

Fundamentals of Entrepreneurship

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Abstract

As in the whole world, in our country, the number of "dream" to create and to run their own business continues to grow. Maybe new growth for potential entrepreneurs to be even higher, given the national economic structure, making it more important to know the fundamentals of entrepreneurship. Such knowledge involves defining entrepreneurship, highlighting the main variables that determine a person to become entrepreneurs, but also highlighting the characteristics of entrepreneurs and potential errors they can make in creating a business process.

Keywords: *entrepreneurs, entrepreneurship, competitiveness, development*

JEL classification: M10, M13

1.1 The role of the entrepreneur in business

Entrepreneurship is the most important aspect of economic development in the last period of business history. Worldwide, these heroes of the new economy changed the business environment and their companies play an increasingly important role in the global economy. In an almost unbelievable pace, small business entrepreneurs have to show new products and services surpassed the old frontiers of the old technologies have created new jobs, opened new markets. It has never been greater interest in knowing that now to start entrepreneurship XXI century.

1.1.1 Large or small companies?

In the last several years, competitive conditions favoring large companies, which had a considerable and a professional management hierarchy, it could face some major work to penetrate and strengthen the position in some markets. Today, they are increasingly accelerate changes in both domestic and the external environment, small businesses, by their agility, are all better than the competitive system.

Orientation towards small companies was assessed by Howard Stevenson, a professor who teaches "Entrepreneurship" at Harvard, who said "*Why is it so easy for small businesses, giant corporations to compete? For, while studying the consequences of giant corporations, entrepreneurs have changed the world*"¹. Concern people from different countries² for the pursuit of new business creation activities is suggestive represented in Figure 1.

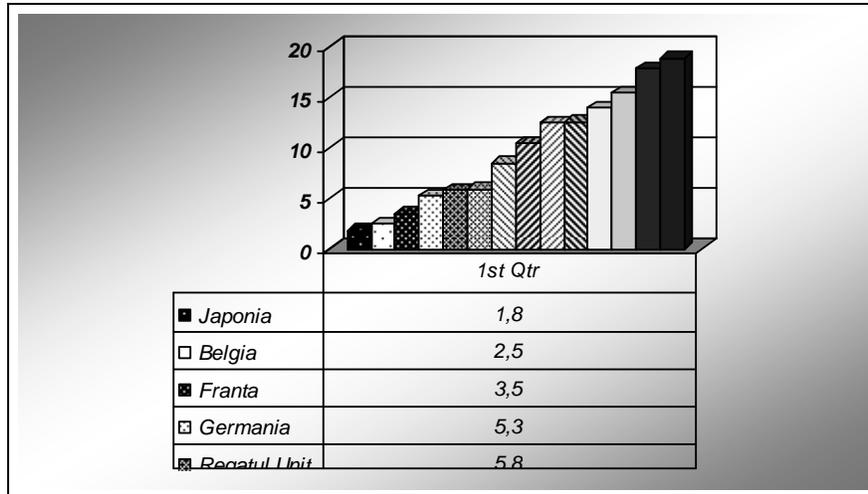


Figure 1 Percentage of adults engaged in întreprenoriale

If the average percentage of adults engaged întreprenoriale is 12, the strongest orientation to such activities is found in Thailand with 18.9% and lowest in Japan to 1.8%. These percentages can be explained by differences in terms of economic development between the two countries.

1.1.2 Definition and characteristics of entrepreneur

As manager and leader, the entrepreneur is one of the characters which strongly influences business around the world including in each country. This explains the need to understand the profile of such a character, characteristics and mode of action in situations they face.

In general, an entrepreneur is a person who creates new business, taking risks in achieving the objectives which they propose to make profits and growth by identifying some important opportunities. Entrepreneur manages important resources, which draws from different sources on a major power to persuade those who hold them.

¹ Howard Stevenson, *We Create Entrepreneurs*, Success, September, 1995, p. 51

² 2002 Global Entrepreneurship Monitor

Many experts have sought to understand and describe the personality of the entrepreneur, because, although many people have good ideas to start a business, but some turn these ideas into concrete business, becoming entrepreneurs.

Entrepreneur is "*a person with leadership, which take risks to exploit certain opportunities, are based more on their forces, develop its strategy based almost entirely by personal interests*".

Entrepreneurs have the ability to provide development opportunities, preventing them some changes may occur in the environment, which seeks to exploit the personal interest.

Research has revealed several characteristics of entrepreneurs, including:

- **confidence in personal abilities**, due to optimism that demonstrate success when targeting, which many times but can also lead to failure;
- **the desire for immediate results**, which causes them to continuously monitor the results, which will confirm whether they have done right or wrong;
- **preference for a moderate risk**, which means they face no risk in any circumstances, but a calculated risk, but nevertheless in the eyes of others may seem like an impossible goal;
- **willingness to assume responsibilities**, preferring to control their own resources to achieve their objectives;
- **high energy**, above average, which allows him to make incredible effort needed to start a business, business creation;
- **vision** to enable the discovery times discovery future opportunities, not to meditate on the successes or failures that have passed;
- **organizing skills**, which allows entrepreneurs to put together people who carry out certain tasks, to combined so as to implement the vision;
- **the desire to achieve, above money making** entrepreneur motivation is more complex, expressing the first urge to go further, to do for others is impossible, the money represents only a confirmation of success ;
- **high level of commitment**, which makes them hard to work for a company that creates success, removing barriers that seem insurmountable to others;
- **tolerance of ambiguity**, as an absolute necessity entrepreneurs, who often must make decisions based on uncertain information, or even contradictory;
- **flexibility**, which is the ability of entrepreneurs to adapt to changing customer demand, is a important characteristic of entrepreneurs.

1.1.3 Entrepreneurship

Entrepreneurs mainly, but not only them, but also managers and leaders can be characterized by entrepreneurship, so it is very important to characterize entrepreneurs to understand the meaning of the concept.

Professor Howard Stevenson of Harvard, specializing in "entrepreneurship", answering the question "Why is it so easy (for small companies) to compete with large corporations?", "Because while they (large corporations) is studying the consequences entrepreneurs change the world"¹.

Entrepreneurship can be regarded as "a condition that is one that creates new business in terms of risk taking expected profit". To explain this state of mind is required to answer at least two questions:

- *Who are the entrepreneurs and what make them work so hard, with no guarantee that they will be successful?*
- *What are the variables that I determined to risk so much and make so many sacrifices to fulfill an ideal?*

Although it is very difficult to identify this category of people who are prone to such a state to create new business, taking risks in order to obtain a profit, as we stated some of their characteristics.

1.2 Causes that determine a person to become an entrepreneur?

It is interesting to know what forces guided entrepreneurship in the economy?

1.2.1 Forces guiding entrepreneurship

Amplification entrepreneurship and thus increase the number of people who create their own businesses are motivating factors, mainly the following: *independent lifestyle, consider entrepreneurs as heroes, demographic factors, increasing the share of services, new technologies, training in field of entrepreneurship, development of the Internet, globalization.*

Independent lifestyle, which enable the individual to choose where to live and what to do to ensure their financial security to spend more time with family and friends.

Consider *entrepreneurs*, by most people *as true heroes* by awarding them a special status, especially because of achievements, including material, which makes them often as models to follow.

Demographic factors, represented by weight rather than population aged 25 and 40, from which the largest share identifying business opportunities, and they contribute to the development of entrepreneurship.

Increasing the share of services in total GDP, in conjunction with their relatively low cost, attract many people to develop business to achieve significant gains.

Development of new technology, in the field of computers, in particular, enables small businesses to large companies competition through lower costs recorded in a small business.

¹ Thomas W.Zimmerer; Norman M.Scarborough, *Essentials of entrepreneurship and small business management*, Fourth Edition, Pearson Prentice Hall, 2005

Training in entrepreneurship, to include in more universities the entrepreneurship and management courses for small and medium companies causes many graduates to believe that can develop a career in business.

Internet development as a world wide computer network, available to millions of users, information from various areas, which contributes to increased chances of finding new ideas for new businesses.

Globalization as a general trend, contributing to an increase opportunities to develop business, not only within the borders of a country but also beyond, significantly increasing the chances of obtaining additional profits.

Here are several factors that contribute to the development of entrepreneurship, to increase the share of the population believes that in such a field can be done professionally and materially. In addition to these general factors in each country specific factors may act, which in the case of Romania, for example, may be referred to the disproportion between the large and small enterprises, but people wish to leave the state, in which worked most of the time.

1.2.2 Benefits of entrepreneurship

As shown in the presentation characteristics of entrepreneurs, can not say that they refer to a specific group of people because they are very different, which leads to the conclusion that anyone can fall into this category of entrepreneurs, regardless of race, sex, religion nationality, etc.. But to tap into this category is justified by some advantages that can be an entrepreneur.

Of research in entrepreneurship, that owners of small businesses believe that if they work hard will earn more money and be happier than if they work in a big company. So, before you engage in creating a small business, every entrepreneur thinks the potential benefits. In general an entrepreneur can benefit from the process of creating your own business several advantages, including:

- ***independence and opportunity to achieve the desired objectives***, it offers the advantage of not depending on others to implement its wishes;
- ***chance to notice a difference in a field they are interested*** in combining the wishes their social insurance with a win for a better life;
- ***opportunity to use its full potential*** for entrepreneurs because there is much difference between the work of business and recreation, making them find their place of business to obtain satisfaction, for their use which have better qualities;
- ***opportunities to earn substantial profits***, although the reason to start a business, an entrepreneur may not be primarily profit;
- ***recognition efforts and contribution to the achievement of social objectives***, entrepreneurs become very respected person in the community in which it operates;
- ***opportunity to do what you love***, because most entrepreneurs develop business in areas where they want to work and they get special satisfaction.

1.3 Potential obstacles to entrepreneurial

Although it appears that entrepreneurs are more numerous advantages, they may have a number of difficulties, or be deprived of certain opportunities other than the business plans. Penetration into business not only brings benefits to entrepreneurs, but may face many obstacles, among which the most important are:

- **uncertainty of revenue** accruing from starting a business that does not guarantee the achievement of revenue that would provide the necessary support, entrepreneur,
- **risk of losing the entire investment** due to the relatively high percentage (approximately 35%) of bankruptcies of small businesses, even in the first two years and in six years the percentage is nearly double;
- **hard labor without a long period** of leave under pressure because if the business ceases, the income is no longer made and customers are lost;
- **poor quality of life until the business stabilizes**, due to the fact that in a important period of life (entrepreneurs start their business, usually between 25 and 39 years), their roles in the family after the two fall in terms of the company that creates;
- **high stress** due to large investments that need to be entrepreneurs, in a low certainty of winning even as they have invested, what it can lead to bankruptcy;
- **full responsibility** for the effects of entrepreneurs to take decisions which, by issues that often have little knowledge or lack of assistance of a specialist in the field;
- **discouragement and disillusionment** caused by the obstacles they may face, which sometimes seem insurmountable, making only characterized by optimistic entrepreneurs to enjoy success.

These were just some of the obstacles they may encounter in developing their own entrepreneurial business, which if not passed may have adverse effects in some cases compromise the establishment of business.

Evidently for the person who becomes an entrepreneur predominant advantages, these obstacles, who realizes that appear in the process of creating and operating the business, is considered likely to overcome.

1.4 Major mistakes entrepreneurs

In general, small firms are more likely than large companies disappear from the market because of limited resources, a less efficient management and a financial instability.

Bankruptcy is due to start-up companies that make many mistakes entrepreneurs both in creating them, especially during their operation. Next highlight just some of the most common mistakes committed by entrepreneurs.

1.4.1 Poor management

Perhaps the most common mistake of entrepreneurs is related to business management that creates. Entrepreneur may not have the ability to drive their own business, do not possess the necessary skills of leadership, knowledge necessary to lead. This mistake usually occurs after a certain period of operation of the company and especially after the business has acquired a certain size, which requires knowledge of management.

Many entrepreneurs fail because they do not understand, that from a certain size, business requires a performance management practiced by people with knowledge and experience. His entrepreneurial skills are not sufficient to lead a larger scale business. Right to notice is that the entrepreneur when he should be entrusted to professionals in business management, and he eventually set up a new business process which has the necessary qualities.

1.4.2 Lack of experience

Every entrepreneur needs some experience in developing business. Creating and developing a business in an area where you do not have the necessary skills will pass sooner or later the quality of the product or service, motivating staff, generally in all areas of business that are necessary for success. Therefore it is necessary for entrepreneurs to work in a period in which open business, or even to follow a specialized training in that area.

1.4.3 Financial control of low-quality

Business success still depends on the availability of capital to start entrepreneurial activities. Therefore one of the mistakes they make while entrepreneurs and causes of business failure is insufficient capital. Often entrepreneurs' confidence in obtaining a profit from the execution of specific activities lead to lack of financial means for paying bills on time, which can lead to bankruptcy. It also requires adequate financial control and use of appropriate methods for costing. However, many entrepreneurs do not give due consideration to developing a "cash flow" to ensure liquidity needs in each stage of business conduct.

1.4.4 Marketing of low quality

Considering that "*manufactures good products customers will certainly occur*", entrepreneurs make another mistake in developing a business. Reality has shown that only by relying on a well founded marketing plan can be expected to shape a customer segment to which to turn entrepreneur.

1.4.5 Lack of a strategy based

Whether for lack of time, either from ignorance, entrepreneurs consider that a strategy is required only for large companies. So, the lack of a survival strategy terminate at the newly created company, because without clear targets, especially of ways to achieve competitive advantage, business goes bankrupt. Without a clear strategy may not know the target customers, can not know how to keep customers, not knowing how to meet customer needs better than competitors, nor how to ensure sustainable development in the context of given competitive.

1.4.6 Uncontrolled growth

Every entrepreneur wants to rise unchecked development continuously and rapidly increasing business that has commenced. But this growth must be planned and controlled, otherwise it can make a big mistake by not being able to control this increase and to enter such an unwelcome fall.

1.4.7 Poor choice of location

Although considered by many entrepreneurs as being less important, the choice of location may be one of the mistakes that may even lead to business failure. Choosing the location where the availability of spaces and not the result of careful studies that benefit may be an important brake on development of that business and even disappears.

1.4.8 Poor inventory

Although the biggest investment they make entrepreneurs are necessary material means (machines, equipment, facilities, etc.), often less attention is given to the good of their inventories. However, an inefficient inventory could lead to redundant stocks generally unjustified expenses that may constitute grounds for failure in the continuation of that business.

1.4.9 Setting incorrect price

Setting price of the product or service incorrectly or too much under the influence of prices by competitors or too small from the perception of "*sell the best product at the lowest price*" is one of the mistakes that can lead to business failure. It is therefore recommended that the pricing should start from the correct knowledge of the costs incurred in manufacturing the product or service provision, and competitive market conditions.

1.4.10 Inability to manage growth

Many entrepreneurs, from ignorance or from too much confidence in their forces reach a setback due to improper management business growth and development firm created. Where to get started may be sufficient entrepreneurial skills of business owner, after a certain level of development of that business is the usage of certain specialists in management organization. However, if the owner does not refer to this need, he may end up with not being able to effectively manage the increasing resources available and thereby recording a decline or even bankruptcy.

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