

# MKTG 306

# FUNDAMENTALS OF

# ENTREPRENEURSHIP

Session 1 – Conceptualization of Entrepreneurship

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## UNIVERSITY OF GHANA

College of Education

**School of Continuing and Distance Education**

2016/2017 – 2017/2018

*[godsonug.wordpress.com/blog](http://godsonug.wordpress.com/blog)*

# Session Overview

Introduction and orientation to the use of the Sakai Learning Management System (LMS) and the available tools for the course. They will also be provided with an overview of the course. This session is very important as it holds the key to understanding the entire course.



# Goals and Objectives

- At the end of the session, the student will
  1. Understand the subject matter of this course – Entrepreneurship.
  2. Become familiar with the contributions of Schumpeter and McClelland on Entrepreneurship.
  3. Understand the benefits and drawbacks of becoming an entrepreneur.
  4. Do self-introductions and discuss the expectations for the course in the Sakai LMS Chat Room.
  5. Think more entrepreneurially.

# Session Outline

The key topics to be covered in the session are as follows:

- Topic One: Definitions: CONTRIBUTIONS of Cantillon and Jean Batiste Say
- Topic Two: Schumpeter and McClelland's contributions
- Topic Three: Practical/working definition of entrepreneurship
- Topic Four: Benefits of entrepreneurship
- Topic Five: Drawbacks of becoming an entrepreneur

# Reading List

- Pages 1- 18; 29 - 32; 38 of the main text –
- **Buame, S.C.K. (2012).** Advanced Entrepreneurship: Enterprise Culture, Venture Creation, Promotion & Management of SMEs in Ghana --- **MAIN TEXT**
- Selected Readings and videos inserted in the Session.

Topic One

# **DEFINITIONS: CONTRIBUTIONS OF CANTILLION AND JEAN BATISTE SAY**



# What is Entrepreneurship – Overview

- 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.

# Definition of Entrepreneurship

- The word Entrepreneurship comes from the French word “**entreprendre**”. The word entrepreneur was shaped probably from, *celui qui entreprend*, which is loosely translated as “those who get things done”.
- It was a word/phrase believed to be used by the Frenchman called **Cantillon**.
- He used the word in describing any venture and activity of which the outcome and result is shrouded in a state of uncertainty and therefore to be considered a risky undertaken by any person.



# Definition of Entrepreneurship (cont'd)

- Cantillon's idea was accepted by another Frenchman known as **Jean Batiste Say**.
- Jean Batiste was said to have popularized the use of the word, *entreprendre*, in describing the activities of people of Europe involved in, for example, military expedition and explorations, merchants and other seafarers.

# Definition/History of Entrepreneurship

- In the early eighteenth century, a group of French Economic thinkers called the **Physiocrats** were the major propagators of the concept.
- They were the first proponents of laissez-faire and opposed all government intervention in industry, especially taxation. Their doctrine was that the economic affairs of society are best guided by the decisions of individuals.



# Definition/History of Entrepreneurship

- One of the most famous among them was Richard Cantillon. In a paper he worked on between 1730 and 1734 and that was later published in 1775 as *Essai sur la Nature du Commerce en General*, he introduced the concept of entrepreneur. He developed these early theories of the entrepreneur after observing the merchants, farmers, and craftsmen of his time.
- Jean-Baptiste Say, a French businessman turned economist, followed Cantillon with his *Trait d'économie politique* in 1803. His work commented on the theory of markets and how the entrepreneur is involved in this transaction of goods for money.



# Definition of Entrepreneurship (cont'd)

- Definition:
  - Several attempts towards definition: No universally acceptable definition
  - It means different things to different people in different contexts
- Origins of the word:
  - French - Entreprendre - meaning to “undertake any risky venture” Cantillon, popularised by Jean Batiste Say
  - German – Unternehmer - meaning “a person who owns and runs business”
  - English – Owner-manager of a small business – Adam Smith’s Wealth of Nations (1776)



# Definition of Entrepreneurship (cont'd)

- “*Entrepren dre*” - Meaning “to undertake”, e.g.
  - European Military expeditions, explorations, merchandising undertakings, etc.
  - That is, to undertake any venture of which the outcome is shrouded in a state of uncertainty, hence making it risky



# Session Outline

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- Topic Five: Drawbacks of becoming an entrepreneur



Topic 2

# **SCHUMPETER AND McCLELLAND'S CONTRIBUTIONS**



# Joseph Schumpeter's View

- 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 products and industries obsolete.
- Established ways of doing business are destroyed by the creation of new and better ways to do them.

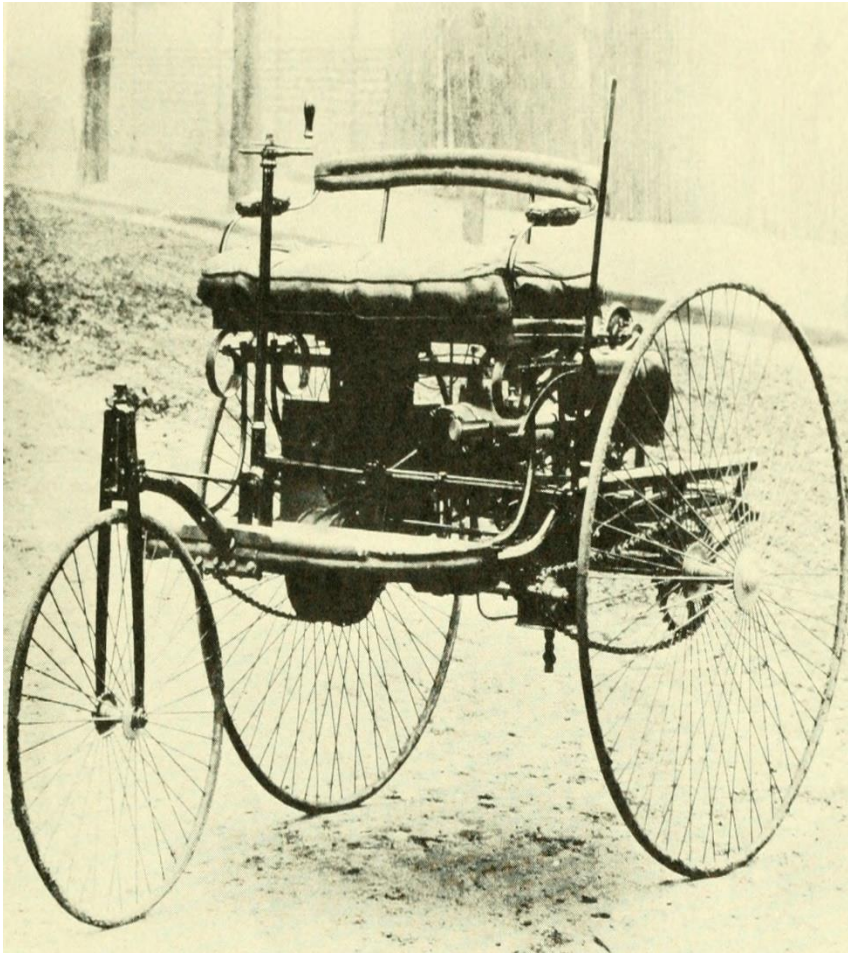


# Joseph Schumpeter's Contributions (cont'd)

- ❑ Joseph Alois Schumpeter ([February 8, 1883](#) – [January 8, 1950](#)) was an [economist](#) from [Austria](#) and a giant in the [history of economic thought](#).
- His conceptualisation of entrepreneurship seems to stand the test of time as it remains convincing
- To Him:
  - Entrepreneurship is a new process where an individual or group of people creates something new, and that something new could be:
    - a new product,
    - a new method of production,
    - a new source of material and
    - a new market, hitherto, unexploited
    - a new “idea” (my own additions – Dr. Samuel Buame)



# A NEW PRODUCT



# A NEW PRODUCT

- The term “new product” in itself, embraces a continuum from revolutionary, **radical new-to-the-world** (“pioneering”) products that represent disruptive technology and discontinuities in customer behavior to simple alterations **tweaking existing products**.
- Without the introduction of new products, deterioration of the firm’s market position is inevitable (if you stop growing, you start dying!).

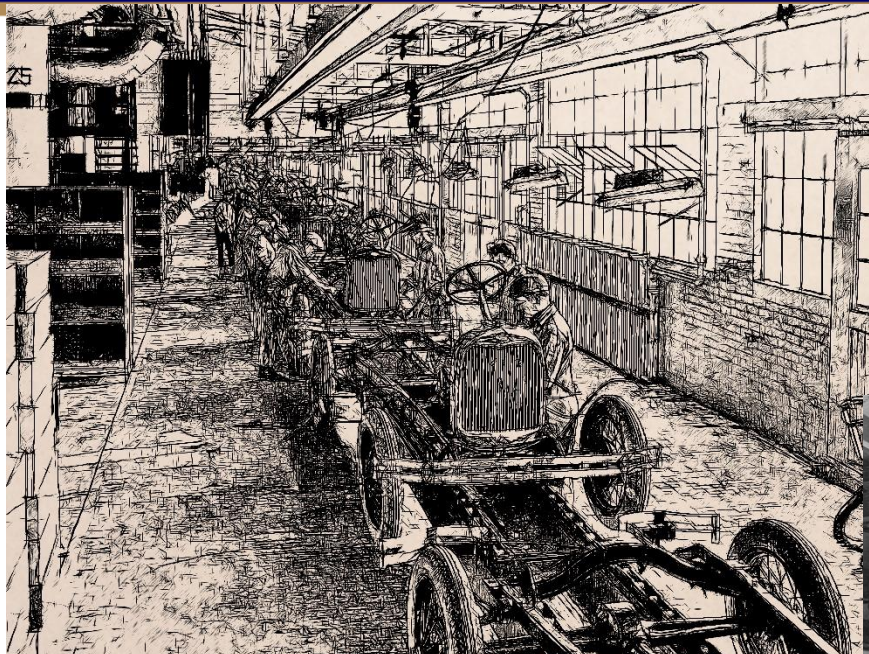
# A NEW PRODUCT (cont'd)

- Without new products, firms will inevitably stagnate. Initial or early entry of new products, on the other hand, can result in new market development, long-term market dominance, and foreclosure of competitors' responses.
- Failure to respond to competitive new product introductions with appropriate speed can result in late market entry, a permanent loss of market share and dissipated profits (Kotler, 1988).

# A New Method Of Production

- In 1913, Henry Ford installs the first moving assembly line for the mass production of an entire automobile. His innovation reduced the time it took to build a car from more than 12 hours to two hours and 30 minutes.
- In order to lower the price of his cars, Ford knew he would just have to find a way to build them more efficiently.

# A New Method Of Production



# A New Method Of Production (cont'd)

- The workers who built his Model N cars (the Model T's predecessor) arranged the parts in a row on the floor, put the under-construction auto on skids and dragged it down the line as they worked.
- Later, the streamlining process grew more sophisticated.
- Ford broke the Model T's assembly into 84 discrete steps, for example, and trained each of his workers to do just one.

# A New Method Of Production (cont'd)

- Adam Smith's idea of specialization, was a precursor of the assembly line.
- The assembly line was introduced into manufacturing companies as a great source of innovation in terms of the method of production.
- The next slide demonstrates the difference between two methods of production; one without division of labor and the second using division of labor and specialization. The benefits of the new method of production (and in this case specialization) is outstanding.



# A New Method Of Production (cont'd)

## **NO SPECIALISATION**

- 1 person cannot produce 1 pin in a day.
- Therefore 18 people cannot produce 20 pins in a day

## **SPECIALISATION**

- Production is divided into 18 different operations
- 18 people produce between 12000 to 48000 pins in a day

# A New Source of Material

- What would happen if you changed the source of raw material for a product?
- You can change the raw material without changing the product itself.



# A New Source of Material



# A New Source of Material (cont'd)



# A New Market

- The opening of a new or existing market into which the particular branch of manufacture of a country in question has not previously entered into.
- Or tapping into a new psychographic segment of the population.
- Producing for children and mothers instead of mothers only.
- Selling to both Male and Female instead of just one gender.

# David McCLELLAND'S Contributions

- In his book, *The Achieving Society*, (1960/1), McClelland concluded that:
  - ‘differences in the development among nations is related to the number of entrepreneurs a nation has. The fewer the entrepreneurs, the lower the development and the *vice-versa*’
    - *USA, Japan, EU have more entrepreneurs*
    - *Ghana, Chad, Jamaica have less entrepreneurs*

# McCLELLAND'S Contributions (cont'd)

- McClelland summed up all the constellation of entrepreneur's characteristics in the **3 needs** that must be instilled in citizens of a nation, *viz*:
  - High need for achievement (*n'Ach*),
  - High need for power or internal locus of control, Those who believe they have control over aspects of their environment and destiny are said to have **an internal locus of control**, whereas those who feel controlled by their environment are said to have **an external locus of control**.
  - High need for affiliation.

Topic 3

# **PRACTICAL/WORKING DEFINITION OF ENTREPRENEURSHIP**





# Practical, Working or *Performative* Definition of Entrepreneurship

- Entrepreneurship is an **innovative process** where a prospective individual **identifies** and **seizes** opportunity (*be it an idea, or business*) ; **organises** existing resources to **convert** those opportunities into workable/**marketable products** or **services**; thus by adding value through time, efforts, money, or skills for the **benefit of society**; assumes the **risks** of the competitive marketplace to implement these ideas; and realises the **rewards** from these efforts
  - Likely rewards (expectations, valued outcomes) of the entrepreneurial intent are: **monetary, status, recognition etc., essentially – autonomy, i.e., independent, self-determination, status; and wealth , i.e., financial)**

# Key Words and Phrases

Analysing the above definition:

- Identifying opportunities
- Seizing on those opportunities
- Organising **existing/available** resources to convert the opportunities into marketable goods/services
- Adding value
- Assuming risks of market failure
- Getting rewards in the form of money, status, recognition, etc

Topic 4

# **BENEFITS OF ENTREPRENEURSHIP**



# Benefits of Entrepreneurship

- **Opportunity to create your own destiny** - Owning a business provides entrepreneurs the independence and the opportunity to achieve what is important to them. It makes them take their own destiny into their hands. Entrepreneurs want to 'call the shots' in their lives and they use their business to make that desire a reality.
- **Opportunity to make a difference** - Entrepreneurs seize upon any opportunity in order for them to make a difference in a cause that is important to them.

# Benefits of Entrepreneurship (cont'd)

- **Opportunity to reach your full potential.** Entrepreneurs do not often find life boring. As entrepreneurs, they do not find any difference between work and play. Entrepreneurs use their businesses as a source of self-expression and self-actualisation. Entrepreneurs do what they enjoy and do have fun at it.
- **Opportunity to contribute to society and be recognized – for your efforts** - Very often, entrepreneurs are among the most respected and most trusted members of their communities. Entrepreneurs enjoy the trust, status and recognition they receive from the society. Think of the recognition given to people like, Richard Branson of UK and Bill Gate of USA, and Paa Kwesi Nduom of Ghana for example.

# Benefits of Entrepreneurship (cont'd)

- **Becoming an Employer rather than an employee** – Today unemployment has become a big problem to many people in Ghana. Through entrepreneurship, you can create employment by way of business ownership. Through self-employment, there “dignity of labour”. There nothing so satisfying and gratifying than being on your own as businessman.

# Benefits of Entrepreneurship (cont'd)

- **Reducing the High Rate of Graduate Unemployment**
- Read the following articles and reports on graduate unemployment.
- <http://citifmonline.com/2017/06/03/only-10-of-graduates-find-jobs-after-first-year-issuer/>

Topic 5

# **DRAWBACKS OF BECOMING AN ENTREPRENEUR**





# Drawbacks of Becoming An Entrepreneur

- Nothing comes easy or without cost in this world. Although becoming an entrepreneur has many benefits and provides many opportunities, as you plan to enter the world of entrepreneurship, you should also be aware its potential drawbacks.
- In other words, what are some of the disadvantages of becoming an entrepreneur?

# Drawbacks of Becoming An Entrepreneur (cont'd)

- 1. Uncertainty of Income** – Opening and running a business provides no guarantee that an entrepreneur will earn enough money to survive.
- 2. The risk of losing your entire investment** - Not every business sees the light of success. Entrepreneurial activities are full of uncertainties. You may succeed or lose.
- 3. Long Hours and Hard work** – Business start-ups often demand that entrepreneurs keep nightmarish schedules. You need to have business time.

# Drawbacks of Becoming An Entrepreneur (cont'd)

4. **Lower quality of life** - until the business gets established, your life is a life of sacrifice of time, social life and health.
5. **High levels of stress** – Starting and managing a business can be incredibly a rewarding experience, but it also can be a highly stressful one.
6. **Demands a complete responsibility** – It is great to be the *bigman*, but many entrepreneurs find out that they must make decisions on issues about which they are not really knowledgeable.

# Drawbacks of Becoming An Entrepreneur (cont'd)

- 9. Discouragement** – Launching a business is a substantial undertaking that requires a great deal of dedication, discipline and tenacity.
- Along the way to building a successful business, entrepreneurs will run headlong into many different obstacles, some of which appear to insurmountable.
  - All these can lead to discouragement.
  - *Watch a video on how Malachi is encouraged by society and his mother*
  - <https://www.youtube.com/watch?v=83pAJSApTDI>