

Project Result Booklet



An entrepreneur is an individual who, rather than working as an employee, founds and runs a small business, assuming all the risks and rewards of the venture. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services and business/or procedures.

Entrepreneurs play a key role in any economy. These are the people who have the skills and initiative necessary to anticipate current and future needs and bring good new ideas to market. Entrepreneurs who prove to be successful in taking on the risks of a startup are rewarded with profits, fame and continued growth opportunities. Those who fail suffer losses and become less prevalent in the markets

Why are Entrepreneurs Important for the Economy?

In economist-speak, an entrepreneur acts as a coordinating agent in a capitalist economy. This coordination takes the form of resources being diverted towards new potential profit opportunities. The entrepreneur moves various resources, both tangible and intangible, promoting capital formation.

In a market full of uncertainty, it is the entrepreneur who can actually help clear up uncertainty, as he makes judgments or assumes risk. To the extent that capitalism is a dynamic profit-and-loss system, entrepreneurs drive efficient discovery and consistently reveal knowledge. Established firms face increased competition and challenges from entrepreneurs, which often spurs them towards research and development efforts as well. In technical economic terms, the entrepreneur disrupts course towards steady-state equilibrium.



BREAKING DOWN Entrepreneur

Entrepreneurship is one of the resources economists categorize as integral to production, the other three being land/natural resources, labor and capital. An entrepreneur combines the first three of these to manufacture goods or provide services. He or she typically creates a business plan, hires labor, acquires resources and financing, and provides leadership and management for the business.

Entrepreneurs commonly face many obstacles when building their companies. Three that many of them cite as the most challenging are: overcoming bureaucracy, hiring talent and obtaining financing.



Financing New Ventures

Given the riskiness of a new venture, the acquisition of capital funding is particularly challenging, and many entrepreneurs deal with it via bootstrapping: financing a business using methods such as using their own money, providing sweat equity to reduce labor costs, minimizing inventory and factoring receivables.

While some entrepreneurs are lone players struggling to get small businesses off the ground on a shoestring, others take on partners armed with greater access to capital and other resources. In these situations, new firms may acquire financing from venture capitalists, angel investors, hedge funds, crowdsourcing or through more traditional sources such as bank loans.



Definitions of Entrepreneurship

Economists have never had a consistent definition of "entrepreneur" or "entrepreneurship" (the word "entrepreneur" comes from the French verb *entreprendre*, meaning "to undertake"). Though the concept of an entrepreneur existed and was known for centuries, the classical and neoclassical economists left entrepreneurs out of their formal models: They assumed that perfect information would be known to fully rational actors, leaving no room for risk-taking or discovery. It wasn't until the middle of the 20th century that economists seriously attempted to incorporate entrepreneurship into their models.

Three thinkers were central to the inclusion of entrepreneurs: Joseph Schumpeter, Frank Knight and Israel Kirzner. Schumpeter suggested that entrepreneurs – not just companies – were responsible for the creation of new things in the search of profit. Knight focused on entrepreneurs as the bearers of uncertainty and believed they were responsible for risk premiums in financial markets. Kirzner thought of entrepreneurship as a process that led to discovery.

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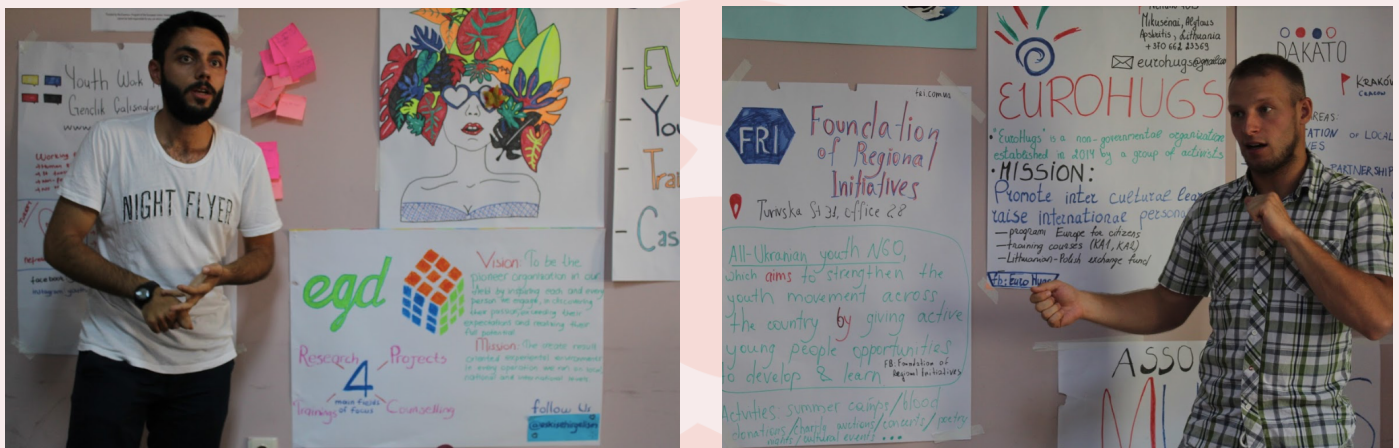


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How Entrepreneurs Help Economies and Countries

Nurturing entrepreneurship can have a positive impact on an economy and a society in several ways. For starters, entrepreneurs create new business. They invent goods and services, resulting in employment, and often create a ripple effect, resulting in more and more development. For example, after a few information technology companies began in India in the 1990s, businesses in associated industries, like call center operations and hardware providers, began to develop too, offering support services and products.

Entrepreneurs add to the gross national income. Existing businesses may remain confined to their markets and eventually hit an income ceiling. But new products or technologies create new markets, and new wealth. And increased employment and higher earnings contribute to a nation's tax base, enabling greater government spending on public projects.



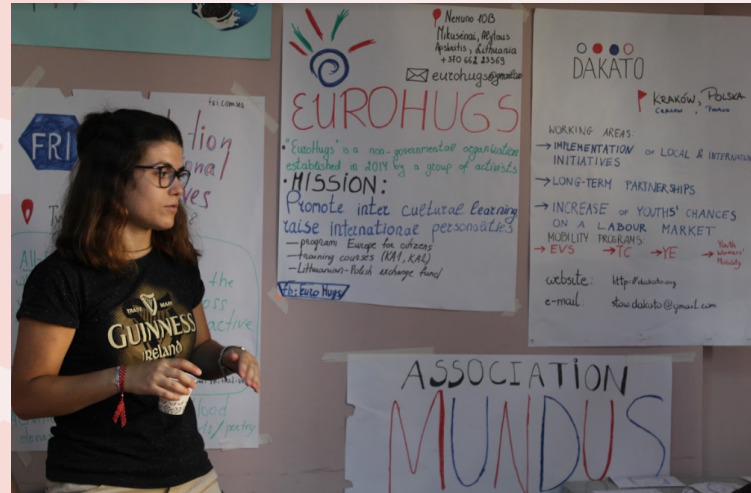
Entrepreneurs create social change. They break tradition with unique inventions that reduce dependence on existing methods and systems, sometimes rendering them obsolete. Smartphones and their apps, for example, have revolutionized work and play across the globe.

Entrepreneurs invest in community projects and help charities and other non-profit organizations, supporting causes beyond their own. Bill Gates, for example, has used his considerable wealth for education and public health initiatives.

Entrepreneurial Ecosystems

There is research that shows high levels of self-employment can stall economic development: Entrepreneurship, if not properly regulated, can lead to unfair market practices and corruption, and too many entrepreneurs can create income inequalities in society. Overall, though, entrepreneurship is a critical driver of innovation and economic growth. Therefore, fostering entrepreneurship is an important part of the economic growth strategies of many local and national governments around the world. To this end, governments commonly assist in the development of entrepreneurial ecosystems, which may include entrepreneurs themselves, government-sponsored assistance programs and venture capitalists; they may also include non-government organizations, such as entrepreneurs' associations, business incubators and education programs.

For example, California's Silicon Valley is often cited as an example of a well-functioning entrepreneurial ecosystem. The region has a well-developed venture capital base, a large pool of well-educated talent, especially in technical fields, and a wide range of government and non-government programs fostering new ventures and providing information and support to entrepreneurs.



Becoming an Entrepreneur

After retiring her professional dancing shoes, Judi Sheppard Missett taught dance class to civilians in order to earn some extra cash. But she soon learned that women who came to her studio were less interested in learning precise steps than they were in losing weight and toning up. Sheppard Missett then trained instructors to teach her routines to the masses, and Jazzercise was born. A franchise deal followed. Today, the company has more than 7,500 locations worldwide.



Following an ice cream-making correspondence course, Jerry Greenfield and Ben Cohen paired \$8,000 in savings with a \$4,000 loan, leased a Burlington, Vt., gas station and purchased equipment to create uniquely flavored ice cream for the local market. Twenty years later, Ben & Jerry's hauls in millions in annual revenue.

Although the "self-made man" (or woman) has always been a popular figure in American society, entrepreneurship has gotten greatly romanticized in the last few decades. In the 21st century, the example of internet companies like Alphabet, fka Google (GOOG) and Facebook (FB) – both of which have made their founders wildly wealthy – people are enamored with the idea of becoming entrepreneurs.



Unlike traditional professions, where there is often a defined path to follow, the road to entrepreneurship is mystifying to most. What works for one entrepreneur might not work for the next and vice versa. That said, there are five general steps that most, if not all, successful entrepreneurs have followed:

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2. Build a Diverse Skill Set

Once a person has strong finances, it is important to build a diverse set of skills and then apply those skills in the real world. The beauty of step two is it can be done concurrently with step one.

Building a skill set can be achieved through learning and trying new tasks in real-world settings. For example, if an aspiring entrepreneur has a background in finance, he can move into a sales role at his existing company to learn the soft skills necessary to be successful. Once a diverse skill set is built, it gives an entrepreneur a toolkit that he can rely on when he is faced with the inevitability of tough situations.



3. Consume Content Across Multiple Channels

As important as building a diverse skill set is, the need to consume a diverse array of content is equally so. This content can be in the form of podcasts, books, articles or lectures. The important thing is that the content, no matter the channel, should be varied in what it covers. An aspiring entrepreneur should always familiarize himself with the world around him so he can look at industries with a fresh perspective, giving him the ability to build a business around a specific sector.



4. Identify a Problem to Solve

Through the consumption of content across multiple channels, an aspiring entrepreneur is able to identify various problems to solve. One business adage dictates that a company's product or service needs to solve a specific pain point – either for another business or for a consumer group. Through the identification of a problem, an aspiring entrepreneur is able to build a business around solving that problem.

It is important to combine steps three and four so it is possible to identify a problem to solve by looking at various industries as an outsider. This often provides an aspiring entrepreneur with the ability to see a problem others might not.



5. Solve That Problem

Successful startups solve a specific pain point for other companies or for the public. This is known as "adding value within the problem." Only through adding value to a specific problem or pain point does an entrepreneur become successful.

Say, for example, you identify the process for making a dentist appointment is complicated for patients, and dentists are losing customers as a result. The value could be to build an online appointment system that makes it easier for to book appointments.

Take Your Passion and Make It Happen

What else do entrepreneurial success stories have in common? They invariably involve industrious people diving into things they're naturally passionate about.

Giving credence to the adage, “find a way to get paid for the job you'd do for free,” passion is arguably the most important component startup business owners must have, and every edge helps. While the prospect of becoming your own boss and raking in a fortune is alluring to entrepreneurial dreamers, the possible downside to hanging one's own shingle is vast. Income isn't guaranteed, employer-sponsored benefits go by the wayside, and when your business loses money, your personal assets can take a hit — not just a corporation's bottom line. But adhering to a few tried and true principals can go a long way in diffusing risk.



Getting Your Hands Dirty

When staring out, it's essential to personally handle sales and other customer interactions whenever possible. Direct client contact is the clearest path to obtaining honest feedback about what the target market likes and what you could be doing better. If it's not always practical to be the sole customer interface, entrepreneurs should train employees to invite customer comments as a matter of course. Not only does this make customers feel empowered, but happier clients are more likely to recommend businesses to others.

Personally answering phones is one of the most significant competitive edges home-based entrepreneurs hold over their larger competitors. In a time of high-tech backlash, where customers are frustrated with automated responses and touch-tone menus, hearing a human voice and is one sure-fire way to entice new customers and make existing ones feel appreciated — an important fact, given that some 80% of all business is generated from repeat customers.



Paradoxically, while customers value high-touch telephone access, they also expect a highly polished website. Even if your business isn't in a high-tech industry, entrepreneurs still must exploit internet technology to get their message across. A startup garage-based business can have a superior website than an established \$100 million company. Just make sure a live human being is on the other end of the phone number listed.

Knowing When to Change Course

Few successful businesses owners find perfect formulas straight out of the gate. On the contrary: ideas must morph over time. Whether tweaking product design or altering food items on a menu, finding the perfect sweet spot takes trial and error.

Starbucks Chairman and CEO Howard Schultz initially thought playing Italian opera music over store speakers would accentuate the Italian coffee-house experience he was attempting to replicate. But customers saw things differently, and didn't seem to like arias with their espressos. As a result, Schultz jettisoned the opera, and introduced comfortable chairs instead.

Shrewd Money Management

Through the heart of any successful news business venture beats the lifeblood of steady of cash flow — essential for purchasing inventory, paying rent, maintaining equipment and promoting the business. The key to staying in the black is rigorous bookkeeping of income versus expenses. And since most new businesses don't make a profit within the first year, by setting money aside for this contingency, entrepreneurs can help mitigate the risk of falling short of funds. Related to this, it's essential to keep personal and business costs separate, and never dip into business funds to cover the costs of daily living. Of course, it's important to pay yourself a realistic salary that allows you to cover essentials, but not much more — especially where investors are involved. Of course, such sacrifices can strain relationships with loved ones who may need to adjust to lower standards of living and endure worry over risking family assets. For this reason, entrepreneurs should communicate these issues well ahead of time, and make sure significant loved ones are spiritually on board.



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Source: <https://www.investopedia.com/terms/e/entrepreneur.asp>

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