

Entrepreneurship  
evolved from  
economic theory  
business essay



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The creation of a countrys wealth and dynamism depends upon the competitiveness of its firms and this, in turn, relies fundamentally on the capabilities of its entrepreneurs and managers. The essence of the modern firm lies in the specialization of functions. “ The businessmen” that manage economic activity are, in the strictest sense, both managers and entrepreneurs, the latter in a double sense: the individual businessman (independent) and the “ corporate entrepreneur” who, without participating significantly in terms of capital, controls the firm.

Studying offers of business capabilities requires the differentiation between the functions of entrepreneur, manager and capitalist, although in many cases, the same person may perform all three which can be described as follows;

## **Entrepreneurs, managers and capitalists**

Managers

Capitalist

Characterized By

Discovers and exploits

opportunities

A creator who initiates

and motivates the process of change

Capital owner:

shareholders

Controlling shareholder

Passive shareholder

Administrates and manages resources

An administrator

Behavior

Accepts risks

Uses intuition, is alert, explores new business

Leadership, initiates new ways of acting

Identifies business opportunities

Creation of new Enterprise

Aversion to risk taking

Assesses alternatives

Choice of venture assets

Aversion to risk taking

“ Rational” decision-maker. Explotes business

Creates and maintains competitive advantage

Creates trust to enhance cooperation

Supervision of the administrative process

### **Dimension of Entrepreneurship:-**

The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist. The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity.

Entrepreneurial opportunities exist because different agents have differing ideas on the relative value of resources or when resources are turned from inputs into outputs. The theory of the entrepreneur focuses on the heterogeneity of beliefs about the value of resources.

Entrepreneurship -the entrepreneurial function- can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization.

Due to the fact that there is no market for “ opportunities”, the entrepreneur must exploit them, meaning that he or she must develop his or her capabilities to obtain resources, as well as organize and exploit opportunities. The downside to the market of “ ideas” or “ opportunities” lies in the difficulty involved in protecting ownership rights of ideas that are not associated with patents or copyrights of the different expectations held by entrepreneurs and investors on the economic value of ideas and business

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opportunities, and of the entrepreneur's need to withhold information that may affect the value of the project.

Entrepreneurship is often discussed under the title of the entrepreneurial factor, the entrepreneurial function, entrepreneurial initiative, and entrepreneurial behavior and is even referred to as the entrepreneurial "spirit". The entrepreneurial factor is understood to be a new factor in production that is different to the classic ideas of earth, work and capital, which must be explained via remuneration through income for the entrepreneur along with the shortage of people with entrepreneurial capabilities. Its consideration as an entrepreneurial function refers to the discovery and exploitation of opportunities or to the creation of enterprise. Entrepreneurial behavior is seen as behavior that manages to combine innovation, risk-taking and pro-activeness. Entrepreneurial initiative covers the concepts of creation, risk-taking, renewal or innovation inside or outside an existing organization. Lastly, the entrepreneurial spirit emphasizes exploration, search and innovation, as opposed to the exploitation of business opportunities pertaining to managers.

Entrepreneurship is an essential element for economic progress as it manifests its fundamental importance in different ways:

- a) By identifying, assessing and exploiting business opportunities;
- b) By creating new firms and/or renewing existing ones by making them more dynamic;

c) By driving the economy forward – through innovation, competence, job creation- and by generally improving the well being of society.

Entrepreneurship affects all organizations regardless of size, or age, whether they are considered a private or public body, and independently of their objectives. Its importance for the economy is reflected in its visible growth as a subject of interest for the economic press and in academic literature. For this reason, it is a matter of interest to academics, businessmen and governments the world over.

## **Q2. Explain how entrepreneurship has influenced economic development and productivity in recent years?**

A. The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important inputs in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy are discussed in a systematic and orderly manner as follows.

### **(1) Promotes Capital Formation:**

Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value

addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(2) Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

(3) Promotes Balanced Regional Development:

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries leads to more development of backward regions and thereby promotes balanced regional development.

(4) Reduces Concentration of Economic Power:

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be

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developed, which will help reduce the concentration of economic power amongst the population.

(5) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(6) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always on the look out for opportunities. They explore and exploit opportunities,, encourage effective resource mobilization of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

(7) Improvement in the Standard of Living:

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.



(8) Promotes Country's Export Trade:

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

(9) Induces Backward and Forward Linkages:

Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

(10) Facilitates Overall Development:

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

**Q3. Explain the concepts of “ Windows” and “ Corridors” for new ventures ? Describe the main factors that lead to success for new ventures.**

**A. Window and Corridor Principle is the theory that for every new business that is begun, new opportunities will arise as a result. It states that an entrepreneurial venture might find that it has significantly changed its focus from the initial concept of the venture as it has continually responded and adapted to its market and the desire to optimize profitability potential.**

This is a simple concept that always seems to ring true for entrepreneurs and those considering the move. The corridor principle simply suggests that there are open doors you can only see when you are walking down the corridor—they are not visible from your starting point at the end of the hall.

Don't expend too much energy planning for and waiting on perfection. You simply can't do it from where you are standing. Small business truly is about the journey. As I have referenced in previous posts, simply taking the first step in the general direction of your goals puts you further ahead than where you started.

Compared to the world of corporate recruiting and headhunters, small business is a dynamic and less predictable space. Headhunters shuffle players between roles and companies that are often more similar than many would like to admit. Small business affords the opportunity to try a myriad of roles across a variety of industries. And once you are in that game, opportunities will find you rather than a set of indistinguishable roles.

Part of my rationale in painting sometimes extreme pictures of Corporate America is to get you to think beyond the surface of “ what you have” versus “ what you can do.” Not many folks will truly encourage that, and many are afraid to look. Push yourself to consider the differences for yourself.

## **Success of New Venture**

Entrepreneurs who launch successful new ventures are usually very knowledgeable about their market. This type of knowledge can come from first-hand information and experience or it can come from diligent research. Other factors include finding the proper niche and being well-funded. Even a promising market opportunity requires an effective business manager who is well-financed.

## **Sound Market Analysis**

Market analysis looks at the potential opportunities and the pitfalls that your business will face. These opportunities and pitfalls must be realistically assessed in light of the strengths and weaknesses of your business plan. Factors usually considered in market analysis are the market size, its growth rate, the market’s profitability and its cost structure and distribution channels. Be aware of trends, whether favorable or unfavorable. The more informed you are about the market, the more reliable your decision-making basis will be.

## **Sufficient Financing**

Sufficient financing for a new business venture is critical to success.

Insufficient financing is one of the main reasons that new businesses fail. A new business does not have a steady, ongoing clientele and its brand will not

be recognizable in the marketplace. Very often a new business is financed by the savings of the founders and loans from family members. While there is nothing wrong with this strategy, you should thoroughly investigate all the costs involved so that your business is able to withstand a period of time with little to no profits. Be sure to have a realistic expectation of sales and revenue based on research.

## **Finding the Proper Niche**

A new venture should create its own niche in the market or industry. The niche selected should play into the strengths of the business and, if possible, minimize its weaknesses. One way to identify a niche market is to break down the demography of the market into small categories. Evaluate the benefits and drawbacks of each market segment. Take into account factors such as the best method of reaching potential customers via marketing and the competition you may face. Consider how your service or product can be made unique in serving your niche. Many new ventures make the mistake of selecting the largest possible market segment and end up overwhelmed by the costs of marketing and the sheer number of competitors.

## **Workable Marketing Plan**

A key contributor to business success is a viable marketing plan tailored to the venture's niche. A marketing plan sets goals for the organization and gives it direction and purpose. The plan contains information about your company, its products and the venture's objectives and strategies. The plan should budget the expenditures of your marketing efforts for at least one year. You should also devise a method to measure the success of the

venture's marketing activities. The marketing plan should assess your  
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products' features and benefits in light of the niche market's characteristics and buying habits.

## **Other Factors**

### **Timing**

In some cases you have control over business timing, and in other cases you do not. If you were to open a VHS movie rental business as DVDs were becoming popular, then your business timing may be suspect. Analyze the marketplace and pay attention to consumer trends before deciding on what kind of business to open. If you can create a business that is on the cutting edge of consumer needs, then that can contribute significantly to the success of your business.

### **Location**

If you place your trucking business several miles away from the major highways, airport and train depot, then your business location can hamper success. Moving your business closer to those key locations can cut down costs, and make you one of the companies closest to where your customers. Location can be critical in the success of a business. According Houston Business, the Houston theater community is second in total seating capacity in the country with 13, 000. Only New York City has more theater seats than Houston. If you were considering opening a business that catered to live theater, such as a printing business for programs or a stage production company, then you could find success by placing your business in Houston.

## **Cost Control**

Controlling the costs of your business means keeping all of your overhead costs under control, including manufacturing, advertising and location operations. By continually working to reduce costs, you can free up financial resources to be applied toward expanding your product line or increasing your marketing efforts.