

15) ICT in enterprise Management	<ul style="list-style-type: none"> <li>• Definition of terms</li> <li>• Benefits of ICT</li> <li>• Uses of ICT Equipment</li> </ul>
16) Emerging trends and issues in entrepreneurship	<ul style="list-style-type: none"> <li>• Emerging issues and trends</li> <li>• Challenges posed by emerging issues and trends</li> <li>• Ways of managing challenges posed by emerging issues and trends.</li> </ul>

## INTRODUCTION TO ENTREPRENEURSHIP

### Definition of Terms

#### Definition of an entrepreneur

- ✓ An entrepreneur is a person who identifies a business opportunity, harnesses and obtains the resources necessary to initiate a successful business activity.
- ✓ The entrepreneur implements the idea
- ✓ Undertakes to operate the business
- ✓ An entrepreneur is therefore a central key individual in the society who makes things happens for economic development.

#### Entrepreneurship meaning

- ✓ In the broader sense entrepreneurship refers to the means of stimulating innovative and creative undertakings for a better business community or world.
- ✓ The act or process of identifying business opportunities and gathering the necessary resources to initiate a successful business activity.
- ✓ Entrepreneurship is a French word meaning to undertake and focuses on a business enterprise
- ✓ Entrepreneurship can exist in any situation – therefore it is the creation of values through establishing a business enterprise.
- ✓ Entrepreneurship means having an idea of one's own and trying to implement the idea to create values on it.
- ✓ Entrepreneurship is a term which encompasses what entrepreneurs do i.e
  - Identifying a business opportunity of a particular demand
  - Look at the opportunity as a process of creating, something that did not exist.
  - Constantly searching/ harnessing ones environment and resources to implement the activities.
  - Creating a totally new product and using it in as new.
- ✓ Entrepreneurship there is the practice of starting a new business or revitalizing existing businesses in response to identifying opportunities.

## Self-Employment

- ✓ Working independently and earning a living from it.
- ✓ This is a concept that arises when the entrepreneur relies on revenues from his business as a source of income
- ✓ What is Unemployment? Advantages and disadvantages of Self Employment?
- ✓ What is Salaried Employment? Advantages and Disadvantages of Salaried employment? Enterprise
- ✓ A business undertaking by an individual for the purpose of making a profit.

## Factors impeding the growth of Entrepreneurship

- ✓ High Taxation Levels
- ✓ Corruption and Official Harassment
- ✓ Unregulated competition from outside countries
- ✓ Decline in personal incomes
- ✓ The high cost of finance
- ✓ Lack of entrepreneurial culture
- ✓ Poor transport and communication networks
- ✓ Lack of skills and knowledge
- ✓ Explain the distinctions between an Entrepreneur and a Manager

## Contribution of Entrepreneurship to National Development

- ✦ The economic growth, the improved quality of life, the equitable distribution of resources and the capacity of the economy to deal with economic, social and environmental development.
- ✦ Main objectives of national development include:
  - Provide basic needs to every citizen:- food, shelter, health, security, education, clothing
  - Elimination / Reduction of poverty: reduce rural-urban migration □ Provision of opportunities for employment and personal advancement
  - Trying to narrow the income differences between the rich and the poor.
- i) Employment Creation:
- ii) Promotion of National Productivity: This is through production of goods and services within the country and therefore they contribute to the Gross Domestic Product (GDP)
- iii) Raising Standards of Living: It's measured by the capacity of people of a country to buy goods and services. Entrepreneurs contribute by employing people and giving them salaries or wages to buy their necessities.
- iv) Conservation of foreign Exchange: Entrepreneurs produce goods and services that are needed by people and reduction in importing those goods and hence the government saves foreign exchange.
- v) Export Promotion: Entrepreneurs who produce goods and services for export earn
- vi) Conservation Agent: Entrepreneurs can contribute to conservation and utilization of resources e.g. manufacturing a Jiko that uses sawdust instead of wood charcoal
- vii) Rural development which in effect.

- ✓ Promotes change to the formal sector from informal sector ✓ Equitable development
- ✓ Reduced rural-urban migrations.
- viii) Development of technology through
  - ✓ establishment of research institutions ii) education systems
- ix) Government revenue
  - ✓ Through taxes. From domestic borrowing (TBs)
- x) Facilitating community development through
  - ✓ Establishment of small businesses ii) Participation in community dev. Projects
  - xi) Providing a positive role model and facilitating.
  - ✓ Competition between domestic entrepreneurship and imported ✓ Stimulating dev. Of entrepreneurship.
- xii) Reducing dependence on imported goods and services.
- xiii) Stimulates competition through
  - ✓ Quality production methods are adopted
  - ✓ Quality products are produced
  - ✓ Variety goods and services are produced.
- xiv) Facilitated development of the financial sector through which;
  - ✓ Capital accumulation is possible through savings
  - ✓ Loaning is facilitated
  - ✓ Development of the capital market.

### **Entrepreneurship**

- i) Entrepreneurship looks at particular individuals in a business set-up. It operates in large business or organization which is business minded to make profit.
- ii) Entrepreneurs operate autonomously for the welfare of the organization.
- iii) The term Intra – refers to within – therefore Entrepreneurship is a process whereby an individual or group within a large organization creates something new or different to maximize on the available opportunities to that organization. iv) Intra can therefore be equated to intra within the context of a large organization where the workers are a leeway to be creative or innovative on their own.
- v) They become competitive, socially and economically the idea is to allow individuals within the organization to act and think independently.

### **Entrepreneurial Behavior**

- ✦ Several theories have been developed to explain why entrepreneurs behave the way they do.
- ✦ There has been debate on whether entrepreneurs are born or made
- ✦ Born-hereditary, made-entrepreneurs are environmental influenced by where they are born.
- ✦ These are;
  - i) **Economic**
    - ✓ The theory explains entrepreneurial behavior as influenced by economic factors through which.

- a) It is possible to introduce new methods
- b) It is possible to find new sources of materials
- c) It is possible to open new markets

- ✓ The economic perspective is important since they create enabling environment for the entrepreneur to combine the factors of production.

## **ii) Psychological factors**

- ✓ The theory states that entrepreneurs have unique values, attitudes and needs within which drive them.
- ✓ It is mostly concerned with personality traits as the main determinants of entrepreneurial behavior
- ✓ People are likely to become entrepreneurs because of high liking of say.
  - a) Independence
  - b) Attitude
  - c) Need to satisfy certain needs.

## **iii) Sociological factors**

- ✓ Maintains that environmental factors such as beliefs, culture, social structures determine entrepreneurial behavior.

## **iv) Management factors**

- ✓ Emphasizes on the organization of resources in a specific way to attain profits
- ✓ Leadership impacts on behavior and facilitates pioneership, achieving of goals and provides vision.

## **The Functions of an Entrepreneur**

- i) The bearing of uncertainty is the primary function of the entrepreneur i.e losses or profits.
- ii) The management of the business enterprise ie can delegate iii) Provision of risk capital and invention.
- iv) Identifying gaps in the market and turning such gaps to business opportunities i.e to initiate a business.
- v) Financing the businesses, through raising and mobilizing the necessary resources to exploit opportunity.
- vi) Searching for business opportunities through environmental scans. vii) Mobilization of resources needed to start and run a business e.g. from
  - a) Personal savings
  - b) Friends & relatives
  - c) Financial institutions e.t.c
- viii) Evaluation of business opportunities to access viability and any other benefits that might accrue to the business.
- ix) Provide the necessary leadership for the business and those working in it.

## **Advantages of Entrepreneurship**

- i.) Financial gains
- ii.) Self-employment which leads to job satisfaction and flexibility
- iii.) Provide job opportunities to the unemployed or those seeking better jobs.
- iv.) A means of opening up new industries especially in the rural areas - facilitating globalization
- v.) A source of generating income and increased economic growth.
- vi.) Facilitates competition encouraging high quality products
- vii.) Facilitates production of more goods and services
- viii.) Leads to the development of newer markets
- ix.) Promotes use of modern technology in especially small- scale manufacturing to enhance higher productivity

### **Drawbacks of entrepreneurship**

#### **a) Challenges of a being an entrepreneur**

- ✦ long working hours
- ✦ poor pay
- ✦ unclear future
- ✦ fear of losing all that has been invested
- ✦ bankruptcies and closure

#### **b) Other challenges**

- ✦ Fear of delegating
- ✦ the problem do it yourself and know it all
- ✦ competition by established business
- ✦ lack of funds especially before break even
- ✦ Mis- management by employees

### **Promotion of Entrepreneurship**

- ✓ Integrating entrepreneurship into the education system
- ✓ Registration to encourage risk taking
- ✓ National companies to promote entrepreneurship
- ✓ Support of entrepreneurs through friendly loans at the appropriate time.

## **2. EVOLUTION OF ENTREPRENEURSHIP**

### **The Evolution of Entrepreneurship in Kenya**

- ✓ Interest in the development of entrepreneurship and small enterprise in Kenya gained momentum as a possible remedy to the stagnation of economic development and the escalating unemployment problem between the early 1960 and 1970s
- ✓ Although there were attempts by the government to develop entrepreneurship, the main impetus came from the international labor organization (ILO) report.
- ✓ The report centered on the potential of the informal sector and suggested that the bulk of Kenya's urban workers were self-employed in small enterprises.
- ✓ The report proposed that the development of this sector could;

- i.Promote employment development
- ii.Facilitate equitable distribution of resources.
- iii.Facilitate

- ✓ Based on this report the government responded with a seasonal paper in 1973 – which recognized the role of entrepreneurship in employment creation not just in the informal sector but also in the formal sector.
- ✓ Subsequent development plans have devoted time to the development of strategies and to promote small-scale enterprises and entrepreneurs which include.
  - The industrial estate programme
  - Establishment of development agents e.g ICDC and KIE
  - Policy and institutional framework to promote entrepreneurs.
  - Promoting indigenous Kenyan enterprises.

### **Economic, Social and Political Factors Affecting Entrepreneurial Development**

#### **a)High taxation levels.** For business and personal incomes

- ✓ Which in effect reduce profits earned making it un-attractive to engage in business
- ✓Taxation of raw materials and other inputs raise production costs.

#### **b) Corruption and official harassment**

- ✓ Occurs where entrepreneurs are forced to bribe officials in various government departments to allow operation or start up.
- ✓ Raids under one pretext or another which tends to be very harassing.

#### **c) Unregulated competition from the outside world due.**

- ✓ Liberalization which opened importation competing locally produced goods.

#### **d) Declining personal incomes of people due to**

- ✓ Over-increasing cost of living
- ✓ Arise in unemployment

#### **e) The high cost of finance**

- ✓ The cost of borrowing is high
- ✓ Business collapses because they lack ability to repay loans.

#### **f) Lack of necessary skills and knowledge due to**

- ✓ lack of training opportunities
- ✓ high education costs

#### **g) Poor transport and communication network**

- ✓ making business difficult
- ✓ Inconveniencing consumers
- ✓ High energy costs
- ✓ Lack of entrepreneurial culture

### **Myths Associated with Entrepreneurship**

- 1) Entrepreneurs are doers not thinkers: Although it is true entrepreneurs tend towards action, they are also thinkers.
- 2) Entrepreneurs are born not made: The idea that the characteristics of entrepreneurs cannot be taught or learned, that they have innate trait, has long been prevalent. Today, however, the recognition of entrepreneurship as a discipline is helping to dispel the myth.

- 3) Entrepreneurs are always inventors: entrepreneurship covers more than just invention. It requires a complete understanding of innovative behavior in all forms.
- 4) Entrepreneurs are academic and social misfits. The belief that entrepreneurs are academically and socially ineffective is as a result of some business owners having started successful enterprise after dropping out of school or quitting a job. Today the entrepreneur is considered a hero socially, economically and academically and no longer misfit.
- 5) Entrepreneurs must fit the profile many books and articles have presented checklist of characteristics of a successful entrepreneur. Today we realize that a standard entrepreneurial profile
- 6) All entrepreneurs need to run a business successful is money: Many business fail because of managerial incompetence, lack of financial understanding, poor planning etc. To many entrepreneurs money is a source but not an end in itself.
- 7) All entrepreneurs need is luck. Being at “the right place at the right time” is always an advantage. But luck happens when preparation meets opportunity as an equally appropriate advantage. Prepared entrepreneurs who seize the opportunity when it arises often seem “Lucky” they are in fact simply better prepared to deal with situations and turn them into success. What appears to be luck really is preparation, determination, desire, knowledge and innovativeness?
- 8) Entrepreneurs must fail; in fact failure can teach many lessons to those willing to learn and often leads to future successes.
- 9) Entrepreneurs are extremely risk takers (Gamblers). Entrepreneur is usually working on a moderate or calculated risk.
- 10) It takes a lot of money to start a business. This is false because it is all about using the little resources to make the most out of it.
- 11) Those who make it are those with rich backups. You can start from scratch with no special favors or advantages and succeed
- 12) Some people go about thinking that banks do not lend to those who wish to start up businesses.
- 13) Those who start business, do so in very attractive industries
- 14) All entrepreneurs are rich and have financial success
- 15) Starting a business is easy. It is difficult and getting it running takes a lot.

### **Theories of entrepreneurship**

The theories that explain entrepreneurship include:

- a) Psychological Theory
- b) Motivational Theory
- c) Sociological Theory
- d) Economic Theory
- e) The Resource Based Theory
- f) Competence Based Theory

g) Heterogeneous Demand Theory

**Psychological theory**

- The focus is that entrepreneurs have unique values, attitudes and need which drive them.
- People's behavior results from their attempts to satisfy their unique needs and values.
- The psychological school focuses on personality factors believing that entrepreneurs have unique values and attitudes towards work and life.
- Among the most frequent traits of entrepreneurs include the Need for achievement, Locus of Control and Risk taking propensity.

**Motivational Theory**

- Motivation is that which causes you to behave in the way you behave i.e. the why of behavior
- Entrepreneurial motivation is those factors and forces or events that energizes an individual, his desires and the needs to go into and sustain a business venture.
- Types of motivation; i) Internal Motivation Factors ii) External Motivation Factors
- Internal Motivations and Drives
  - ✓Refers to those personal traits and desires that induce a person to become an entrepreneur. Such motivations are;
    - i. Employment Creation Need.
    - ii. Need for independence or self-Reliance: iii.Need for Power:
    - iv.Need for Recognition:
    - v.Need for Security:
    - vi.Self-actualization need:

□External Motivations and Drives

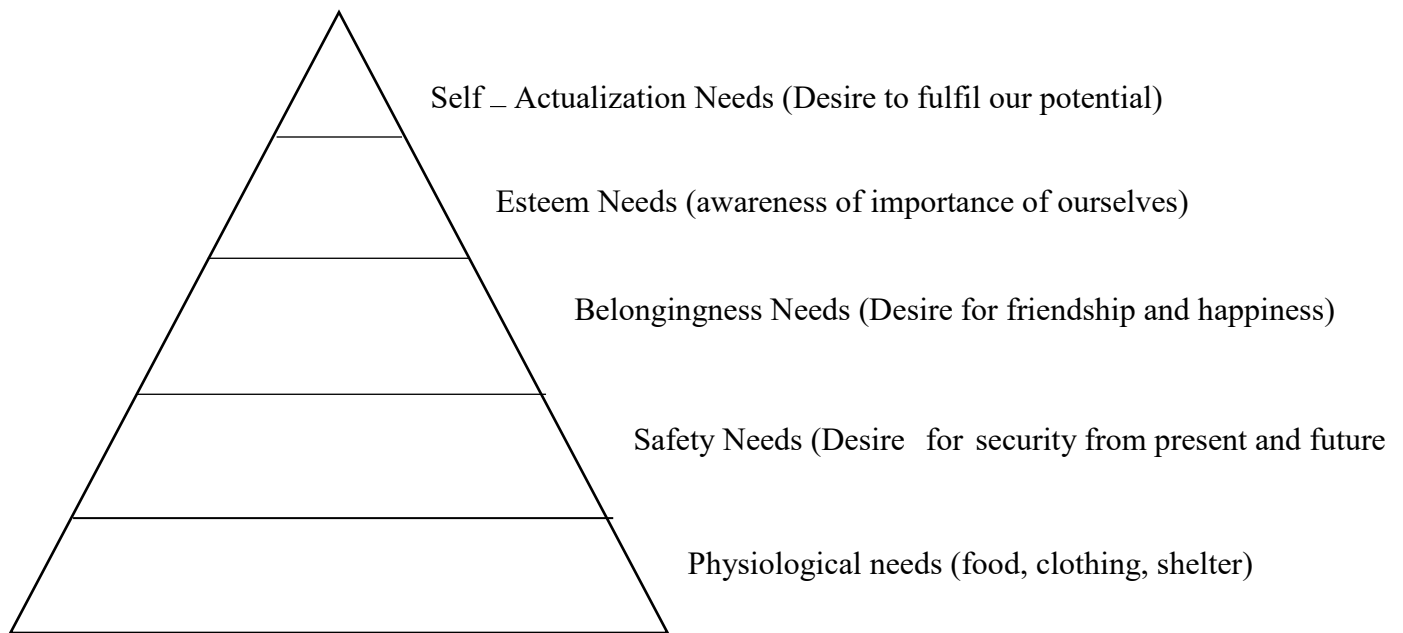
- i. Infrastructure:.
- ii. Credit Facilities: iii.Information Support iv.Pricing Policy v.Tax Policy vi.Legal Control vii.Political Climate viii.Technical Technology Assistance ix.Training Consultancy Assistance x.Friends Motivation

**Maslow's Need Theory**

Theory of human needs is identified with the psychologist Abraham Maslow. This theory is based on three specific assumptions:

1. The human beings are never satisfied. Their wants are determined by what they have. When people are hungry or thirsty, the quest for food or water influences how they behave. However if food and water is acquired, the same person will want something else, perhaps a safe place to live in or a social status.
2. A satisfied need does not cause behavior. Once people satisfy their need for safety, they are motivated by yet unsatisfied needs, not the ones – that are satisfied,
3. Human needs are arranged in hierarchy of importance. These needs range from low level biological (physiological) needs to such high level needs as self-actualization.





Discuss Impetus for entrepreneurship. Discuss factors that propel people to self-employment.

### **Factors Affecting Entrepreneurial Development**

#### **Political Factors**

- ✓ Political environment is concerned with the policies pursued by the government.

Components of political environment include; ○The political stability ○Political system e.g.

- i. Capitalism: whereby the means of production are owned by individuals. A capitalist is a wealthy merchant who uses his/her money to invest in trade for profit.
- ii. Socialist: means of production are owned by government
- iii. Market economy: whereby means of production are owned by government and individuals.

○Political climate being favorable ○Policies

pursued by the government: e.g.

- Changes in monetary and fiscal policy
- Policies concerning price and wage control
- Policies concerning nationalization

- ✓ Economic Factors: Concerned with factors that affect consumers purchasing power and spending patterns:

- Inflation: increase in prices of goods and services without a corresponding increase in output.