UMBB
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Entrepreneurship

I- The Concept of Entrepreneurship

Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called entrepreneurs.

Entrepreneurship has been described as the "capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit". While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of start-up businesses have to close due to "lack of funding, bad business decisions, an economic crisis, lack of market demand—or a combination of all of these.

A broader definition of the term is sometimes used, especially in the field of Economics. In this usage, an Entrepreneur is an entity which has the ability to find and act upon opportunities to translate inventions or technology into new products: "The entrepreneur is able to recognize the commercial potential of the invention and organize the capital, talent, and other resources that turn an invention into a commercially viable innovation." In this sense, the term "Entrepreneurship" also captures innovative activities on the part of established firms, in addition to similar activities on the part of new businesses.

II- Entrepreneurial Behaviors

The entrepreneur is commonly seen as an innovator—a designer of new ideas and business processes. Management skills and strong team building abilities are often perceived as essential leadership attributes for successful entrepreneurs. Political economist Robert Reich considers leadership, management ability and team-building to be essential qualities of an entrepreneur.

Uncertainty perception and risk-taking: Theorists Frank Knight and Peter Drucker defined entrepreneurship in terms of risk-taking. The entrepreneur is willing to put his or her career and financial security on the line and take risks in the name of an idea, spending time as well as capital on an uncertain venture. However, entrepreneurs often do not believe that they have taken an enormous amount of risks because they do not perceive the level of uncertainty to be as high as other people do. Knight classified three types of uncertainty:

- Risk, which is measurable statistically (such as the probability of drawing a red color ball from a jar containing five red balls and five white balls)
- Ambiguity, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing five red balls but an unknown number of white balls)
- True uncertainty or Knightian uncertainty, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose contents, in terms of numbers of coloured balls, are entirely unknown)

Entrepreneurship is often associated with true uncertainty, particularly when it involves the creation of a novel good or service, for a market that did not previously exist, rather than when a venture creates an incremental improvement to an existing product or service. A 2014 study at ETH Zürich found that compared with typical managers, entrepreneurs showed higher decision-making efficiency and a stronger activation in regions of frontopolar cortex (FPC) previously associated with explorative choice.

Coachability and advice taking: The ability of entrepreneurs to work closely with and take advice from early investors and other partners (i.e. their coachability) has long been considered a critical factor in entrepreneurial success. At the same time, economists have argued that entrepreneurs should not simply act on all advice given to them, even when that advice comes from well-informed sources, because entrepreneurs possess far deeper and richer local knowledge about their own firm than any outsider. Indeed, measures of coachability are not actually predictive of entrepreneurial success (e.g. measured as success in subsequent funding rounds, acquisitions, pivots and firm survival). This research also shows that older and larger founding teams, presumably those with more subject expertise, are less coachable than younger and smaller founding teams.

Strategies: Strategies that entrepreneurs may use include:

- Innovation of new products, services or processes
- Continuous process improvement (CPI)
- Exploration of new business models
- Use of technology
- Use of business intelligence
- Use of economical strategies
- Development of future products and services
- Optimized talent management

Designing individual/opportunity nexus: According to Shane and Venkataraman, entrepreneurship comprises both "enterprising individuals" and "entrepreneurial opportunities", so researchers should study the nature of the individuals who identify opportunities when others do not, the opportunities themselves and the nexus between individuals and opportunities. On the other hand, Reynolds et al. argue that individuals are motivated to engage in entrepreneurial endeavors driven mainly by necessity or opportunity, that is individuals pursue entrepreneurship primarily owing to survival needs, or because they identify business opportunities that satisfy their need for achievement. For example, higher economic inequality tends to increase entrepreneurship rates at the individual level, suggesting that most entrepreneurial behavior is based on necessity rather than opportunity.

Opportunity perception and biases: The ability of entrepreneurs to innovate relates to innate traits, including extroversion and a proclivity for risk-taking. According to Joseph Schumpeter, the capabilities of innovating, introducing new technologies, increasing efficiency and productivity, or generating new products or services, are characteristic qualities of entrepreneurs. One study has found that certain genes affecting personality may influence the income of self-employed people. Some people may be able to use "an innate ability" or quasi-statistical sense to gauge public opinion and market demand for new products or services. Entrepreneurs tend to have the ability to see unmet market needs and underserved markets. While some entrepreneurs assume they can sense and figure out what others are thinking, the mass media plays a crucial role in shaping views and demand. Ramoglou argues that entrepreneurs are not that distinctive and that it is essentially poor conceptualizations of "non-entrepreneurs" that maintain laudatory portraits of "entrepreneurs" as exceptional innovators or leaders Entrepreneurs are often overconfident, exhibit illusion of control, when they are opening/expanding business or new products/services.

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