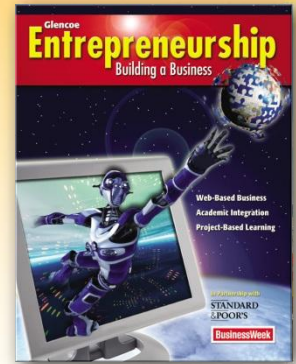


UNIT 5. Entrepreneurship As Economic Resource

Topics:

- 1 Entrepreneurship and the Economy
- 2 Entrepreneurship and Enterprise
- 3 The Entrepreneurial Process

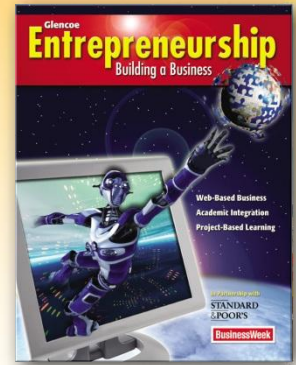
Entrepreneurship and the Economy



References:

- Marc J. Dollinger, **ENTREPRENEURSHIP: Strategies and Resources, FOURTH EDITION**, Kelley School of Business, INDIANA UNIVERSITY 2008
- Enterprise and Entrepreneurship Education: Guidance for UK Higher Education Providers, January, 2018
- Nick Gibb, **Enterprise and entrepreneurship**, Published 19 January 2016, Department for education

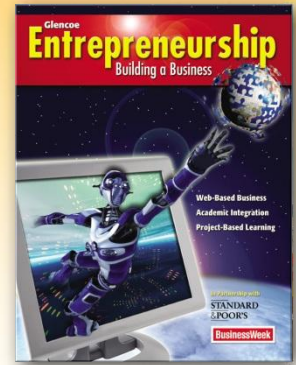
Entrepreneurship and the Economy



Section Objectives

- Define the role of small business and entrepreneurship in the economy.
- Compare and contrast economic systems.
- Explain how economics is about making choices.
- Define the role of economic indicators and business cycles.
- Describe what entrepreneurs contribute to the economy.

Entrepreneurship and the Economy

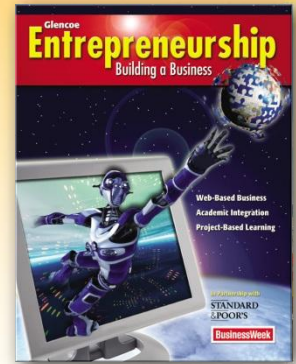


The Main Idea

Entrepreneurship is the primary catalyst for economic growth.

Being a successful entrepreneur requires an understanding of how the economy works.

Entrepreneurship and the Economy

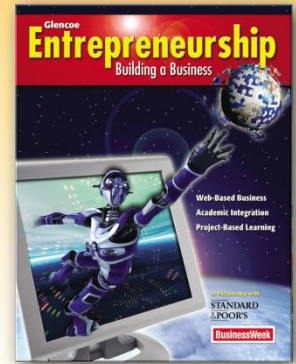


Content Vocabulary

entrepreneur
venture
entrepreneurship
entrepreneurial
economics
free enterprise system
profit
oligopoly
goods
services
need
want

factors of production
scarcity
market structure
monopoly
demand
elastic demand
inelastic demand
diminishing marginal utility
supply
equilibrium
Gross Domestic Product
business cycle

Entrepreneurship and the Economy



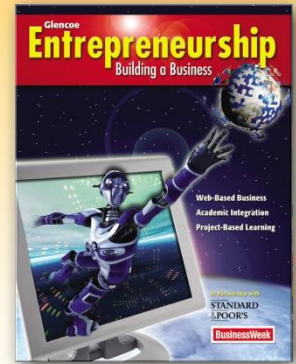
Small Business and Entrepreneurship

As an **entrepreneur**, you accept the risks and responsibilities of business ownership.

entrepreneur

an individual who undertakes the creation, organization, and ownership of a business

Entrepreneurship and the Economy



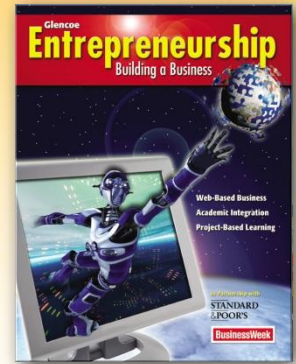
Small Business and Entrepreneurship

Creating and running a business **venture** requires a variety of skills.

venture

a new business undertaking that involves risk

Entrepreneurship and the Economy



Small Business and Entrepreneurship

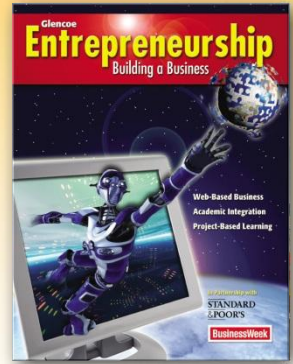
Starting a home-based business calls for **entrepreneurship** on the part of the owner.

About one in three households is involved in an **entrepreneurial** enterprise.

entrepreneurial

the process of recognizing an opportunity, testing it in the market, and gathering the resources necessary to go into business

Entrepreneurship and the Economy



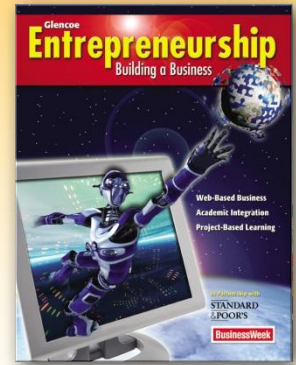
Entrepreneurship Today

Knowledge of **economics** contributes to an understanding of how entrepreneurs and customers interact.

economics

the study of how people allocate scarce resources to fulfill their unlimited wants

Entrepreneurship and the Economy



Economic Systems

An economic system includes a set of laws, institutions, and activities that guide economic decision making.

Graphic Organizer

Economic Systems

What goods and services should be produced?

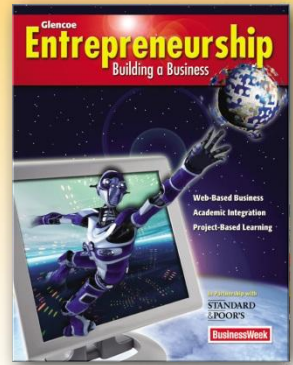
What quantity of goods and services should be produced?

All economic systems attempt to answer four basic questions.

How should goods and services be produced?

For whom should goods and services be produced?

Entrepreneurship and the Economy



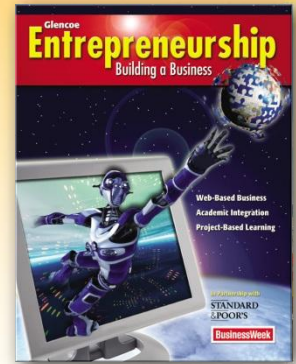
The Free Enterprise System

Most democratic nations have a **free enterprise system**.

free enterprise system

an economic system in which people have important rights: to make economic choices of what products to buy, to own private property, and to choose to start a business and compete with other businesses

Entrepreneurship and the Economy



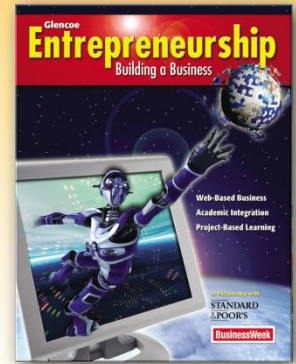
The Free Enterprise System

Making a **profit** is a primary incentive of free enterprise.

profit

money that is left over after all expenses of running a business have been deducted from the income

Entrepreneurship and the Economy



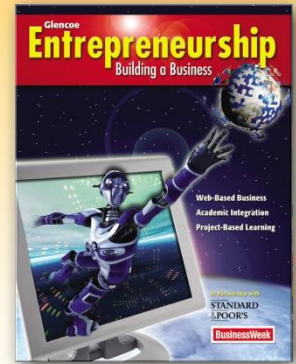
The Free Enterprise System

Perfect competition is a **market structure** in which there are numerous buyers and sellers and no single buyer or seller can affect price.

market structure

the nature and degree of competition among businesses operating in the same industry; market structure affects market price

Entrepreneurship and the Economy



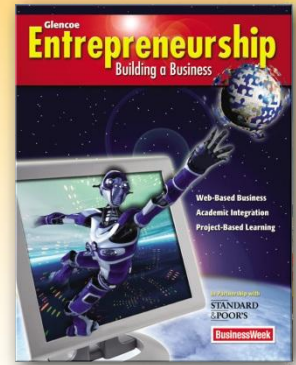
The Free Enterprise System

The government may grant a temporary **monopoly** to an inventor.

monopoly

a market structure in which a particular commodity has only one seller

Entrepreneurship and the Economy



The Free Enterprise System

Under antitrust laws, some forms of **oligopoly** are illegal.

oligopoly

a market structure in which there are just a few competing firms

Graphic Organizer

Basic Concepts

goods and services

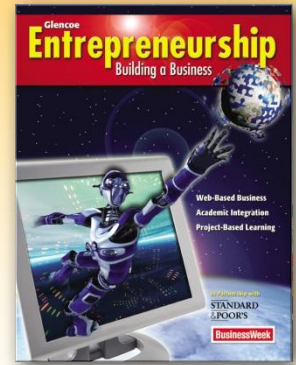
factors of production

Basic concepts of economics

scarcity

supply and demand
theory

Entrepreneurship and the Economy



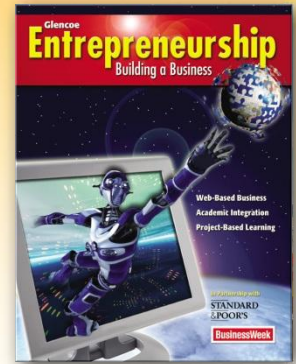
Goods and Services

Goods and **services** are the products of our economic system.

services

intangible (nonphysical) products that satisfy consumers' wants and needs

Entrepreneurship and the Economy



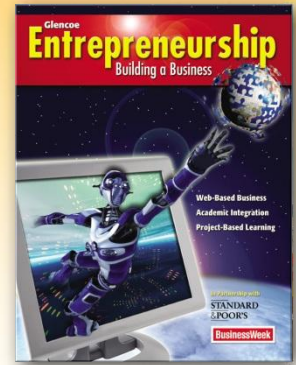
Goods and Services

Entrepreneurs respond to consumers' **wants** and **needs** with goods and services.

need

a basic requirement for survival

Entrepreneurship and the Economy



Factors of Production

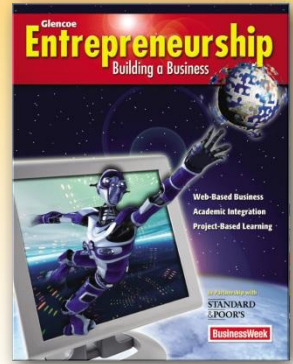
There are four basic **factors of production**:

- land
- labor
- entrepreneurship
- capital

factors of production

the resources businesses use to produce the goods and services that people want

Entrepreneurship and the Economy



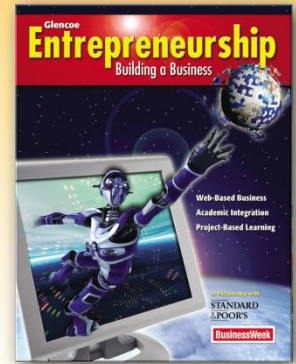
Scarcity

The principle of **scarcity** means giving up one thing in order to have something else.

scarcity

the difference between demand and supply; limited resources

Entrepreneurship and the Economy



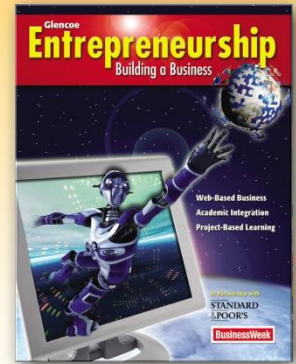
Supply and Demand Theory

In a free enterprise system, the price of a product is determined by **demand**.

demand

the quantity of goods or services that consumers are willing and able to buy at various prices

Entrepreneurship and the Economy



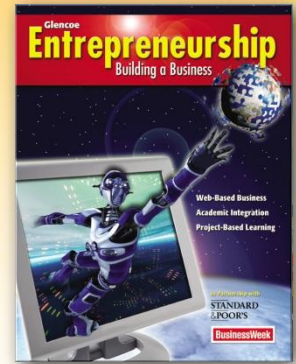
Supply and Demand Theory

The degree to which demand for a product is affected by its price is either governed by **elastic demand** or **inelastic demand**.

inelastic demand

situations in which a change in price has little or no effect on the demand for products

Entrepreneurship and the Economy

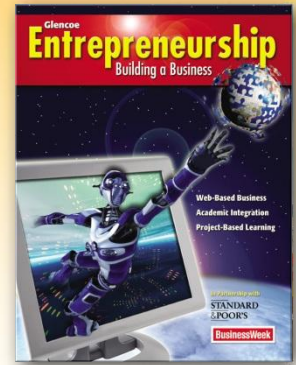


Supply and Demand Theory

Due to the law of **diminishing marginal utility**, even when a product's price is low, people will not keep buying it indefinitely.

diminishing marginal utility
the effect or law that establishes that price alone does not determine demand, and that other factors, such as income, taste, and the amount of product already owned, play a role as well

Entrepreneurship and the Economy



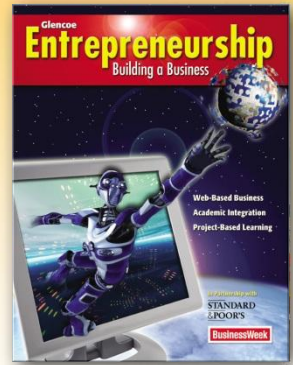
Supply and Demand Theory

Supply is continually shifting in the marketplace.

supply

the amount of goods or services that producers are willing to provide

Entrepreneurship and the Economy

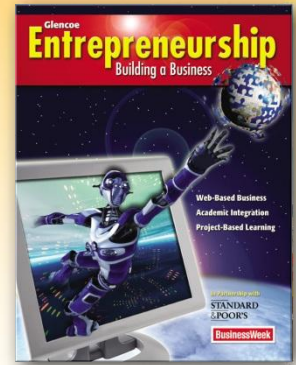


Supply and Demand Theory

If something is in heavy demand, but in short supply, prices will go up.

If something is in heavy supply, but in short demand, prices will go down.

Entrepreneurship and the Economy



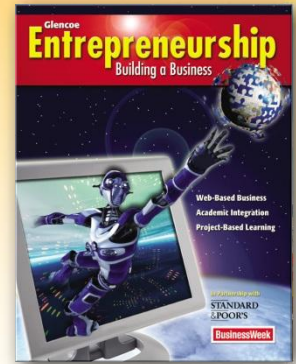
Supply and Demand Theory

Because supply and demand are continually shifting in the marketplace, the change creates surpluses, shortages, and **equilibrium**.

equilibrium

the point at which consumers buy all of a product that is supplied; at this point, there is neither a surplus nor a shortage

Entrepreneurship and the Economy



Economic Indicators and Business Cycles

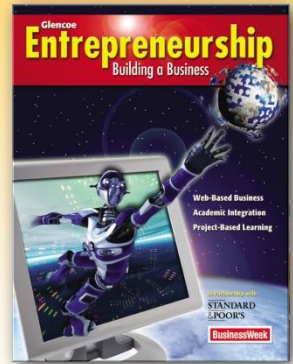
The federal government publishes statistics that help entrepreneurs understand the economy and predict possible changes.

The **Gross Domestic Product** is an example of an economic indicator.

gross domestic product

the total market value of the goods and services produced by workers and capital within a nation during a given period

Entrepreneurship and the Economy



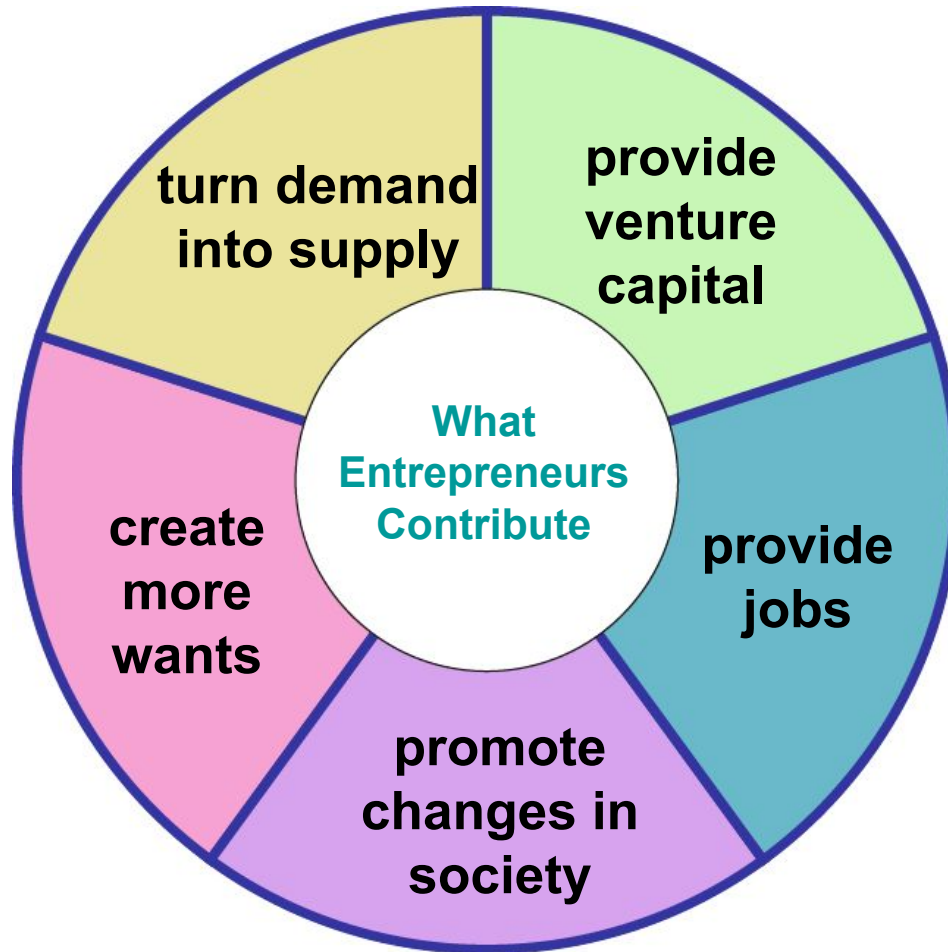
Economic Indicators and Business Cycles

There are four stages of the **business cycle**: growth, recession, depression, and recovery.

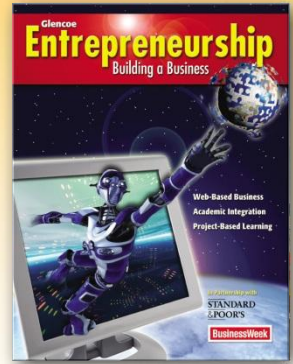
business cycle

the general pattern of expansion and contraction that the economy goes through

What Entrepreneurs Contribute



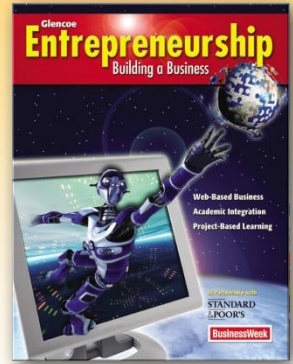
Entrepreneurship and the Economy



Small Businesses and Entrepreneurial Ventures

The difference between small businesses and entrepreneurial ventures is that owners start small businesses to create jobs for themselves; while founders of entrepreneurial ventures have a desire to innovate, grow, and create new value.

Entrepreneurship and the Economy

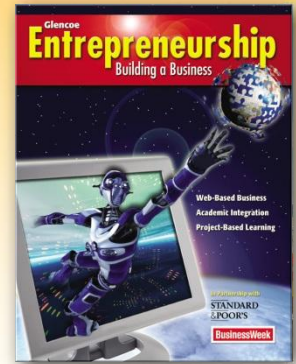


After You Read

1. **Define** the role of small business and entrepreneurship in the economy.

Entrepreneurs start by responding to society's wants and end up changing society, thereby creating even more wants to be satisfied. As a result, entrepreneurs are the catalysts that make economic progress happen.

Entrepreneurship and the Economy

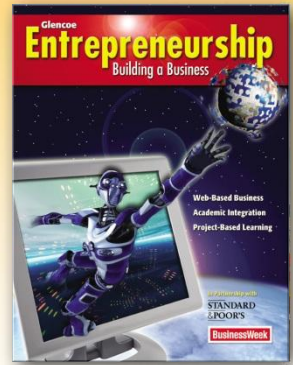


After you Read

2. **Compare and contrast** economic systems.

Economic systems include a set of laws, institutions, and activities that guide economic decision making. There are several kinds: traditional, pure market, command, and mixed.

Entrepreneurship and the Economy

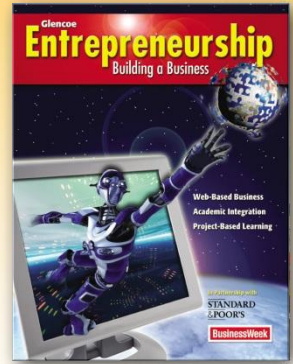


After you Read

3. **Explain** how economics is about making choices.

Because resources are in limited supply, if the consumer wants one thing, he or she may have to give up something else.

Entrepreneurship and the Economy

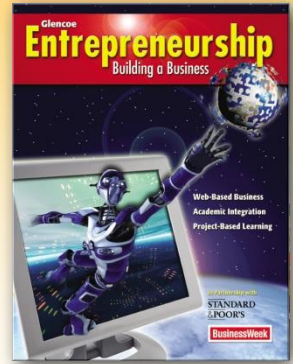


After you Read

4. **Define** the role of economic indicators and business cycles.

The federal government provides statistics (economic indicators) that help entrepreneurs understand the state of the economy and predict possible changes. Business cycles are general patterns of expansion and contraction that the economy goes through.

Entrepreneurship and the Economy

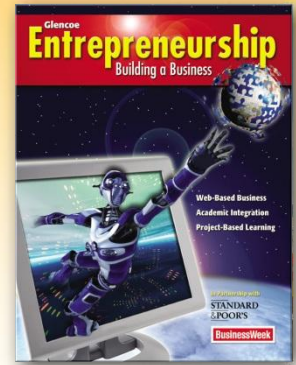


After you Read

5. **Describe** what entrepreneurs contribute to the economy.

Entrepreneurs recognize consumer wants and see the economic opportunities in satisfying them. Entrepreneurs are a principal source of venture capital. Entrepreneurs provide jobs. In doing so, they provide for their own and others' financial security. Entrepreneurs change society through the businesses they create and by responding to society's wants and needs.

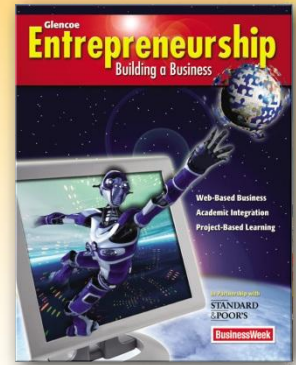
The Entrepreneurial Process



Section Objectives

- Analyze entrepreneurship from a historical perspective.
- Name the five components of the entrepreneurial start-up process.
- Explain how to achieve business success.

The Entrepreneurial Process

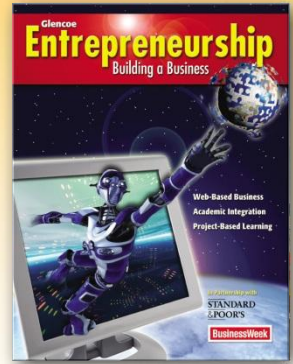


The Main Idea

The entrepreneurial start-up process includes:

- the entrepreneur
- the environment
- the opportunity
- start-up resources
- the new venture organization

The Entrepreneurial Process

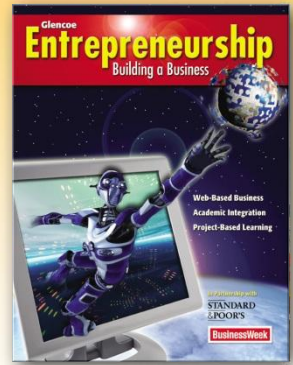


Content Vocabulary

enterprise zones
opportunity
start-up resources

discontinuance
new venture organization
business failure

The Entrepreneurial Process

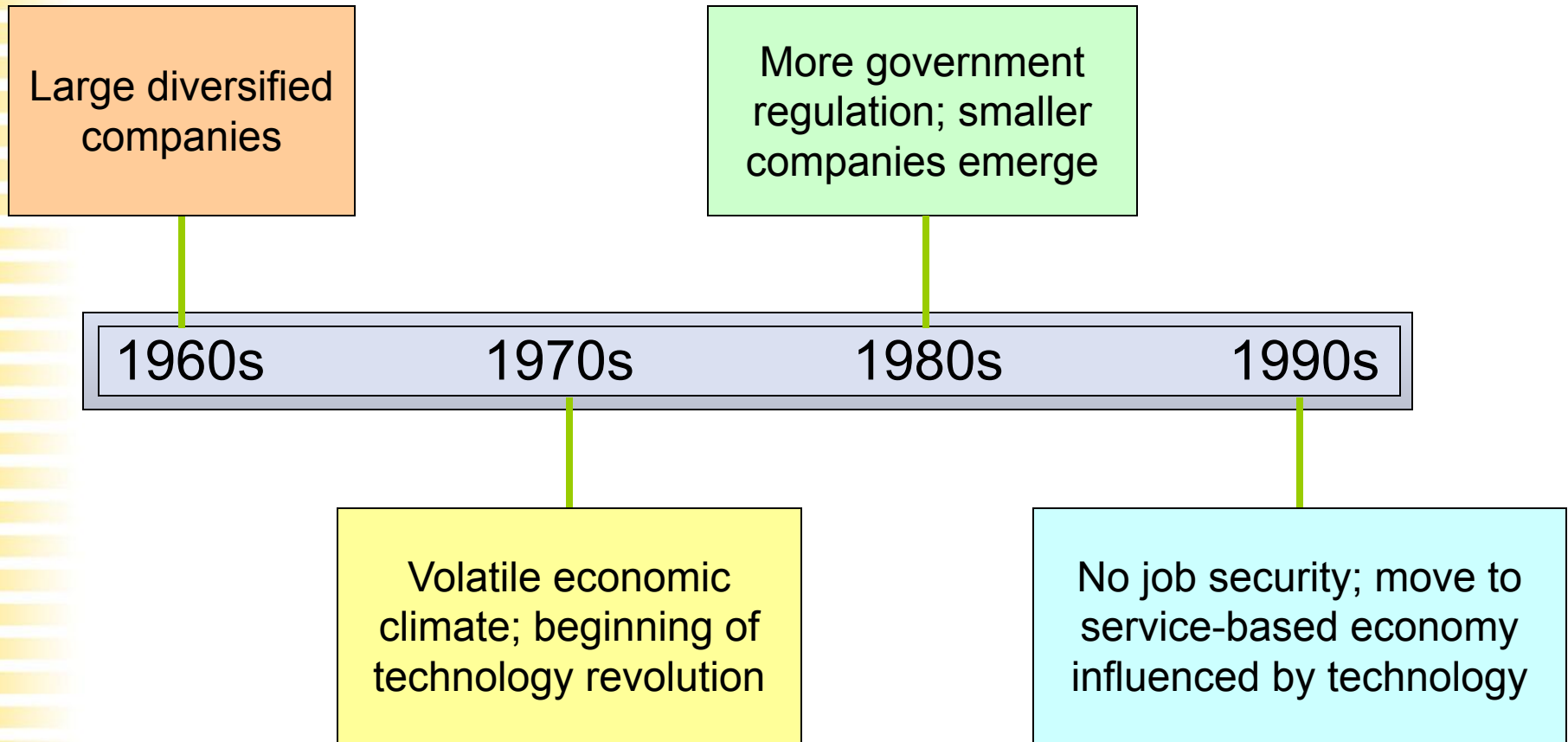


The History of Entrepreneurship

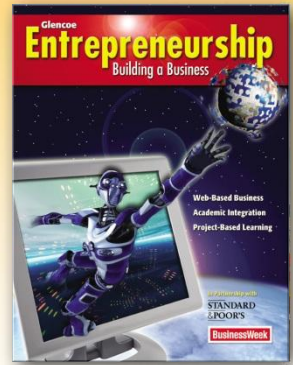
Entrepreneurship has been a distinct feature of American culture since the American Revolution, but it was not until the 1980s that it became a popular topic.

Graphic Organizer

The History of Entrepreneurship



The Entrepreneurial Process

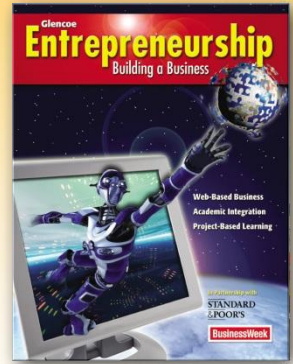


The Entrepreneurial Start-Up Process

The five components of the entrepreneurial start-up process work together to create a new business.

- the entrepreneur
- the environment
- the opportunity
- start-up resources
- the new venture organization

The Entrepreneurial Process



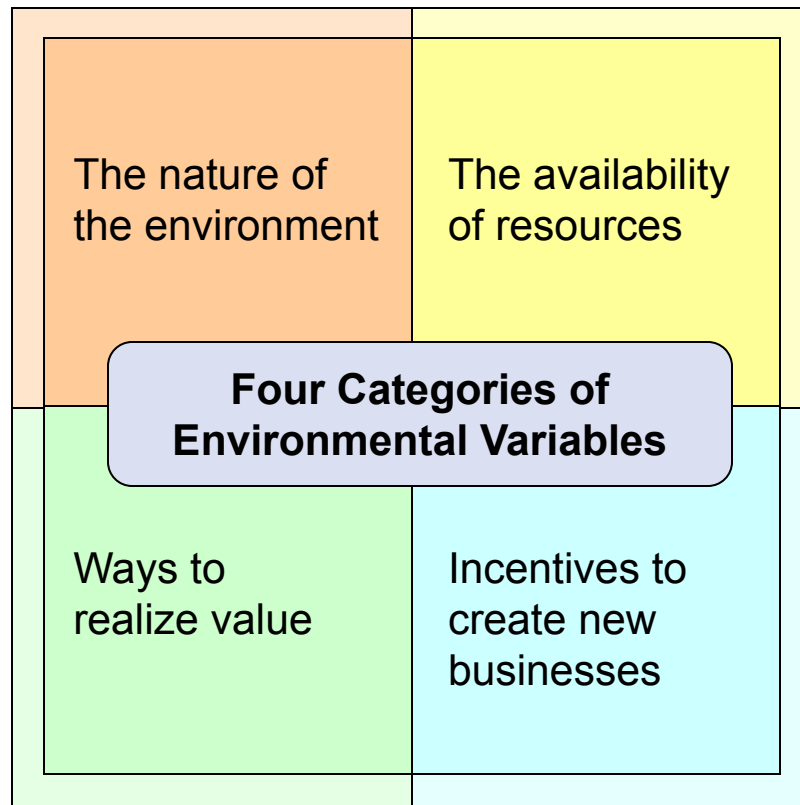
The Entrepreneurial Start-Up Process

The entrepreneur is the driving force of the start-up process.

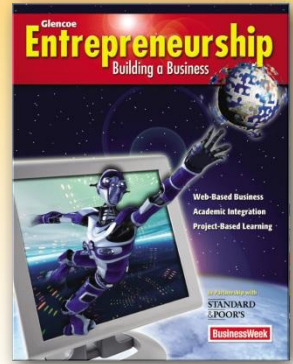
Entrepreneurs recognize opportunities and pull together the resources to exploit opportunities.

Graphic Organizer

The Environment



The Entrepreneurial Process



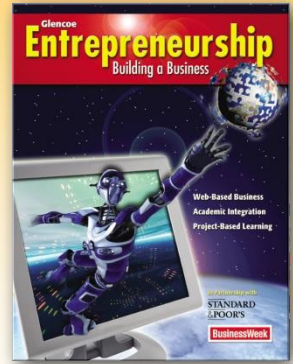
The Environment

New businesses seek **enterprise zones** that provide incentives.

enterprise zones

specially designated areas of a community that provide tax benefits to new businesses locating there; communities may also provide grants for new product development

The Entrepreneurial Process

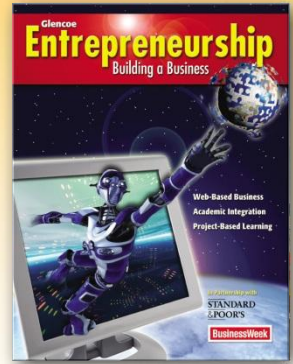


The Opportunity

A good **opportunity** can be turned into a business.
An idea plus a market equals an opportunity.

opportunity
an idea that has commercial value

The Entrepreneurial Process



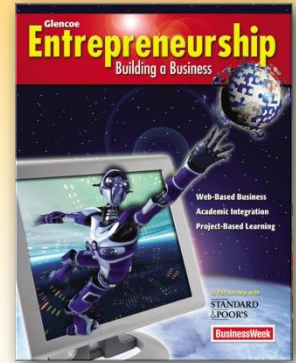
Start-Up Resources

When entrepreneurs are ready to start up a new business, they must use creative talent to put together the necessary **start-up resources**.

start-up resources

the capital, skilled labor, management expertise, legal and financial advice, facilities, equipment, and customers needed to start a business

The Entrepreneurial Process

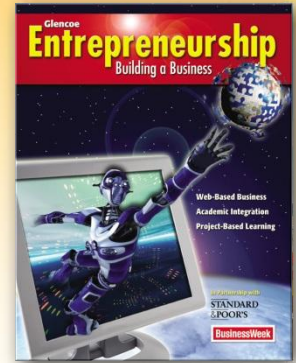


The New Venture Organization

The fifth component of the start-up process is the execution of the **new venture organization**.

new venture organization
the infrastructure or foundation that supports all the products, processes, and services of a new business

The Entrepreneurial Process



The Facts About Business Failure

A **business failure** files Chapter 7 bankruptcy.

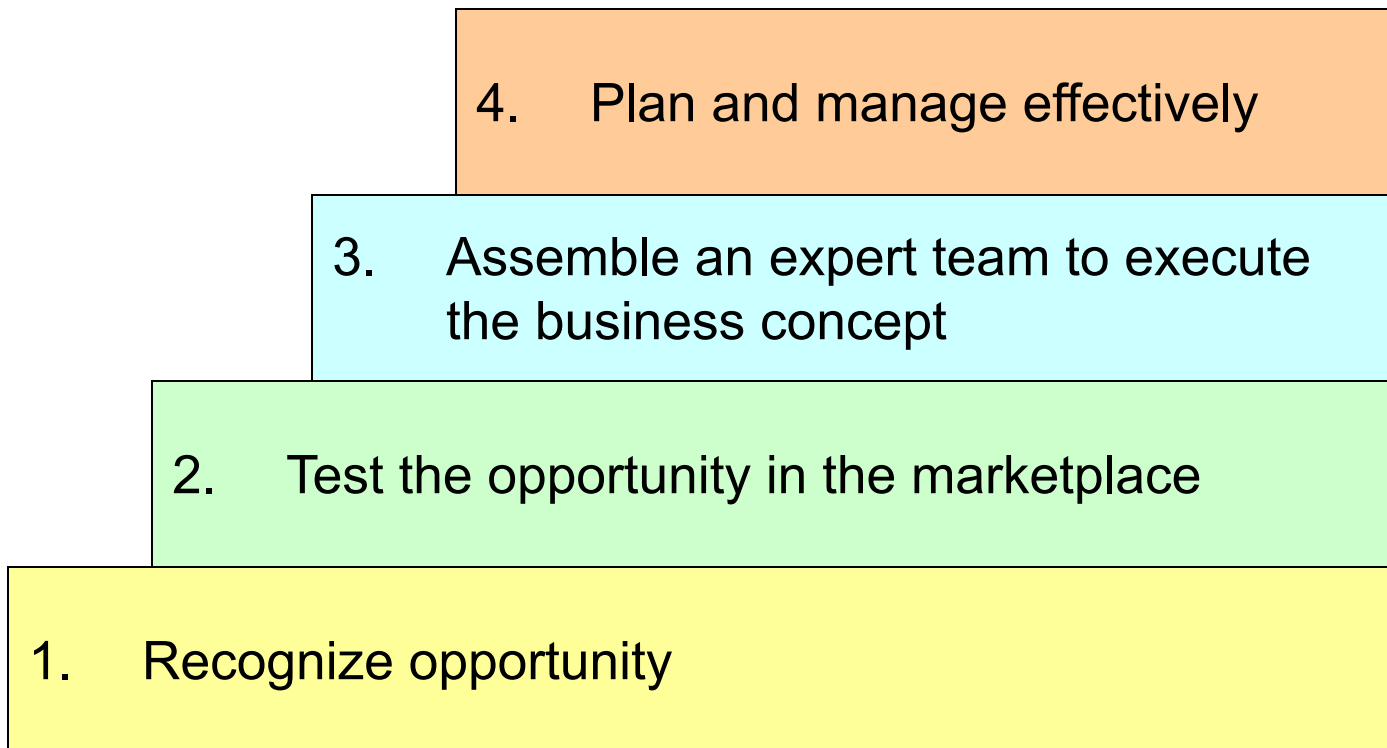
A business that disappears from the tax rolls may be a failure or a **discontinuance**.

discontinuance

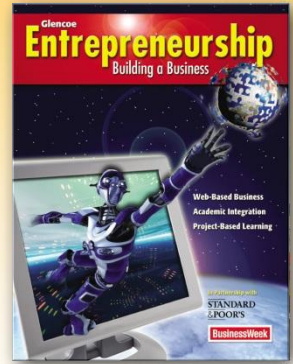
a business that disappears from the tax rolls because it may be operating under a new name or because the owner has purposely discontinued in order to start a new business

Graphic Organizer

How Entrepreneurs Can Succeed



The Entrepreneurial Process

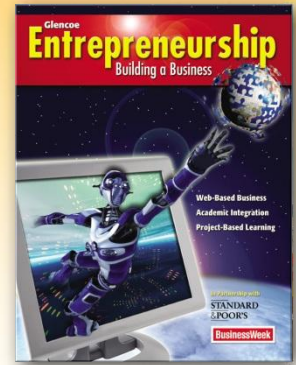


After You Read

1. **Describe** entrepreneurship from a historical perspective.

Entrepreneurship has been a distinct feature of American culture since the American Revolution. Enterprising colonists found innovative ways to introduce new products and services. In the 1980s entrepreneurship became a popular topic.

The Entrepreneurial Process

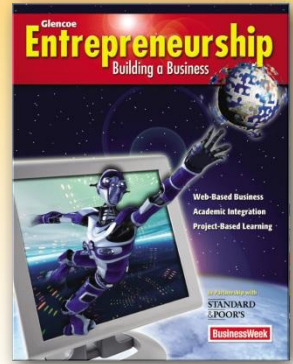


After You Read

2. **Discuss** the five components of the entrepreneurial start-up process.

The entrepreneurial start-up process includes the entrepreneur, the environment, the opportunity, start-up resources, and the new venture organization.

The Entrepreneurial Process

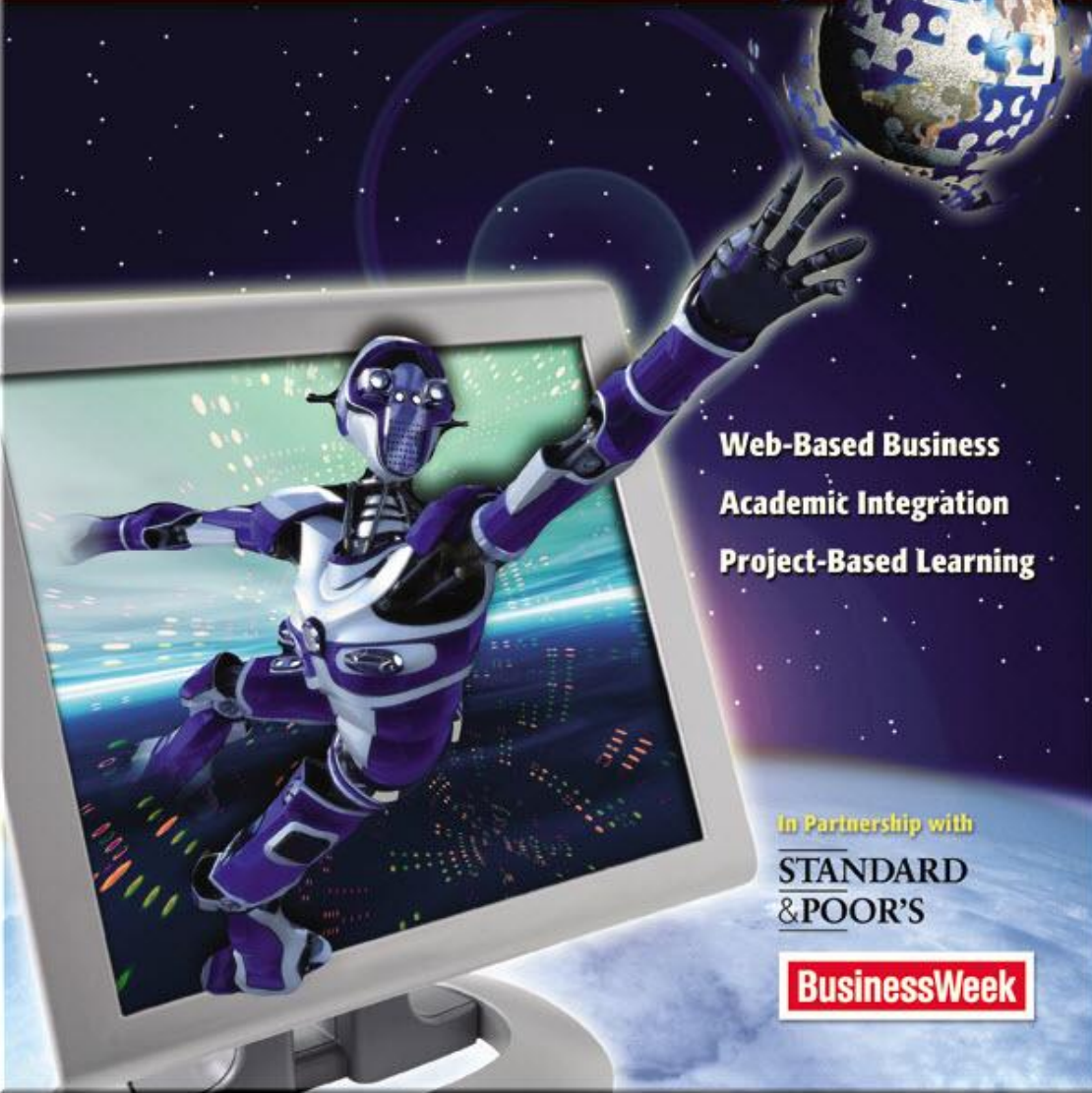


After You Read

3. **Explain** how to achieve business success.

The chances of a new business succeeding are good with effective planning and management. Entrepreneurs must learn how to recognize opportunity, test that opportunity in the marketplace, and assemble a team with the necessary expertise to execute the business concept.

Glencoe
Entrepreneurship
Building a Business



Web-Based Business
Academic Integration
Project-Based Learning

In Partnership with
**STANDARD
& POOR'S**

BusinessWeek

End of

Chapter 1

What is Entrepreneurship?

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