



Anmiro Oy



# Entrepreneurship

This dia presentation has been developed and written by Dr. Jukka Kallio based on his experiences in start up training of nascent entrepreneurs and research work as to the business survival issues of new SMEs and self-employed persons.

Trainers in rural tourism business can exploit it in their training by showing this opening dia.

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# Entrepreneurship

Starting up a business  
and  
becoming an entrepreneur

Entrepreneurship = Being in business, and  
Growing and developing a  
business

# Introduction to entrepreneurship

- no universal definition of entrepreneurship
- creation of organizations, the carrying out of new combinations, the exploration of opportunities, the bearing of uncertainty, the bringing together of factors of production
- the creation of new organizations

# Introduction to entrepreneurship

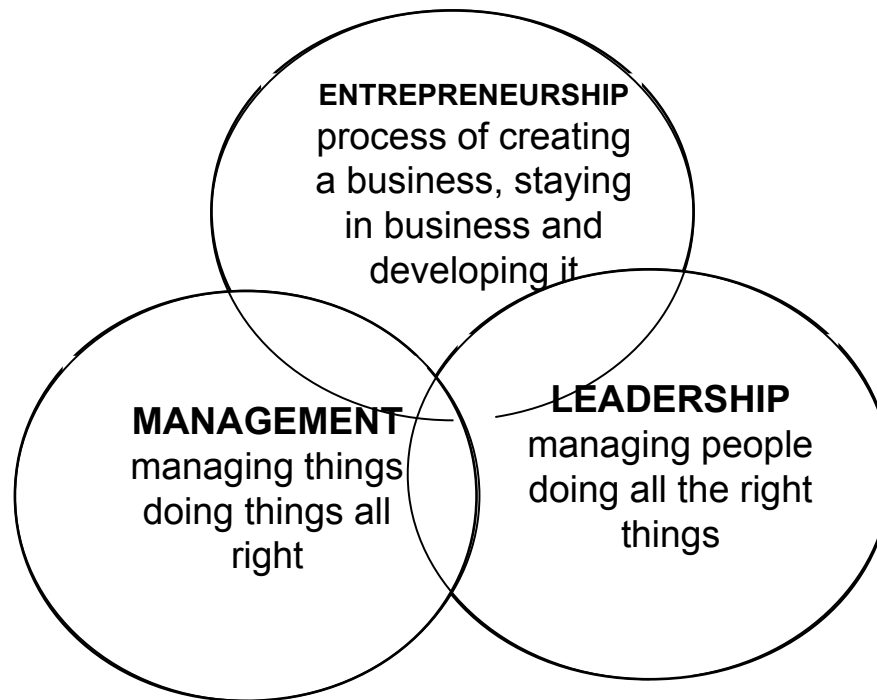
Entrepreneurship is the process of identifying, developing, and bringing a vision to life.

The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty.

# Why do individuals become entrepreneurs?

- need for approval
- need for independence
- need for personal development
- welfare considerations
- perceived instrumentality of wealth
- tax reduction and
- the following of role models

# Entrepreneurship, management and leadership



# Entrepreneurship, management and leadership

- Entrepreneurship: starting up a business but also being in business and growing and developing a business
- Management: process of setting and achieving the goals of the organization through the functions of management: planning, organizing, directing (or leading), and controlling
- Leadership is an interpersonal influence directed toward the achievement of a goal or goals

# Intrapreneurship

- Innovation: successful development of competitive advantage & the key to intrapreneurship
- Innovation:
  - introduction of a new good or quality
  - introduction of a new method of production,
  - opening of a new market,
  - conquest of a new source of supply of new materials or parts,
  - carrying out of the new organization of any industry
- Releasing entrepreneurial spirit within a corporation
- "Inside Entrepreneurs, in-house entrepreneurs"



# Business classifications

- business size definitions
- legal forms of businesses
- family businesses
- other classification of enterprises

# The typical small business

- Narrow product range (2-5)
- Operations in a regional market.
- A few major competitors (3) and more minor competitors (20)
- Mildly differentiated product
- Follows its rival's price
- Suffers a moderate degree of excess capacity
- Started up by using only personal finance
- Encounters cash-flow difficulties and has to take on new debt after inception

# Business size definition by EU

1. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million EUR, and/or an annual balance sheet total not exceeding EUR 43 million.
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# Business size definition by EU

3. Within the SME category, a small enterprise is defined as an enterprise which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

4. Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Source:

[http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

# Legal forms of businesses

sole trader, partnership, company, co-operative and community business

Two warnings must be presented here:

1. The legal form of an enterprise does not guarantee business survival and/or development. However, on a certain phase of a business life cycle, a chosen legal form may bring tax benefit than another form.
2. There might be differences in legal forms within the EU-countries.

# Family firms

- mainly defined by the ownership structure, e.g. more than half of the voting shares are owned by one family
- institution of family enterprise is strongly embedded in particular socio-cultural settings, such as the Mediterranean zone, Latin America and China
- in these settings the issue of promoting citizens' interests resides mostly in their families. Consequently, the family constitutes the primary nucleus of social life, encompassing also economic activity

# Franchising

- When individual buys a franchise, he/she will become self-employed
- Operating a franchise, however, is often completely and fully specified in the franchise agreement
- Little if any opportunity to be creative and entrepreneurial
- Franchisees are not autonomous such as an independent small businesses owned by an entrepreneur or entrepreneur's family
- Special mode of entrepreneurship and a growing phenomenon

# Other business classifications

- new and small firms are not homogeneous: differences depend e.g., on business idea, industrial vs service enterprise, share economy business, e-marketing businesses
- female entrepreneurs
- Not high flyers', but 'sinkers', 'trundlers' or 'economic laggards' craft, manufacture, service, technology, or agricultural firms



# Other business classifications

- craft, manufacture, service, technology, or agricultural firms
- differences which may occur between businesses located in town and those which are located in rural areas
- rural area firms have the following problems:
  - A sense of isolation, both from other entrepreneurs and from the larger business and political community
  - Lack of access to capital
  - Difficulties in accessing outside resources and support services
  - Need for more training and education programs tailored for them

# Decision making of male and female entrepreneurs

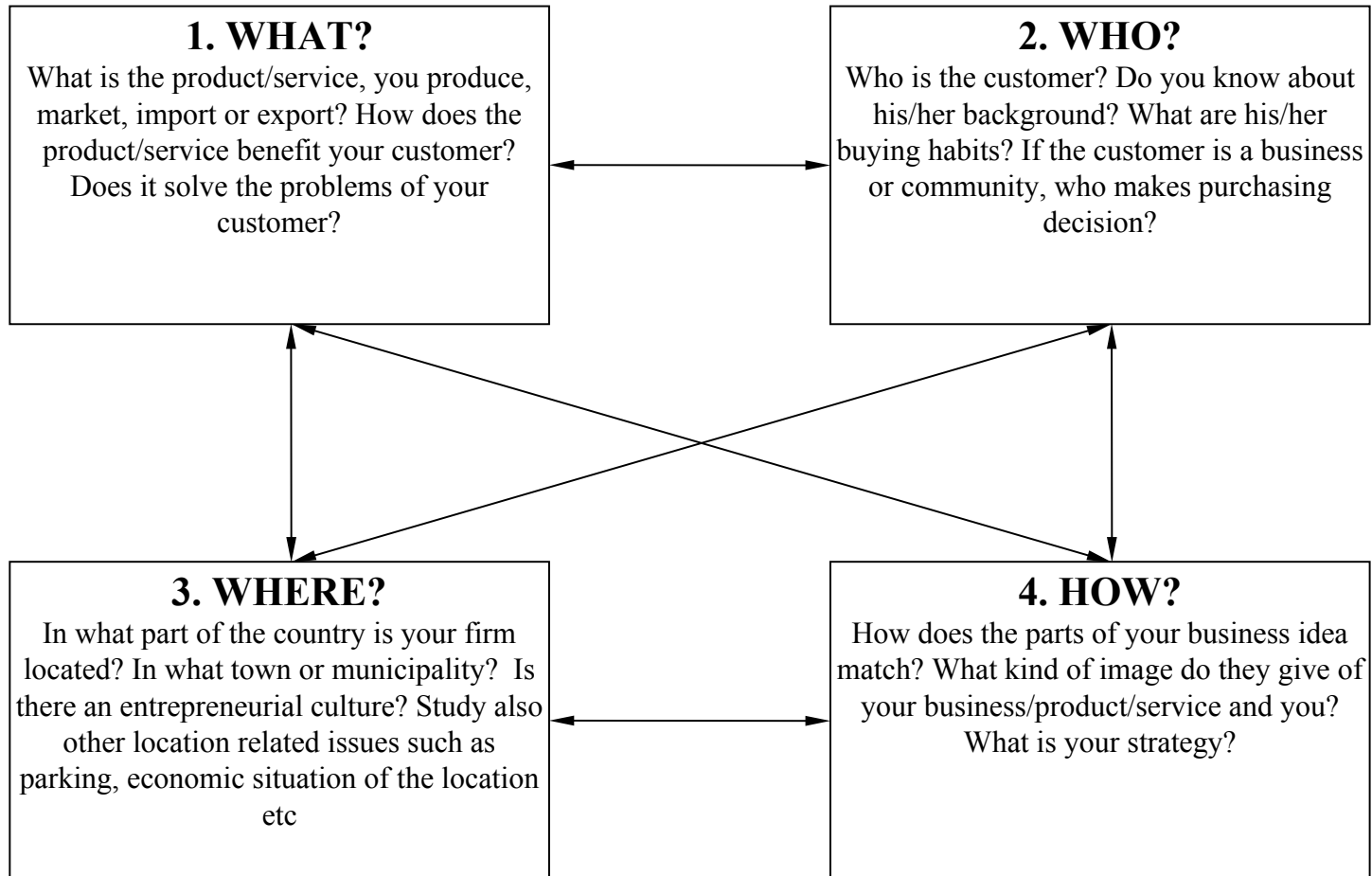
Male Entrepreneurs	Female Entrepreneurs
Decision making easy	Difficulty in making decisions
Business focused on economy and cost	Business focused on making social contribution and quality
Willing to take financial risk	More conservative when it comes to financial risk
Task oriented managers	Focus on good relationships with employees
Business manufacturing and construction	Business small retail and service orientation

# Business creation formula

Business creation =

- new business idea
- + entrepreneurial know-how
- + entrepreneurial know-who

# Considering the business idea



## Common foundation of business ideas

FORM OR APPROACH	PLATFORM	SPRINGBOARD
Turning a hobby into a business	Long-standing passion	Personal connections
Becoming a professional consultant/trainer	Specialised knowledge	Professional contacts
Acquiring an existing business	Managerial and marketing skills	Financial resources
Taking on a franchise	Organisational ability	Financial and marketing resources
Creating a business of your own	Enterprising spirit	Market place
Matching personal and market potential	Personal knowledge and potential	Knowledge and potential of yourself and others
Developing your vision	Personal charisma and inspiration	Economic and social need/potential

# Needs of the new small enterprise

- Capital
- To be close to family
- Customers
- Suppliers
- Employees
- Premises
- Company formation – business legal form, name, stationery, management procedures
- Management skills – provided externally (consultants or start-up trainers) or internally (start-up or other relevant training)
- Information and advice
- Confidence

## Framework for describing new firm

- 1) entrepreneur involved in starting a new firm
- 2) organisational form of the started firm
- 3) environment- the situation surrounding and influencing the new firm
- 4) new firm process or actions undertaken by the entrepreneur to start the firm

# Phases of business development

Why business life cycle models?

guide for entrepreneurs as they manage their enterprises through years of existence

theoretical framework for investigating the development of a micro business

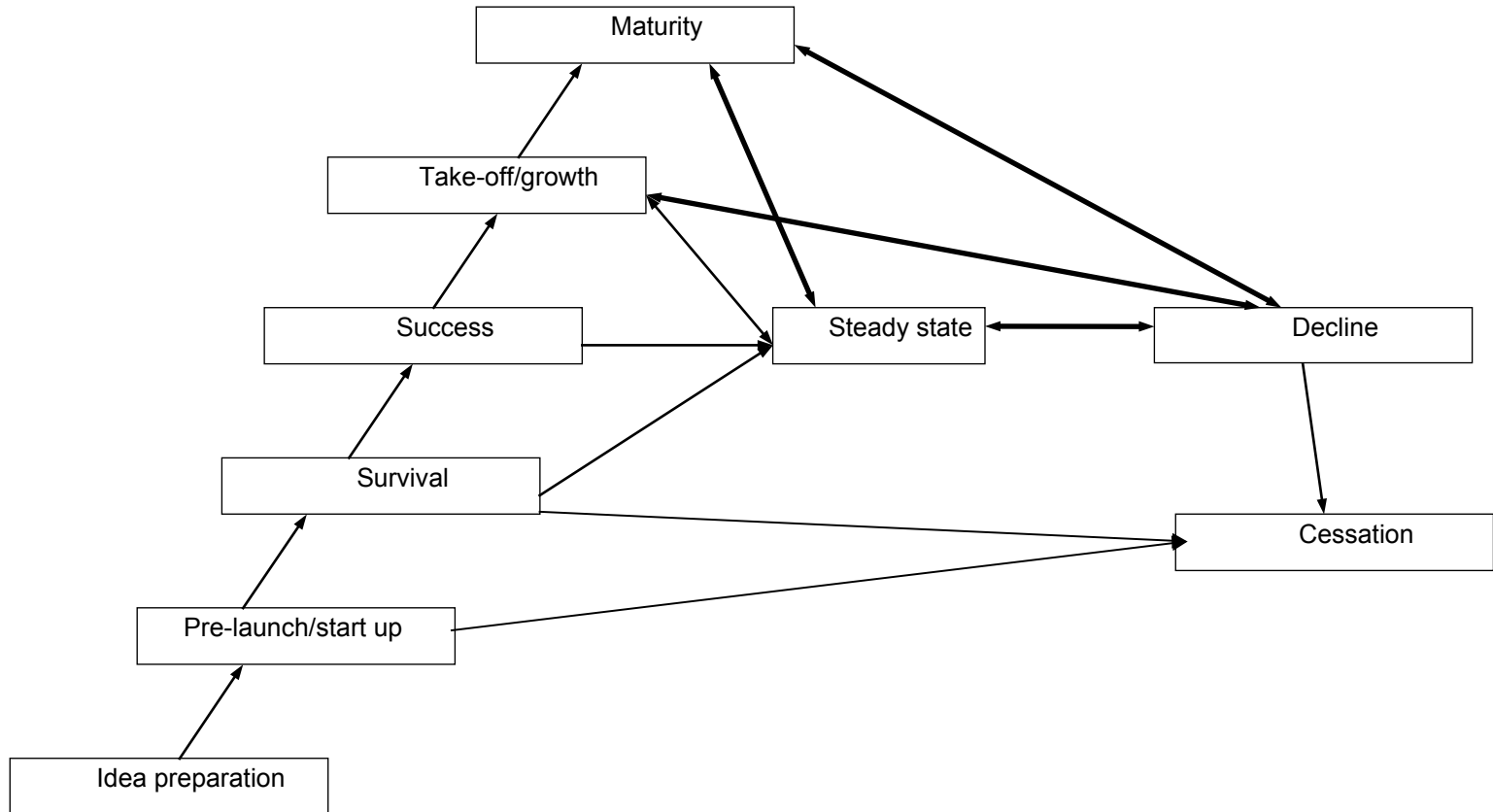
six phases: pre-launch/start-up, survival, success,

take off, maturity/institutional and

decline/cessation



# Phases of business development



# Problems facing new small firms

- 1) Inadequacy of the capital stock
- 2) A manager's perception of the financial needs was limited to the first year only
- 3) Labour problems
- 4) Managing market extension (markets were either expanding too quickly or too limited)
- 5) A permanent lack of cash and working capital

## **Liability of smallness and newness**

smaller and new enterprises are faced with higher dissolution and failure rates than large businesses:

- 1) costs of learning new tasks
- 2) the necessity to invent new roles and the conflicts such roles present
- 3) the absence of formal structures
- 4) the lack of stable links with clients

# Start-up training

- 1) Why politicians want to support entrepreneurship training
- 2) Model start-up training programme content
- 3) Does start-up training programme encourages the survival of independent micro firms owned by participants
- 4) General evaluation of start-up training programmes

# Start-up training supported by politicians

provide programmes to encourage unemployed individuals who plan to start a business on their own

governmental support activities have also had their drawbacks:

- funding and training largely for those who would have become self-employed anyway
- new supported self-employed people and/or their firms may have caused displacement
- not create enough jobs because too many of them were one-person-businesses
- more successful in assisting service businesses than high-tech ventures or, for that matter, manufacturing firms
- greatest beneficiaries are wealthy individuals more interested in a handy tax shelter than in a thriving enterprise culture

# Start-up training course model 1(3)

## **Module 1 Deciding on a business**

This module will provide a student with a way to study own strengths and weaknesses as well as business idea

## **Module 2 Business Plan**

This key ingredient for a successful business is too often not very well planned. This module will show to a student how to create his/her own individualized business plan and provide the tools to make it easy.

## **Module 3 Communication and Computer Literacy**

Communication is necessary to any business success. Here the trainer will review basic communication and equipment aspects of business

## **Module 4 Legal form of a business**

This module will clearly spell out options for deciding the form of business that is right for a nascent entrepreneur.

## **Module 5 Insurance**

This module will explain in simple terms the various forms of insurance a nascent entrepreneur will need and explain the importance of each of them.

# Start-up training course model 2(3)

## **Module 6 Location and leasing**

Even a good business idea can be crippled by a poor location or a poorly negotiated lease. A nascent entrepreneur should learn how to create his/her own site model and the important aspects of a lease agreement.

## **Module 7 Accounting and Cash Flow**

Before starting a business, a nascent entrepreneur should learn how to keep basic accounting and how to maintain cash in a bank account (cash flow control).

## **Module 8 How to Finance A Business**

Nascent entrepreneurs will learn how to locate, negotiate and maintain sources of money to get a business started and help how to expand a business.

## **Module 9 E-Commerce**

E-Commerce is the fastest growing segment in many economies. It allows even the smallest business to reach a global audience with its product or message with minimal cost.

# Start-up training course model 3(3)

## **Module 10 Buying an existing business or franchise**

Nascent entrepreneurs will learn how to make objective decisions when considering the purchase of a business or a franchise and how to evaluate how much a nascent entrepreneur should pay.

## **Module 11 Opening and Marketing**

Nascent entrepreneurs should be furnished with check-off lists to maximize his/her marketing results and avoid the most common mistakes made in opening a business.

## **Module 12 Expanding and Handling Problems**

A growing business needs to have appropriate expansion policies in place, plans to motivate key employees and know-how in handling common business problems.

## **Module 13 Internationalisation**

Finding overseas markets or suppliers and dealing with shipping complexities are only two of the challenges facing small firms seeking to participate in international trade.

Entrepreneurs should be cautioned that international trade involves many complexities above and beyond the basic disciplines necessary for operating a domestic business.



## **Evaluating start-up training courses**

### **contribute to business births and through them to create new jobs**

how many of the participants have actually started a business  
did a new business (founded by a programme participant) create full-time employment, at least for the founder

### **provide programme participants with the tools, which can help their business to survive**

business survival, growth in employment and turnover  
and the personal satisfaction of being self-employed

# Considering entrance requirements

- 1) Entrepreneurial characteristics or psychological traits (e.g. need for approval and need for independence)
- 2) Human capital factors
- 3) Family factors (monitoring what kind of family support may be available; emotional, organisational, financial)
- 4) Available monetary resources
- 5) Business idea
- 6) Business characteristics (e.g. location, industry, business autonomy issues such as subcontracting or franchising)
- 7) Networking issues