt that the environment would be a difficult one for banks. For European institutions in particular, expectations were weighted very much towards the negative. Even in the rapid-growth markets (RGMs), a slowdown in China and lower domestic growth forecasts were causes for concern. Fast forward to the end of 2012 �" the prospects are better but not great. Retail and small business customers still have limited trust in the banking industry. Further examples of regulatory and compliance breaches during the course of this year have done little to shift that opinion. Large corporations remain wary of committing to significant investment, and many are sitting on major cash reserves. The regulatory landscape may be less opaque now, but it is certainly no less challenging. Some aspects of the change agenda remain unknown, and there is a worrying shift toward a more nationalist approach by supervisors across a range of jurisdictions. However, consumer confidence is slowly returning in the US, and GDP growth is heading back toward pre-crisis levels across a range of RGMs. As we look ahead to 2013 and 2014, the outlook for banks will depend partially on their location and their customer base. Of course, it will also hinge on the decisions that banks make over the coming months and years. For some, the focus will be on positioning themselves to benefit from the next wave of explosive growth, for others it will be a case of respositioning for survival. The drivers for change may be different, but banks in both camps should be looking at a fundamental reshaping of their business and operating models. Many banks will not adapt successfully to the new environment through incremental shifts, instead, bold and decisive action is needed. As banks consider their options, every aspect of the organization will come under scrutiny. Although the task is daunting, examining all of those components together provides banks with an opportunity to reshape the whole organization rather than embarking on multiple, potentially disjointed change projects.

## Global banking Economy

Bank reserve requirements were cut again during the course of the year to stimulate lending. In a more interesting development for the longer term, banks were also given more freedom to deviate from the People’s Bank of China benchmark interest rates for deposits and loans. The hope is that the relaxation of interest rate regulations will become a permanent feature of the Chinese banking system. As growth recovers, demand for commodities and raw materials will boost a broader recovery amongst China’s trading partners in developed and rapid-growth economies. In markets that have seen a marked slowdown, such as Brazil where GDP growth has slowed from 7. 5% in 2010 to a projected 1. 5% in 2012, a bounce-back in 2013 will be a welcome relief for the economy and for banks worried about rising non-performing loan levels. Throughout the rapid-growth economies, 2013-2014 will see further significant investment in infrastructure (the Asian Development Bank predicts USD8 trillion over the next 10 years.) As well as supporting growth and promoting greater domestic consumption, we’ll also see these economies develop higher-end industries to reduce dependence on the export of raw materials and commodities. The key question is how that investment will be funded. As these economies become more stable and their sovereign debt is classified as “ investment grade” status, international investors in search of higher yield will plug some of that gap. However, these markets also need to unlock their own domestic and regional funding potential. The considerable savings and wealth that already exists, particularly in parts of Southeast Asia, need to be redirected from investing on the international markets to local ones. For that to happen, the debt capital markets in these economies need to make significant advances. The current momentum suggests that could happen over the next couple of years. Improved levels of corporate governance and a reduction in the size of the “ unofficial economy” will also allow businesses to access the capital markets for funding and become less dependent on bank loans. As table 1 shows, global growth is predicted to recover across most major developed and rapid-growth economies in 2013-2014. The uncertainties already outlined could derail that, as could geopolitical shocks such as an escalation of tension in the Middle East causing a surge in oil prices. However, this outlook for the banking industry is based on the expectation of some recovery.(next page)

## Table1. Real GDP growth for the G20 of countries 2011-14

Country2011Forecast for 2012……. At Nov 2012Forecast for 2013……. At Jan 2012Forecast for 2013……. At Nov 2012Forecast for 2014……. At Jan 2012Forecast for 2014……. At Nov 2012Argentina8. 91. 43. 83. 04. 34. 7Australia2. 13. 33. 91. 93. 33. 6Brazil2. 71. 45. 04. 54. 55. 0Canada2. 62. 32. 63. 02. 74. 1China9. 37. 59. 18. 18. 89. 0France1. 70. 11. 50. 12. 01. 1Germany3. 11. 01. 70. 82. 11. 7India7. 55. 68. 76. 49. 27. 7Indonesia6. 55. 96. 76. 36. 06. 0Italy0. 6-2. 40. 0-1. 20. 80. 6Japan-0. 71. 93. 21. 22. 22. 7Korea3. 62. 25. 03. 35. 15. 0Mexico3. 93. 75. 03. 75. 04. 9Russia4. 33. 43. 83. 44. 34. 2South Africa3. 12. 34. 92. 94. 74. 7Turkey8. 52. 75. 04. 25. 95. 5UK0. 9-0. 11. 91. 22. 82. 3US1. 82. 22. 72. 53. 13. 1European Union1. 5-0. 22. 60. 32. 41. 5Eurozone1. 5-0. 51. 2-0. 11. 81. 1World2. 92. 33. 52. 63. 83. 6

## Entrepreneurial Activity

Entrepreneurship is one of a major factor influencing the economy of countries in terms of international trade, infrastructure, employment and living standards as well as capital growth. It also reflects the effectiveness of government policies. The level of entrepreneurial activity not only interacts with the above factors, but also with cultural, geographical factors, and regulations. Personality characteristics, behaviour and motivation are also the major elements which should be taken into consideration. There are many determinants of being or becoming self-employed which are dealt with in the literature, such as employment status, minority behaviour, immigrant behaviour, family firm effect and attitudinal effects. (Freytak & Thurik, 2007, Pg-120). Entrepreneurship also relates to some other factors such as national policies (taxation, regulations, ease of doing business), entrepreneurship finance (banks, government support), economic circumstances (economic freedom), marketing (competitiveness), cultural (living style, historic background), public agency assistance (government support), personality (attitude to risk) and expertise etc. There are many types of entrepreneurial activity, from corporate venturing to social change enterprises. Value created by entrepreneurs can be either captured by the entrepreneur (either a lot or a little) and/ or exchange or shared with others. For example, with employees, stakeholders and society. Returning to the dynamic conceptualisations emphasised in extant entrepreneurship definitons. Entrepreneurship was seen to involve human activity that was not generally done in an ordinary business routine. (Schumpeter, 1934, von Mises, 1949/ 1996). Entrepreneurial activity is differentiated from the relatively static management (Leitung) (Hartmann, 1959) and is concerned with the process of change, emergence, and creation (Bruyat & Julien, 2000, Hartmann, 1959, Schumpeter, 1934, Weber, 1947). The entrepreneur’s activities occur within a business context, which included industry structures, competition, and national economic structures. This business context is impacted in turn by winder environmental considerations, which include the economic, political, legal, social, and natural settings. In understanding such entrepreneurial activities, the entrepreneur is endeavouring to create value. The entrepreneurial community has long recognised the significance of value creation. For example, the venture capital community has this as a guiding mantra, and now management researchers too are increasingly recognising the importance of value analysis. (Lepak, Smith, Taylor, 2007, Styles and Seymour, 2006).

## Factors influence the probability of new venture success

An entrepreneur is one who organizes a new business venture in the hopes of making a profit. Entrepreneurship is the process of being an entrepreneur, of gathering and allocating the resources-financial, creative, managerial, or technological-necessary for a new venture’s success. One engages in entrepreneurship when one begins to plan an organization that uses diverse resources in an effort to take advantage of the newly found opportunity. It usually involves hard work, long hours, and usually the hope of significant financial return. More importantly, entrepreneurship is characterized by creative solutions to old or overlooked problems, ingenuity and innovation are the entrepreneur’s stock in trade. By taking a new look at difficult situations, the entrepreneur discerns an opportunity where others might have seen a dead end. Successful entrepreneurship depends on many factors. Primary importance is a dedicates, talented, creative entrepreneur. The person who has the ideas, the energy, and the vision to create a new business is the cornerstone to any start-up. But the individual must have ready access to variety of important resources in order to make the new venture more than just a good idea stage to a state of growth and institutionalization. In most instances, the entrepreneur also needs to put together a team of talented, experienced individuals to help manage the new venture’s operations. Entrepreneurship also depends on access to capital, whether it be human, technological, or financial. In short, entrepreneurship is a process that involves preparation and the involvement of others in order to exploit an opportunity for profit.

## Conclusion

In conclusion, I would like to tell about the banking industry that that the bank are expected to provide entrepreneurs with financial assistance as well as inputs to support and promote their enterprise. The banks have been found to be lacking on both counts and the concept of integrated approach to entrepreneurship development is totally absent. While the infrastructure and supportive inputs like knowledge and training are conspicuous by their absence, the financial assistance made available by the banks is not entirely to the satisfaction of entrepreneurs. One of the major causes that may be identified for huge Non-Performing Assets (NPAs) is the lacking concern on the part of the banks in realizing their role in the proper development of entrepreneurs. Hence, it is imperative in the present scenario that banks reorganize themselves and develop the necessary for providing training the requisite knowledge to entrepreneurs for running their business successfully. Entrepreneurship development is the need of the hour and the banks should actively involve themselves in this task. The results of these efforts would be improved quality of assets and increased business for the banks. In broader terms, the development of entrepreneurs would result in a flourishing business which would not only be profitable but also self- sustaining and making positive contribution to national economy.