

ENTREPRENEURSHIP



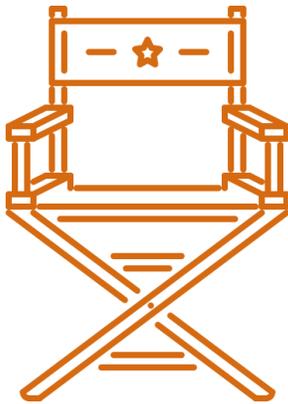
CONCEPT

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ON TUTORIAL | *In this tutorial we cover the following topics:*

- what is entrepreneurship*
- motivations that drive people to choose entrepreneurship*
- entrepreneurship concepts*



"It's not about ideas. It's about making ideas happen."

Scott Branson, co-founder of Branson

So, a prominent global entrepreneur, founder of Branson, Scott Branson, says that it is not an idea that is important, but rather that we turn the idea we have into action. He sees entrepreneurship as an ability to transform the idea into reality. And how do we see entrepreneurship?



Question for discussion:

What do you think entrepreneurship means?

There is no concise, universally accepted definition of entrepreneur or entrepreneurship¹. There are many. Different authors described the meaning of entrepreneurship in different ways. For some, entrepreneurship is not necessarily an economic phenomenon but rather a specific way of thinking which enables an individual to swiftly turn idea into an action. For others, entrepreneurship is first and foremost a way to manage an economic activity, i.e. a company (business).

According to the commonly used definition of entrepreneurship by the EU, entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives.² In Peter Drucker's view, entrepreneurship is neither science nor art, but knowledge-based practice.³

Out of these different approaches and definitions, one concludes that we can speak of entrepreneurship in two ways as follows:

¹ SECEP, Entrepreneurial learning, A key competence approach, ISCED level-2, Zagreb, 2011

² European Commission, Assessment of compliance with the entrepreneurship education objective in the context of the 2006 Spring Council conclusions, Brussels, 2007

³ Drucker, P., Innovation and entrepreneurship, HarperCollins Publishers Ltd., New York, 2002



WAY OF THINKING
- ENTREPRENEURIAL MINDSET



ECONOMIC ACTIVITY
SETTING UP AND RUNNING A COMPANY

When we talk about **entrepreneurship as a way of thinking**, we are actually talking about an entrepreneur with entrepreneurial mindset, whose behavior and way of thinking proactively, practically, who is a step ahead of others, who recognizes opportunities where others do not see them, accepts the risk and brings a certain benefit or creates a new value.

When we talk about **entrepreneurship as an economic activity**, we mean the establishment and management of one's own company and private business, that is, recognizing the business opportunity in the market, investing resources in starting a business and taking over all the risks that it carries (ultimately the risk of business failure and loss of investment). For entrepreneurship as an economic activity, proactivity and innovation are especially important, and so is, "to be a step ahead", and also a willingness to work "from morning to morning" with uncertain profit. Entrepreneurship as an economic activity is a game in an open market, where "the customer is always right".

WHY ENTREPRENEURSHIP?



Task:

Why do people opt for entrepreneurship? What are the motives and reasons for your opinion? Let's discuss it in pairs.

All the reasons and motives that the participants identified during the exercise as motives and the reasons why individuals decide on entrepreneurship, can be classified into one of the following 8 categories.

<p>#1</p> <p>I HAVE A GREAT IDEA, SOMETHING COMPLETELY INNOVATIVE</p>	<p>#2</p> <p>I SEE AN OPPORTUNITY, I UNDERSTAND WHAT PEOPLE NEED</p>
<p>#3</p> <p>I AM CAPABLE, I WILL SELL ICE TO THE ESKIMOS</p>	<p>#4</p> <p>I WANT TO TRY, I HAVE THE MEANS</p>
<p>#5</p> <p>I HAVE STRONG CONNECTIONS, I AM VERY INFLUENTIAL</p>	<p>#6</p> <p>I DO NOT WANT TO HAVE A BOSS, I WANT TO BE MY OWN BOSS</p>
<p>#7</p> <p>I DO NOT LIKE ROUTINE, I WANT EXCITEMENT</p>	<p>#8</p> <p>I MUST, I HAVE NO CHOICE</p>

#1 I HAVE A GREAT IDEA, SOMETHING COMPLETELY INNOVATIVE | A number of entrepreneurs become entrepreneurs precisely because they have a solid business idea, they offer something innovative on the market, something that people find appealing and useful.

#2 I SEE AN OPPORTUNITY, I UNDERSTAND WHAT PEOPLE NEED | Market opportunity is the reason one starts his(her) business. If we recognized that something is missing in the market, and is needed at the same time, then there is a chance to offer it and profit from it.

#3 I AM CAPABLE, I WILL SELL ICE TO ESQUIMOS | Some people are simply talented for business. Perhaps they have no money, but are suggestive and have convincing attitude the traits they want to use in commercial purposes as entrepreneurs.

#4 I WANT TO TRY, I HAVE THE MEANS | Some people do not have a clear idea what they want to do, nor do they recognize a market opportunity to start their own business, but they have extra resources to do it – be it money, space, time, to start their own business. In other words, they have surplus of money and since they do not know how to spend it, entering their own business seems appealing to them.

#5 I HAVE STRONG CONNECTIONS, I AM HIGHLY INFLUENTIAL | Entrepreneurs also become people who are influential and aware that many people are following and listening to them, and that they will also accept their consumer advice. People with good social contacts in business and political circles are also influential. Both know that with such an impact they have a secure market and want to use it, or to influence its commercialization and profit.

#6 I DO NOT WANT A BOSS, I WANT TO BE MY OWN BOSS | Entrepreneurs often become people who want business independence, to manage themselves by their own time and independently make decisions, or to be their own boss. They usually do not like being "seated over their heads".

#7 I DO NOT LIKE ROUTINE, I WANT EXCITEMENT | A number of people dislike the daily routine a job placement from 9 am until 5 pm usually brings. They need a more dynamic job, more excitement in doing it, more challenges. For this reason they rather become entrepreneurs than start working for somebody else.

#8 I MUST, I HAVE NO CHOICE | Some people can not easily get employed and they only have the opportunity to start working as their own boss (get self-employed). These may be people who belong to hard-to-employ categories, or people who live and work in circumstances where there are not many jobs in the offer.



Question for discussion:

And why do you want to become an entrepreneur?

DIFFERENT CONCEPTS

Entrepreneurship as an economic activity appears in 4 different concepts (Blank, 2011) as follows:

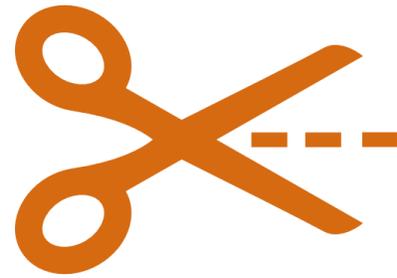


SMALL BUSINESS ENTREPRENEURSHIP | This is the basic concept and most of the entrepreneurial jobs belong to this concept. These include all small shops, craft and service activities, consultancy activities and the like, in which the principal is the founder, and possibly employing another person or family member. These businesses are small in size, they earn low incomes and provide low wages. They are focused on maintaining the financial safety of founders and employees, i.e. covering material labor costs and achieving a certain profit. These businesses most often do not have the potential to grow into larger businesses, nor can they achieve a higher volume of business than usual.

Example: A hairdresser that has 2 employees and a working time of 8 hours can serve an average of 16 clients per day if the average haircut lasts for 1h. The business of the salon can grow in one of the following ways:

- a) by employing more hairdressers, if there are spacious possibilities and sufficient hairdressing inventory, which would increase the volume of business for 8 more clients a day per every newly employed hairdresser,*
- b) increasing efficiency, for example, the time of the haircut is reduced to 45 minutes, which would increase the number of clients per hairdresser daily by 2-3,*

c) by increasing the price of services, for example, for a certain percentage, which would increase the volume of income
d) some other way (e.g. by reducing costs, which would increase profitability, or by introducing a new service, etc.);
Looking at all the potential ways for business growth, we see that the entrepreneurial business of the mentioned example, however much it grows, will always be in the sphere of a small business, since this growth will never be such that exceeds the level of covering costs and achieving small profits.



SCALABLE STARTUP ENTREPRENEURSHIP | This is the concept of entrepreneurship which is mostly used in the field of innovation, and is the most common in the IT sector. The characteristic of this concept is, on the one hand, the potential of a fast-growing startup to attract a large number of investors to new business ideas, and, on the other hand, to acquire a large number of users in a short time and to achieve rapid growth in business volume. Fast-growing startups are founded by entrepreneurs with a business idea and the intention to provide funding opportunities for investors investing in risky activities as soon as possible. In this way, an entrepreneur sells (a larger) share in the business, and becomes a minority owner who manages the job, because the idea remains one of his/her own. Investors are individuals and firms that invest their surplus into risky business. Their logic is that a business that has prospective is bought at the beginning, at a low price, and when it grows, makes a quick and big profit. They are also referred to as business angels or venture capitalists. The invested capital is used to achieve fast growth of business through investments in technological solutions, business processes, product, design and marketing, sales channels, etc.

Example: Serbian IT company NORDEUS is an example of a fast-growing startup. NORDEUS produces video games and the creator is one of the 10 most popular games on Facebook's Top Eleven. This game has become profitable already after 3 weeks on Facebook, and today the company brings the annual profit of 75 million USD⁴.

LARGE COMPANY ENTREPRENEURSHIP | This concept is based on large capital. An entrepreneur buys medium and large business systems by investing heavily in new products and services, re-branding, introducing new management and business systems, and so on. One of the most famous and successful entrepreneurs of a big business is Richard Branson, the owner of Virgin Group, which has more than 400 different companies around the world.

⁴ Blic, 15.08.2018.

SOCIAL ENTREPRENEURSHIP | This is the concept of entrepreneurship which in its focus does not have profit, but to satisfy a certain social need. This can be the provision of employment and regular monthly income for persons belonging to hard-to-employ categories, for example persons with disabilities. Of course, profit is also important, because without profit there is no salary, but profit is not the primary goal of a social enterprise existence. Social enterprises have adopted affirmative and incentive support measures in many countries due to the social mission they have. Such measures may be, for example, additional points that a social enterprise receives in a competition for the purchase of goods or services that make their offer more competitive, then tax benefits that facilitate the employment of hard-to-employ people, or benefits for the purchase of raw materials or a lower profit tax.



Question for discussion:

Which entrepreneurship concept seems more appealing to you and why?

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