

Lesson 1 - What Is Entrepreneurship?

Overview:

The word *entrepreneur* derives from the French words *entre*, meaning “between,” and *prendre*, meaning “to take.” The word was originally used to describe people who “take on the risk” between buyers and sellers or who “undertake” a task such as starting a new venture. Inventors and entrepreneurs differ from each other. An inventor creates something new. An entrepreneur assembles and then integrates all the resources needed—the money, the people, the business model, the strategy, and the risk-bearing ability—to transform the invention into a viable business.

Lesson/Learning Objectives:

After successful Completion of this module, you should be able to:

- Describe entrepreneurship
- Identify who an entrepreneur is
- Describe how entrepreneurship is beneficial to the economy

Course Materials:

What is meant by entrepreneurship? The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Many simply equate it with starting one’s own business. Most economists believe it is more than that.

To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur’s role as an innovator who markets his innovation. Still other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

In the 20th century, economist Joseph Schumpeter (1883-1950) focused on how the entrepreneur’s drive for innovation and improvement creates upheaval and change. Schumpeter viewed entrepreneurship as a force of “creative destruction.” The entrepreneur carries out “new combinations,” thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them.

Business expert Peter Drucker (1909-2005) took this idea further, describing the entrepreneur as someone who actually searches for change, responds to it, and exploits change as an opportunity. A quick look at changes in communications—from typewriters to personal computers to the Internet—illustrates these ideas.

Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world, successful small businesses are the primary engines of job creation, income growth, and poverty reduction. Therefore, government support for entrepreneurship is a crucial strategy for economic development.

As the Business and Industry Advisory Committee to the Organization for Economic Cooperation and Development (OECD) said in 2003, “Policies to foster entrepreneurship are essential to job creation and economic growth.” Government officials can provide incentives that encourage entrepreneurs to risk attempting new ventures. Among these are laws to enforce property rights and to encourage a competitive market system.

The culture of a community also may influence how much entrepreneurship there is within it. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding personally. A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship. A culture or policy that accords high status to the “self-made” individual is more likely to encourage entrepreneurship.

Watch:

- Who Is An Entrepreneur? (<https://www.youtube.com/watch?v=GWgDx433Th8>)
- What is Entrepreneurship? (<https://www.youtube.com/watch?v=wbQDeP5w7C4>)

Read:

Chp. 1 - Introduction to Entrepreneurship,
Entrepreneurship: Successfully Launching New Ventures
by Bruce R. Barringer and R. Duane Ireland

Activities/Assessments:

1. Imagine that you’re the dean of your college and you’ve suggested that more entrepreneurship courses be taught throughout your college’s curriculum. You’re getting resistance from some professors who think that entrepreneurship is a fad. Make the argument that entrepreneurship isn’t a fad and is an extremely important topic.
2. People are sometimes puzzled by the fact that entrepreneurs who have made millions of dollars still put in 60- to 80-hour weeks helping their companies innovate and grow. After reading the chapter, why do you think millionaire and multimillionaire entrepreneurs still get up and go to work every day? If you were one of these entrepreneurs, do you think you would feel the same way? Why or why not?

3. Identify a successful entrepreneur that you admire and respect. (It can be someone that is nationally prominent or someone you know personally, such as a family member or a friend.) Briefly describe the person you identified, the company that he or she started, and the manner in which the individual exemplifies one or more of the four characteristics of a successful entrepreneur.