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Pearson BTEC Level 4 Higher Nationals in Business (RQF)

Unit 9: A1

Entrepreneurship and Small Business Management Information Pack

in a series of 2 for this unit

Learning Outcome 1&2

INTRODUCTION

This unit provides students with an understanding of the definition and scope of entrepreneurship and an understanding of the enablers and barriers to business start-up. Students will learn about the influence of national culture and economy on entrepreneurship and will explore the personal characteristics of entrepreneurs and the impact of personal situational factors, including education and background. Students will also learn about the role and importance of small firms to the economy, and about social enterprise and the social economy. Students will also be expected to understand the balance of risk and reward in starting a new venture and they will investigate and reflect on their own entrepreneurial and enterprising characteristics. Examples of entrepreneurs and start-up organisations will be discussed, and students will be expected to draw on local, personal and general knowledge together with their learning to be able to identify the characteristics of entrepreneurial ventures.

This information pack is designed to give you the information and guidance that you will need to complete your assignments for this unit. This information pack will look at the first 2 learning outcomes which make up assignment 1, these being.

1. *Explore and illustrate the range of venture types that might be considered entrepreneurial.*
2. *Assess the impact of small business on the economy.*

Information Pack

Explore and Illustrate the range of venture types that might be considered entrepreneurial

Scoping and Defining Entrepreneurship

What Is Entrepreneurship?

There is no universal consensus on defining entrepreneurship. Enormous number of definitions has been forwarded by the researchers in the recent academic studies on the area of entrepreneurship. Even though defining entrepreneurship has occupied the scholars for years, yet there is lack of consensus on its exact meaning. This lack of consistent definition of the term entrepreneurship has been a challenge to the researches in the field (P.J. Peverelli and J. Song 2012; Alan Gutermen 2012; Nadim A. & Richard G. 2008).

For instance, according to Davidson, there is no shared understanding of what entrepreneurship precisely is (Davidson 2004; Hill & Levenhagen 1995, as cited in P.J. Peverelli and J. Song 2012). A. Cole lamented that besides ten years he run a research centre in entrepreneurial history, they could not succeed defining entrepreneurship. Each time they tried to define, they had a notion of it that they thought to be useful definition (A Cole 1969).

Besides lack of agreement on the definition of entrepreneurship, the word originally is derived from a French verb “*Entrenprendre*” which means ‘to undertake’ and Richard Cantillon is said to have first coined the phrase in his manuscript in 1730. Substantial amount of research on entrepreneurship focused on the economic importance and risks of entrepreneurship. These economic definitions of entrepreneurship focus on the economic significance of entrepreneurship and the economic environment. For Cantillon offers one of the earliest definitions of the field and he defined entrepreneurship as self-employment of any kind and entrepreneurs as non-fixed income wage earners and risk takers as they invest known amount without knowing how much

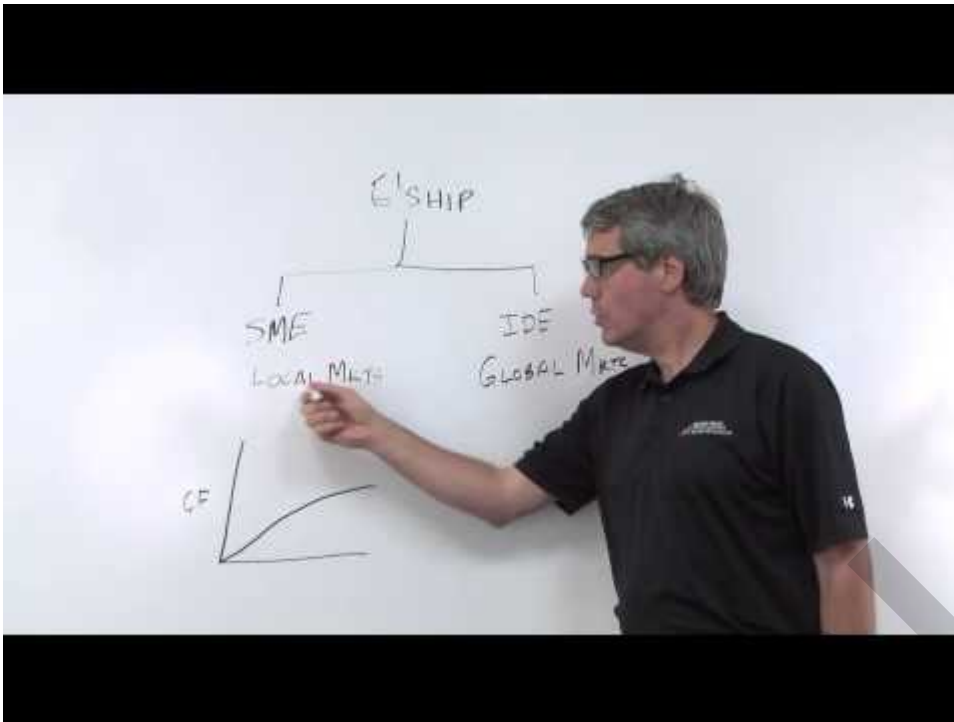


Figure 1 MIT Entrepreneurship

Serial Entrepreneurship

An entrepreneur who continuously comes up with new ideas and starts new businesses. As opposed to a typical entrepreneur, who will often come up with an idea, start the company, and then see it through and play an important role in the day to day functioning of the new company, a serial entrepreneur will often come up with the idea and get things started, but then give responsibility to someone else and move on to a new idea and a new venture. This can be a good thing if the individual has lots of unique ideas and is the best one suited to get each one started, but can be a bad thing if the individual stops putting time into a company that needs his or her help, in order to try to move forward with a new idea that may or may not succeed.

The Profile of a Serial Entrepreneur

An intrapreneur is an employee who is tasked with developing an innovative idea or project within a company. The intrapreneur may not face the outsized risks or reap the outsized rewards of an entrepreneur. However, the intrapreneur has access to the resources and capabilities of an established company.

How Intrapreneurship Works

Intrapreneurs are employees of a company who are assigned to work on a special idea or project. They are given the time and freedom to develop the project as an entrepreneur would.

However, they are not working solo. Intrapreneurs have the resources and capabilities of the firm at their disposal.

Intrapreneurs and entrepreneurs have different objectives. An entrepreneur envisions creating a company from the ground up. An intrapreneur has a broader vision for an established company. This vision may involve

Threats

- When faced with the uncertain global economic environment and immense operational pressures, SMEs may be tempted to resort to offering bribes to help ensure their short-term survival.
- Recent continuous increases in expenses incurred from salary costs, land, raw materials and exchange rates coupled with cash flow problems arising in obtaining account receivables have all created an extremely challenging business environment for SMEs.
- SMEs must face the challenges of managing legal, regulatory and cultural differences in different markets in addition to the difficulties involved in remotely managing businesses.



Figure 3 Role of SME in Economic Growth

Social Enterprise

What is Social Enterprise?

Social enterprises are businesses that are changing the world for the better. Like traditional businesses they aim to make a profit, but it is what they do with their profits that sets them apart – reinvesting or donating them to create positive social change. Social enterprises are in our communities and on our high streets – from coffee shops and cinemas, to pubs and leisure centres, banks and bus companies.

By selling goods and services in the open market, social enterprises create employment and reinvest their profits back into their business or the local community. This allows them to tackle social problems, improve people's life chances, provide training and employment opportunities for those furthest from the market, support communities and help the environment.

Social enterprises exist in nearly every sector from consumer goods to healthcare, community energy to creative agencies, restaurants to facilities management. Well known examples include The Big Issue, Divine Chocolate and the Eden Project but there are over 100,000 social enterprises throughout the country contributing £60 billion to the economy and employing two million people.

They're creating jobs and opportunities for those most marginalised from the workforce, transforming the communities they work in and making the Sustainable Development Goals a reality. It's business for good and when they profit, society profits.

We define social enterprises as businesses that:

- Your business has a clear social or environmental mission that is set out in its governing documents.
- You are an independent business and earn more than half of your income through trading (or are working towards this)
- You are controlled or owned in the interests of your social mission
- You reinvest or give away at least half your profits or surpluses towards your social purpose
- You are transparent about how you operate and the impact that you have



Figure 4 Social Enterprise

The Big Issue, the Eden Project and Jamie Oliver's restaurant Fifteen are examples of social enterprises. So are award-winners Divine Chocolate, a fair-trade chocolate company co-owned by the cocoa farmers' cooperative KuapaKokoo in Ghana and Timewise, which connects professionals with flexible employment opportunities.

Social enterprises operate in a range of industries, here is some you may have heard of.

Cafedirect - The UK's largest Fairtrade hot drinks company.

Elvis & Kresse – Takes industrial waste materials, turns them into stylish luggage and handbags and donates 50% of the profits to the Fire Fighters Charity.



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