



**ENT 826**

**COOPERATIVE ENTREPRENEURSHIP**

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## **INTRODUCTION**

**ENT 826: Cooperative Entrepreneurship** consists of Fourteen (14) units divided into three (3) modules which provide basic knowledge for the students about Cooperative Entrepreneurship. The course was designed in such a way that will enable the students to understand the subject matter (Cooperative Entrepreneurship) through various topics such as: concept of Cooperative, concept of entrepreneurship, meaning of cooperative entrepreneurship, Theory and principles of Cooperative, Theory of Entrepreneurship, Cooperative and Entrepreneurship Programmes, Government policies and intervention programmes on Entrepreneurship development in Nigeria, as well as the contributions of entrepreneurship towards economic development of Nigeria.

## **WHAT THE STUDENTS WILL LEARN IN THIS COURSE**

ENT 826 was designed to teach the students on how to accomplish their entrepreneurial potentials through collective actions within cooperative associations. Becoming a successful entrepreneur can be effectively achieved without stress by being a member of cooperative society that is involved in creative or innovative social and economic activities.

Collective sharing of cooperative resources will afford the entrepreneurs the opportunities to attain a lot of things which might be difficult to achieve if they are working alone without being a member of cooperative entrepreneurship. One of the factors that usually limit/hindered the success of every entrepreneur is inability to access to productive (both financial and non-financial) resources as they struggle to survive and thrive on their own.

In this case, the students should be able to learn how to achieve their entrepreneurial potentials through associating them self to cooperative societies that have primary objective of enhancing members' livelihood through creative or innovative socio-economic activities.

## **COURSE OBJECTIVES**

This course intends to provide an opportunity for the learners to understand better the practices of cooperative entrepreneurship and how it contributed to entrepreneurship development as well the development of economy.

It is expected that the students and learners devote their time to get best out of this course. This will justify the efforts that were put into development of the course material.

There are set of specific objectives that the course is determined to achieve. These are to:

Firstly, to provide detailed explanation on the Concept of Cooperative and the Unique Benefits that entrepreneur can benefit for being a member of Cooperative society

Secondly, the course shall provide background explanation to the Concept of Entrepreneurship, its Characteristics and Behavioural Traits of an Entrepreneurs as well as exploring various types and Classification of Entrepreneurship that are obtainable globally.

Thirdly, the course determined to provide the acceptable Meaning of Cooperative Entrepreneurship. Also to explain the Relevance and Applicability of Cooperative Principles to Cooperative Entrepreneurship. As well as to understand Entrepreneurship Theories and Practices

Lastly, this course also determine to assess Government policies and Programmes Designed to Enhance Cooperative and Entrepreneurship Development in Nigeria and the Contributions of Cooperative Entrepreneurship to Nigeria Economic Development

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## **MODULE 1**

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### **UNIT 1      CONCEPT OF COOPERATIVE**

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#### **1.0      INTRODUCTION**

The Primitive concept of Cooperation was related more to cultural, religious and social aspects. Cooperation was a way of life and it was inherent in the Society itself. The Modern concept of Cooperation is altogether different from the primitive one. It denotes a special method of doing business



During a time of economic downturn and high unemployment, particularly among young people, society needs innovative strategies to generate growth. Cooperatives are one strategy based on fairness, democracy, and equality. This Cooperative business model has a global track record in helping communities become sustainable and achieving more equitable distribution of wealth. One of the most pressing problems facing communities around the world is the lack of opportunities especially for the young people.

## **2.0 OBJECTIVE OF THIS UNIT**

The era of ‘a job for life’ has ended. Today’s students and graduates know that their future employment may well depend upon creating their own job. The primary aim of this course is to inform young people the benefits of establishing a cooperative or employee owned enterprise and to provide them with the necessary knowledge and tools for doing so.

For students, this course provides an alternative to the standard guides to setting up an enterprise. A useful educational resource in the classroom, this text also shows what is required to establish a cooperative enterprise ‘in the real world’, and not just for a university project. There are many student cooperatives pursuing imaginative activities on campuses all over the world. Some provide affordable housing to their members. Others ensure that members have access to organic and locally sourced fruit and vegetables, or enable members to purchase expensive textbooks at reasonable prices. It is even possible to set up a cooperative that democratically manages a mutual fund for collective enterprise. ‘

For graduates, this text offers ideas for working with like-minded individuals to create employment. It also explains where to go for advice and assistance to translate commercial ideas into real businesses. The cooperative option is a road that is well-travelled, even if its success stories are far less known to the general public than those of capitalist entrepreneurs.

This unit contains numerous examples of cooperative success stories to highlight the benefits that can be achieved through collective action. The cooperative business model allows members to share risk and reward, to combine complementary skills, and to achieve the scale and capacity essential for operating effectively in the market.

For young people struggling under the weight of debt, facing a long stretch of unemployment or unfulfilling jobs, or simply searching for a better way of doing business, the cooperative business model of enterprise offers alternatives based on self-help, mutual help and self-responsibility. It combines democratic processes with economic and social performance. It aligns ethical sustainable behaviour with innovation and growth. Cooperative enterprise does not pretend to be a cure for all ills. But it does offer hope and practical solutions for building a fairer world. Now is the time for this ‘invisible giant’ to become better recognised and understood.

### **3.0 MAIN CONTENT**

#### **3.1 COOPERATIVE CONCEPT DEFINED**

First and foremost, as businesses, cooperatives are subject to the same market and economic forces that affect all models of enterprise. Financial management and analysis, product marketing, supply chain, efficient processes and operations, competent personnel, are important to all businesses, including cooperative business. Yet cooperatives are unique businesses. They distinguish themselves from other models of enterprise in three key areas: ownership, governance and beneficiary (that is, who primarily benefits from the business, especially in terms of profit). In essence, cooperatives have members who are not only the users of the business’ goods or services, but also the owners. Members control and share in the surplus generated. The purpose of a co-operative is to provide maximum benefit to its members by engaging in economic activities or, to put it another way, by intervening in the market.

The International Cooperative Alliance (ICA), a non-governmental organization which is the umbrella organization for cooperatives worldwide, defines cooperatives as an “autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”

The word cooperative is derived from the word cooperate which means to work or act together highlight the unique characteristics required for an enterprise to be classified as a cooperative enterprise:

- ✓ Autonomous together or jointly for a common purpose or benefit. In this definition, the following points
- ✓ Independence and organization base of the enterprise;
- ✓ Volunteerism - Open membership;
- ✓ Common needs – People come together to fulfil a mutual need;

- ✓ Ownership - Members are owners (not merely customers or workers) of the enterprise and should invest wisely in its growth;
- ✓ Democratic control - Each member is given a single vote regardless of contribution/wealth;
- ✓ Enterprise - A cooperative is not only an association of people, but also a business enterprise.

Cooperatives can take many forms but attempts have been made to produce a common definition and set of values and principles to unite cooperatives globally. To supplement this definition, a set of values and principles was also produced, in keeping with ideas that drove the original founders of the cooperative movement in the nineteenth century.

The values of equity, equality, solidarity, democracy, self-help, and self-responsibility are central to the purpose of a cooperative and these values are put into practice through cooperative principles. That said, the values and principles provide a powerful platform for conducting business in an economically and socially successful manner.

- i. The purpose of a cooperative is to allow individuals to come together and pool their resources in order to reach a common goal which would be difficult for them to achieve as individuals. Cooperative option allows, simply by joining with others to form a business, to benefit from economies of scale, and so reducing costs. A cooperative is the specific application of a very old idea: cooperation. Cooperation can be defined as a social process by which individuals work together to realise a common objective or goal
- ii. Cooperation is present in every age of humanity, including the oldest. In most cases, cooperation occurs when an external factor threatens a certain number of individuals. So it has been with cooperatives. They were the consequence of several ills affecting workers at a time where working conditions were difficult. Cooperation among the workers seemed like the only possible means of defence against the worsening social and economic conditions of the period affecting a section of the population. Even today, some people, to say the least, carry out their jobs in difficult conditions or are not even in employment. Cooperatives are enterprises which help their members cooperate together to solve problems they share. The members of cooperatives can be natural persons or corporate bodies. Cooperatives of corporate bodies can represent an effective form of commercial cooperation in the same way as, for example, networking, strategic partnerships and franchising

- iii. Cooperatives are an alternative to the capitalist approach of most businesses: a type of economic-social cooperation. As a result, the cooperative, which aims to apply the social well-being of the work world to a business level, is a non-profit-making service enterprise whose objective is to free its members from any exploitation they are suffering by strengthening them in their economic role as purchasers, workers, produce sellers, borrowers, housing applicants, tenants, etc

It is important to understand that cooperatives are formed to achieve a mutual objective; the entrepreneurs who set up the business and members who join subsequently must believe that they can achieve more collectively than individually. Make sure you ask yourself whether this commitment to working together exists before continuing with your cooperative business idea.

Another important concept to understand at the beginning of the entrepreneurial process is the nature of risk and reward in cooperatives. Entrepreneurs (and subsequently, shareholders) who establish investor-owned companies generally bear all of the risk and appropriate all of the reward (usually in the form of profit).

Cooperatives are different in that risk and reward are shared more equitably (and sometimes equally) amongst the founders. This is especially true in relation to the distribution of surplus. Budding entrepreneurs should realise that the sharing of risk is an important advantage embedded in the process of setting up a co-operative.

### **3.2 Ownership Structure in Cooperative Society**

A cooperative's members, whether they are consumers, workers, or producers are the owners of the business as well as the users of the goods and services. The members assume full responsibility for the success of the cooperative but are entitled to appropriate a share of the rewards generated. Member ownership ensures that cooperatives are geared towards meeting the needs of members. It is important that founders and members of a cooperative understand the rights and responsibilities that ownership of a business entails.

### **3.3 Democratic Governance in Cooperative Society**

Cooperatives are governed on a one member one vote basis (unlike an investor-owned company which adopts a one share one vote process). Democratic governance by members is one of the cooperative model's greatest strengths; it means that the collective will and knowledge of the members are used actively to further the aims of the business. Democratic member governance is put into practice through the election of a board of directors by the members to represent their interests. Member participation and engagement are central to effective democratic governance and require commitment in the form of time and energy from those involved.

Democratic governance does not mean that every member is involved in every decision; typically, the one member one vote process is only applied for electing a board and making major policy or business decisions. Decision-making authority for the day-to-day running of the enterprise (operations management) can be delegated to individual or groups of employees/members (just like in any other business).

### **3.4 Member Benefits in Cooperative Society**

Member benefits can be defined in economic, social, and psychological terms; there is usually a mix of these for most members. For example, a cooperative may provide food produce at low cost for its members, as well as supporting social initiatives in the members' community. Many cooperatives also seek to achieve environmental objectives at the request of their members (for example, the growing number of renewable energy cooperatives). This focus on providing maximum benefits of various kinds to members contrasts with the focus in the investor-owned model of enterprise where shareholder benefits are defined exclusively in economic terms.

Cooperatives are run for the benefit of their members; they achieve this benefit in a number of ways.

First, the cooperative should meet a commonly-defined need. For example, this could be the need for employment amongst a group of graduates; a need for broadband services in a remote community; or the need for social care services in a town/city.

Second, the cooperative should generate a range of economic, social and psychological benefits; these could be secure employment, a decent wage, a share of any surplus generated, democratic control over your working life, or addressing a social/community issue.

Third, the cooperative should distribute some of the surplus generated amongst its members. A note of caution on the distribution of surplus: while the thought of a large share of the surplus might appeal in the short-term, you will probably not be in business for very long if 100 per cent of the surplus is given to the members. Most co-operatives set a limit on how much can be distributed to members (usually 50-70 per cent) and the rest is retained in the business as reserves. Some cooperatives choose to commit a certain percentage of profit to social and/or community goals as well, fulfilling the seventh co-operative principle explained below.

### 3.5 TYPES OF COOPERATIVES

There are four main types of co-operative enterprise:

**1. *Producer*** – is a type of cooperative where the members are producers of goods/services. Many agricultural cooperatives adopt this model as it allows them to achieve economies of scale and strength in numbers. For example, a group of farmers could form a producer cooperative to purchase machinery and other supplies in bulk. Another example would be a group of self-employed consultants forming a producer cooperative to tender collectively for larger contracts.

**2. *Consumer*** – is a type of cooperative where the members are the customers of the enterprise's goods or services. The consumer model has traditionally been adopted by retail, financial and housing cooperatives. Some of the largest cooperatives in the world are consumer-owned, such as the Cooperative Group in the UK, Rabobank in the Netherlands, and Migros in Switzerland.

**3. *Workers*** – is a type of cooperative society where the members are the employees of the business. Worker cooperatives have long been established in Western European countries such as France, Italy and Spain, but they began to proliferate in the UK during the 1970s. In Nigeria, there are a variety of workers cooperatives operating in myriad industries and institutions including government parastatals.

**4. *Hybrid*** – is a type of cooperative that has more than one membership class (for example, consumer and worker). An example of a hybrid cooperative would be Eroski, one of the largest retailers in the Basque country of Northern Spain and part of one of the largest worker cooperative movements in the world, Mondragón Corporation. The retailer has both employees (worker) and customers (consumer) as members.

There is another model of enterprise that will feature in this course, one which offers flexibility and wealth generation for entrepreneurs: employee ownership. Similar to worker cooperatives, employee-owned firms are majority-owned and controlled by their employees, but not necessarily on a democratic basis.

#### **4.0 CONCLUSION**

Now that you have understood the concept of the cooperative movement and have been provided with a glimpse of its practices, you may be inspired to pursue the start-up of your own cooperative...not so fast! Before you jump in, let us learn what distinguishes this form of enterprise from other forms of business structures.

#### **5.0 SUMMARY**

In this unit, you have learnt about: the Meaning of Cooperative and the benefits someone can derive from being a member of cooperative society.

#### **6.0 TUTOR MARKED ASSIGNMENT**

Define cooperative concept based on your own understanding. Then highlight and discuss those basic unique attributes or components found in your definition that distinguish cooperative enterprise model from other business enterprises.

#### **7.0 REFERENCE FOR FURTHER READING**

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## **UNIT 2 COOPERATIVE UNIQUE BENEFITS**

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### **1.0 INTRODUCTION**

Cooperative are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Economic benefits are distributed proportionally to each member's level of participation in the cooperative, for instance, by a dividend on sales or purchases, rather than according to capital invested. Cooperative as a business model has various unique benefits that are accrued to the members and these unique benefits enjoyed by the cooperative members distinguish cooperative enterprise from other profit oriented businesses. They are distinguished from other forms of incorporation in that profit-making or economic stability are balanced by the interests of the community.

Examples of different types of cooperatives highlighted in previous unit demonstrate how the cooperative model can impact lives, revitalize communities and transform local economies. We will conclude this unit with a summary of the advantages and challenges faced by this important form of cooperative enterprise.

## **2.0 OBJECTIVE OF THIS UNIT**

This unit is concerned to expose the learners to those unique benefits of cooperative as business model and the end of this unit, the learners should be able to identify those unique benefits a member of cooperative society will derive from the collective enterprise.

Also the learners will have the opportunity to identify and understand the most common business models in Nigeria with their features as well as their advantages and disadvantages over each other business models.

At the end of this unit the students should be able to distinguish these business models based on their features, merits and demerits

## **3.0 MAIN CONTENT**

### **3.1 CORE OBJECTIVES OF COOPERATIVE ENTERPRISE**

Cooperative enterprise has some core objectives which always reflect from the reason for its establishment. As a Self-help and mutual help enterprise, Cooperative Society has the following main objectives which are:

#### ***a) Economies of Scale***

Cooperatives can be an effective system for developing the skills and resources of relatively unskilled or disadvantaged people. The members can learn how to pool their resources and how to help one another set up a commonly-owned business so that together they can address needs which they otherwise could not meet as individuals because it would be too difficult or expensive. Cooperatives can also be effective in promoting personal development and in creating wealth, while sharing and strengthening diverse skills.

#### ***b) Contributing to Poverty Reduction***

Cooperatives can be effective in reducing poverty because:

- ✓ they provide common services which would have been costly if carried out by individual members,
- ✓ if they operate efficiently they provide goods and services at competitive prices, thus saving the member some money,

- ✓ some cooperatives provide credit to members which enable them to improve production and increase their incomes, and
- ✓ The returns accruing from the cooperative business revert to members either in cash or in kind.

### ***c) Employment Creation***

Cooperatives help create employment with employing millions of people around the world. Producer, Consumer or Worker cooperatives have demonstrated capacity for creating jobs in their respective economies. Consider, for example, the number of jobs created and saved by credit unions with over 50% of their portfolio in productive sector loans; and to jobs retained along the value chain by buoyant fisher and fruit processing cooperatives. This demonstrated capacity for employment creation is crucial for poverty reduction strategies and therefore the social safety net. In addition to creating employment for their members and members' workers, cooperatives also employ people directly as managers, accountants, technicians, administrators, lawyers, auditors and business consultants.

### ***d) Gender Equality and Abolition of Social Inequalities***

Cooperatives provide a voice and platform for economic opportunities for women otherwise disenfranchised and provided with few opportunities to break the cycle of poverty. Cooperatives are sometimes the only avenue for women to gain education and training in order to create employment opportunities and raise the standard of living for themselves and their families.

Abolition of Social Inequalities. The feeling of 'high' or 'low' among members of the community act as a cause of social tensions, the removal of which is the goal of the co-operative movement.

### ***e) Youth Empowerment***

Cooperatives provide essential life skills by teaching and engaging young people on topics such as money management, the importance of savings, and the power of compound interest. They also learn about important values and principles including democracy, inclusion, honesty and fairness. Cooperatives help shape and prepare global leaders of tomorrow.

### ***f) Business Development***

Cooperatives provide opportunities for every ordinary people to engage in business activities, as individuals, would never have been able to do so due to real economic costs. Participation in the cooperative pool enables them to reap economic benefits and to acquire new knowledge and skills in marketing, production, understanding financial statements, organization and leadership which they can apply in their private and other business lives.

***g) Elimination of Middlemen***

The First and foremost objective of co-operative society is to remove the middlemen in different fields, who take away the gains that should have gone to the real beneficiaries.

***h) Raising moral standards of its members***

Cooperative movement wishes to direct human life towards goodness by raising their moral standard.

### **3.2 COOPERATIVE EFFECTS**

The effects of cooperative enterprise are studied under four broad categories which are,

a. Economic Effect

b. Social and Political Effect

c. Educational Effect

d. Ethical Effects

**A. *Economic Effects.*** The economic effects of cooperative are those economic activities that grant easy access to productive resources that are capable of enhancing overall productivity of the cooperative members. The following are the Economic effects derived out of Cooperative business model

- ✓ Access to financial resources in form credit, loan and grant, and subsidy
- ✓ The substitution of profit incentive in business by that of service to the community.
- ✓ A more equitable distribution of wealth.
- ✓ A break up of monopolistic tendencies.
- ✓ Increase in purchasing power

- ✓ Reduction in cost of distribution system by elimination of unnecessary middlemen.
- ✓ The more accurate correlation of demand and supply.
- ✓ Stabilization of employment.
- ✓ Ability to collectively own an investment/enterprise with reward to earn returns (interest) on the investment.
- ✓ Access to marketing, production and processing facilities at affordable and reasonable prices.

### ***B. Social and Political Effects***

The important Social and political effects are as follows:

- ✓ Provide a unique education in democracy, responsibility and toleration.
- ✓ Train for effective leadership and political power.
- ✓ Evolve an industrial relationship among all.
- ✓ Preserve a strong friendly or family spirit and sense of pride and power which is impersonal.
- ✓ Secure rational construction and unifying approaches to social and economic problems.
- ✓ Prevent underemployment and unemployment
- ✓ Secure moral as well as physical satisfaction of pure quality, correct weight and fair dealings.
- ✓ Prevent exploitation of man by man.

### ***C. Educational Effects***

- ✓ The individuals learn by experience gained in practical work of cooperation which can be transfer to their private enterprise.
- ✓ Cooperative also exposed their members to various category of training and education which will be designed to empower and enhance their skills and knowledge for productive purposes.

### ***D. Ethical Effects***

- ✓ The policy of honesty is a necessity in cooperative activities
- ✓ Cooperation returns money value for honesty and other virtues.
- ✓ The motto of cooperation is “ each for all and all for each” with good morals
- ✓ Cooperation aims at the promotion of healthy competition within the competitive environment

### 3.3 HOW COOPERATIVE DIFFERS FROM OTHER MODELS OF BUSINESS

In determining whether the cooperative is the right structure, it is important to have an understanding of the advantages and disadvantages of the various forms of business structures. It is recommended that a review of the local business and taxation laws and regulations be done when comparing cooperatives with other forms of business structures in Nigeria.

This sub-unit highlighted the advantages and disadvantages of the following four common models of business structures in Nigeria:

- a. Sole proprietor (one man business);
- b. Partnership (several single owners joining together); and
- c. Joint Venture Company (either a private company owned by a group of people, such as a family, or a public company where members of the public can buy shares and become part-owners).
- d. Cooperative Business Enterprise

#### 3.3.1 *Sole Proprietor (One Man Business) Model of Business*

As the name suggests, ‘sole’ means ‘only one’ and ‘proprietorship’ implies ‘ownership’. Hence, a **sole proprietorship** is a form of business organization, wherein a **single person owns, manages and controls, all the business activities** and the individual who operates the business is called as a **sole proprietor** or, a **sole trader**.

In this business unit, the sole proprietor is exclusively responsible for employing capital to commence business, bearing all the risk of the enterprise and also for managing all the activities single-handedly. And to do so, he/she pools and arranges various resources in an organized way, with the sole aim of earning profit. The owner is exclusively responsible for all the decisions. All the profits earned by the business goes to sole trader’s pocket, and he is solely responsible for the loss suffered.

The sole proprietorship is the simplest business form under which one can operate a business and it is the oldest form of business organizations? Well, it is a sole proprietorship. It is also the most common type of business entity found in Nigeria. Let us look at some important features of a proprietorship.

#### **Features of Sole Proprietorship Model of Business**

### ***1] Lack of Legal Formalities***

A sole proprietorship does not have a separate law to govern it. So there are not many special rules and regulations to follow. It does not require incorporation or registration of any kind. In most cases, only a license is required to carry out the desired business. And just like in its formation, there is hardly any legal process involved in its closure. Overall it allows for ease of doing business with minimum hassles.

### ***2] Liability***

Since there is no separation between the owner and the business, the liability of the owner is also unlimited. So if the business is unable to meet its own liabilities, it will fall upon the proprietor to pay them. All of his personal assets (like his car, house, other properties etc) may have to be sold to meet the liabilities of the business.

### ***3] Risk and Profit***

The owner is the only risk bearer in a sole proprietorship. Since he is the only one financially invested in the company, he must also bear all the risk. If the business fails or suffers losses he will be the one affected.

However, he also enjoys all the profits from the business. He does not have to share his profits with any other stakeholders since there are none. So he must bear the full risk in exchange for enjoying full profits.

### ***4] No Separate Identity***

In legal terms, the business and the owner are one and the same. No separate legal identity will be bestowed upon the sole proprietorship. So the owner will be responsible for all the activities and transactions of the business.

### ***5] Continuity***

Just as we saw above the business and the owner have one identity. So a sole proprietorship is entirely dependent on its owner. The death, retirement, bankruptcy. Insanity, imprisonment etc will have an effect on the sole proprietorship. In most of such cases, the proprietorship will cease to exist and the business will come to an end.

### ***Advantages of Sole Proprietorship Model of Business***

- A proprietor will *have* complete *control* of the entire business, this will facilitate quick decisions and freedom to do business according to their wishes

- Law does not require a proprietorship to publish its financial accounts or any other such documents to any members of the public. This allows the business a great deal of *confidentiality* which is sometimes important in the business world
- The owner derives *maximum incentive* from the business. He does not have to share any of his profits. So the work he puts into the business is completely reciprocated in incentives
- Being your own boss is a great sense of *satisfaction and achievement*. You are answerable only to yourself and it is a great boost to your self-worth as well

### **Disadvantages of Sole Proprietorship Model of Business**

- One of the biggest limitations of a sole proprietorship is the *unlimited liability of the owner*. If the business fails it can wipe out the personal wealth of the owner as well and affect his future business prospects too
- Another problem is the *limited capital* a sole proprietor has access to. His own personal savings and money he can borrow may not be enough to expand the business. Banks and financial institutions are also wary lending to proprietorships
- The life cycle of a sole proprietorship is undecided and attached to its owner. If the owner is incapacitated in any way it has a negative effect on the business, and it may even lead to the closure of the business. A sole proprietorship cannot carry on without its proprietor.
- A sole proprietor also has *limited managerial ability*. He cannot be an expert in all the fields of the business. And limited resources may mean that he cannot even hire competent people to help him out. This may lead to the business suffering from mismanagement and poor decisions.

### **3.3.2 Partnership Model of Business**

Sole proprietorship forms of business suffer from drawbacks like limited capital and lower access to resources. To overcome these difficulties, people prefer coming together and forming partnerships. Partnerships allow partners to share their resources collectively and expand their business. Let's take a look at partnerships in detail. We will start by understanding the definition of the partnership first. A legal form of business operation between two or more individuals who share management and profits. The federal government recognizes several types of partnerships. *The two most common are general and limited partnerships.*



If your business will be owned and operated by several individuals, you'll want to take a look at structuring your business as a partnership. Partnerships come in two varieties: general partnerships and limited partnerships. In a general partnership, the partners manage the company and assume responsibility for the partnership's debts and other obligations. A limited partnership has both general and limited partners. The general partners own and operate the business and assume liability for the partnership, while the limited partners serve as investors only; they have no control over the company and are not subject to the same liabilities as the general partners.

Unless you expect to have many passive investors, limited partnerships are generally not the best choice for a new business because of all the required filings and administrative complexities. If you have two or more partners who want to be actively involved, a general partnership would be much easier to form.

Personal liability is a major concern if you use a general partnership to structure your business. Like sole proprietors, general partners are personally liable for the partnership's obligations and debts. Each general partner can act on behalf of the partnership, take out loans and make decisions that will affect and be binding on all the partners (if the partnership agreement permits). Keep in mind that partnerships are also more expensive to establish than sole proprietorships because they require more legal and accounting services.

If you decide to organize your business as a partnership, be sure you draft a partnership agreement that details how business decisions are made, how disputes are resolved and how to handle a buyout. You'll be glad you have this agreement if for some reason you run into difficulties with one of the partners or if someone wants out of the arrangement.

### **Features of Partnerships *Model of Business***

A typical partnership form of business will always have the following basic features.

- i.      **Agreement:*** The definition of the partnership itself makes it clear that there must exist an agreement between partners to work together and share profits amongst them. Partners may make such an agreement either orally or in writing. If it exists in written form, we refer to such an agreement as a partnership deed.

Such written or oral agreement between partners must ensure that they are clear on their status as partners of their firm. This includes details pertaining

to their work as partners, the firm's businesses, their profit and loss sharing ratio, etc.

**ii. Business:** The existence of a business is an essential feature of partnerships. There can be no formal partnership under the Partnership Act if the partners carry out charitable activities. What is essential is that the firm must work with the intention of earning profits.

**iii. Profit Sharing:** A partnership does not exist unless partners share the profits of their firm. A person who works for the partnership business without having a share in its profits may be an employee, but not a partner. It is noteworthy to point out that the law only requires the sharing of profits amongst partners. Consequently, all partners need not share losses as well.

**iv. Principal-Agency Relationship:** A partnership firm's business may be conducted either by all partners together or by one partner acting on behalf of all others. We commonly refer to such a peculiar relationship between partners as the principle of agency.

This principle means that all partners are agents for each other. The decisions of one partner taken in the ordinary course of business will bind other partners as well. All partners are liable for acts of the firm individually and severally.

### ***Characteristics of Partnership Model of Business***

1. **Membership:** At least two persons are required to begin a partnership while the maximum number of members is limited to 100. Further, all the individuals entering into partnership must be legally competent to do so, as they have to enter into a contract to become partners. Thus, minors, insolvent and lunatic persons cannot become members, but a minor can be admitted to partnership, to share profits.
2. **Unlimited liability:** The members of a partnership have unlimited liability, i.e. they are collectively and individually liable for the firm's debts and obligations. So, if in case business assets are not adequate to repay liabilities, personal assets of all or any partner can be claimed by the creditors to realise the outstanding amount.
3. **Sharing of profit and loss:** The main purpose of the partnership is to share profit in the agreed ratio. However, in the absence of any agreement between partners, the business profits or losses are divided equally among all the partners.

4. **Mutual Agency:** The partnership business is undertaken by all the partners or any of the partner, who acts on behalf of all the partners. So, every partner is a principal as well as an agent. Further, the acts of partners bind each other as well as the firm.
5. **Voluntary Registration:** The registration of partnership is not mandatory, but it is recommended, as it offers certain benefits, e.g. in case of any conflict among partners, any partner can file suit against other partner or if there is any dispute between firm and outside party, then also the firm can file a case against that party.
6. **Continuity:** There is a lack of continuity in partnership, like death, bankruptcy, retirement or insanity of any partner can lead the partnership to end. Although, if the remaining partners want to continue operations, they can do so by a fresh agreement.
7. **Contractual Relationship:** The relation subsisting between partners is due to the contract, which may be oral, written or implied.
8. **Transfer of interest:** **Mutual consent** of all the partners is a must for transferring the interest in the firm to any external party.

### **Advantages of Partnership *Model of Business***

As an ownership form of business, partnership offers the following advantages:

- a. **Easy Formation:** Partnership is a contractual agreement between the partners to run an enterprise. Hence, it is relatively easy to form. Legal formalities associated with formation are minimal. Though, the registration of a partnership is desirable, but not obligatory.
- b. **More Capital Available:** We have just seen that sole proprietorship suffers from the limitation of limited funds. Partnership overcomes this problem, to a great extent, because now there are more than one person who provide funds to the enterprise. It also increases the borrowing capacity of the firm. Moreover, the lending institutions also perceive less risk in granting credit to a partnership than to a proprietorship because the risk of loss is spread over a number of partners rather than only one. .
- c. **Combined Talent, Judgement and Skill:** As there are more than one owners in partnership, all the partners are involved in decision making. Usually, partners are pooled from different specialized areas to complement each other. For example, if there are three partners, one partner might be a specialist in production, another in finance and the third in marketing. This gives the firm an advantage of collective expertise for taking better decisions. Thus, the old maxim of “two heads being better than one” aptly applies to partnership.
- d. **Diffusion of Risk:** You have just seen that the entire losses are borne by the sole proprietor only but in case of partnership, the losses of the firm are shared by all the partners as per their agreed profit-sharing ratios. Thus, the share of loss in case of each partner will be less than that in case of proprietorship.
- e. **Flexibility:** Like proprietorship, the partnership business is also flexible. The partners can easily appreciate and quickly react to the changing conditions. No giant business organization can stifle so quick and creative responses to new opportunities.
- f. **Tax Advantage:** Taxation rates applicable to partnership are lower than proprietorship and company forms of business ownership.

### ***Disadvantages of Partnership Model of Business***

In spite of above advantages, there are certain drawbacks also associated with the partnership form of business organization. Descriptions of these drawbacks/ disadvantages are as follows:

#### **1. Unlimited Liability:**

In partnership firm, the liability of partners is unlimited. Just as in proprietorship, the partners' personal assets may be at risk if the business cannot pay its debts.

## **2. Divided Authority:**

Sometimes the earlier stated maxim of two heads better than one may turn into “too many cooks spoil the broth.” Each partner can discharge his responsibilities in his concerned individual area. But, in case of areas like policy formulation for the whole enterprise, there are chances for conflicts between the partners. Disagreements between the partners over enterprise matters have destroyed many a partnership.

## **3. Lack of Continuity:**

Death or withdrawal of one partner causes the partnership to come to an end. So, there remains uncertainty in continuity of partnership.

## **4. Risk of Implied Authority:**

Each partner is an agent for the partnership business. Hence, the decisions made by him bind all the partners. At times, an incompetent partner may lend the firm into difficulties by taking wrong decisions. Risk involved in decisions taken by one partner is to be borne by other partners also. Choosing a business partner is, therefore, much like choosing a marriage mate life partner.

### **3.3.3 Joint Stock Company Model of Business**

Another common model of business in Nigeria is Joint Stock Company. The simplest way to describe a joint stock company is that it is a business model that is owned jointly by all its shareholders. All the shareholders own a certain amount of stock in the company, which is represented by their shares. According to Professor Haney, Joint Stock Company is *a voluntary association of persons for profit, having the capital divided into some transferable shares, and the ownership of such shares is the condition of membership of the company.*

A Joint Stock Company is an incorporated association of two or more persons having a separate legal existence with perpetual existence and common seal. Its capital is divided into shares which are freely transferable and the owners of these shares have limited liability. It is an artificial entity created by law. A Joint Stock Company is capable of procuring unlimited capital by issuing share and debentures which can be bought both by the classes and the masses.

In modern-day corporate law, the existence of a joint stock company is often synonymous with incorporation (possession of legal personality separate from shareholders) and limited liability (shareholders are liable for the company's debts

only to the value of the money they have invested in the company). Therefore, joint stock companies are commonly known as corporations or limited companies.

Due to qualities such as limited liability and stability of the enterprise, the Joint Stock Company attracts investors and good managerial talent towards the company. Thus, a Joint Stock Company is in a better position to meet the growing needs of modern business.

### **Types of Joint Stock Company**

**1. Chartered Company:** The companies that form by the order of the king of England are called the charter company. These companies were formed before 1844. For example, East India Company, Chartered Bank of England, the charter of the British South Africa Company, given by Queen Victoria.

**2. Statutory Company:** Companies that are formed by the order of the President, or by the Legislative Committee or by bill of Parliament are called Statutory Company. These Companies are operated by those laws. For example, municipal councils, universities, central banks and government regulators, Central Bank.

**3. Registered Corporation:** Registered Companies with Corporate Affairs Commission (CAC) that are formed under the prevailing law of the company are called the registered company. The company that has filed a registration statement with the Security Exchange Commission (SEC) prior to releasing a new stock issue. There are two types of registered corporation which are:

- ✓ **Unlimited Company:** In this type of registered corporation, the liabilities of the shareholders (Investors) are unlimited. That is, in the case of liquidation or bankruptcy the investors will not only lose whatever money or resources they invested or committed to company but their liability will extend to their personal resources to settle the financial obligation of the company. In summary investor liability will not be limited to what they invested in the company in case of liquidation or bankruptcy.
- ✓ **Limited Company / Limited Corporation:** In this type of Registered Company the liabilities of the shareholders (Investors) are limited to the amount of capital they invested in the company in any case of liquidation or bankruptcy. The amount of capital invested should be equivalent to the value and number of shares they hold or subscribed for in the company. There are two types of Limited Liability Company (LLC). They are:

a) Limited by Guarantee

b) Limited by share value. The limited by Shares Company which are commonly found in Nigeria is of two types. They are:

- ❖ **Private Limited Company (LTD)**, where the number of shareholder ranges from two to fifty. The share of these companies can't be traded in the stock market.
- ❖ **Public Limited Company (PLC)**, where the number of shareholder ranges from seven to share limitation. The share of the public limited company is traded in the stock market.

### **Advantages of Joint Stock Company**

- i. **Access to Financial Resources:** As compared to sole proprietorships and partnership firm, a joint stock company can accumulate huge amount of funds for investment. It facilitates the mobilization of capital (funds) for the productive or investment purposes. Since its capital is divided into share of small value, even an ordinary investor can contribute to its capital. In addition to this, easy marketability of corporate securities has further attracted investment from all types of investor.
- ii. **Effective and Efficient Management:** There is a separation of ownership and management in case of Joint Stock Company. Elected board of directors is in position to appoint expert and competent personnel to manage the resources of the company for optimum performance. Having the capacity to hire or employ competent personnel promotes efficiency of management, because a band of experts can definitely take balanced decisions and can direct the affairs of the company in the best possible way.
- iii. **Diffusion of Risk:** In one man business and in a partnership business model, the risk and uncertainties will be shouldered by one or a few persons. In case of joint stock Company, the burden of risk and uncertainties falls on the shoulders of large number of shareholders. This also attracts many investors. The investors (shareholders) feel secured and not unduly burdened.
- iv. **Stability:** Joint Stock Company has greater stability, its members may come and members may go but the company goes on forever. Thus, the life of a company is not dependent upon certain individuals and it continues to exist irrespective of death, insolvency or lunacy

of its members including directors; any change in its owners or director does not affect as survival. The stability of a business organization is important not only for its owners but for its employees, consumer and society at large also.

- v. **Public Confidence:** The formation, working and even winding up of a company are well regulated by the provision of Law (Company Act). The compulsory publication of some documents, accounts, director report etc. but a joint stock company creates public confidence. Besides this, constant supervision and regulation of a company by the Government through various legislation further, adds to public confidence.
- vi. **Scope for Expansion:** Joint Stock Company has potentials to build a vast empire by expanding its business operations. This made it possible by large amount of financial resource and skilled management available to the company. It becomes possible for the company to organize production activity on a large scale and, thus reap the economies of scale. The economies of scale help in reducing cost of production and, thus help in increasing profitability and providing a sound financial base for growth.
- vii. **Social Benefits:** The joint stock company is an effective medium of mobilizing the scatter savings of the community and investing them for different economic activities. It provides employment to many people, supplies goods and service to consumer, support several social projects and contributed a large amount of revenue to the Government.
- viii. **Lower Tax Liability:** A joint stock company, unlike sole proprietorship and partnership, has reduced tax burden at higher levels of income. This is so, because it, as a separate legal person, pays income tax at a flat rate fixed by the Finance Act from year to year; on the other hand, sole trader's firm and partnership firm pay tax at a higher rate or higher levels of income. Further the joint stock companies enjoy several tax incentives resulting in a considerable reduction in the actual tax base.

### **Disadvantages of Joint Stock Company**

- i. **Difficult Formation:** Unlike a sole proprietorship and partnership, a joint stock company is not easy to form. It has to go through many formalities



both at the time of formation and in the course of operation. These create difficulties and involve expense. In case of public limited company, additional formalities are to be completed for raising capital and for getting certificate of commencement of business. Thus, the irksome formalities and heavy cost involved in the process of formation discourage the formation of new companies.

- ii. ***Excessive State Regulation:*** The activities of a joint stock company are regulated by the government much more closely than those of a sole proprietorship and a partnership firm. The legal formalities and restrictions are so many that they mar the smooth functioning of a company. The excessive regulations are made with a view to protect the interest of the shareholders and the public; but in practice, they put obstacles in their normal and effective operations.
- iii. ***Separation between Ownership and Management:*** In case of sole proprietorship and partnership firm, owners and managers are the same persons. On the other hand, in case of a joint stock company, all the owners do not take part in its management and there is virtual demarcation between ownership and management. It is managed by professional managers appointed by board of directors who do not have much stake in the company. There is no direct relationship between efforts and rewards. The profits belong to shareholders; and the Board of Directors is given only a commission. The management does not take personal interest in the working of the company as in the case of sole trader's business and partnership firm.
- iv. ***Oligarchic Management:*** Theoretically, the management of a joint stock company is democratic in character, but, in practice, it is a glaring example of economic oligarchy in company management. In most of the cases the owners of the company are divested of the power of control and an inner ring of shareholders manipulates the voting power to have its hold on the company. Year after year, the same group of handful of shareholders manages to get it elected on the Board of Directors and tries to exploit the majority. Thus, it does not promote the interest of the shareholders in general.
- v. ***Reckless Speculation in Shares:*** With a view to provide marketability, the shares of public limited companies are listed on the stock exchange. The prices of shares depend on economic and non-economic factors. In practice, the speculators try to fluctuate the prices of shares according to their suitability. These artificial fluctuations of prices of shares have a harmful

reaction on the companies and faith of the people may be lost. Sometimes, even the directors of a company also indulge in speculation of shares of the company for speculative purposes and personal gain.

- vi. ***Conflict of Interests:*** Unlike a sole trader's business and a partnership firm, a joint stock company has to reconcile the conflicting interests of various groups associated with it. Shareholders need higher dividends; employees demand higher wages and salaries; customer expect better quality of goods at a lower price and the Government wants higher taxes. The bigger the company the greater is the conflict. It is really difficult to satisfy such diverse interests. In sole proprietorship, there is hardly any scope for such conflict and, in partnership, such conflict may ultimately bring an end to the business; but in company it continues causing unhealthy rivalry, tension and unrest.
- vii. ***Delay in Decision-Making:*** As compared to sole proprietorship and partnership, the process of decision-making takes longer time in case of joint stock Company; because no single person can take a policy decision. All the important decisions are taken either by the Board of Directors or by the general body of shareholders. Calling the meetings of the Board or of the shareholders is time-consuming. It becomes difficult to decide quickly and act promptly; consequently, the opportunities for profit may be lost due to delay in decision-making.
- viii. ***Fraudulent Promotion and Management:*** The innocent investors may be duped by unscrupulous promoters and directors through various dishonest practices. The unscrupulous promoters may be fool the public by putting an attractive prospectus before them. They may associate high-sounding names and give a rosy picture about the future of the company and in this way; innocent and ignorant investor may be trapped. In the management of companies, the directors, the officers and other administrative personnel may try to make personal gains at the cost of members. Misuse of company funds and property in personal interest may harm the interests of the shareholders and create panic among the investing public. The company law has devised methods to check such fraudulent practices; but they have not proved enough to check them completely.
- ix. ***Lack of Secrecy:*** A public limited company has to circulate its accounts and annual reports among the shareholders and keep open some of its books for public inspection. This leads to lack of secrecy. In the management of companies, many persons are involved; therefore, it becomes difficult to maintain trade secrets. In case of sole proprietorship and partnership concerns, such secrecy is possible because a few persons are involved in the management.

### **3.3.4 Cooperative Model of Business**

A cooperative is owned and controlled by an association of members. It can be set up as a for-profit or as a not-for-profit organization. This is the least common form of business, but can be appropriate in situations where a group of individuals or businesses decide to pool their resources and provide access to common needs, such as the delivery of products or services, the sale of products or services, employment and more.

#### ***Advantages***

- Owned and controlled by its members;
- Democratic control (one member, one vote);
- Limited liability;
- Surplus distribution according to patronage

#### ***Disadvantages***

- Longer decision making process;
- Active Participation of all members is required in order to succeed;
- Possible conflict between members;
- Extensive record keeping;
- Less incentive to invest additional capital.

### **3.4 COMPARISON OF COOPERATIVE BUSINESS MODEL AND OTHER MODELS OF BUSINESS**

- i. Cooperative business model main purpose is to provide goods and services to members at moderate price without primarily considering making profits. Other business models main purpose is to make profit for investors and shareholders.
- ii. Cooperative business model is essentially a voluntary union or association of persons with similar interest. Other business models is essentially a union of capital.

- iii. Cooperative Enterprise is managed and democratically controlled where each member equally participates in the decision-making process with one member one vote regardless of the amount of shares they have or amount invested in the cooperative business. In other business models, management and control is not equal; it is based on the number of shares held by the shareholders and amount of capital invested. As the volume of shares purchased is generally unlimited, individual investors can acquire significant or complete control.
- iv. In cooperative enterprise, absolute ownership is in the hands of its members who equally use the services and patronize cooperative products. While ownership in other business models is in the hands of investors who might not necessarily use the services and patronize the products of the business.
- v. In cooperative enterprise model, surplus (Profits) is distributed to members in proportion to what they have invested in the enterprise and also to the proportion of their patronage and usage of the cooperative services and products. Profits in other business models is distributed in proportion to number of shares owned or subscribed by the shareholders (Investors) which is equivalent to amount of money invested in such business.
- vi. In cooperative business model, shares held are registered with members' name only and the cooperative shares cannot be traded for in the capital market, that is cooperative shares are not meant to be bought or sold in the floor of stock exchange market, while shares and ownership of other business models may be freely traded and fluctuate in value.

## **4.0 CONCLUSION**

In reviewing the different forms of business models, the question might be: 'under what circumstances might the cooperative structure be the right option?'

The answer to this question will depend on a few considerations:

- ✓ Is there a group of individuals with a shared need that sees a solution through a collective approach?
- ✓ Is the goal of the enterprise profit maximization or addressing an identified community or social need?
- ✓ Should operating surplus be distributed to owners based on individual wealth or should all owners benefit equally regardless of one's financial resources?
- ✓ Do owners have the option of varying degree of ownership therefore greater say in decision making or is ownership and therefore vote equal among all members?

Depending on the answers to the above questions, the cooperative structure may be the appropriate business structure to consider. The cooperative enterprise allows for alignment of values while also adopting a collective entrepreneurship approach in creating an innovative means enhancing members' livelihood.

## 5.0 SUMMARY

A cooperative is different from other business in some very important areas:

- ✓ **Purpose** - service and savings to members.
- ✓ **Control** - one member, one vote.
- ✓ **Ownership** - members who use the services.
- ✓ **Surplus** - is proportionally distributed to members according to patronage

On the basis of the advantages and disadvantages of the various business models discussed above, it may be summarized that the advantages of a company form of organization outweigh its disadvantages. Most of the negative points listed above radiate, basically, from the weaknesses of the persons who are entrusted with the task of management; they are in no way a natural part of the system itself. If the management and control of a company is in right hands, no form of organization can be parallel to it.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Highlight and practically discuss the core objectives of cooperative enterprise
2. Being a bonafide member of cooperative society, there are so many Benefits which someone can gain. These benefits can be socially, economically, educationally, or ethically. In line with these, discuss what could be the impact of cooperative membership.

## 7.0 REFERENCE FOR FURTHER READING

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## **UNIT 3      CONCEPT OF ENTREPRENEURSHIP**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objective of the Unit
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  - 3.1    Nature of Entrepreneurship
  - 3.2    The Pioneers in the Field of Entrepreneurship
  - 3.3    Towards a Definition of the Entrepreneurship
  - 3.4    Some Short Definitions of the Entrepreneur
  - 3.5    Sample Definitions of Entrepreneur
  - 3.6    Most Common Elements Used In Definitions of the Entrepreneurship
  - 3.7    Trait Approach of Defining Entrepreneurship
  - 3.8    Relationship between Small Business and Entrepreneurship
- 4.0    Conclusion
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- 7.0    References/Further Readings

### **1.0    INTRODUCTION**

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. To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur's role as an innovator who markets his innovation. Still other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied. In the 20th century, economist Joseph Schumpeter (1883-1950) focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change.

Writers in the field of entrepreneurship seem somewhat obsessed with defining the word “entrepreneurship.” Bygrave (1989) observes that scholars are still bickering over a working definition of entrepreneurship, and suggests that the lack of precision in the definition of an entrepreneurship may contribute to the lack of robust entrepreneurship models. The term has been used for more than two centuries, but we continue to extend, reinterpret, and revise the definition. We suggest this desire to invent a better definition has misdirected research efforts away from a useful theory of entrepreneurship. Priorities may have been reversed. It is possible that a reasonable theory of entrepreneurship might resolve the definitional issue or render it somewhat irrelevant. To adopt Schumpeter-based concepts should mitigate further misdirection of effort and allow researchers to focus on the task at hand, i.e., explaining and predicting the occurrence of entrepreneurial events/phenomena.

## **2.0 OBJECTIVE OF THE UNIT**

Entrepreneurship is one good way that many people, especially graduates could get employed and starts their career in legitimate businesses that are innovative. An entrepreneur may start with a new business idea, or with new innovation, or improving on an existing business model. When considering a new business it is important to look at whether or not the idea is in the growing sector/ industry. As such, this unit is designed to exposed readers to how entrepreneurship can be defined and the most common components or elements that should be embedded in every definition of entrepreneurship. As a result of these common elements the readers can be able to define entrepreneurship with their own understanding and their own language.

## **3.0 MAIN CONTENT**

### **3.1 NATURE OF ENTREPRENEURSHIP**

Entrepreneurial spirit is characterized by innovation and risk-taking, while entrepreneurship is often associated with new, small, for-profit start-ups, entrepreneurial behaviour can be seen in small-, medium- and large-sized firms, new and established firms and in for-profit and not-for-profit organizations, including voluntary sector groups like cooperative societies, charitable organizations and government.



The term entrepreneurship can be traced back to as early as the Middle Ages, when the entrepreneur was simply someone who carried out tasks, such as buildings and construction projects by applying all the resources at his disposal. However, it was during the 16<sup>th</sup> century when business was used as a common term, and the entrepreneur came into focus as a person who is responsible for undertaking a business venture. In the 18<sup>th</sup> century, early economists, for instance one known as Richard Cantillon, added that an entrepreneur bears risk as part of his work definition. It was during the 17<sup>th</sup> and 18<sup>th</sup> centuries Industrial Revolution that business itself was becoming part of the new lifestyle, especially in Europe, where most of this development was taking place. The early economists, such as John Baptiste, John Stuart Mill, and Alfred Marshall all included entrepreneurship into the economic spectrum of the time by defining the various skills and features of an entrepreneur.

Entrepreneurship perspective vary from an entrepreneur being responsible for employing resources in high productivity areas to earn profits, to risk bearing, and finally to an entrepreneur being responsible for organization and control. However, the most substantial research into entrepreneurial theory was achieved in the 20<sup>th</sup> century, under the aegis of Joseph Schumpeter, who claims that the entrepreneur has a creative destruction innovation by replacing destroying an existing economy by a better, advance one. Where some of the entrepreneurships emerged as a result of innovation based on new products, others were merely an expansion of existing businesses in markets that now showed areas of growth. For instance, railroads and shipping, cargo, transport; factors that became intertwined with growth in commerce during the late 18<sup>th</sup> century and early 19<sup>th</sup> century.

The 20<sup>th</sup> century saw the evolution of entrepreneurial history developing its most recent form and most of this research was done at the Centre for Entrepreneurial History at Harvard. It was there that the theorist Arthur H. Cole defined an entrepreneur as an organization builder. Within the last two decades, the concept of entrepreneurship has evolved from being a single individual to account for that of an entire organization or a corporation. In some of these modern theories, entrepreneurs also include the top tier of executives who are running a corporation. Along with entrepreneurial theory, it is observed that the growing importance of theories regarding entrepreneurship emerged side by side with historical events which integrated the entrepreneur as an essential part of a modern, capitalist society.

### 3.2 THE PIONEERS IN THE FIELD OF ENTREPRENEURSHIP

There are three major authors that were first to reflect extensively on what entrepreneurs do. The concept of entrepreneurship can be more understood easily through the writings of these main pioneers.

- ✓ Richard Cantillon
- ✓ Jean-Baptiste Say
- ✓ Joseph Alois Schumpeter

**1. Richard Cantillon:** First, Cantillon, was what we would now call a venture capitalist looking for investment opportunities with better than average yields. His perspective as an investor meant that the element of risk was a core aspect of how he viewed entrepreneurial projects and defined what he considered to be an entrepreneur. Cantillon had a clear conception of the function of the entrepreneur. This of course, is scholastic doctrine. But nobody before Cantillon had formulated it so fully. And it may be due to him that French economists never lost sight of the entrepreneurial function and its central importance. Cantillon described the entrepreneur as a person who purchases a raw material at a known price in order to sell it at an unknown price. In Cantillon's definition, an entrepreneur's role lies between that of two or more other actors. He or she is an intermediary (or go-between) who instigates a transformation.

**2. Jean-Baptiste Say:** After Cantillon, the author who had the greatest impact on the field of entrepreneurship as it is today was Jean-Baptiste Say, nearly a century later. Say was himself an entrepreneur, and came from an entrepreneurial family. He was also a prolific writer, and wrote from the standpoint of someone preparing others to become entrepreneurs and hoping to convince them of the importance of entrepreneurs in economic development. He identified the element of innovation as being most characteristic of the entrepreneur; in other words, he regarded entrepreneurs as being people who could do new things, people who could do more with less, and people who would obtain more by doing something in a new or different way.

Therefore, Say saw the entrepreneur as an economic actor whose activities generated an added value. In his monumental work on the history of economics, Schumpeter pointed out that Say was the first to draw a clear distinction between the role of the entrepreneur and the role of the capitalist.

**3. Joseph Alois Schumpeter:** Joseph Alois Schumpeter is the author to whom the association between entrepreneurs and innovation is most often attributed by experts. In fact, as Schumpeter himself pointed out, he simply took over the definition presented by Jean-Baptiste Say. He went further, however, postulating that “the essence of entrepreneurship lies in the perception and exploitation of new opportunities” (Schumpeter: 1928). When he went into politics in an Austrian-Hungarian empire that needed to become more dynamic, Schumpeter identified entrepreneurs as being the people most needed to revitalize the economy and the organizations. Writing one century after Say, his thinking appears to be more complex and more complete.

He associated innovation by entrepreneurs with five elements:

Schumpeter (1936) argued that economic development emerged when “new combinations appear discontinuously”. New combinations might include:

- i. The introduction of a new good, or a new quality of a good,
- ii. The introduction of a new method of production,
- iii. The opening of a new market,
- iv. The conquest of a new source of supply of raw materials or components,
- v. The carrying out of the new organization of any industry.

It is interesting to note that none of the combinations proposed by Schumpeter to define innovation included new venture creation as such. In his writings, Schumpeter often mentioned the concept of creative destruction to refer to the contribution of innovation by entrepreneurs. It is to remember that he used the term entrepreneur to refer, to what we now call intrapreneurs as well, since the term was not coined during Schumpeter’s lifetime.

Clearly, then, the standpoint from which an author approaches the concept of entrepreneurship influences the key elements he or she will use to define that concept. The humanities involve a certain amount of subjectivity, in that there is not necessarily a clear-cut answer to a question as is the case in the hard sciences. Definitions depend on the original standpoint – often the disciplinary field – that determines the prism through which human beings see and understand reality, and express their subjectivity.

Schumpeter believed that, carrying out of new combinations we call enterprise; the individuals whose function it is to carry them out we call 'entrepreneurs. Entrepreneurs are not only "independent" business people in an exchange economy but all who fulfil the functions, including "dependent" employees of a company.

That definition does not include all heads of firms, who merely may operate an established business, but only those who actually perform that function. A shareholder may be an entrepreneur, but shareholders per se, however, are never entrepreneurs, but merely capitalists, who in consideration of their submitting to certain risks participate in profits. Everyone is an entrepreneur when he or she actually carries out new combinations, and loses that character as soon as he has built up his business, when he settles down to running it as other people run their businesses.

Schumpeter obviously makes a distinction between the entrepreneur and the owner/manager of a business. Schumpeter reiterates the function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on. The Schumpeter explanation of entrepreneurial profit completes the concept.

An interesting element to consider here is the database on which the three pioneers, Richard Cantillon, Jean-Baptiste Say and Joseph Alois Schumpeter, based their reflections on entrepreneurs, their characteristics and their roles. Today, many authors and publications ascribe a great deal of importance to the samples used, in order to classify the research as being reliable and valid, and therefore in compliance with scientific criteria. However, the three pioneers in the field of entrepreneurship were not researchers as we understand the term today. Their point of reference, far from being a "representative sample", was in fact composed simply of people they knew who had played entrepreneurial roles. In the case of Say and Schumpeter, these were more socially-oriented roles that they wished to develop.

### **3.3 TOWARDS A DEFINITION OF THE ENTREPRENEURSHIP**

In bid to define entrepreneurship, firstly need to look at what entrepreneurs do that is, their activity systems. We have observed entrepreneurs repeatedly, in the course of many research projects, and one aspect that stands out is their ability to act

independently. Therefore, we can say that one of the primary characteristics of an entrepreneur is the ability to conceive and implement an activity system. In other words, entrepreneurs are people who are able to translate thoughts into action; they are dreamers and thinkers who do.

Observations have also shown that entrepreneurs are people who engage in activities they themselves have designed. But not just any activity – these are activities that were defined as a result of recognizing an entrepreneurial opportunity. In many cases, the opportunity involved doing something differently and therefore adding value to what existed previously. Generally speaking, entrepreneurs initiate, implement and develop their projects trying to use a limited number of resources in order to generate surpluses and profits which can then be reinvested to achieve further development. Their motivation is to innovate or introduce something new while minimizing the risk.

Researchers, teachers, students and policy-makers need a commonly accepted definition that distinguishes an entrepreneur from a non-entrepreneur. The term, entrepreneur, is used in academia, in commerce, by the media, and by ordinary persons in conversation. It has been used for more than two centuries. It is unlikely that an entirely new definition would be acceptable. Schumpeter's definition is acceptably precise.

An entrepreneur is the person who carries out new combinations, causing discontinuity. The role is completed when the function is completed. The person may be an employee within an existing organization or may start a new venture. An investor per se only risks capital for a return. A manager, who operates an existing business, perhaps even with continuous adjustment in small steps, does not cause discontinuity and thus, by definition, is not an entrepreneur.

**Table 1: Activities and Characteristics often attributed to Entrepreneurs**

Activities	Characteristics
Learning	Experience of a sector; memorized information; use of feedback
Choosing a sector	Interest, motivation; assessment of potential added value for the future
Identifying a niche	Care; analytical capacities; precision; target
Recognizing and developing an entrepreneurial opportunity	Originality; differentiation; creativity; intuition; initiative; culture that value innovation
Visualizing protectively	Ability to dream realistically; conceptual skills; systemic thinking; anticipation; foresight; ability to set goals and objectives; visioning
Managing risk	Thriftiness; security; conservatism; moderate risk-taker; ability to tolerate uncertainty and ambiguity; independence
Designing (products, services, organizations)	Imagination; problem-solving skills
Committing to action	Self-confidence related to clearly defined identity; long term commitment; hard-worker; energy; result orientation; decision-making; passion; locus-of-control; determination; perseverance; tenacity
Using resources	Resourcefulness; coordination; control
Building relations systems	Networking skills; flexibility; empathy; listening and communication skills; use of mentors; vision.
Managing-sales; negotiations; people and delegating	Versatility; adaptability; capacity to design tasks; ability to trust.
Developing	Leadership; seeks challenges

Adapted from Fillion, (2008)

It is not possible to define the entrepreneurship based solely on the characteristics of people who play entrepreneurial roles. Characteristics can be used to refine and clarify certain aspects of a definition, but cannot be regarded as constituting its core. Table 1 above presents the activities mentioned most frequently in the entrepreneurship literature, which were most relevant in achieving a definition (left column). However, it is important to establish the relative importance of each activity.

It can be useful to consider activities when defining a research subject or structuring a research project. Activities are easily identifiable and can be delimited. Some can even be measured. Nevertheless, care is needed when observing the activities of entrepreneurs, because many are management activities that complement or add to entrepreneurial activities, rather than purely entrepreneurial activities as such.

It is contention that there are levels in entrepreneurial expression, meaning that the elements used to define the entrepreneurship can be ranked in importance. A distinction must be drawn between “essential” elements, i.e. those that entrepreneurs perform when doing what they do as entrepreneurs, and other elements that, although partly explaining the entrepreneur’s success, are more managerial in nature. For a definition of the entrepreneurship, we therefore suggest focusing on the “essential” entrepreneurial act, in the sense of that which constitutes the essence of the entrepreneurship activity, i.e. the act of recognizing and developing entrepreneurial opportunities.

Therefore, a definition of entrepreneurs should include at least these six elements: An entrepreneur is an actor who *innovates* by *recognizing opportunities*; he or she makes *moderately risky decisions* that lead into *actions* requiring the *efficient use of resources* and contributing an *added value*.

However, there is no single, absolute definition of what an entrepreneur is and does, just like there is no “one best way” (Taylor, in Fillion, 2008). Everything depends on the standpoint or perspective of the person creating the definition, and the aspects and elements on which that person decides to focus in his or her research. Some definitions of entrepreneurs can be very short; examples would include: “Entrepreneurs are dreamers who do” or “Entrepreneurs are doers who get results”.

### 3.4 SOME SHORT DEFINITIONS OF THE ENTREPRENEUR

Here are some simple definitions of the entrepreneur.

An entrepreneur is an actor:

- who learns continually in order to recognize opportunities with potential for innovation;
- who makes innovations that add value;
- who is able to recognize opportunities for development;

- who conceives and implements visions with elements of differentiation;
- who is able to conceive an organizational project or enterprise based on the recognition and development of a risky opportunity with potential for innovation
- who takes moderate risks in order to innovate;
- who is innovative and able to take action by exploiting an opportunity to develop a product or service;
- who uses resources economically in order to design innovative products or services with a competitive edge based on differentiation;
- who is focused on the recognition of risky opportunities with a potential for innovation in order to fulfil a social or market need;
- Who is imaginative and able to move away from the beaten track by carrying out innovative activities with added value.

All these definitions present at least one aspect of what an entrepreneur is and does.

The next step is to devise a definition that reflects the six main elements and additional dimensions of the entrepreneur's activity system. Below are some more complete suggested definitions of what an entrepreneur is and does.

### **3.5 SAMPLE DEFINITIONS OF ENTREPRENEUR**

An entrepreneur is:

- ❖ An imaginative actor who recognizes entrepreneurial opportunities, makes moderately risky decisions with a view to innovating, and takes action by using resources to implement a differentiated vision that contributes an added value.
  - ❖ An intuitive, resourceful, tenacious actor who is able to recognize and develop risky opportunities with potential for innovation, and who adds value to what already exists by setting up activities that involve a scarce use of resources.
- A results-oriented designer of innovations who is able to develop risky opportunities, who learns to be creative and resourceful, takes action by making practical use of limited resources and a network of contacts, and who is able to structure organizational activities to form a client satisfaction system that contributes an added value.
- ❖ A results-oriented actor who maintains a high level of sensitivity in order to recognize and develop entrepreneurial opportunities. This actor makes moderately risky decisions and is discerning in the use of resources. As long as this actor continues to take action by designing and implementing value-added



innovations, he or she will continue to play an entrepreneurial role that contributes development.

Entrepreneurship is the field that studies entrepreneurs, entrepreneurial actors and entrepreneurial environments.

### 3.6 THE MOST COMMON ELEMENTS USED IN DEFINITIONS OF THE ENTREPRENEURSHIP

There are many ways to define an entrepreneurship. For most people, an entrepreneur is a person who owns and leads a business. However, specialists increasingly use a larger number of elements in their definitions of and references to entrepreneurs (Julien, 1998). Ultimately, virtually every author has a different definition of the term, depending on the specific entrepreneurs or entrepreneurial category studied. Filion, (2011) identified 15 elements mentioned most frequently in the definitions from the entrepreneurship literature that he believe are most relevant. Many authors include different elements in their definitions, or present different definitions during their careers. In such cases we have selected the concept the author in question appears to regard as being most important. We chose a selection of authors dealing with the subject over the centuries, and especially over recent decades because the use of the recent literature alone does not provide a true overview of the different perspectives from which the subject was examined in the shaping of what is in the process of becoming the field of study of entrepreneurship.

***Table 2: Most Common Elements Used in Definitions of the Entrepreneurship by Various Authors***

<b>Elements Defining The Entrepreneurship</b>	<b>Authors that used the Elements in their Definition</b>
Innovation	Schumpeter (1947); Cochran (1968); Drucker (1985); Julien (1989; 1998).
Risk	Cantillon (1755); Knight (1921); Palmer (1971); Reuters (1982); Rosenberg (1983).
Coordination of resources for production; organizing factor of production or of the management of resources	Ely and Hess (1893); Cole (1942 and in Aitken 1965); Belshaw (1955); Chandler (1962); Leibenstein (1968); Wilken (1979); Pearce (1981); Casson (1982).
Value creation	Say (1815, 1996); Bruyat and Julien (2001); Fayolle (2008).

Projective and visionary thinking	Longenecker and Schoen (1975); Filion (1991; 2004).
Focus on action	Baty (1981).
Leadership	Hornaday and Aboud (1971).
Dynamo of the economic system	Weber (1947); Baumol (1968); Storey (1982); Moffat (1983).
Venture creation	Collins, Moore and Unwalla (1964); Smith (1967); Collins and Moore (1970); Brereton (1974); Komives (1974); Mancuso (1979); Schwartz (1982); Carland, Hoy, Boulton and Carland (1984); Vesper (1990).
Opportunity recognition	Smith (1967); Meredith Nelson and Neck (1982); Kirzner (1983); Stevenson and Gumpert (1985); Timmons (1989); Dana (1995); Shane and Venkataraman (2000); Bygrave and Zacharakis (2004); Timmons and Spinelli (2004). .
Creativity	Zaleznik and Kets de Vries (1976); Pinchot (1985).
Anxiety	Lynn (1969); Kets de Vries (1977; 1985).
Control	McClelland (1961)
Introduction of change	Mintzberg (1973); Shapiro (1975).
Rebellion/Delinquency	Hagen (1960).

Adapted from Filion, (2008)

### 3.7 TRAIT APPROACH OF DEFINING ENTREPRENEURSHIP

Successful entrepreneurs are often interesting people. It is not surprising, therefore, that the focus of much of the early work was directed towards identifying the traits or characteristics that distinguish entrepreneurs from mere mortals. Low and MacMillan (1988) offer an insightful review of literature involving psychological theories about the entrepreneur. Their conclusion: being innovators and idiosyncratic, entrepreneurs tend to defy aggregation. They tend to reside at the tails of population distributions, and though they may be expected to differ from the mean, the natures of these differences are not predictable. It seems that any attempt to profile the typical entrepreneur is inherently futile.

Apparently, there is no “typical” entrepreneur. Society’s primary interest in entrepreneurship seems to be fostering new combinations that improve our economic

life. Understanding entrepreneurial traits would probably be useful to psychologists for analytical or therapeutic purposes, part of the domain of psychology. However, for the purposes of this book it is assumed that, with the exception that the intensity of the motivation of the entrepreneur will inevitably affect the carrying out of any discontinuity-causing actions, the psychological traits of the entrepreneur are not a significant variable in the theory of entrepreneurship within the economic domain

Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world, successful small businesses are the primary engines of job creation, income growth, and poverty reduction. Therefore, government support for entrepreneurship is a crucial strategy for economic development. As the Business and Industry Advisory Committee to the Organization for Economic Cooperation and Development (OECD) said in 2003, "Policies to foster entrepreneurship are essential to job creation and economic growth." Government officials can provide incentives that encourage entrepreneurs to risk attempting new ventures. Among these are laws to enforce property rights and to encourage a competitive market system. The culture of a community also may influence how much entrepreneurship there is within it. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding personally. A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship. A culture or policy that accords high status to the "self-made" individual is more likely to encourage entrepreneurship.

Entrepreneurship has traditionally been defined as the process of designing, launching and running a new business, which typically begins as a small business, such as a start-up company, offering a product, process or service for sale or hire, and the people who do so are called 'entrepreneurs'. It has been defined 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 businesses have to close, due to a lack of funding, bad business decisions, an economic crisis or a combination of all of these or due to lack of market demand. In the 2000s, the definition of "entrepreneurship" has been expanded to explain how and why some individuals (or teams) identify opportunities, evaluate them as viable, and then decide to exploit them, whereas others do not, and, in turn, how entrepreneurs use these opportunities to develop new products or services, launch new firms or even new industries and create wealth. Recent advances stress the fundamentally uncertain nature of the entrepreneurial

process, because although opportunities exist their existence cannot be discovered or identified prior to their actualization into profits. What appears as a real opportunity ex ante might actually be a non-opportunity or one that cannot be actualized by entrepreneurs lacking the necessary business skills, financial or social capital.

An entrepreneur is typically in control of a commercial undertaking, directing the factors of production the human, financial and material resources – that are required to exploit a business opportunity. They act as the manager and oversee the launch and growth of an enterprise. Entrepreneurship is the process by which an individual (or team) identifies a business opportunity and acquires and deploys the necessary resources required for its exploitation. The exploitation of entrepreneurial opportunities may include actions such as developing a business plan, hiring the human resources, acquiring financial and material resources, providing leadership, and being responsible for the venture's success or failure.

### **3.8 RELATIONSHIP BETWEEN SMALL BUSINESS AND ENTREPRENEURSHIP**

The term "entrepreneurship" is often conflated with the term "small business" or used interchangeably with this term. While most entrepreneurial ventures start out as a small business, not all small businesses are entrepreneurial in the strict sense of the term. Many small businesses are sole proprietor operations consisting solely of the owner, or they have a small number of employees, and many of these small businesses offer an existing product, process or service, and they do not aim at growth. In contrast, entrepreneurial ventures offer an innovative product, process or service, and the entrepreneur typically aims to scale up the company by adding employees, seeking international sales, and so on, a process which is financed by venture capital and angel investments. Successful entrepreneurs have the ability to lead a business in a positive direction by proper planning, to adapt to changing environments and understand their own strengths and weakness.

### **4.0 CONCLUSION**

Since the beginnings of history, entrepreneurship has always been ruled by the market forces known as supply and demand. Early entrepreneurs in the Agricultural Revolution met the needs of farmers by providing them with tools and shelter. In exchange, they received food that could feed their families.

As years went by, the means of entrepreneurship changed dramatically but the core *reasons* for entrepreneurship remained the same. Everywhere in the world, entrepreneurs arose to address demand by providing supply. They innovated and invented new technologies to solve problems that nobody had ever solved before.

At the same time, competition has ensured that the entrepreneur's self-interest doesn't cause an overall negative impact on society. Competition prevents entrepreneurs from overcharging for goods or underpaying employees, for example.

These foundational structures of entrepreneurship aren't going to change anytime soon. For that reason, entrepreneurs will continue to have a special place in society and will continue to be found at the forefront of innovation.

## **5.0 SUMMARY**

There are no definite or specific definition of entrepreneurship, but there are general acceptable elements or components that better explain entrepreneurship. As such, this unit have provided better understanding of how entrepreneurship can be defined in a lay man language with acceptable elements in the definition.

## **6.0 TUTOR MARKED ASSIGNMENT**

Based on what you have learnt and understood from this unit. Attempt to provide comprehensive and acceptable definition of entrepreneurship and identify what differentiate entrepreneurship from small scale business enterprise.

## **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 4      CHARACTERISTICS AND BEHAVIOURAL TRAITS OF AN ENTREPRENEURS**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objective of the Unit
- 3.0    Main Content
  - 3.1    Characteristics Entrepreneurs
  - 3.2    Required Skills for Entrepreneurs to be Successful
  - 3.3    25 Common Characteristics of Successful Entrepreneurs
- 4.0    Conclusion
- 5.0    Summary
- 6.0    References for Further Readings

### **1.0    INTRODUCTION**

In recent years the media have glamorized the challenge of starting and growing a business. A quick search on Google or any other search engine will display many books by entrepreneurs and other “business experts” describing “how they made it and become successful etc. Entrepreneurs play an important role in society. They make a major contribution to economic activity. Imagine how many jobs are created by the thousands of new businesses that are set up every year and by the small businesses that prosper and take on more staff.

Entrepreneurs encourage innovation through investment and risk-taking. Many of the products and services you use every day have been developed through entrepreneurial activity rather than in the research laboratories or board-rooms of large multinationals. However, it is important to realize that starting a business is rarely glamorous. In fact it is nearly always very hard work. For every success story there are almost certainly many more business failures or businesses that don’t meet the expectations of the people who set them up. Entrepreneurs take on the challenge of starting and growing a

business. What characteristics are required to help them succeed? Not surprisingly, much research has been done to examine the personality and other characteristics of successful entrepreneurs to see if there is a proven method or route to success. You will find many lists of “what it takes to be an entrepreneur”, but they tend to say the same things. So here is a summary of the key findings!

## **2.0 OBJECTIVE OF THE UNIT**

Entrepreneurs are very unique persons with exceptional characteristics and behavioural traits. Most of these traits possessed by entrepreneurs are not absolutely inborn but anyone who desires to be an entrepreneur can determine to learn and acquire these traits. These traits contributed a greater percentage to the success of every entrepreneur. This unit is concerned to expose the readers to the traits and skills that the entrepreneurs required to be successful in any enterprise of their choice. At the end of this the readers will understand the twenty five (25) most common characteristics of successful entrepreneurs

## **3.0 MAIN CONTENT**

### **3.1 CHARACTERISTICS ENTREPRENEURS**

For many people, entrepreneurship has become the job choice of the 21st century. That's understandable given the challenges and rewards of building a successful business. If you are considering entrepreneurship, you should begin the process by understanding the mental, psychological and behavioural characteristics needed for success. The following are common characteristics of a good entrepreneur

**1. *Positive Mental Attitude.*** This is arguably the most important of all the characteristics. You will never be a successful entrepreneur without a positive attitude. The one thing you can be sure of is that you will experience difficult times. Your success or failure will be determined at these times. If you maintain your confidence, persevere and continue to stay positive, you will be successful. Conversely, if you allow doubt and uncertainty to prevail, you will probably fail.

**2. *Enjoy Being Around People.*** Being a successful entrepreneur means you will continuously interact with a diverse array of people such as customers, potential customers, colleagues, competitors, suppliers, lawyers, accountants and coaches. It



really helps if you enjoy being around these people this will enable the entrepreneur to build a strong network of people.

**3. *Have a Need to Achieve.*** Successful entrepreneurs are achievement oriented. They value accomplishment and the intrinsic rewards that go along with achieving difficult goals. It is a strong motivator for most business owners.

**4. *Resourceful.*** Most new businesses have limited resources such as money, information and time. Successful entrepreneurs figure out how to get the most out of these resources. They are masters at stretching a dollar and making a few resources go a long way.

**5. *Objective.*** It is not easy to be objective about your business because you are passionate about making it successful. However, you do need to be impartial and dispassionate when it comes to making business decisions because emotion, bias and sentiment can result in poor choices.

**6. *Committed.*** Building a successful business requires an absolute commitment. It takes a lot of work and there will be times when you become discouraged. It is during these times that you must be steadfast, faithful and committed to your vision.

**7. *Dependable.*** This should go without saying but I will say it anyway. There is a strong positive relationship between your perceived level of reliability and the success of your business. No matter what type of business you have, your customers expect you to be dependable.

**8. *Proactive and not reactive.*** Successful entrepreneurs anticipate problems in advance and deal with them before they occur. If you simply react to problems and issues as they arise, you may get overwhelmed.

**9. *Passionate*** about their product or service and about getting things right for the customer

**10. *Realistic Vision***— Successful entrepreneurs can visualize how they want their future to unfold. They hold a clear picture of what direction they want their company to take and possess a plan to guide it from conception to realization. Expectations of a quick buck or rapid ascension to the top of a market are usually misguided. While there is nothing wrong with having grand aspirations for your company (yes, entrepreneurs should be visionaries), a good entrepreneur can distinguish between dreams and reality. After all, a marketing forecast based on whims and fantasies does not form the backbone of a strong business plan. Keep a level head because any good

banker, venture capitalist or prudent family member will check the rationality of your business plan before handing you their money

**11. Energetic and driven** – prepared to work consistently long hours, especially in the early stages

**12. Self-Starting and Decisive** – they don't wait for others to take decisions. Entrepreneurs tend to take the initiative, spotting opportunities early and taking decisions quickly

**13. Calculated Risk-Takers** – not reckless; they are prepared to take a risk in order to maximise the rewards

**14. Multitasker** – able to take on more than one role (product development, selling, recruitment)

**15. Resilient and Determined** – It is absolutely imperative that every entrepreneur demonstrate the determination and resolve to stick with an idea when they believe in it. Undoubtedly, all business ventures will suffer setbacks and the entrepreneur is expected to push on to victory.

**16. Focused** – sets clear goals and self-imposed high standards

**17. Results-Orientated** – take pleasure from achieving targets and setting the bar higher. Entrepreneurs tend to set clear objectives for their business which then feed into relevant business planning

**18. Persuasive** – entrepreneurs are good at bringing other people and businesses “along with the idea”; persuading suppliers to supply a new business, or an employee to leave a current job and join the start-up

**Self-Confidence:** Investors, venture capitalists and business partners require that entrepreneurs be supremely confident about their prospects. The best entrepreneurs believe they can define their own future and use this self-assurance to persuade people to tie their fortunes to theirs. Virgin Group's Richard Branson ties together a diverse range of businesses – including airlines, beverage companies and music stores – with a powerful personality.

**19. Lucky** – not to be laughed at! Every business needs some good luck – e.g. being in the right place at the right time. But remember the advice of a well-known golfer – “the harder I practice, the luckier I get”

The important thing to remember about the list above is that an entrepreneur is unlikely to possess all these characteristics! Anyone who starts a business has strengths and weaknesses. However, the savvy entrepreneur recognizes where his/her weaknesses lie and takes steps to address them.

Are these traits something that entrepreneurs are born with or can they be learned or acquired? They can certainly be cultivated – if you don't see each of the traits above in your own personality today, you can learn from successful entrepreneurs how to build these traits. Knowing where you are already strong and where you need to build strength is key to your success as an entrepreneur.

### **3.2 REQUIRED SKILLS FOR ENTREPRENEURS TO BE SUCCESSFUL**

Some entrepreneurial skills you must have for success, having the right attitudes and characteristics can carry you only so far. You also need the skills that will help you succeed. However, unlike personal characteristics and attitudes which can often be hard or impossible to change entrepreneurs can acquire skills if they are willing to learn them. Additionally, they can hire people to work for them who have the needed skills. Either way, the following skills are important if the entrepreneur's business is to succeed.

- (i) **Ability to Plan:** The ability to plan is a key skill for entrepreneurs. They must be able to develop plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel (hiring and maintaining productive and satisfied employees).
- (ii) **Communication Skills:** Communication can be defined as the accurate exchange of information between two or more parties. This is important because you will have many conversations. You need to be able to accurately exchange information in a fast-moving world using a variety of communication methods (e.g., interpersonal, electronic). Of particular importance is the ability to listen and truly understand where another person is coming from.

Entrepreneurs should be able to explain, discuss, sell and market their good or service. It is important to be able to interact effectively with your business team. Additionally, entrepreneurs need to be able to express themselves clearly both verbally and in writing. They also should have strong reading comprehension skills to understand contracts and other forms of written business communication.

- iii. **Marketing Skills:** A business's success or failure is very dependent on whether the business reaches the market (its potential customers), interests

the market and results in those in the market deciding to buy. Many entrepreneurs who failed started with an innovative good or service that with proper marketing could have been very successful. Good marketing skills that result in people wanting to buy your good or service are critical for entrepreneurial success.

Good marketing skills that result in people wanting to buy your product are critical for entrepreneurial success.

- iv. ***Interpersonal Skills:*** Entrepreneurs constantly interact with people, including customers and clients, employees, financial lenders, investors, lawyers and accountants, to name a few. The ability to establish and maintain positive relationships is crucial to the success of the entrepreneur's business venture.
- v. ***Basic Management Skills:*** The entrepreneur must be able to manage every component of a business. Even if entrepreneurs hire managers to attend to daily details, they must understand if their business has the right resources and if those resources are being used effectively. They must ensure that all the positions in their business are occupied by effective people.
- vi. ***Personal Effectiveness:*** In order to handle the pressures of their busy lifestyles, entrepreneurs must have the ability to manage time well and to take care of personal business efficiently. Because first impressions are so important, entrepreneurs must also pay attention to such things as personal appearance and telephone skills. For example, think of the difference in the impression made by someone who answers the phone by saying, "Yeah?" versus saying, "Computer Support Services, this is Alex. How may I help you?" Additionally, entrepreneurs benefit a great deal by being aware of their own strengths and weaknesses.
- vii. ***Leadership & Team Building Skills:*** Because entrepreneurs usually assemble a team of skilled people who help them achieve business success, they must be able to effectively develop and manage the team. One of the most important leadership skills an entrepreneur must have is the ability to develop a vision for the company and to inspire the company employees to pursue that vision as a team. The expression "people would rather be led than managed" applies especially well to an entrepreneurial venture.
- viii. ***Technical skills and knowledge:*** Every business requires unique technical skills and knowledge on part of the owner. You have to be good at what you do for your business to succeed. This often means getting additional education and training on an ongoing basis, sometimes for the purpose of obtaining specific credentials (e.g., certifications, licenses).

Few entrepreneurs possess every skill needed to ensure business success. For example, they often look to outside experts for help in areas such as strategic

planning, accounting and think about the skills necessary for successful entrepreneurship. What are your personal areas of strength? In what areas would you be most likely to need assistance from other experts? Entrepreneurs must have the ability to evaluate realistically their own skills and to know when to draw on the skills of others.

### **3.3 TWENTY FIVE (25) COMMON CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS**

Do you have what it takes to get through hard times? Here are the traits that help home-based business owners thrive. Regardless of your definition of success, there are, oddly enough, a great number of common characteristics that are shared by successful business people. You can place a check beside each characteristic that you feel that you possess. This way, you can see how you stack up. Even if you don't have all of these characteristics, don't fret. Most can be learned with practice and by developing a winning attitude, especially if you set goals and apply yourself, through strategic planning, to reach those goals in incremental and measurable stages.

#### **1. Do What You Enjoy (Passion)**

What you get out of your business in the form of personal satisfaction, financial gain, stability and enjoyment will be the sum of what you put into your business. So if you don't enjoy what you're doing, in all likelihood it's safe to assume that will be reflected in the success of your business or subsequent lack of success. In fact, if you don't enjoy what you're doing, chances are you won't succeed.

#### **2. Take What You Do Seriously**

You cannot expect to be effective and successful in business unless you truly believe in your business and in the goods and services that you sell. Far too many home business owners fail to take their own businesses seriously enough, getting easily side-tracked and not staying motivated and keeping their noses to the grindstone. They also fall prey to naysayers who don't take them seriously because they don't work from an office building, office park, storefront, or factory. Little do these sceptics, who rain on the home business owner's parade, know is that the number of people working from home, and making very good annual incomes, has grown by leaps and bounds in recent years.

#### **3. Plan Everything.**

Planning every aspect of your home business is not only a must, but also builds habits that every home business owner should develop, implement, and maintain. The act of business planning is so important because it requires you to analyse each business situation, research and compile data, and make conclusions based mainly on the facts as revealed through the research. A [business plan](#) also serves a second function, which is having your goals and how you will achieve them, on paper. You can use the plan that you create both as map to take you from point A to Z and as a yardstick to measure the success of each individual plan or segment within the plan.

#### **4. Manage Money Wisely.**

The lifeblood of any business enterprise is cash flow. You need it to buy inventory, pay for services, promote and market your business, repair and replace tools and equipment, and pay yourself so that you can continue to work. Therefore, all home business owners must become wise money managers to ensure that the cash keeps flowing and the bills get paid. There are two aspects to wise money management.

- ✓ The money you receive from clients in exchange for your goods and services you provide (income)
- ✓ The money you spend on inventory, supplies, wages and other items required to keep your business operating. (expenses)

#### **5. Ask for the Sale.**

A home business entrepreneur must always remember that marketing, advertising, or promotional activities are completely worthless, regardless of how clever, expensive, or perfectly targeted they are, unless one simple thing is accomplished--ask for the sale. This is not to say that being a great salesperson, advertising copywriting whiz or a public relations specialist isn't a tremendous asset to your business. However, all of these skills will be for naught if you do not actively ask people to buy what you are selling.

#### **6. Remember It's All About The Customer.**

Your home business is not about the products or services that you sell. Your home business is not about the prices that you charge for your goods and services. Your home business is not about your competition and how to beat them. Your business is all about your customers, or clients, period. After all, your customers are the people that will ultimately decide if your business goes boom or bust. Everything you do in business must be customer focused, including your policies, warranties, payment options, operating hours, presentations, advertising and promotional campaigns and

website. In addition, you must know who your customers are inside out and upside down.

### **7. Become A Shameless Self-Promoter (Without Becoming Obnoxious).**

One of the greatest myths about personal or business success is that eventually your business, personal abilities, products or services will get discovered and be embraced by the masses that will beat a path to your door to buy what you are selling. But how can this happen if no one knows who you are, what you sell and why they should be buying?

Self-promotion is one of the most beneficial, yet most underutilized, marketing tools that the majority of home business owners have at their immediate disposal.

### **8. Project A Positive Business Image.**

You have but a passing moment to make a positive and memorable impression on people with whom you intend to do business. Home business owners must go out of their way and make a conscious effort to always project the most professional business image possible. The majority of home business owners do not have the advantage of elaborate offices or elegant storefronts and showrooms to wow prospects and impress customers. Instead, they must rely on imagination, creativity and attention to the smallest detail when creating and maintaining a professional image for their home business.

### **9. Get To Know Your Customers.**

One of the biggest features and often the most significant competitive edge the home based entrepreneur has over the larger competitors is the he can offer personalized attention. Call it high-tech backlash if you will, but customers are sick and tired of hearing that their information is somewhere in the computer and must be retrieved, or told to push a dozen digits to finally get to the right department only to end up with voice mail--from which they never receive a return phone call.

The home business owner can actually answer phone calls, get to know customers, provide personal attention and win over repeat business by doing so. It's a researched fact that most business (80 percent) will come from repeat customers rather than new customers. Therefore, along with trying to draw newcomers, the more you can do to woo your regular customers, the better off you will be in the long run and personalized attention is very much appreciated and remembered in the modern high tech world.

## **10. Level The Playing Field With Technology.**

You should avoid getting overly caught up in the high-tech world, but you should also know how to take advantage of using it. One of the most amazing aspects of the internet is that a one or two person business operating from a basement can have a superior website to a \$50 million company, and nobody knows the difference. Make sure you're keeping up with the high-tech world as it suits your needs. The best technology is that which helps you, not that which impresses your neighbours.

## **11. Build A Top-Notch Business Team.**

No one person can build a successful business alone. It's a task that requires a team that is as committed as you to the business and its success. Your business team may include family members, friends, suppliers, business alliances, employees, sub-contractors, industry and business associations, local government and the community. Of course the most important team members will be your customers or clients. Any or all may have a say in how your business will function and a stake in your business future.

## **12. Become Known As An Expert.**

When you have a problem that needs to be solved, do you seek just anyone's advice or do you seek an expert in the field to help solve your particular problem? Obviously, you want the most accurate information and assistance that you can get. You naturally seek an expert to help solve your problem. You call a plumber when the hot water tank leaks, a real estate agent when it's time to sell your home or a dentist when you have a toothache. Therefore, it only stands to reason that the more you become known for your expertise in your business, the more people will seek you out to tap into your expertise, creating more selling and referral opportunities. In effect, becoming known as an expert is another style of prospecting for new business, just in reverse. Instead of finding new and qualified people to sell to, these people seek you out for your expertise.

## **13. Create A Competitive Advantage.**

A home business must have a clearly defined unique selling proposition. This is nothing more than a fancy way of asking the vital question, "Why will people choose to do business with you or purchase your product or service instead of doing business with a competitor and buying his product or service?" In other words, what one aspect or combination of aspects is going to separate your business from your competition? Will it be better service, a longer warranty, better selection, longer business hours,



more flexible payment options, lowest price, personalized service, better customer service, better return and exchange policies or a combination of several of these?

#### **14. Invest In Yourself.**

Top entrepreneurs buy and read business and marketing books, magazines, reports, journals, newsletters, websites and industry publications, knowing that these resources will improve their understanding of business and marketing functions and skills. They join business associations and clubs, and they network with other skilled business people to learn their secrets of success and help define their own goals and objectives. Top entrepreneurs attend business and marketing seminars, workshops and training courses, even if they have already mastered the subject matter of the event. They do this because they know that education is an ongoing process. There are usually ways to do things better, in less time, with less effort. In short, top entrepreneurs never stop investing in the most powerful, effective and best business and marketing tool at their immediate disposal--themselves.

#### **15. Be Accessible.**

We're living in a time when we all expect our fast food lunch at the drive-thru window to be ready in mere minutes, our dry cleaning to be ready for pick-up on the same day, our money to be available at the cash machine and our pizza delivered in 30 minutes or it's free. You see the pattern developing--you must make it as easy as you can for people to do business with you, regardless of the home business you operate.

You must remain cognizant of the fact that few people will work hard, go out of their way, or be inconvenienced just for the privilege of giving you their hard-earned money. The shoe is always on the other foot. Making it easy for people to do business with you means that you must be accessible and knowledgeable about your products and services. You must be able to provide customers with what they want, when they want it.

#### **16. Build A Rock-Solid Reputation.**

A good reputation is unquestionably one of the home business owner's most tangible and marketable assets. You can't simply buy a good reputation; it's something that you earn by honouring your promises. If you promise to have the merchandise in the customer's hands by Wednesday, you have no excuse not to have it there. If you offer to repair something, you need to make good on your offer. Consistency in what you offer is the other key factor. If you cannot come through with the same level of service

(and products) for clients on a regular basis, they have no reason to trust you . . . and without trust, you won't have a good reputation.

### **17. Sell Benefits.**

Pushing product features is for inexperienced or wannabe entrepreneurs. Selling the benefits associated with owning and using the products and services you carry is what sales professionals worldwide focus on to create buying excitement and to sell, sell more, and sell more frequently to their customers. Your advertising, sales presentations, printed marketing materials, product packaging, website, newsletters, trade show exhibit and signage are vital. Every time and every medium used to communicate with your target audience must always be selling the benefits associated with owning your product or using your service.

### **18. Get Involved.**

Always go out of your way to get involved in the community that supports your business. You can do this in many ways, such as pitching in to help local charities or the food bank, becoming involved in organizing community events, and getting involved in local politics. You can join associations and clubs that concentrate on programs and policies designed to improve the local community. It's a fact that people like to do business with people they know, like and respect, and with people who do things to help them as members of the community.

### **19. Grab Attention.**

Small-business owners cannot waste time, money and energy on promotional activities aimed at building awareness solely through long-term, repeated exposure. If you do, chances are you will go broke long before this goal is accomplished. Instead, every promotional activity you engage in must put money back in your pocket so that you can continue to grab more attention and grow your business.

### **20. Master The Art Of Negotiations.**

The ability to negotiate effectively is unquestionably a skill that every home business owner must make every effort to master. It's perhaps second in importance only to asking for the sale in terms of home business musts. In business, negotiation skills are used daily. Always remember that mastering the art of negotiation means that your skills are so finely tuned that you can always orchestrate a win-win situation. These win-win arrangements mean that everyone involved feels they have won, which is really the basis for building long-term and profitable business relationships.

## **21. Design Your Workspace For Success.**

Carefully plan and design your home office workspace to ensure maximum personal performance and productivity and, if necessary, to project professionalism for visiting clients. If at all possible, resist the temptation to turn a corner of the living room or your bedroom into your office. Ideally, you'll want a separate room with a door that closes to keep business activities in and family members out, at least during prime business and revenue generating hours of the day. A den, spare bedroom, basement or converted garage are all ideal candidates for your new home office. If this is not possible, you'll have to find a means of converting a room with a partition or simply find hours to do the bulk of your work when nobody else is home.

## **22. Get And Stay Organized.**

The key to staying organized is not about which type of file you have or whether you keep a stack or two of papers on your desk, but it's about managing your business. It's about having systems in place to do things. Therefore, you want to establish a routine by which you can accomplish as much as possible in a given workday, whether that's three hours for a part-time business or seven or nine hours as a full-timer. In fact, you should develop systems and routines for just about every single business activity. Small things such as creating a to-do list at the end of each business day, or for the week, will help keep you on top of important tasks to tackle. Creating a single calendar to work from, not multiple sets for individual tasks or jobs, will also ensure that jobs are completed on schedule and appointments kept. Incorporating family and personal activities into your work calendar is also critical so that you work and plan from a single calendar.

## **23. Take Time Off.**

The temptation to work around the clock is very real for some home business owners. After all, you don't have a manager telling you it's time to go home because they can't afford the overtime pay. Every person working from home must take time to establish a regular work schedule that includes time to stretch your legs and take lunch breaks, plus some days off and scheduled vacations. Create the schedule as soon as you have made the commitment to start a home business. Of course, your schedule will have to be flexible. You should, therefore, not fill every possible hour in the day. Give yourself a backup hour or two. All work and no play makes you burn out very fast and grumpy customer service is not what people want.

## **24. Limit The Number Of Hats You Wear.**

It's difficult for most business owners not to take a hands-on approach. They try to do as much as possible and tackle as many tasks as possible in their business. The ability to multitask, in fact, is a common trait shared by successful entrepreneurs. However, once in a while you have to stand back and look beyond today to determine what's in the best interest of your business and yourself over the long run. Most highly successful entrepreneurs will tell you that from the time they started out, they knew what they were good at and what tasks to delegate to others.

## **25. Follow-Up Constantly.**

Constant contact, follow-up, and follow-through with customers, prospects, and business alliances should be the mantra of every home business owner, new or established. Constant and consistent follow-up enables you to turn prospects into customers, increase the value of each sale and buying frequency from existing customers, and build stronger business relationships with suppliers and your core business team. Follow-up is especially important with your existing customer base, as the real work begins after the sale. It's easy to sell one product or service, but it takes work to retain customers and keep them coming back.

## **4.0 CONCLUSION**

This unit has provided an insight into what is expected of any entrepreneur to be successful. Before research in entrepreneurship can be brought to a mature stage, we must be able to answer two simple yet critical questions: (i) who is the entrepreneur? (ii) What does he/she do that makes him/her unique within the economy? Fortunately, the answers to these questions have been provided in this unit and this makes the distinction between entrepreneurial and non-entrepreneurial traits and behaviour to have clear demarcation.

## **5.0 SUMMARY**

Like any activity you pursue, there are some certain things that are required to be successful in a chosen activity. For instance, if you are to legally operate or drive a vehicle on public roadways, one must have a driver's license; to excel in sports, one must train and practice; to retire comfortably, one must become an informed investor and actively invest for retirement. If you aimed to be successful in business, then the formula is no different. There are certain traits, skills and attitude that have to be fully developed, implemented and managed for your business to succeed. There are many business skills, but this unit contains some of the more important traits and skills that are required to start, operate and grow a profitable enterprise.

## **6.0 TUTOR MARKED ASSIGNMENT**

What are the common attitudes and necessary skills required for someone to be a successful entrepreneur. That is, explain the effect of good characters and necessary skills to be acquire on success entrepreneurs in Nigeria.

## **7.0 REFERENCE FOR FURTHER READINGS**

Taiwo, O. Abdulahi; Lawal, Kamaldeen A.A and Okafor, Ifeoma P. (2017) Entrepreneurship: A Global Perspective. Uzopietro Publishing Company, Owerri, Imo State, Nigeria. ISBN: 978-27104-7-18

## **UNIT 5      TYPES AND CLASSIFICATION OF ENTREPRENEURS**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objective of the Unit
- 3.0    Main Content
  - 3.1    Types and Classification of Entrepreneur
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor Marked Assignment
- 7.0    References for Further Readings

### **1.0    INTRODUCTION**

The role of entrepreneurs in economic development varies from economy to economy, country to country, depending upon its material resources, industrial climate and more importantly, the responsiveness of the political system to the growth of entrepreneurs. Liberalization and the new economic policy have thrown upon the doors for every entrepreneur to seek its own fortunes and thus contribute to the growth of the economy. Entrepreneur is an important input of economic development. He/she is a catalyst of development. Only the entrepreneurs create capital, wealth and resources in a country by their inventive and risk-taking behaviour. They are the prime movers of industrial development in a country.

Entrepreneurs are found in every economic system and in every type of economic activity. Artisans, traders, importers, students, manufacturer, engineers, exporters, bankers, industrialists, farmers, forest workers, tribe's, professionals, politicians, and bureaucrats etc, any one from these could be entrepreneur. The nature of entrepreneurs differs according to their functions.

### **2.0    OBJECTIVE OF THE UNIT**

There are different types of Entrepreneurs that operate in various sector of the economy. These entrepreneurs can be classify based on the socio-economic activities

they perform in an economy. This unit is concerned with how these various entrepreneurs can be easily identify with their peculiar attributes.

It is necessary to classify the entrepreneurs because it will help the Learners to understand the roles each of these entrepreneurs play towards the economic development of the country. Also, the unit will enable the learners especially those who have interest and passion to become an entrepreneur to choose the type of entrepreneur that suit their personality and their socio-economic background.

### **3.0 MAIN CONTENT**

#### **3.1 TYPES AND CLASSIFICATION OF ENTREPRENEUR**

Researchers who have studied entrepreneurial behaviour suggest that there are different types of entrepreneurs. Classifying entrepreneurs into various categories is a tricky issue. The taxonomy of entrepreneurs can be carried out in various ways. Entrepreneurs can be classified on various basis. Clarence Danhof classifies entrepreneurs on the basis of stage of economic development: some others have classified on the basis of their functions and characteristics. In the initial stages of economic development, entrepreneurs tend to have less initiative and drive. As development proceeds, they become more innovating and enthusiastic. The various types of entrepreneurs are classified on certain parameters. Some important classifications are described below

- ✓ Clarence Danhof Classification
- ✓ Arthur H. Cole Classification
- ✓ Classification on the Basis of Ownership
- ✓ Classification Based on the Scale of Enterprise
- ✓ Classification of Entrepreneurs On the Basis of Type of Business they Operate
- ✓ Classification of Entrepreneurs According to the Use of Technology
- ✓ Classification of Entrepreneurs According to Motivation:
- ✓ Classification of Entrepreneurs According to Growth
- ✓ Classification of Entrepreneurs According to Entrepreneurial Activity
- ✓ Other Entrepreneurs

##### ***3.1.1 Clarence Danhof Classification***

On the Basis of Economic Development: Clarence Danhof classified entrepreneurs into four groups ***on the basis of economic development.***

1. ***Innovative Entrepreneurs:*** This type of entrepreneurship is characterized by aggressive assemblage of information and the analysis of results deriving from novel combination of factors of production. Entrepreneurs falling in this class are generally aggressive in experimentation and exhibited shrewdness in putting attractive possibilities into practice.

They are the entrepreneurs who have creative and innovative ideas of starting a new business. An innovating entrepreneur sees the opportunity for introducing a new technique or a new product or a new market. He may raise money to launch an enterprise, assemble the various factors, and choose top executives and the set the organization going. Schumpeter's entrepreneur was of this type. Innovative entrepreneurs thus, results in the creation of something new. They are the contributors to the economic development of a country. Innovating entrepreneurs are very commonly found in undeveloped countries. There is dearth of such entrepreneurs in developed countries. Innovating entrepreneurs played the key role in the rise of modern capitalism, through their enterprising spirit, hope of moneymaking, ability to recognize and exploit opportunities, etc.

2. ***Adoptive or Imitative Entrepreneur:*** There is a second group of entrepreneurs generally referred as imitative entrepreneurs. The imitative entrepreneurs copy or adopt suitable innovations made by the innovative entrepreneurs. They does not innovate the changes himself. They only imitates technology innovated by others. Such entrepreneurs are particularly important in developing countries because they contribute significantly to the development of such economies.

Imitative entrepreneurs are most suitable for the developing regions because in such countries people prefer to imitate the technology, knowledge and skill already available in more advanced countries. In highly backward countries there is shortage of imitative entrepreneurs also. People who can imitate the technologies and products to the particular conditions prevailing in these countries are needed. Sometimes, there is a need to adjust and adopt the new technologies to their special conditions. Imitative entrepreneurs help to transform the system with the limited resources available. However; these entrepreneurs face lesser risks and uncertainty then innovative entrepreneurs. While innovative entrepreneurs are creative, imitative entrepreneurs are adoptive.



Further by adopting the technology, which is already tested, they generate ample employment avenues for the youth and therefore they are treated as agent of economic development.

3. ***Fabian Entrepreneur:*** The third type is Fabian entrepreneur. By nature these entrepreneurs are shy and lazy. This type of entrepreneurs have neither will to introduce new changes nor desire to adopt new methods of production innovated by the most entrepreneurs. They follow the set procedures, customs, traditions and religions. They are not much interested in taking risk and they try to follow the footsteps of their predecessors. Usually they are second generation entrepreneur in a business family enterprise.

The Fabian entrepreneur imitates other innovations only if he is certain that failure to do so may damage his business. They are very much sceptical in their approach in adopting or innovating new technology in their enterprise. They are not adaptable to the changing environment. They love to remain in the existing business with the age-old techniques of production. They only adopt the new technology when they realize that failure to adopt will lead to loss or collapse of the enterprise.

4. ***Drone Entrepreneur:*** The fourth type is drone entrepreneurs who refuse to copy or use opportunities that come on their way. They are conventional in their approach and stick to their set practices products, production methods and ideas. They struggle to survive not to grow. These entrepreneurs are conservative or orthodox in outlook. They never like to get rid of their traditional business and traditional machinery or systems of the business. They always feel comfortable with their old fashioned technology of production even though the environment as well as the society have undergone considerable changes.

Thus, drone entrepreneurs refuse to adopt the changes. They are laggards as they continue to operate in their traditional way and resist changes. His entrepreneurial activity may be restricted to just one or two innovations. They refuse to adopt changes in production even at the risk of reduced returns.

### **3.1.2 Arthur H. Cole Classification**

Arthur H. Cole classifies entrepreneurs as:

1. ***Empirical:*** He is an entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.

**2. Rational:** The rational entrepreneur is well informed about the general economic conditions and introduces changes which look more revolutionary.

**3. Cognitive:** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

### ***3.1.3 Classification on the Basis of Ownership***

**1. Private:** Private entrepreneur is motivated by profit and it would not enter those sectors of the economy in which prospects of monetary rewards are not very bright.

**2. Public:** In the underdeveloped countries government will take the initiative to share enterprises.

**3. Cooperative:** Jointly owned by various entrepreneurs who agreed to contribute resources together and equally enjoys the benefits and risks based on what they have contributed

### ***3.1.4 Classification Based on the Scale of Enterprise***

**1. Small scale:** This classification is especially popular in the underdeveloped countries. Small entrepreneurs do not possess the necessary talents and resources to initiate large scale production and introduce revolutionary technological changes.

**2. Large scale:** In the developed countries most entrepreneurs deal with large scale enterprises. They possess the financial and necessary enterprise to initiate and introduce new technical changes. The result is the developed countries are able to sustain and develop a high level of technical progress.

### ***3.1.5 Classification of Entrepreneurs On the Basis of Type of Business they Operate:*** Under this category we can classify entrepreneurs as described below:

**i. Business Entrepreneurs:** They are the entrepreneurs who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap the entire factor of production to develop a new business opportunity. They may set up a big enterprise or a small scale business. When they establish small business units they are called small business entrepreneurs. In a majority of cases, entrepreneurs are found in small trading and manufacturing business.

**ii. Trading Entrepreneur:** These entrepreneurs undertake trading activities and are not concerned with the manufacturing work. They identify the potentiality of their product in markets, stimulate demand for their product line among buyers. They may go for both domestic and overseas trade. These entrepreneurs demonstrated their ability in pushing many ideas ahead which promoted their business.

**iii. Industrial Entrepreneur:** Industrial entrepreneur is essentially a manufacturer who identifies the needs of customers and creates products or services to serve them. He is product-oriented who starts through an industrial unit to create a product like electronic industry, textile unit, machine tools.

**iv. Corporate Entrepreneur:** These entrepreneurs used his innovative skill in organizing and managing a corporate undertaking. A corporate undertaking is a form of business organisation which is registered under some statute or Act like a trust registered under the Trust Act, or a company registered under the Companies Act. These corporate work as separate legal entity. He is thus an individual who plans, develops and manages a corporate body.

**v. Agricultural Entrepreneur:** Agricultural entrepreneurs are those who undertake agricultural activities as through mechanization, irrigation and application of technologies to produce the crop. They cover a broad spectrum of the agricultural sector and include agriculture and allied occupations.

**3.1.6 Classification of Entrepreneurs According to the Use of Technology:** The application of new technology in various sectors of the national economy is essential for the future growth of business. We may broadly classify these entrepreneurs on the basis of the use of technology as follows:

**i. Technical Entrepreneurs:** With the decline of joint family business and the rise of scientific and technical institutions, technically qualified persons have entered the field of business. These entrepreneurs may enter business to commercially exploit their inventions and discoveries. Their main asset is technical expertise. They raise the necessary capital and employ experts in financial, legal- marketing and other areas of business. Their success depends upon how they start production and on the acceptance of their products in the market.

**ii. Non-technical Entrepreneur:** Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product or service in which they deal. They are concerned only with developing alternative marketing and promotional strategies for their product or service.

**iii. Professional Entrepreneur:** Professional entrepreneur is an entrepreneur who is interested in establishing a business but does not have interest in managing it after establishment. A professional entrepreneur sells out the existing business on good returns and starts another business with a new idea. Such an entrepreneur is dynamic and conceives new ideas to develop alternative projects.

**3.1.7 Classification of Entrepreneurs According to Motivation:** Motivation is the main force that promotes the efforts of the entrepreneur to achieve his goals. An entrepreneur is motivated to achieve or prove his excellence in their performance. According to motivation we can classify entrepreneur as:

**i. Pure Entrepreneur:** A pure entrepreneur is the one who is motivated by psychological economical, ethical considerations. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego or status.

**ii. Induced Entrepreneur:** This type of entrepreneur is one who induced to take up an entrepreneurial task due to the policy reforms of the government that provides assistance, incentives, concessions and other facilities to start a venture. Most of the small scale entrepreneurs belong to this category and enter business due to financial, technical and several other facilities provided to them by the various agency of Govt. to promote entrepreneurship. Today, import restrictions and allocation of production quotas to small units have induced many people to start a small scale unit.

**iii. Motivated Entrepreneur:** New entrepreneurs are motivated by the desire for self-fulfilment. They come into being because of the possibility of making and marketing some new products for the use of consumers. They are motivated through reward like profit.

**3.1.8 Classification of Entrepreneurs According to Growth:** The industrial units are identified as high growth, medium growth and low growth industries and as such we have 'Growth Entrepreneur' and 'Super Growth Entrepreneur.'

**i. Growth Entrepreneur:** He necessarily takes up a high growth industry and chooses an industry which has sustained growth prospects. Growth entrepreneurs have both the desire and ability to grow as fast as large as possible.

**ii. Super-Growth Entrepreneur:** This category of entrepreneurs is those who have shown enormous growth of performance in their venture. The growth performance is identified by the high turnover of sales, liquidity of funds, and profitability.

***I. Classification of Entrepreneurs According to Entrepreneurial Activity:*** Based on entrepreneurial activity, entrepreneurs are classified as novice, serial, and portfolio entrepreneur.

***i. Novice Entrepreneur:*** A novice is someone who has started his/her first entrepreneurial venture. A novice entrepreneur is an individual who has no prior business ownership experience as a business founder, inheritor of a business, or a purchaser of a business. It is not similar to early starter; a novice can also be a 50 year old with over 25 years of experience in the industry.

***ii. A Serial Entrepreneur:*** A Serial Entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. It is the process of starting that excites the starter. Once the business is established, the serial entrepreneur may lose interest and think of selling and moving on.

***iii. Portfolio Entrepreneur:*** A portfolio entrepreneur is an individual who retains an original business and builds a portfolio of additional businesses through inheriting, establishing, or purchasing them. A portfolio entrepreneur starts and runs a number of businesses. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities. Also, the entrepreneur may see some synergies between the ventures.

### ***3.1.9 Other Classification of Entrepreneurs:***

***i. First-Generation Entrepreneurs:*** This category consists of those entrepreneurs whose parents or family had not been into business and was into salaried service. The booming economy of India has led to a multitude of business opportunities, and with deregulation, it has become easier to set up businesses. Also, with a change in the mindset of the middle class, it is now more acceptable to become an entrepreneur. A first-generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

***ii. Modern Entrepreneur:*** A modern entrepreneur is one who undertakes those businesses which go well along with the changing scenario in the market and suits the current marketing needs.

***iii. Women Entrepreneurs:*** Women as entrepreneurs have been a recent phenomenon in India. The traditional norms in Nigeria had made it difficult for women to have a professional life. Now this has changed. Progressive laws and other incentives have also boosted the presence of women in entrepreneurial activity in diverse fields. In

1988, for the first time, the definition of Women Entrepreneurs' enterprise was evolved that termed an SSI unit/industry-related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51 per cent as partners / shareholders / directors of a private limited company / members of a cooperative society, as a Woman Enterprise.

**iii. Nascent Entrepreneur:** A nascent entrepreneur is an individual who is in the process of starting a new business.

**iv. Habitual Entrepreneur:** A habitual entrepreneur is an individual who has prior business ownership experience. The nascent entrepreneur can either be a novice or a habitual entrepreneur.

**v. Lifestyle Entrepreneurs:** Lifestyle entrepreneurs have developed an enterprise that fits their individual circumstances and style of life. Their basic intention is to earn an income for themselves and their families.

**vi. Copreneurs:** It is related to the married couples working together in a business. When a married couple share ownership, commitment and responsibility for a business, they are called "copreneurs". As copreneurs, couples struggle in ventures to establish equality in their relationships. Such couples represent the dynamic interaction of the systems of love and work.

**vii. IT Entrepreneurs:** IT entrepreneurs are creating a new business platform that takes them straight to the top. They are confident, ambitious innovative and acquired creativity in the competitive global environment and created a niche of their self. They are the brave new bunch of entrepreneurs who are daring to take on the world of information technology.

**viii. Social Entrepreneur:** Social entrepreneur is one who recognizes the part of society which is stuck and provides new ways to get it unstuck. Be it dedicated efforts for child upliftment, fighting for the conservation of Assam's rainforests, working for the betterment of the blind or initiatives to empower women, the entrepreneur's passion is very strong. Freedom, wealth, exposure, social mobility and greater individual confidence are driving this huge wave of social innovation and entrepreneurship. After all are tired with the Inefficiency of governments and the indifference of corporate, and want to make a change and this is the case everywhere.

**ix. Forced Entrepreneurs:** The money-lenders of yesterday, who are thrown out of their family business because of government legislation, the neorich Indians returning

from abroad and the educated unemployed seeking self-employment form this class of entrepreneurs.

***x. Individual and Institutional Entrepreneurs:*** In the small scale sector individual entrepreneurs are dominant. Small enterprises outnumber the large ones in every country. Such entrepreneurs have the advantage of flexibility, quick decision making. But a single individual can establish, operate and control an organization up to a limit. Thereafter, it becomes necessary to institutionalize entrepreneurship. The business will have to acquire a number of new entrepreneurial skills through a corporate body. A group of entrepreneurs has to be developed to handle the increasingly complex network of decision making. The central function of the entrepreneur remains the same but the basic decisions like the line of business, the amount of capital employed, etc. are taken collectively by the promoters at the helm of affairs. Thus, individual entrepreneur and institutional entrepreneur coexist and support each other. Corporate sector the symbol of institutionalized entrepreneurship.

***xi. Entrepreneurs by Inheritance:*** At times, people become entrepreneurs when they inherit the family business. In India, there are a large number of family controlled business houses. Firms in these houses are passed from one generation to another.

***xii. Challengers*** Entrepreneurs of this type take challenges to establish business venture as mark of achievement. They keep on improving their standard and face boldly the odds and adversities that come in their way. They use their business acumen and talent to convert the odds into opportunities thereby making profit. According to them, if there is no challenge in life, there is no charm in life. Challenges make them bold, and thus, they never hesitate to plunge themselves into uncertainties for earning profit.

***xiii. Buyers (entrepreneurs):*** These entrepreneurs explore opportunities to purchase the existing units which may be seized or are in running condition. If the units they purchase are sick they turn them around using their experiences, expertise and business acumen. By purchasing these units they make themselves free from the hassles of building infrastructures and other facilities.

***xiv. Life Timers:*** These entrepreneurs believe that business is the part and parcel of their life. They take up the business to reunite successfully as a matter of ego satisfaction. They have a strong desire for taking personal responsibility. Family enterprises which thrive due to high personal skill are included under this category.

#### **4.0 CONCLUSION**

Entrepreneurship is one good way that many people, especially Nigerian graduates could get employed and starts their career in legitimate business. An entrepreneur may start with a new business idea, or with new innovation, or implementation of an existing business model. When considering a new business it is important to look at whether or not the idea is in the growing sector/ industry.

#### **5.0 SUMMARY**

There are some elements that are common to all the types and classification of entrepreneur. This elements is essential in such a way that defined and categorized the entrepreneurs. This common element start from entrepreneur's opportunity recognition with the ability to identify or recognize opportunity, ability to assess opportunity and ability to successfully realize opportunity.

#### **6.0 TUTOR MARKED ASSIGNMENT**

Highlight and discuss with practical example the type and classification of entrepreneurship as it is applicable in Nigeria.

#### **7.0 REFERENCES FOR FURTHER READINGS**

Hisrich, Robert D. (2011). [Entrepreneurship](#). McGraw-Hill Education. [ISBN 978-0-07062-017-9](#).

Taiwo, O. Abdulahi; Lawal, Kamaldeen A.A and Okafor, Ifeoma P. (2017) Entrepreneurship: A Global Perspective. Uzopietro Publishing Company, Owerri, Imo State, Nigeria. ISBN: 978-27104-7-18



## **MODULE 2**

Unit 1	Meaning of Cooperative Entrepreneurship
Unit 2	Cooperative Principles: Its Relevance and Applicability to Cooperative Entrepreneurship
Unit 3	Entrepreneurship Theories and Practice

### **UNIT 1      MEANING OF COOPERATIVE ENTREPRENEURSHIP**

#### **CONTENTS**

1.0	Objective of the Unit
2.0	Introduction
3.0	Main Content
3.1	Nature and concept of Cooperative Entrepreneurship
3.2	Meaning of Cooperative Entrepreneurship
3.3	What do you need to be a Cooperative Entrepreneur (Coopreneur)?
3.4	Elements of Cooperatives that Facilitates Entrepreneurship
3.5	Characteristics of Cooperative Entrepreneurship
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References for Further Readings

#### **1.0      INTRODUCTION**

The emergence of Cooperative Entrepreneurship as a recent phenomenon of interest describes an organization composed of firms from different industries, whose collaborative abilities allow them to pursue a joint strategy of continuous innovation (Miles et al. 2005). Moreover, in this description, two characteristics must be emphasized: (i) cooperative relationships are voluntary, and (ii) cooperative relationships facilitate knowledge creation, and, in turn, continuous innovation. Beyond cooperative entrepreneurship, continuous innovation can be achieved within

the confines of existing businesses, through cooperation among the groups. In this sense, the importance of group of people in the innovation process is emphasized. Therefore, building a business model to innovate in a continuous way also depends on how employees collectively understand their work, and how they function in collaborative activities, e.g., in making decisions, estimating the effects of possible actions, allocating appropriate resources etc. Cooperative entrepreneurship is the term generally used to refer to entrepreneurial teams and to cooperation or joint efforts among group of people with similar interest. It is therefore an important domain to explore, and it is fundamentally different from the aggregation of firms in collaborative communities. On the contrary, the cooperative perspective represents a bridge between individuals in a group and actions taken with regard to group decisions. In this sense, Johannisson (2003) presented entrepreneurship as a collective phenomenon that is as much the outcome of a joint effort as an individual endeavour. Johannisson (2003) pointed out that a better understanding of entrepreneurship will be achieved if all enterprising and organizing, including entrepreneurial venturing, are recognized as generically collective; a cooperative image of venture projecting applies from the gestation period and throughout the existence of the firm. From an academic point of view, cooperative entrepreneurship or intrapreneurship is one of the most powerful innovation approaches for studying the formation of cooperative entrepreneurship. The process of cooperative entrepreneurship reflects the birth of new businesses within existing organizations, i.e., internal innovation or venturing, and the transformation of organizations thorough renewal of the key ideas on which they are built, i.e., strategic renewal. Through this process, a business can enrich its performance by creating new knowledge that becomes a foundation for building new competencies or revitalizing existing ones. Under this broad conception, Schumpeter's in Soriano, & Urbano (2008) view can also be perceived of the entrepreneur as one who "carries out new combinations," but in this case the entrepreneur is more likely to be plural (Gartner et al. 2004). Often, functional departments can become too specialized and isolated from the rest of the organization. Cross-functional work teams can provide a platform for cross-organizational communication, resulting in more integrated and strategically aligned organizational cultures, products and services. For this reason, it is important to note that, firms that have previously developed a strong capacity for cooperation among group of people are likely to develop collaborative communities in the future. Consequently a firm's ability to cooperate with other firms starts with being able to collaborate internally (Miles et al. 2005).

## **2.0 OBJECTIVE OF THE UNIT**

This unit will exposed the readers/learners to understand the nature and concept of Cooperative Entrepreneurship. Subsequently, the readers/learners will be able to define what Cooperative Entrepreneurship is all about based on their understanding of the nature of the cooperative entrepreneurship. After the definition, the readers /learners should be able to identify necessary things they need to become Cooperative Entrepreneur (Coopreneur)? As well as the identifying the elements of Cooperatives that Facilitates Entrepreneurship, Characteristics of Cooperative Entrepreneurship

## **3.0 MAIN CONTENT**

### **3.1 NATURE AND CONCEPT OF COOPERATIVE ENTREPRENEURSHIP**

The concept of cooperative entrepreneurship can be used when the decisions about deployment of assets are taken not by an individual but by a group of people. The need to take decisions as a group results from the joint ownership of assets. Joint ownership leads to joint decision-making. This implies that it is not the judgment of the individual that applies, but the combined judgment of a group of individuals. The intra-group differences in judgment over the proper use of the joint assets bear on the efficiency of the decision-making process. The more heterogeneous the judgments, for instance about what constitute good investment projects, the more difficult the decision making process.

Entrepreneurship and Cooperative movement is historically rich and diverse in Nigeria, taking root in the recent years as a central organizational tool for the development of small and medium enterprises, agriculture and rural communities, an alternative banking system via thrift and credit societies/unions Ltd, consumer provisioning, and worker cooperatives etc. The concept of Cooperative entrepreneurship forms a sub-set of the broader concepts of entrepreneurship. Researchers have adopted different terms and definitions when referring to and analysing business activities with collectively or group driven values, objectives, and entrepreneurialism, variably termed as “Cooperative enterprises” What brings together these forms of collective businesses are strong group actions and group values supported by cooperative principles and practices. But conceptual definitions of this type of business model, on the whole, vary, are still contested, and depend on the preponderance and degrees of welfare state or market driven economic paradigms, and the legislative domains within national contexts.

Some school of thought considers any groups innovative activities with a primary aim of promoting of members livelihood as cooperative entrepreneurship, without being too concerned with their ownership and management models; for instance, innovative business idea training and development, skill acquisition training; risk sharing and social capital are also considered to be collective entrepreneurial activities.

Cooperative entrepreneurial activities derive from cooperative-led initiatives with an explicit aim to benefit their members, and thus must involve decision-making processes that are participatory and not based on capital ownership. Cooperative entrepreneurship greatest advantage is the ability of the participating entrepreneurs to combine different skills and competencies for greater performance. Central to the success of cooperative entrepreneurship is the relationship between the entrepreneurs.

### **3.2 MEANING AND CONCEPT OF COOPERATIVE ENTREPRENEURSHIP**

There is no universal consensus on the definition of cooperative entrepreneurship. The concept of cooperative entrepreneurship is fundamental. It is closely linked to the viability and sustainability of cooperative enterprise and the cooperative movement. Applied in the cooperative sphere, cooperative entrepreneurship is a process whereby a group of people mobilizes financial and nonfinancial resources to launch a new cooperative or revamping the existing cooperative to satisfy the socioeconomic and cultural needs and aspirations of group members.

Cooperative entrepreneurship seeks to bring creativity, innovation, and strategic management in the practice of cooperative society. To do this, it is essential that cooperative society should have dynamic governance structures, qualified competent and dedicated human resource, and modern management systems.

Miles *et al.* (2005) use the term collective entrepreneurship to define cooperation among entrepreneurial firms in a community or network of firms. In their view, cooperative entrepreneurship is the matching of underutilized resources with unexplored market opportunities to commercialize a constant stream of innovation in a community of networked firms. The emphasis in cooperation among the independent firms in the network is on value creation through continuous innovation (and not on value distribution). Within the community of networked firms there is much trust as members treat ideas as a common resource and collaboratively exploit capabilities.

According to Jos & Bart (2015), both collective entrepreneurship and cooperative entrepreneurship comprise of three types of relationship. First, the jointly owned venture is an economic entity, with economic relations between cofounders, who provide resources such as labour, skills, knowledge, experience and capital, in exchange for some share of the return to the enterprise. Second, there is an organizational relationship among cofounders, and between co-founders and joint venture. Finally, cooperative entrepreneurship involves interpersonal relationships. Cooperative is often embedded in existing social and personal relationships with friends, neighbours, family, or other community members.

Cooperative entrepreneurship enable persons with similar interest to conduct business together, and sharing ownership together. Collective entrepreneurship can be, in our opinion, one of the means of mobilizing resources for innovative enterprise and risk diversification.

Cooperative entrepreneurship demonstrates what insights gained when entrepreneurship is generically collective. Cooperative entrepreneurship refers to a joint effort of an association of individuals with an aim to further a common interest or secure a goal. It is an idea of every individual's recognition of new opportunities and thereafter entrepreneurship becomes collective when opportunities are acted upon because new venture creation requires joint collective action.

Cooperative entrepreneurship occurs when an individual takes some element out of strict privacy and makes an intentional choice to focus others' attention on it. The concept is most evident, as organizing new ventures demand a collective effort, for instance, coordinated efforts from individuals to create new markets. It is the collective confidence with which the entrepreneur tests and conceptualizes business ideas and involves the study of opportunities, processes, and exploitation of opportunities and characteristics of individuals to discover, evaluate, and introduce new ideas in the market (Soriano & Urbano, 2010).

The common example of collective entrepreneurship is the cooperative form of organization and most of this type of organisation arises in every sector of the economy, where cooperatives have more than a century of importance; the question is whether entrepreneurial activity (innovation, new products, and new market) occurs at the level of the collective as an organization strategy or at the level of the individual member. Study by Burress and Cook (2012), indicate that Cooperative entrepreneurship suggests that emerging entrepreneurs utilize networks to access human and financial capital, as well as to transfer legitimacy to their ventures and that it empowers members' profit and development through strategic alliances focusing on

marketing, technical innovations and resources. The actors who jointly seized an opportunity referred to as collective entrepreneurs (Iliopoulos, 2013).

A Study by Peredo and Wurzelmann (2015) identified advantages of cooperative entrepreneurship over individual entrepreneurship as the ability to lend diverse sets of skill, extending Organisation and personal networks and increased legitimacy with disadvantages as additional effort and time required to develop strategies, different ideologies and policy change.

Cooperative entrepreneurship involves an income generating organisation governed democratically by the members. Cooperative entrepreneurship can assume a dual meaning in the cooperative literature thus entrepreneurial action among multiple patrons and multiple organizations described as cooperation among cooperatives (Cook & Plunkett, 2012).

### **3.3 WHAT DO YOU NEED TO BE A COOPERATIVE ENTREPRENEUR (COOPRENEUR)?**

Cooperative entrepreneurs set up businesses. To do this they require many of the same characteristics which other non-cooperative entrepreneurs tend to possess naturally or to develop by engaging in business activity. For example, most entrepreneurs display determination, a capacity to innovate and ‘think outside the box’, a willingness to take risks, and good communication skills to promote their ideas to others.

Owing to the unique characteristics of cooperative enterprises, coopreneurs also need to possess a few specific traits and attributes to be able to establish these types of businesses:

- ✓ A commitment to working democratically and for the good of the collective, rather than purely for personal gain;
- ✓ A willingness to share risks and rewards with other members;
- ✓ An understanding of and commitment to the cooperative values and principles;
- ✓ An understanding of how cooperation adds value to the business.

Cooperative entrepreneurship becomes possible when there is a group of like-minded individuals who have a need that is not being met by other companies. Co-operative entrepreneurs work together, not in isolation.

Cooperatives, as social and economic enterprises are doing commendable services to all sectors of the economy throughout the world. Cooperative was born out of the

lessons learnt by the great number of failures. Its foundations were laid down during the peak of the Industrial Revolution, where capitalism and human exploitation were ruling high. So many trials and tribulations were borne by this great movement. Cooperatives could survive in all types of economies and all types of political systems. Whether it is a developed country or developing country or a least developed country, one could find the fingerprints of cooperatives in all these countries to address the problems of the development. The fundamental factor for the success of such cooperatives can be attributed to the entrepreneurial qualities of the cooperative members and directors/leaders. The changing faces of economic systems facilitates and enhance the cooperatives to be innovative, so as, to remain viable and to adapt to the needs of its members on the basis of their strengths and unique features. Inspired or induced by this condition the cooperative entrepreneur takes the initiative and to get organized with the resources available to reach concrete results. To survive in a competitive environment all cooperatives have to be led and managed by entrepreneurs who have a sense of cooperative enterprise and who know how to innovate to respond to their needs.

### **3.4 ELEMENTS OF COOPERATIVES THAT FACILITATES ENTREPRENEURSHIP**

#### **1. *Cooperatives as Business Enterprise:***

Cooperatives are organized by likeminded people to satisfy a particular group of economic needs like credit, banking, marketing, service, consumer distribution, and other services. They work on business lines applying all business and management techniques. They earn a surplus, in form of profit to manage the enterprise. As business organizations, they have to compete with other firms in the competitive sectors of the economy. Cooperative enterprise applying all business techniques, they strive to improve their volume of business year after year and they diversify their activities according to the needs and demands of the members. This business character of cooperatives needs the application of entrepreneurial qualities to the business undertaken. For example, to run a marketing cooperative, the board or the leaders of such cooperative must know all the elements of marketing.

#### **2. *Cooperatives as Social Organizations:***

Like the economic function, social function is also the bedrock of cooperatives. It is a combination or mixture of both economic service and social benefit. By being social

organizations, cooperatives primarily aimed to promote the wellbeing of members of the society, they preach and practice equality in their functions and provide equity in their services. One of the basic features to organize cooperatives of various kinds by various sections of the society is to avert exploitation, of all forms. It is the cooperatives which relieve the members from the exploitation of usurious money lenders, avert the exploitation of private traders, and protect the members from organized collusion. Hence, the entrepreneurship character is very much emphasized to extend more service benefits to the maximum population living in the specific area of operation.

### **3.5 CHARACTERISTICS OF COOPERATIVE ENTREPRENEURSHIP**

The review of cooperative entrepreneurship from various researchers and scholars establishes common salient indices that can be used to characterise cooperative entrepreneurship. These common components/indices are:

- Collective Risk Sharing
- Collective creative business ideas and innovation sharing and training
- Collective Enterprise Ownership
- Social Capital

#### ***3.5.1 Collective Risk Sharing***

Holton (2004) argues that there are two ingredients that are needed for risk to exist. The first is uncertainty about the potential outcomes from an experiment and the other is that the outcomes have to matter in terms of providing utility. Risk is a word that has various meanings to various people (Adams, 2014). It is a word that causes the feeling of urgency because it addresses detrimental, sometimes catastrophic outcomes. Risk is an important concept in a number of scientific fields, yet there is no consensus on how it is to be defined and interpreted (Aven, 2011). Some of the definitions are based on probabilities, others on expected values, some on uncertainty and others on objectives. Some authors regard risk as subjective and epistemic, depending on the knowledge available, some regard it as aleatory, due to the probabilistic character of certain parameters, while yet others give risk the ontological status independent from the person assessing it.

Collective Risk sharing is the practice of distributing risks amongst cooperative members. A self-insurance method of managing or reducing exposure to risk by spreading the burden of loss among several units of an enterprise or business



syndicate. In cooperative entrepreneurship, risk retention pools formed with the contributions of members are often utilized as a way to self-insure risks among multiple entities. Risk sharing provide opportunities for cooperative members to mitigate risks. For example, resource risks shared between multiple teams may provide opportunities to share resources and reduce risk. Also, risk sharing can be used as a strategy to improve the commitment of stakeholders to a project. Risk management may be preferable to risk shifting by distressed companies and institutions. The risk management strategy of cooperative entrepreneurship focuses on balancing risk and return to generate cash flow that is sufficient to meet financial obligations. According to Harris (2016), once a business risk has been identified, an organization has four options:

- ✓ Transfer it,
- ✓ Avoid it,
- ✓ Reduce it or
- ✓ Accept it.

### ***3.5.2 Collective Creative Business Ideas and Innovation Sharing and Training***

Education, Training and Information is one of the 1995 International Cooperative Alliance principles which mandated Cooperative societies to invest in the collective education and training of their members, elected representatives, managers, and employees on innovative business practices and training for so they can contribute effectively to the development of the cooperatives. Innovative information sharing and training improve and develop innovative skills of the cooperative members and employees on topics such as healthy lifestyles, financial literacy, home ownership, business skills, sales and marketing, understanding the law, public speaking, healthy living and meeting procedures etc.

Training is impacting knowledge, or developing in oneself or others, any skills and knowledge that relate to specific useful competencies. Training has specific goals of improving one's capability, capacity, productivity and performance. In addition to the basic training required for a trade, occupation or profession, observers of the labour-market recognize the need to continue training beyond initial qualifications: to maintain, upgrade and update skills throughout working life. This has been one of cooperative society principle which they committed part of their profit on.

Creativity and innovation through entrepreneurship is everyone's business with a lens to each link of the innovation; value chain; idea generation; conversion, and diffusion. Most entrepreneurship efforts fail not because of a lack of bright ideas, but rather a

lack of careful follow up. Training empowers someone to ignite and embed ideas that will fundamentally improve his or her business.

Collective creative business ideas and innovation sharing and training in cooperative society is any attempt by group actions to improve current or future cooperative and its member's performance by increasing member's and employees ability to perform through learning, usually by changing the members attitude or increasing his or her skills and knowledge.

### ***3.5.3 Collective Enterprise Ownership***

Cooperative entrepreneurship is a Collective enterprise which established by cooperative members, and it is generally characterized by shared ownership, shared returns and risks, and shared governance. Cooperative members enter into cooperative entrepreneurship agreement so as to access a new market, particularly emerging markets; to gain scale efficiencies by combining assets and operations; to share risk for major investments or projects; or to access skills and capabilities. Cooperative entrepreneurship encourages people with similar interest to jointly invest and own an enterprise for the purpose of promoting their socio economic wellbeing.

Collective enterprise is an enterprise into which two or more persons enter for commercial purposes related to a business or businesses carried on by them; where a participator is a member of a group, each other member of the group is also to be regarded as a participator in the enterprise. Collective business system or collective business model is a business organization or association typically composed of relatively large numbers of businesses, tradespersons or professionals in the same or related fields of endeavour, which pools resources, shares information or provides other benefits for their members. In the past, collective business systems such as the trade association, the cooperative and the franchise were created to allow groups of independently owned businesses with common interests to successfully compete in the marketplace.

Collective ownership of the means of production is the defining characteristic of cooperative entrepreneurship where collective ownership can refer to ownership by all of society or to cooperative ownership by an organization's members. It more commonly refers to group ownership (such as through a cooperative organization) as contrasted with public ownership.

### **3.5.4 Social Capital**

Social capital is an economic idea that refers to the connections between individuals and associations that can be economically valuable. Social groups (networks) that include people who trust and assist each other can be a powerful asset. These relationships between individuals and cooperative society can lead to a state in which each thinks of the other when something needs to be done. Along with economic capital, social capital is a valuable mechanism in economic growth. As technological advancements continue to make the world smaller and the global population more interconnected, association like cooperative society rely on social capital more than ever to drive business. While in decades past, companies could rely on persuasive marketing to get customers, but in the 21<sup>st</sup> century; those customers are plugging into social networks like cooperative society and relying on their peers to direct them to a provider when a business need arises (Investopedia, 2017).

Social capital permeates many aspects of the business world, including companies acquiring new customers and individual job-seekers finding employment. A person who knows somebody at a company where he is applying for a job and uses this connection to secure the position has benefited from social capital in his employment search. Likewise, an insurance agent who joins a local church or civic organization and uses the relationships he builds within to acquire new clients and increase his book of business has also employed social capital.

According to Putnam, social capital refers to the collective value of all “social networks” (who people know) and the inclinations that arise from these group of people to do things for each other (“norms of reciprocity) just like self-help and mutual help as it can found in cooperative Society.

The term social capital emphasizes not just warm and cuddly feelings, but a wide variety of quite specific benefits that flow from the trust, reciprocity, information, and cooperation associated with social groups. Social capital creates value for the people who are connected and at least sometimes for bystanders as well. The concept of social capital can be easily found in the cooperative society values of self-help, mutual help, solidarity as well as equality These are the unique attributes of cooperative organization that distinguish them from all other investors owned firms.

Putnam highlighted multiple channels through which social capital works within cooperative society (group of self-help and mutual help group) these channels are:

- ✓ Information flows (e.g. learning about jobs, learning about innovative business ideas, exchanging ideas, etc.) all these depend on social capital.
- ✓ Norms of reciprocity (mutual help) rely on social networks. Bonding networks that connect group members who are similar sustain particularized (in-group) reciprocity. Bridging networks that connect individuals who are diverse sustain generalized reciprocity. This channel is concerned with cooperative value of self-help; and mutual help, among group of people who shared similar vision and interest.
- ✓ Collective action depends upon group of people working together collectively so as to promote their wellbeing, although collective action also can foster new networks.
- ✓ Broader identities and solidarity are encouraged by social networks that help translate an “I” mentality into a “we” mentality.

The channel of social capital provide by Putman; is a typical examples of how cooperative society operate on the unique value of self-help and mutual help with goal of promoting the wellbeing of the members who have similar interest through collective action and joint enterprise.

#### ***3.5.4.1 Why Social Capital Is Important***

***First***, social capital allows citizens to resolve collective problems more easily. People often might be better off if they cooperate, with each other with mutual respect.

***Second***, social capital greases the wheels that allow communities to advance smoothly. Where people are trusting and trustworthy, and where they are subject to repeated interactions with fellow citizens, everyday business and social transactions are less costly.

***Third***, social capital improves our lot is by widening our awareness of the many ways in which our fates are linked... When people lack connection to others, they are unable to test the veracity of their own views, whether in the give or take of casual conversation or in more formal deliberation. Without such an opportunity, people are more likely to be swayed by their worse impulse.

The networks that constitute social capital also serve as conduits for the flow of helpful information that facilitates achieving our goals.... Social capital also operates through psychological and biological processes to improve individual's lives. ... Community connectedness is not just about warm fuzzy tales of civic triumph. In measurable and well-documented ways, social capital makes an enormous difference to our lives.

### 3.5.4.2 Varieties of Social Capital

There's much debate over the various forms that social capital takes, but one fairly straightforward approach divides it into three main categories:

- a. Bonds:* Links to people based on a sense of common identity (“people like us”) such as family, close friends and people who share our culture or ethnicity.
- b. Bridges:* Links that stretch beyond a shared sense of identity, for example to distant friends, colleagues and associates. Bridges encompasses more distant ties of like persons, such as loose friendships and workmates.
- c. Linkages:* Links to people or groups further up or lower down the social ladder. The potential benefits of social capital can be seen by looking at social bonds. Friends and families can help us in lots of ways – emotionally, socially and economically. Linkages reaches out to unlike people in dissimilar situations, such as those who are entirely outside of the community, thus enabling members to leverage a far wider range of resources than are available in the community.

The Putnam team looked to whether social capital is *bonding* (or exclusive) and/or *bridging* (or inclusive). Putnam suggested that the former may be more inward looking and have a tendency to reinforce exclusive identities and homogeneous groups. The latter may be more outward-looking and encompass people across different social divides.

These were not seen as either-or categories to which social networks can neatly assigned but more-or-less dimensions along which we can compare different forms of social capital. However, Putnam did not really look at linking social capital nor did he come to grips with the implications of different forms of social capital i.e. that ‘different combinations of the three types of social capital will produce different outcomes.

### 3.5.4.3 Social Capital in Cooperative Society

The idea of looking at social capital in cooperative society might be relatively new. The argument of those concerned with social capital in cooperative society is that when harnessed it generates economic returns. More particularly, the benefits claimed by Smith (2010) include:

- ✓ Better knowledge sharing, due to established trust relationships, common frames of reference, and shared goals.
- ✓ Lower transaction costs, due to a high level of trust and a cooperative spirit (both within the organization and between the organization and its customers and partners).
- ✓ Low turnover rates, reducing severance costs and hiring and training expenses, avoiding discontinuities associated with frequent personnel changes, and maintaining valuable organizational knowledge.
- ✓ Greater coherence of action due to organizational stability and shared understanding. (Smith, 2010)

## 4.0 CONCLUSION

Entrepreneurship emerged as a function of collective action and how group dynamics influence cooperative entrepreneurial action. Researchers consider the role of multiple actors when analysing the entrepreneurial function, exploring variables like entrepreneurial opportunities, community dynamics, path dependence, social context and local origins (Burress & Cook, 2009). Additionally, researchers and scholars provide precious interpretations of the term “cooperative entrepreneurship”.

Cooperative entrepreneurship empowers members’ profits and regional development by three basic mechanisms: strategic alliances focusing on common marketing plans, access to technological innovations and resources and finally on local development strategies. The last category of motivation refers to initiatives to affect change with respect to regional and local development, public policy and social and cultural norms. In this paper, we are mainly focusing on these two last motivations.

Cooperative entrepreneurship as a form of socio-economic change are referring to entrepreneurial activity that integrates, social cultural and economic goals. Many of the investigations into cooperative entrepreneurship focusing on regional and local development stem from initiatives and policies to support the social economy. Cooperative entrepreneurship may occur on a continuum from private entrepreneurship that first and foremost satisfies the needs of the owners, to cooperative entrepreneurship geared towards serving the association of people and the community’s interest.

## **5.0 SUMMARY**

Entrepreneurship was once predominately focused on the individual entrepreneur, is increasingly interested in the influences of group dynamics, founding teams, and collective entrepreneurial action. Burress & Cook, (2009) see a myriad of new directions for entrepreneurship research that explore the idea that entrepreneurship emerges as a function of collective action. These nascent themes consider the role of multiple actors when analysing the entrepreneurial function, exploring such variables as network ties, path dependence, social context, local origins, community dynamics and joint conceptualization of entrepreneurial opportunities. As frameworks for analysing entrepreneurship broaden to include mention of cooperative aspects, researchers, policy makers and practitioners rely more heavily on the term cooperative entrepreneurship.

Cooperative entrepreneurship surveys various interpretations of the term cooperative entrepreneurship, categorizes the theoretical and practical motivations for investigating cooperative entrepreneurship, and provides examples of the wide array of institutional and organizational manifestations deemed cooperative entrepreneurship. Although Burress & Cook, (2009) discuss the work of authors who utilize the term collective when referring to cooperative entrepreneurship when relevant, they focus primarily on the use of the specific phrase collective entrepreneurship. This nuance allows us a common basis upon which to compare and contrast the use of the term itself as well as prevailing motivations for an interest in cooperative entrepreneurship.

## **6.0 TUTOR MARKED ASSIGNMENT**

- ✓ Explain the components of cooperative that facilitates entrepreneurship
- ✓ Briefly discuss the characteristics of cooperative entrepreneurship.

## **7.0 REFERENCES FOR FURTHER READINGS**

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## **UNIT 2      PRINCIPLES OF COOPERATIVE: THEIR RELEVANCE AND APPLICABILITY TO COOPERATIVE ENTREPRENEURSHIP**

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### **1.0    INTRODUCTION**

Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Cooperative Alliance (ICA). Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844. These principles are a key reason why cooperatives operate differently from other profit oriented firms by putting the needs of their members first which is a unique characteristics that distinguish cooperative society from profit oriented firms.

Cooperation is a very old concept, with the potential for a very bright future. That potential will only be realized if the people with an interest in cooperatives make the effort to make them work. Various researches over the past century have analysed and observed the application of cooperative principles. Although slight differences in terminology appear on the various lists, seven principles emerge as being widely recognized and practiced. These principles are more than just good practices, policies or common sense. They distinguish a cooperative from other kinds of business. They are also recognized in statutes and regulations as criteria for a business to qualify as a cooperative. Cooperatives can help to achieve solutions for growth through collective action. Their ethical underpinning ensures that people are at the core of the

organization and attention must be directed toward ensuring each member is treated fairly. Their sustainable business model and practices provide hope in a time of economic recession. Cooperatives have always strived to be innovative, correcting market failures and creating benefits for members.

## **2.0 OBJECTIVES OF THE UNIT**

Cooperative principles are useful tools to cooperative enterprise as it provides guiding policies that regulate the cooperative enterprise business activities. The purpose of this Unit 2 is to help the reader and learners to identify and understand the seven (7) universally acceptable principles of cooperative formulated by International Cooperative Alliance (ICA). As well as to enable the readers and learners to understand how relevant these cooperative principles to cooperative entrepreneurship. At the end of this unit, the reader and learner will be able to understand the practical applicability of these seven ICA principles to business activities of cooperative entrepreneurship.

## **3.0 MAIN CONTENT**

### **3.1 PRINCIPLES OF COOPERATIVE**

Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Cooperative Alliance (ICA). Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844. These principles are a key reason that cooperatives operate differently from other profits oriented firms, by putting the needs of their members first.

Immediately after ICA was established, it adopted the Rochdale Cooperative Principles (with a few changes) as the basis for all cooperative society practices worldwide. These principles have been revised three times since then, the latest review being in 1995 when its General Assembly also adopted a definition and a values statement to go with the principles. Many countries have included these principles in their cooperative legislation.

Cooperatives are principle-based enterprises that put people, rather than the pursuit of profit, at the centre of their business. Because of this they follow a broader set of

values than those associated purely with making a profit namely; ethical values of honesty, openness, social responsibility and caring for others in order to enhance the social and economic wellbeing of their members. The democratic nature of cooperative enterprise encourages participation, broadens ownership and fosters empowerment of youth.

Cooperative enterprises are governed by universally accepted guidelines or principles that are among the features that distinguish them from other types of enterprises, such as partnerships and limited liability companies. To understand cooperatives and how they operate, it is important to understand these universal principles. Many cooperatives fail because the members and elected officers do not take the time to understand cooperative guiding principles.

Below is the official Cooperative Principles as outlined in the International Cooperative Alliance's Statement of the Cooperative Identity (1995).

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community

### ***1st Principle: Voluntary and Open Membership***

Cooperative societies are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, religious or other forms of discrimination.

### ***2nd Principle: Democratic Member Control***

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the member-ship. All members have an equal say at cooperative general meetings and in elections for the committee that appoints the manager and oversees the running of the cooperative. Members also have the ability to let their name stand to serve as an elected official of the cooperative, unlike a customer of a traditional business enterprise. Voting rights go with membership, not with the amount of money invested (as would happen in a shareholder-owned company). The rule is 'one member one vote'. To become a

member, one must usually buy at least one share, but extra shares do not give a person more votes.

### ***3rd Principle: Member Economic Participation***

Members are both users and owners who contribute equitably to, and democratically control the capital of their cooperative. Each member is required to purchase a share, which provides access to goods and services. Unlike a conventional company where profits are distributed in proportion to the number of shares a person owns, cooperatives distribute surpluses to members in proportion to their transactions with the cooperative thus, members who have done more business with the cooperative will receive a correspondingly larger share of the profits. Surpluses are also reinvested back into the cooperative to expand and grow operations, a decision made by members at the annual general meeting. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

### ***4th Principle: Autonomy and Independence***

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy. Cooperatives do not want to be dominated by governments. Unfortunately, particularly in less developed countries, this occurs to some extent. Governments, even with good intentions, have tended to influence cooperatives, either by directing them to conform to government policies or by giving government officials the authority to intervene in cooperatives' affairs, especially where cooperative members' investments are compromised. While such interventions may be necessary for a while, it should not prevent cooperatives from operating as autonomous organizations. Ideally, formulation of cooperative development policies and laws should entail a participatory process and a proactive posture in which government work in close consultation and collaboration with the cooperative movement and other stakeholders.

### ***5th Principle: Education, Training and Information***

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation. Because cooperatives exist to encourage the development of people, ongoing education of their members, training for volunteers and staff and information for the

general public should be key items of annual expenditure. Cooperatives exist to encourage the development of people. Training programmes can be used to improve and develop skills of the members on topics such as healthy lifestyles, financial literacy, home ownership, business skills, sales and marketing, understanding the law, public speaking, healthy living and meeting procedures. Effective communication with members and potential members on a regular basis will broaden members' and public perspectives on the cooperative, will change attitudes and build loyalty.

### ***6th Principle: Cooperation among Cooperatives***

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures. To some co-operators, this principle may seem in contradiction with a view of the early movement of a 'small is better' philosophy believing that cooperatives were somehow meant to be small in scale and operations in order to fulfil its mandate to members. Cooperation among cooperatives is not just a guiding principle but is becoming an imperative at the local, regional and international levels in order to strengthen the sector, increase buying power and ensure enterprise viability. Although each cooperative has its own identity, cooperatives usually come together to form secondary bodies (associations or leagues) and tertiary bodies (federations or confederations) to represent the interests of member cooperatives and advocate on their behalf. In some Caribbean states, the Agricultural Cooperative Association ensures that the authorities provide the necessary infrastructural support and access roads for agricultural cooperatives to grow and flourish. The Consumer Cooperative Association will make representation on behalf of its members to combat unfair dumping practices by larger competitors which results in lower prices and limited market access for smaller, local enterprises.

### ***7th Principle: Concern for Community***

Cooperatives work for the sustainable development of their communities through policies approved by their members. Cooperatives are founded on strong human values; they do not just selfishly pursue their own interests at all costs. Even where not all the members of the local community are members of the cooperative, the cooperative should consider the needs of the non-members when they can. The cooperative can play a constructive role in the social and economic life of its local community. A cooperative should take the lead in complementing the efforts of the government by promoting care for the environment and the needs of disadvantaged groups within the community.

## **3.2 RELEVANCE AND APPLICATION OF THE ICA COOPERATIVE PRINCIPLES TO COOPERATIVE ENTREPRENEURSHIP**

It is obvious from the facts presented in the ICA principles adopted by the cooperative societies all over the world where promotion of members' socio-economic status are common interest. The group of entrepreneurs that are members of cooperative society with common interests usually attempt to further those common interests. Cooperative with common interests is expected to act on behalf of their members common interests through collective entrepreneurship. The concept of cooperative entrepreneurship is embedded in the principles of cooperative which is all about enhancing the livelihood of cooperative members through collective innovative training; collective ownership of enterprise that involved risk sharing which is capable of facilitating and enhancing access; usage and quality of financial services and products among the cooperative members.

As such, there are guiding principles that guide the activities of cooperative society and these set of principles have contributed significantly to the success of the cooperative society all over the world. In this case we are going to look at how relevance are these set of principles to cooperative entrepreneurship as well as their applicability to cooperative entrepreneurship in Nigeria.

### **3.2.1 Relevance and Application of Voluntary and Open Membership Principle**

This first ICA cooperative principle is an expression of the right to freedom of association. This right of free association, namely to join or not to join with others to pursue common goals, is one of the fundamental rights in the United Nations Universal Declaration of Human Rights and in the 1966 United Nations International Covenant on Civil and Political Rights. The 1st Principle asserts the right of any person to exercise free choice in deciding to join or leave a cooperative society and take collective action to pursue the common economic, social and cultural interests of its members.

Voluntary and open membership without discrimination to entrepreneurs willing to accept the responsibilities of membership is a core principle and has been from the beginning of the cooperative movement in the first half of the 19th century. The statement that, "Cooperatives are voluntary organizations" reaffirms the importance of entrepreneurs choosing voluntarily to participate in the socioeconomic activities of cooperative society and make a commitment to their cooperative. Entrepreneurs cannot be forced to be cooperative members. It is a voluntary act to join and to be

involved with other entrepreneurs to achieve collective economic, social and cultural needs and aspirations.

In cooperative entrepreneurship, the duties and commitments required of cooperative entrepreneurs vary from cooperative society to other, but they include exercising voting rights, participating in meetings, using the cooperative's services, providing capital and, in some cases, where members' liabilities are not limited by law or design, sharing losses if necessary.

Since its earliest years, the cooperative movement has celebrated the diversity of human society and sought to bring together people of different social groups and classes, different races, different political affiliations and different religious beliefs. This welcoming of human diversity, in all its forms, is a key characteristic of cooperative entrepreneurship and finds expression in the 1st Principle.

The applicability of the first principle to cooperative entrepreneurship prohibit against discrimination of any kind. The inclusion of the words "gender, social, racial, political or religious discrimination" to illustrate the categories of people who may be unjustly treated does not limit the principle of granting membership rights without discrimination.

### **3.2.2 Relevance and Application of Democratic Member Control Principle**

The principle of member democratic control was very radical when the first cooperatives were founded in the mid-19th century, particularly its universal application to all members. Democracy is a concept that encourages the management or control of cooperative society by its members through simple majority decision-making. Cooperative entrepreneurship are equally democratic enterprise controlled by the entrepreneurs, who actively participate in setting cooperative policies and making decisions.

In cooperative entrepreneurship, 'democracy' includes considerations of rights and the responsibilities, which attend such rights. But it also means fostering the spirit of democracy among cooperative entrepreneurs, a never ending difficult, but socially valuable and essential task. One of the key benefits of cooperative entrepreneurship is that they help plant deep democratic roots within the fertile soil of civil society.

Since the earliest days of the cooperative movement, this 2nd ICA cooperative Principle has been a key characteristic of cooperatives. It is the heart and soul of

cooperative governance and management. Members acting within democratic procedures agreed by them in exercise of their right to voluntary and free association are sovereign.

Cooperative entrepreneurship societies are democratic organizations controlled by their members who are entrepreneurs, who actively participate in setting their policies and making decisions.” The defining characteristic of a democratic organization is that its members (entrepreneurs) are the ultimate authority. This emphasizes that entrepreneurs ultimately control their cooperative. It also stresses that entrepreneurs do so actively in a democratic manner, through having the right to vote on key strategic policy decisions and to participate in electing the representatives who control and manage the cooperative’s day-to-day business activities on their behalf. The distinction between what are key strategic policy decisions and what decisions are delegated to the elected board is for each cooperative to decide.

There is great diversity in the size and nature of cooperatives. The emergence of cooperative entrepreneurship with membership group of independent entrepreneurs and present new democratic challenges for their members. Cooperative entrepreneurships, require specific arrangements in their rules or bylaws appropriate to their particular nature and function in order to apply this 2nd Principle of Democratic Member Control.

Cooperative entrepreneurship and diverse cooperatives may inevitably need to consider, adapt and apply new structures for member democratic control in a way that is appropriate to the scale and structure of their cooperative. Whatever structures are created, there is a need to ensure that the essence of this democratic member control Principle is respected. Without real and effective democratic member control an essential generic characteristic of our cooperative identity will be lost.

### **3.2.3 Relevance and Application of Member Economic Participation Principle**

Cooperatives exist to meet the needs of members, not primarily to generate a speculative return on capital invested in them. The primary motive for people forming a cooperative is to be self-reliant. This 3rd Principle describes how members contribute equitably to, and democratically control, the capital of their cooperative.

Given the huge scale and diversity of cooperative entrepreneurship, this 3rd Economic Principle is, necessarily, one that has many caveats to its practical application; caveats shown by “at least” and “usually” in the wording of the Principle. These practical



caveats have steadily been incorporated into this 3rd Principle in order to cover the significant range of different practices of cooperative entrepreneurship.

Entrepreneurs contribute equitably to, and democratically control, the capital of their cooperative. As such, capital (Equity) has to be understood as an economic concept and not limited to the concept used in accountancy to acknowledge the share capital of an enterprise. Membership shares that provide capital in a cooperative are not shares like those in investor-owned joint stock companies. Capital paid by members is not money primarily invested to generate an investment return on capital, but is ‘pooled capital’ invested to deliver goods, services or employment needed by members at a fair price.

The 3rd Principle is wholly dedicated to members’ economic participation in their cooperative. However, it would be wrong to interpret this Principle in isolation and thus reduce cooperatives to little more than their economic dimension. This 3rd Principle is just one facet of cooperative identity. That is why it is worth examining this Principle in conjunction with the other components of the definition on the Cooperative Identity in the Alliance’s Statement on the Co-operative Identity, Values and Principles.

In the Alliance’s definition of cooperative identity, it is important to note that although the economic dimension of cooperatives is mentioned first, shared social and cultural “aspirations and needs” are listed on an equal footing. This reflects the agenda of the founders of the modern cooperative movement who sought to transform society and saw their cooperative as more than just an economic enterprise. Social and cultural needs and aspirations stand alongside the economic dimension of all cooperatives. It affirms the idea that a cooperative is an enterprise of human commitment by and of the entrepreneurs who are members of it and who make a cooperative an economic, social and cultural reality.

#### **3.2.4 Relevance and Application of Autonomy and Independence Principle**

Cooperative entrepreneurship are autonomous, self-help organizations controlled by their members. If they enter into agreements or collaborate with other organizations, including governments, or raise capital from external sources they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

The 4th Principle of Autonomy and Independence was first introduced as a specific principle of cooperative enterprise when the cooperative principles were reformulated

in 1995 by International Cooperative Alliance (ICA). The 4th Principle primarily focuses on the relationship of cooperatives with governments at various levels and international governmental and non-governmental organizations, although it also has implications for the relationship between cooperatives and other commercial entities, such as a commercial lender providing capital to a cooperative and suppliers and others in a dominant position in the value chain.

Prior to 1995 the ideal of cooperatives being autonomous and independent organizations democratically controlled by their members was an implicit aspect of the cooperative identity, rather than explicitly stated. The 4th Principle and the International Cooperative Alliance's (ICA) definition of a cooperative now clearly state that autonomy and independence is a key characteristic of a co-operative.

The integrity of a cooperative as an autonomous and independent organization rests on the cooperative values of self-help, self-responsibility and democracy that have been central to cooperative identity since the emergence of sustainable cooperative enterprises in the 19th century.

Cooperative entrepreneurship explored creative or innovative ideas that would lead to a just and fairer society. Cooperative entrepreneurship sought to lift and keep its members from the grinding poverty and empower them economically and socially which could only be achieved by working together as a group and by applying the values of self-help and self-responsibility in cooperation with others. On the other hand, the governments at various levels and international organisations see cooperatives as partner to achieve most of their developmental programmes and policies, which they usually partner and collaborate with cooperative societies through their various entrepreneurship development policies and programmes. As a matter of fact, this partnership and collaboration do not override cooperative entrepreneurship principle of autonomy an independence and principle of democratic members' control except for those cooperative society who heavily depend on such partnership and collaboration.

### **3.2.5 Relevance and Application of Education, Training and Information Principle**

The ICA made the 5th Principle mandatory for all forms of Cooperative society to provide education, training and information for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative enterprise. Since the principle is mandatory to all forms of cooperative

society, its relevance and practical applicability will equally be extended to cooperative entrepreneurship.

The principle required that a definite percentage of profits or surplus as the case may be in cooperative enterprise bye laws should be allotted to regular education and continuous training of members, elected representatives, managers and employees. The commitment to education, training and information has been one of the cooperative movement's core principles since they were first formulated in 19<sup>th</sup> century.

Cooperative education, training and information is the ingredient that transformed the vision and aspirations of the pioneers of today's global cooperative movement into success. The cooperative movement is not a rules-based movement, but a values and principles-based movement. Entrepreneurs need to understand the principles that are the creative foundation of all cooperatives and learn to apply them in today's fast changing business world. Formal learning combined with informal learning from practical experience remains essential in building successful cooperative businesses today. Effective cooperative education programmes can support the renaissance and renewal of an established cooperative movement and help unlock the vision and energies of a new generation, revealing how the cooperative model can be applied to today's and tomorrow's challenge of building a better world.

It is an essential responsibility for Cooperative entrepreneurship to provide education, training and information for their members, elected representatives, managers and employees, because it is fundamental to the success and sustainability of cooperative enterprise. This principle has three components that are very vital to sustainability of cooperative entrepreneurship. They are:

- ✓ Education
- ✓ Training
- ✓ Information

**Education** is about understanding the Cooperative Principles and Values and knowing how to apply them in the day-to-day operations of a cooperative business. Cooperative education involves engaging the minds of members, elected leaders, managers and employees so that they comprehend fully the complexity and richness of cooperative thought and action and its social impact.

**Training** is about developing the practical skills members and employees need to run a cooperative in accordance with efficient and ethical business practices and to democratically control their cooperative business responsibly and transparently. In all

cooperatives there is also a need for training of employees and elected officers in order to run the business of a cooperative efficiently in a competitive economy.

**Information** is a duty to make sure that others who are members of the general public, but particularly young people and opinion leaders, know about cooperative enterprise. The knowledge to be imparted by information is not just a marketing exercise about a cooperative or the services it provides, nor is it propaganda. It is a duty to inform the wider public about the values and principles-based nature of cooperative enterprise and the wider benefits to human society cooperative enterprise brings. Too many cooperatives in too many countries ignore this responsibility. Without education, information and training, people will not appreciate or support what they do not understand.

Entrepreneurship is all about creativity and innovative ways of doing things, as such this principle is very relevant and applicable to cooperative entrepreneurship in as much that it will facilitate the capacity building among the members, elected representatives, managers and employees to acquire innovative skills, new ideas and better understanding of cooperative entrepreneurship practices, principles and laws that guide their activities.

### **3.2.6 Relevance and Application of Cooperation among Cooperatives Principle**

Cooperative entrepreneurship are better together. By working together, cooperative entrepreneurship gain the expertise, economies of scale, value addition, elimination of middle men and support necessary to heighten awareness, sustainability, and impact, especially where fixed costs and resources can be shared.

The 6<sup>th</sup> principle recognizes the reality that while cooperatives can achieve much on a local level, they will achieve much more if they work together with other cooperative societies based on comparative advantage to create economies of scale and build mutual representative strength. This requires a difficult balancing of interests, larger scale benefits for all cooperatives while maintaining independence and member democratic control. This 6th Principle is about working together continuously to the same end, not simply about occasional collaboration.

Self-help is a pillar of the cooperative movement and mutual self-help by cooperation among cooperatives is a crucial part of expanding the cooperative enterprise sector of the economy, both nationally and globally. Cooperation among cooperatives will, at times, require sacrifice to achieve shared goals. This can present challenges where for

example collective mutual interests override what may be beneficial to an individual cooperative in the shorter-term.

Typically the structures cooperatives build between and among themselves focus on one of two types of activities. They tend to focus either on the economic dimension of cooperatives, to trade goods and services, such as Coop2Coop trade, or on the social and political dimension of joining forces for networking purposes and to advance shared interests. The social and political dimension of inter-cooperative structures is frequently the framework upon or through which economic relationships and structures are built. These two dimensions are evident in many inter-cooperative structures at local, regional, national and international levels.

As a result of this, the 6<sup>th</sup> principle is also relevant and applicable to cooperative entrepreneurship in building and strengthening the cooperative entrepreneurship economy through collaboration, partnerships, cooperative consortia and trade relationships between cooperatives at every sector, scale, local to international level. Strong economic cooperation at all levels facilitates the sustainability and growth of the cooperative movement

### **3.2.7 Relevance and Application of Concern for Community Principle**

This 7<sup>th</sup> principle is same thing with Corporate Social Responsibility (CSR) where every organizations or institutions involved in business or economic activities are compel or encourage to render some kind of assistance to the community or the environment where they operate. That is, committing part of their profits or income towards the development of the community and the people living that community. As such, they augment the efforts of the government in provide some certain things for the people ranging from health care/ facilities, infrastructure, educational support and facilities etc.

The ethical values in the International Cooperative Alliance's (ICA) statement on the cooperative identity emanate from the special relationships cooperatives have with their communities which goes beyond simple business economics. Cooperatives are open to members of the communities in which they operate and they have a commitment to assist individuals in those communities to help themselves, in all aspects of life. Cooperative entrepreneurship are collective institutions which exist in one or more communities where they carry out their business activities. They have inherited traditions which are concerned with the health and wellbeing of individuals

within their communities. They, therefore, have a responsibility to strive to be ethical and socially responsible in all their activities.

Concern for Community principle allow the cooperative entrepreneurship to work for the sustainable development of their communities where they operate through their developmental policies approved by their members. It is from these deep roots of concern for the sustainable development of the immediate local communities which gave birth to them that the cooperative movement's wider concerns for sustainable development of communities nationally, regionally and globally blossomed and grew.

Cooperative entrepreneurship should consider and develop the capacity they have to make a significant contribution to building civil society by the successful application of this 7th Principle. They do so by contributing to the sustainable development of their local communities and, more widely, to the sustainable development of the national, regional and global communities of which they are part. Engaging members from local communities in cooperative enterprises creates new, engaged and responsible activists who drive the development of the cooperative movement forward into the future but who also, in a tradition that reaches back to the founders of this great global cooperative movement, become engaged in a much wider range of progressive organisations.

## **4.0 CONCLUSION**

The Cooperative Principles are universal, and this unit seek to explore and encapsulate how the underlying principles of a cooperative enterprise are to be applied in vastly different conditions to those that existed in cooperative entrepreneurship. The relevance and applicability are guidelines that should be able to be interpreted by cooperative entrepreneurship and, with the good practice examples included in them, help strengthen the growing cooperative enterprise sector of the global economy. The global cooperative movement represented through the International Cooperative Alliance is very diverse. How the cooperative principles can be legitimately implemented through the interpretation and application of these guidance notes will vary, not just across cultures and traditions but also the size, stage of development and focus of a cooperative's business enterprise. Small cooperatives may operate in ways that are less formal than these guidance notes advised. Established cooperatives developing innovative new products and services for their members or facing new regulatory requirements may apply the cooperative principles in ways these guidance notes have not envisaged. The relevance of these principles and the practical

application of them is for each cooperative democratically to decide, but the adherence to the spirit of them, and their formal application where relevant, will benefit very co-operative enterprise and its members.

## **5.0 SUMMARY**

The cooperative principles do not stand in isolation from each other. They are interdependent principles which support and strengthen each other. For example, the 5th Principle on Education, Training and Information will, if applied, strengthen and enhance Principle 2 on Democratic Member Control. If all the Principles are observed and applied in the day to operations of a cooperative enterprise, that cooperative enterprise will be stronger and more sustainable. The Statement on the Cooperative Identity adopted by members of the Alliance in 1995 created a milestone in the history of recognition for cooperatives. Its clarity enabled the essential nature of cooperative enterprise to be recognised by the United Nations General Assembly in resolution 56/114 5 of 2001. The Statement also underpins the International Labour Organization's Recommendation 193 of 2002 that has been widely used in reviewing and updating cooperative legislation in over one hundred countries and is a powerful tool for co-operatives throughout the world to make the case for a vibrant and expanding co-operative enterprise sector of the economy. Cooperatives are the only type of enterprise that have an internationally agreed ethical code of values and operate in accordance with principles democratically and internationally agreed by cooperatives that are members of the Alliance.

## **6.0 TUTOR MARKED ASSIGNMENT**

Set of Principles is the major factor that made the cooperative to successful and effective as a business model. With practical example, discuss the relevance of each 1995 ICA cooperative principles to cooperative entrepreneurship.

## **7.0 REFERENCES FOR FURTHER READINGS**

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## **UNIT 3     ENTREPRENEURSHIP THEORIES AND PRACTICE**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Perspectives on the Emergence of Entrepreneurship
  - 3.2    Towards a Theory of Entrepreneurship
  - 3.3    Meaning of Theory
  - 3.4    Theories of Entrepreneurship
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor Marked Assignment
- 7.0    References for Further Readings

### **1.0    INTRODUCTION**

This Unit presented and explain the development of entrepreneurship theory over time. Although the subject of entrepreneurship is often considered to be relatively new, the historical roots can be linked back to the early economic thinkers of the 18th Century. The Unit will start by explaining these economic roots, exploring some of the early thinking and the different ways in which entrepreneurship was considered to be important. It will then begin to introduce theory from the middle of the 20<sup>th</sup> Century that moved away from the function of entrepreneurship in the economy to consider more psychological, sociological and behavioural issues. Finally, the Unit explore contemporary theories and thinking and in this part the Unit mapped out the different forms theory has taken.

As readers and learners progress through this Unit, it is worth noting the different ways in which entrepreneurship is defined. The common contemporary view is that entrepreneurship is synonymous with ‘venture creation’ or ‘fast growing companies’. In historical thinking, however, the way in which entrepreneurship has been defined has varied between different theories and thinkers. These different definitions and



views will be presented throughout the Unit and the underpinning logic between these differences will be highlighted.

## **2.0 OBJECTIVES**

There are three learning objectives for this Unit 3:

- ✓ To understand the historical nature of the subject of entrepreneurship
- ✓ To appreciate the broad sweep of entrepreneurship thought when relating one theory to another
- ✓ To gain awareness of the differences in entrepreneurship thought and how this impacts on how entrepreneurs are defined and understood

## **3.0 MAIN CONTENT**

### **3.1 PERSPECTIVES ON THE EMERGENCE OF ENTREPRENEURSHIP**

There are different perspectives on the emergence of entrepreneurship. These perspectives may be classified and discuss as follows:

- i. Economic Perspectives
- ii. Early Psychological And Sociological Perspectives

#### **3.1.1 ECONOMIC PERSPECTIVES**

Economic perspectives contribute significantly to the field of entrepreneurship. In most cases when economists seek to understand ‘entrepreneurship’ they are usually interested in the function that entrepreneurship plays in the economic system. The economic perspectives can be classified in several ways, either chronologically (Hébert and Link, 1988; Binks and Vale, 1990), in schools of thought (Chell, Haworth and Brearley, 1991) or by the function the economist has given to the entrepreneur within the economic system (Barreto, 1989). This Unit presented the different economic thinkers in ‘schools of thought’.

There are several different schools of thought usually highlighted, these include:

- ✓ the French Classical School;
- ✓ the British Classical School;
- ✓ the Micro-economics and the Neo-classical School;

- ✓ the Austrian and Neo-Austrian School and
- ✓ the Schumpeterian School.

### ***A. The French Classical School***

Most readers will notice that the word entrepreneur has a French origin. Hoselitz (1960) suggests that it originated during the middle Ages when the term entrepreneur was applied to “The man in charge of the great architectural works: castles and fortifications, public buildings, abbeys and cathedrals” (Hoselitz, 1960). Remains of this interpretation can be found inscribed on the older public buildings in France. Given the origins of the word it should not be surprising that the early thinkers were French economists. In most entrepreneurship texts Cantillon is recognized as the first to use the term ‘entrepreneurship’ in an economic context (Hébert and Link, 1988; Binks and Vale, 1990). His *Essai Sur la Nature du Commerce en Général* was published in 1732.

For Cantillon individuals who purchased a good at a certain price, used that good to produce a product and then sold that product at an uncertain price could be considered ‘entrepreneurs’. Risk and uncertainty play central parts in his theory of the economic system. Successful entrepreneurs were those individuals who made better judgments about changes in the market and who coped with risk and uncertainty better than their counterparts.

Other French economists following Cantillon took up, considered and reconsidered to role of the entrepreneur in economic systems. Quesnay, for example, took a step away from Cantillon’s ideas about uncertainty and risk by offering up the first mathematical general equilibrium system in the *Tableau Économique*. Turgot made an additional distinction to Cantillon’s ideas by identifying that the ownership of capital and the act of entrepreneurship could be two separate functions of entrepreneurial endeavour. Finally Say, who became the first Professor of Economics in Europe (Binks and Vale, 1990), further enhanced and built on Cantillon’s ideas in two books published in the 1800s: ‘*A Catechism of Political Economy* (1821)’ and ‘*A Treatise on Political Economy* (1802)’. Jean-Baptiste Say was both a professor and a business person founding a cotton spinning mill in Pas de Calais. Perhaps because of his business experience Say made the entrepreneur the pivot on which his views about the economic system turned. Say’s theory of production and distribution was constructed on three major agents of production: human industry; capital in which he included both physical capital in the form of machines and money capital; and land, in which he included other natural resources. Say recognized that both land and capital

were indispensable to production; he however, placed the 'key' to production with human industry (Barreto, 1989). Say then proceeded to make a tri-partite division of human industry into; "...effort, knowledge and the applications of the entrepreneur" (Koolman, 1971). The entrepreneur was viewed by Say as the coordinator of the system, acting as an intermediary between all of the other agents of production and taking on the uncertainty and risk. The profit the entrepreneur gained was the reward for the risk undertaken. Successful entrepreneurship needed significant qualities. The most important was judgment or the ability to assess the needs of the market and understand how these needs could be met.

### ***B. The British Classical School***

Unlike the French Classical School the British Classical School did not start with a strong appreciation of entrepreneurship (Ricketts, 1987; Chell et al., 1991). The British School is usually considered to include early Scottish, English and Welsh political economists. For example; Adam Smith's 'The Wealth of Nations'; and, John Stuart Mill's 'Principles of Political Economy'. Although several of the key authors in this school of thought are likely to have been familiar with the term 'entrepreneur', particularly Ricardo who corresponded with Say, they never used it in their writing or introduced an equivalent Anglo-Saxon version. A number of reasons have been put forward for this. First, Say suggested that there was no direct parallel for the French word 'entrepreneur' in English, although the word 'undertaker' was used it did not have exactly the same meaning.

Secondly, the law between England and France at the time was different. In France there was a clear distinction between the ownership of capital or land and the ownership of property and business. Whereas in England a capitalist was not only a creditor receiving interest on their capital, but an active partner, sharing in the gains and losses of a business (Tuttle, 1927). Thirdly, it has been suggested that the two groups of theorists used different conceptual apparatus. French political economy was more interested in microeconomic connections and British political economy was more interested in macro-economic (Koolman, 1971). Whatever the reason the failure of British economic thought to consider the role of the entrepreneur in the economy was unfortunate and may ultimately have led to the neglect of the subject in modern day economics (Barreto, 1989).

### ***C. Microeconomics and the Neo-Classical School of Thought***

This school of thought includes many economists who use neo-classical approaches to explain how the production and consumption system operates. Notable theorists include; Leon Walras; Alfred Marshall; John Bates Clark; Maurice Dobb and Charles Tuttle (Barreto, 1989). Like the British Classical School this group of economic thinkers has been criticized more for their neglect of the entrepreneurial function than their contributions to understanding entrepreneurship (Kirzner, 1980). This neglect though is important to understand as it also helps to explain why entrepreneurship as a subject grew out of and effectively left the economics discipline. A detailed rationale and explanation is provided in Barreto's (1989) book 'The Entrepreneur in Micro-economic Theory: Disappearance and Explanation'. In this, he concludes that there were several reasons for the decline of the entrepreneur in mainstream economic thought.

- First, he observed that the decline of the entrepreneurial concept coincided with the rise of the theory of the firm.
- Secondly, he suggested that the theory of the firm contained three fundamental assumptions (the production function, rationale choice and perfect information) that prevented the introduction of the entrepreneurial concept.
- Finally, he concluded that the desire for consistency in the theoretical structure of the theory of the firm rested on a 'mechanistic' philosophy of the social world which was an anathema to the concept of 'human action' implied in entrepreneurial activity.

### ***D. Austrian and Neo-Austrian School of Thought***

While mainstream economics began to develop theories, which tended to exclude entrepreneurship, other economists began to revive the concept. There have been several strands of thought which have been categorized under the Austrian or Neo-Austrian School. These theorists regard uncertainty and risk as important features of economic systems that allow entrepreneurs the opportunity to make profit. In this respect they build from the early French political economists. Much of the Austrian School can be traced back to the work of Mangoldt (1855). The first work that makes substantive contributions to understanding entrepreneurship is Knight's (1921) 'Risk, Uncertainty and Profit'. Rather than try to develop economic theory that portrays an ideal state of affairs Knight tried to explain the real market system as it actually operates (Ricketts, 1987) and this sets him apart from the Neo-classical School of the time. Knight argued against much of mainstream economics and explained that

supply and demand cannot be in equilibrium because in reality other forces change the conditions of the market.

Knight points out, that a market must be in a constant state of uncertainty and entrepreneurship becomes the skilful interpretation of market changes and the bearing of responsibility for the successful or otherwise interpretation of market change. In this theory, Knight makes some important distinctions between ‘risk’ and ‘uncertainty’ that go beyond some of the earlier thinkers. If, on the one hand, change is calculable and predictable then it is a ‘risk’ and a person can predict with a certain degree of probability that it will occur. It can then be insured against or incorporated into the costs of doing business. If, on the other hand, change cannot be predicted then it is unknown and, therefore, uncertain. He argues that entrepreneurship rather than being a function, a role or a class of people, as in earlier theories, is in fact a type of decision that requires action in the face of unknown future events.

The other Austrian and Neo-Austrian economists (Mangoldt, 1855; Mises, 1949; Menger, 1950; Kirzner, 1973; Hayek, 1990) take a similar stance. Uncertainty, in their approaches, remains important as does disequilibrium and they do focus more on the entrepreneurial opportunities created from uncertainties in the market. Most widely cited of these economists is Kirzner (1973; 1980; 1982; 1990) whose ‘entrepreneurs’, or more precisely ‘entrepreneurial decisions’, are considered to be the driving force behind the market. He goes a step further than Knight by arguing that there is a crucial element in all human action that can be described as ‘entrepreneurial’, that individuals in the market do not always make logical decisions and these are often based on irrationality or subjective preferences. Again the personal judgement of entrepreneurs is important, as is uncertainty and risk, but it is not only guided by logical choices and decisions but also by the individual’s propensity to be alert to opportunities.

It is this alertness to opportunity that defines the ‘entrepreneurial’ element of decision-making and, in many ways this view, brings economic thinking into the realm of recognizing the role of personal characteristics and particularly cognition. ‘Entrepreneurship’ is not only the propensity to pursue goals efficiently, when the ends and means of those goals have been identified but also the drive and alertness required to identify which goals to pursue in the first place. It is the acquisition of market information and knowledge, from market participation that helps provide this alertness to opportunity. But it is also individual capacity to ‘envisage’ future opportunities that makes ‘correct’ perception of the market possible.

‘Entrepreneurial’ ability is dependent on perceiving future market conditions and setting about a course of action that results in a sequence of decisions directed at achieving the outcome anticipated. In his early work, which he later modifies, Kirzner defines this ‘pure entrepreneur’ as a “decision-maker whose entire role arises out of his alertness to hitherto unnoticed opportunities.” (Kirzner 1979). The entrepreneur is, therefore, a decision-maker who begins without any means other than an ability to predict ‘successfully’ changes in market conditions.

Another recent contribution that holds a similar stance is the work of Casson (1982) who focuses on such information asymmetries and explores the role that information, information exchange and information markets have on an entrepreneur’s alertness to opportunity.

### ***E. Schumpeterian School of Thought***

While much economic thought had focused on the role of the entrepreneur in economic systems before the 1920s many contemporary researchers trace the origins of modern thought in entrepreneurship back to Joseph Schumpeter’s work (1934; 1963). Schumpeter’s theories of the economic system and the role of entrepreneurship within it have been widely discussed (MacDonald, 1971; Shionoya, 1992; 1997). His principle contribution can be found in his book ‘The Theory of Economic Development’ and an article ‘The Fundamental Phenomenon of Economic Development’. Schumpeter introduced a concept of entrepreneurship which is quite different from the others discussed so far. His theory is focused on economic development and the role of the entrepreneur in the development process. Schumpeter argues, somewhat contrary to the established thought of the time, that the important question in capitalism is not how it supports existing structures and markets but how it creates and destroys them. In contemporary thought ‘creative destruction’ is now seen as one of the crucial functions of entrepreneurial activity within an economy. The function of the entrepreneur in this new theory was the person who innovates or makes ‘new combinations’ of production possible. The concept of ‘new combinations’ covered five potential cases:

- ✓ The introduction of a new good or a new quality of a good;
- ✓ The introduction of a new method of production;
- ✓ The opening of a new market;
- ✓ The development of a new source of supply or raw-materials or half manufactured goods;
- ✓ The carrying out of a new organization of any industry (Kilby, 1971).

In Schumpeter's theory the new combinations he presents can happen in existing businesses but by their very nature they typically occur in new firms that begin producing beside older firms. He explains his definition of the concepts by arguing; "These concepts are at once broader and narrower than usual. Broader, because in the first place we call entrepreneurs not only those 'independent' businessmen but all who actually fulfill the function even if they are 'dependent' employees of a company, like managers, members of boards of directors. On the other hand, our concept is narrower than the traditional one in that it does not include all heads of firms or managers or industrialists who merely operate an established business, but only those who actually perform that function" (Schumpeter, in Kilby, 1971). The concept, therefore, includes new businesses that are innovative or forming new combinations of resources and existing businesses that are doing new innovative things. Individuals and businesses are only being 'entrepreneurial' though when they carry out the new combinations described.

They revert back to normal economic activity once their innovative role has been completed. Schumpeter concludes his theory by pointing out that individuals who are entrepreneurial may need special characteristics and skills. On the one hand, a person who works in a relatively static and unchanging situation can become accustomed to his/her own abilities and experience. On the other hand, somebody working in a dynamic and ever changing situation must cope with uncertainties in their environment and must seek to shape these uncertainties. He concludes that these are very different things: "Carrying out a new plan and acting according to a customary one are things as different as making a road and walking along it" (Schumpeter, in Kilby, 1971). Schumpeter closes by pointing out that this aspect raises important implications for individual psychology, cognition and behaviour. If there are individual differences in people's ability to cope with ambiguity, uncertainty, change and risk what drives these differences? Understanding what drives the differences could help explain why some people are more entrepreneurial than others.

### ***3.1.2 EARLY PSYCHOLOGICAL AND SOCIOLOGICAL PERSPECTIVES***

With quite different theories both Schumpeter and Kirzner end by pointing out the potential individual differences that might occur in entrepreneurial capability. Schumpeter does not specify these characteristics while Kirzner focuses on cognitive skills. Both, however, identify a need for theories to explore the individual aspects of entrepreneurial activity. Schumpeter also takes his argument a step further by suggesting that the best way to understand entrepreneurial activity and behaviour is to

place it in its context. In so arguing he highlights the role of historical analysis and provides the basis for taking an historical approach to understanding entrepreneurship; a rationale that many business historians have applied subsequently when studying the subject (Rose, 2000).

As a consequence, from the beginning of the 1960s, entrepreneurship theorizing shifts away from economics to focus more on psychological, social psychological and sociological explanations.

In this sub section, theories will be explained in terms of how they fit into the broad history of entrepreneurship thought. Most of these theories span the period 1960 to the early 1980s.

### *i. Personality Perspectives*

Personality theory began to make contributions to the subject of entrepreneurship in the early 1960s. It is considered to have started with the work of McClelland (1955) who used the concept of the ‘achievement motive’ to describe the behaviour of entrepreneurs.

Most early personality theory is described as single trait theory because theorists sought to identify a single trait and link it to a greater propensity to be a successful entrepreneur. Further single trait theories followed including: locus of control (Rotter, 1966); and, risktaking propensity (Brockhaus, 1982). Each of these theories encountered difficulty proving predictive capability. Partly as a consequence of the lack of predictive success theorists by the 1970s had begun to move away from single trait explanations of the entrepreneurial personality. Instead they offered multi-trait approaches that presented profiles of entrepreneurial characteristics that they felt could help predict a person’s entrepreneurial potential. These profiles often used standardized personality tests. As time progressed these studies began to use ever wider sets of characteristics that they used to measure entrepreneurial potential or success.

Studies exploring traits often used varied samples, somewhat struggled to define the entrepreneur in a common way and found it difficult to justify the criteria they used to define ‘entrepreneurial success’ (Gartner, 1989). The predictive value of these personality measures remained elusive and contentious. By the late 1980s a series of researchers questioned the validity of these theories from a philosophical and a methodological stance and argued for a more behavioural or social psychological approach (Gartner, 1989; Chell et al., 1991; Shaver and Scott, 1991).



## *ii. Psycho-Sociological Perspectives*

There were a number of theories and approaches that were on the margins of thinking during the dominance of personality theory and the search for the 'correct' constellation of entrepreneurial traits. For want of a better term these have been categorized here as psycho-sociological. They include two different forms of displacement theory (Shapero 1971; 1975; Kets De Vries, 1977); and, a social marginality theory (Scase and Goffee, 1980). The basic premise of these approaches is that entrepreneurs are displaced people or socially marginal people who have been supplanted from their familiar way of life and have somehow been forced into an entrepreneurial way of life due to their circumstances. Displacement includes many categories of people, for example, political refugees, immigrants, ethnic minorities and other marginalized groups in society. In contemporary research there is evidence in national business formation statistics, which supports this idea that certain groups can contribute in an above average way to entrepreneurial activity. Indeed, these areas of research in more recent years have become specific subjects in their own right. In Shapero's (1975) approach displacement came about through both positive and negative forces; although the majority was perceived to derive from negative forces. The forces were typically external and societal, which were beyond the power of the individual to influence. Kets De Vries (1977) in contrast used Freudian psychology and sought out a psychological explanation of why entrepreneurs feel displaced. He viewed displacement as both psychological and sociological, with a rebellion against existing norms and structures being one of a few reasons for psychological displacement. Kets De Vries (1977) linked much of his thinking on entrepreneurial behaviour back to a person's family life and their early family relationships.

## *iii. Sociological Perspectives*

Although, the personality perspective mostly dominated thought in entrepreneurship research during the 1970s and early 1980s, there were a number of significant theories being developed at the time that came to play an important role later. The two most notable were sociological work on organizations which applied a population ecology perspective to the birth and death of firms (Aldrich 1979; 1986; Carroll, 1988) and Greiner's (1972) paper in the Harvard Business Review that laid the foundations for research on the growth stages of entrepreneurial businesses. In the former Aldrich and Carroll explored how the sociological characteristics of particular markets could help explain business success and failure and in the later Greiner put forward a theory which helped explain how entrepreneurial firms might need to evolve and change as

they develop and grow. Alongside these developments in theory there were ongoing shifts in the industrial and political landscape that were to propel entrepreneurship thought into a new phase.

#### *iv. Contemporary Thought*

There is no question that theory and research on entrepreneurship exploded from the early 1970s to the present day. Although the roots, as described here, remain embedded in the subject it has become increasingly diverse and is now a significant discipline in its own right. For example, in 1999 for the US, Katz (2003) counted over 2200 entrepreneurship courses, in over 1600 schools, 277 endowed professorships, 44 English language journals and over 100 research centres. Undoubtedly, these numbers have grown considerably in the 20 years that have passed and there has been substantial growth in the subject outside of the US from the 1990s onwards. There are many causes of this growth.

First and foremost, there were significant changes during the 1970s and 1980s, for many developed economies, away from an industrial landscape based on a few large (often publically backed) corporations towards an economy based on smaller businesses. This shift in the industrial landscape has led to a point today where the majority of net new jobs are created by entrepreneurial businesses.

Secondly, alongside this shift in the industrial makeup of advanced economies was a policy shift in government that began to recognize, support and promote entrepreneurship. In the UK this began with the 1971 Bolton Report and culminated with both Conservative (1979-1997) and Labour (1997-2010) governments introducing policies that supported entrepreneurship and in the later period specifically supporting entrepreneurship education.

Thirdly, as these contextual changes took place, cultural attitudes towards enterprise and entrepreneurs also changed. Particularly from 2000-2010 the number of positive media portrayals of the entrepreneur grew and can be contrasted with the somewhat more negative portrayals of the early 1980s

All of these contextual changes point towards a general shift in society towards more acceptance of the role of entrepreneurship and the academy has mirrored and sometimes supported this change. As a consequence when tracking the growth and diversity of entrepreneurship theory from the 1970s onwards one has to acknowledge the growth of political interest, of funding and of course, of the number of courses offered and professors employed to teach them. All these new professors need to be

active researchers and publish and as a consequence contemporary thinking has expanded exponentially.

**v. *Small Business or Entrepreneurship***

The first disjuncture in thought that appears to have occurred in contemporary thinking and created diversity is between those theorists who focus on 'small businesses' and theorists who are more interested in 'entrepreneurship'. While the distinction between the two is inherently unclear, for example researchers have difficulty explaining the difference between an entrepreneur and a small business owner (Carland et al. 1984); there are definitely differences in focus. The root cause of this disjuncture can be traced back to Schumpeter's thoughts on the subject; small business researchers typically explore routine business experience (i.e. running a small business) while entrepreneurship researchers focus more on contexts where innovative effort is required (i.e. the start-up process). In general 'entrepreneurship' tends to be applied to multiple entrepreneurial contexts, for example 'new venture creation', 'high growth ventures' or 'corporate ventures', while 'small business' focuses on established small firms that may be in none of those categories.

**vi. *Diversification and Expansion***

Theory in entrepreneurship has consequently spun-off in several directions. First, a focus on what entrepreneurs do and how they do it enabled researchers to begin to look more at the context of entrepreneurial endeavour, the issues encountered and the behaviours used. Initially, the entrepreneurial context was narrowly defined as purely about 'new venture creation' (Gartner, 1989a; b) but as time has passed this shift enabled researchers to consider the multiple contexts within which entrepreneurial action occurs. During the 1990s and 2000s a plethora of other contexts for entrepreneurial action began to grow from this behavioural stance. For example, it is not unusual for researchers to now consider specific entrepreneurial contexts like 'high technology entrepreneurship'; 'corporate entrepreneurship'; 'social entrepreneurship'; and, 'academic entrepreneurship'. What these approaches hold in common is a root Schumpeterian assumption that entrepreneurship is an innovative process, or 'the making of the road' as opposed to 'the travelling along it'.

They do, however, agree that the process can occur in different ways in different contexts. For example, creating a new start-up is not entirely the same as creating a new business inside an established organization or spinning out a technology-led

venture from a University; they are all forms of entrepreneurship though and the processes involved are quite different from managing established businesses.

Secondly, while there was a behavioural shift in theory that enabled researchers to explore what entrepreneurs do and how they do it this behavioural shift opened up a criticism of entrepreneurial thought inherited from the 1960s, which was its focus on the individual. The assumption was that entrepreneurship is essentially led by individuals acting alone; it was argued that this 'heroic individual' myth underlies most entrepreneurship theory (Ogbor, 2000). When taking a behavioural stance though, researchers discovered that there were a large variety of contextual factors and a host of other actors that have an impact on entrepreneurial processes. A second branch of diversity in theory consequently blossomed from this acknowledgement and began to open up further research avenues, such as work on: entrepreneurial teams; venture capital; business angels; banks; technology transfer offices; incubators; and, business support professionals. The milieu in which entrepreneurial activity occurs became a focus for study and this development is best illustrated by the foundation of some specific journals supporting such work (e.g. *Venture Capital and Entrepreneurship* and *Regional Development*).

Thirdly, while many researchers shifted towards a more behavioural, organizational or even sociological explanation of entrepreneurial activity not all researchers were willing to give up trying to understand entrepreneurs and the contribution they make to the entrepreneurial process (Carland, Hoy and Carland, 1988). These theorists split four ways.

- The first group continued to develop, expand and build upon personality theory (Johnson, 1990; Shaver and Scott, 1991) and tried to link the entrepreneurial personality into the context and process in which it is applied.
- The second group, taking a leaf from Kirzner's work, began to explore the role of cognition and sought to understand the entrepreneur's capacity to be 'alert' to new opportunity (Bird 1988; 1992; Bird and West, 1997). They developed concepts to explain particular entrepreneurial decisions (e.g. opportunity recognition, intentionality and self-efficacy) which helped explain how decisions to start businesses might occur (Schwartz, Teach and Birch, 2005).
- The third group took a different philosophical stance to entrepreneurial personality (Chell 1985; Chell, Haworth and Brearley, 1991) and viewed personality as a social construction. In this approach entrepreneurial behaviour is an archetype created within society to describe how we expect people acting in entrepreneurial ways to behave. Such work opened up more study on different cultural perspectives as they relate to the way in which entrepreneurship is perceived within different societies and acknowledged that

the concept of the 'individual entrepreneur' is largely of an Anglo-Saxon origin.

- The final group began to develop concepts to understand how entrepreneurs learn and become more effective as they engage in the entrepreneurial process (Gibb, 2002; Cope, 2003; 2005).

This recognizes the somewhat deterministic stance of prior theory, which is assuming little change in the way entrepreneurs are and how they behave, and takes a more voluntaristic stance, which assumes entrepreneurs and their activities emerge as a consequence of a process through which they live. This group applies the thinking that 'entrepreneurs change as they learn and engage and businesses perform better as entrepreneurs learn'.

Finally, as researchers have begun to appreciate the behavioural nuances of entrepreneurship, and as the subject has grown, research has begun to focus on entrepreneurship education itself (Pittaway and Cope, 2007). Entrepreneurship education research is now also quite diverse including many subjects and themes, such as, study on: teaching methods; higher education policy; and, institutional support for student entrepreneurs. The behavioural focus that developed in the mid to late 1980s also led to greater recognition that entrepreneurial activity could be learnt which provided more justification for exploring how to improve educational practices and this led to a growth in educational research within the entrepreneurship subject.

In summary the response seems to be either to consolidate and/or exclude types of research, defining the subject of entrepreneurship more narrowly, or as an alternative to accept diversity in thinking as a positive outcome for entrepreneurship theory. The different approaches of the groups explained illustrate a community of scholars grappling with a diverse, growing and complicated subject. While it has a long history and deep roots, this is in some respects, a discipline or subject in the making and so it is a good time to be a student of entrepreneurship. In the final part the chapter will summarise the trajectory of entrepreneurship thought, explain what it means and apply it to the learning objectives set out at the beginning.

## **3.2 TOWARDS A THEORY OF ENTREPRENEURSHIP**

Despite the number of published studies that might be considered related to the theory of entrepreneurship, no generally accepted theory of entrepreneurship has emerged. Studies have been contributed to the existing body of research by a diverse set of scholars with disciplinary backgrounds in agriculture, anthropology, economics,

education, finance, history, marketing, mass communications, political science, psychology, sociology, and strategy. Despite the potential for richness and texture that such a diverse mix of disciplines brings, a major weakness is that, in many cases, researchers from one discipline have tended to ignore entrepreneurship studies by researchers in the other disciplines (Wortman 1992). Homaday and Churchill (1987) express the opinion that the accumulation of past research has produced sufficient empirical data to allow some development of theoretical constructs. Low and MacMillan (1988) call for entrepreneurship researchers to pursue causality more aggressively. However, Wortman (1992) argues that the field lacks sufficient frameworks that cut across disciplines and disciplinary relationships.

Definitions continue to be troublesome with “too many individuals adopting their own definitions of entrepreneurship and of terms within the field.”

The existing literatures can be grouped into five broad categories.

- ✓ The first, which is not really concerned with theory, focuses on a definition of the word ‘entrepreneur.
- ✓ A second category might be considered the trait approach, i.e., the study of the psychological traits of people identified as entrepreneurs.
- ✓ Another is the study of success strategies, reasons offered to explain the success of new and existing business ventures.
- ✓ A fourth category of papers is the study of the formation of new ventures.
- ✓ Finally, there are research that studied the effect of environmental factors on entrepreneurial actions.

We will consider each category in relation to a theory of entrepreneurship. For academic purposes, we advocate the adoption of Schumpeter’s definition of “entrepreneur” and an economic outcome approach to the study of entrepreneurship. These outcomes include both starting “new” ventures and adopting success strategies within existing entities. We also offer a tentative theory of entrepreneurship based on extant literature and supported by anecdotal observations.

### **3.3 MEANING OF THEORY**

Kerlinger (1973) defines a theory as a set of interrelated constructs (concepts), definitions, and propositions that present a systematic view of phenomena by

specifying relations among variables, with the purpose of explaining and predicting the phenomena. Most of the extant literature that purports to encompass some aspect of entrepreneurship theory has failed to “specify relations among variables.” Bygrave (1989) notes that research about entrepreneurship is in its early stages, and that so far it has borrowed its methods and theories from other sciences. Those other sciences tend to have a bias that there is incremental progress where things happen for a reason, and lead to a system where everything fits. Progress can be described by smoothly changing, linear and deterministic models. But that model does not describe entrepreneurship’s disjointed events that disrupt stability.

Therefore, at this pre-theory stage it was suggested that entrepreneurship research be directed towards empirical observations and longitudinal studies, using existing frameworks for guidance. As patterns emerge from those studies, partial theories can be built, and perhaps at some time a great theory of entrepreneurship can be built from partial theories. In a companion article, Bygrave (1989b) examines the entrepreneurship process to see if it has characteristics that are amenable to the mathematics of catastrophe and chaos.

Stevenson and Harmeling (1990) argue that entrepreneurial managers need a more chaotic theory. They argue that “much of the present theory used to explain corporate entrepreneurship is based upon an implicit assumption that we are examining a set of equilibrium-based phenomenon. Bygrave (1993) explores the chaotic zones of several algorithms that might represent the entrepreneurial process. In some conditions, a fundamental equation for population-ecology theory exhibits chaotic behaviour that resembles entrepreneurship. He concludes, however, that chaos is no more than a mathematical metaphor.

The precision of measurements needed to observe true scientific chaos are unattainable in practice. In a thought-provoking paper, Gartner (1993) argues that the words used to talk about entrepreneurship are critical to the development of a theory of entrepreneurship. He suggests the issue is larger than merely one of definition. Words evoke pictures-mental frames of reference and/or analysis-and, hence, limit the aspects of entrepreneurship we are willing for our theory to consider. Herron and Robinson (1993) provide a model that attempts to show how entrepreneurial skill and training is affected by such factors as personality traits and motivation, resulting in entrepreneurial behaviour. However, the outcome of the behaviour (the entrepreneurial act), i.e., value creation performance, is further affected by the environmental context in which it is undertaken, the nature of the external environment, and the strategy adopted by the entrepreneur. It is small wonder that existing research which fails to consider the mediating and moderating influences of

motivation, environmental context, and strategy has shown little success in either explaining or predicting entrepreneurial activity. Not all observers agree that the time is ripe for an overall entrepreneurship theory.

### **3.4 THEORIES OF ENTREPRENEURSHIP**

A coordinated and comprehensive theory of entrepreneurship is yet to come. Meanwhile let's try to understand the following theories of entrepreneurship propounded by the different eminent social thinkers:

1. Innovation Theory of Schumpeter
2. Need for Achievement Theory of McClelland
3. Leibenstein's X-efficiency Theory
4. Risk Bearing Theory of knight.
5. Max Weber's Theory of Entrepreneurial Growth
6. Hagen's Theory of Entrepreneurship
7. Thomas Cochran's Theory of Cultural Values
8. Theory of Change in Group Level Pattern
9. Economic Theory of Entrepreneurship
10. Exposure Theory of Entrepreneurship.
11. Political System Theory for Entrepreneurial Growth.

#### **1. Innovation Theory of Schumpeter:**

A dynamic theory of entrepreneurship was first advocated by Schumpeter (1949) who considered entrepreneurship as the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development. Embarking upon 'new combinations' of the factors of production - which he succinctly terms, innovation - the entrepreneur activates the economy to a new level of development. Schumpeter introduced a concept of innovation as key factor in entrepreneurship in addition to assuming risks and organizing factor of production. Schumpeter defines entrepreneurship as "a creative activity". An innovator who brings new products or



services into economy is given the status of an entrepreneur. He regards innovation as a tool of entrepreneur, The entrepreneur is viewed as the 'engine of growth', He sees the opportunity for introducing new products, new markets, new sources of supply, new forms of industrial organization or for the development of newly discovered resources.

The concept of innovation and its corollary development embraces five functions:

- The introduction of a new product with which consumers are not yet familiar or introduction of a new quality of an existing product,
- The introduction of new method of production that is not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially,
- The opening of new market that is a market on to which the particular branch of manufacturer of the country in question has not previously entered, whether or not this market has existed before,
- Conquest of a new source of supply of raw material and
- The carrying out of the new organisation of any industry. Schumpeter is the first major theorist to put the human agent at the centre of the process of economic development. He is very explicit about the economic function of the entrepreneur. The entrepreneur is the prime mover in economic development; his function, to innovate or carry out new combinations. Schumpeter makes a distinction between an innovator and an inventor. An inventor discovers new methods and new materials.

On the contrary, an innovator is one who utilizes or applies inventions and discoveries in order to make new combinations. An inventor is concerned with his technical work of invention whereas an entrepreneur converts the technical work into economic performance. An innovator is more than an inventor because he does not only originate as the inventor does but goes much farther in exploiting the invention commercially.

Wilken had added the concept of the changes that an entrepreneur brings:

- ✓ Expansion of goods, products.
- ✓ Productivity of factors of production such as finance, labour, material.
- ✓ Innovation in production such as, technology, process changes and increase in human resource productivity.
- ✓ Innovation in marketing area such as the composition of the market, size of the market and new markets.

To Schumpeter, entrepreneurs are individuals motivated by a will for power; their special characteristic being an inherent capacity to select correct answers, energy, will and mind to overcome fixed talents of thoughts, and a capacity to withstand social opposition. The factors that contribute to the development of entrepreneurship would essentially be a suitable environment in grasping the essential facts.

It can be noted that this theory's main figure, the "innovating entrepreneur" has played an important role in the rise of modern capitalism. The entrepreneur has been the prime mover - for economic development process. On the criticism side, this theory seems one-sided as it puts too much emphasis on innovative functions. It ignores the risk taking and organizing aspects of entrepreneurship.

An entrepreneur has not only to innovate but also assemble the resources and put them to optimum use. While stressing upon the innovative function of the entrepreneur, Schumpeter ignored the risk-taking function, which is equally important. When an entrepreneur develops a new combination of factors of production, there is enough risk involved. In spite of these lacking, the theory supports the "enterprising spirit" of entrepreneur to innovate. It is the act that endows resources with a new capacity to create wealth.

Drucker says, "Innovation, indeed, creates a resource. It endows it with economic value." Schumpeter's views are particularly relevant to developing countries where innovations need to be encouraged. The transformation of an agrarian economy into an industrial economy required a great deal of initiative and changes on the part of businessmen and managers.

## **2. Need for Achievement Theory of McClelland:**

According to McClelland the characteristics of entrepreneur has two features - first doing things in a new and better way and second decision making under uncertainty. McClelland emphasizes achievement orientation as most important factor for entrepreneurs. Individuals with high achievement orientation are not influenced by considerations of money or any other external incentives. Profit and incentives are merely yardsticks of measurement of success of entrepreneurs with high achievement orientation. People with high achievement (N-Ach) are not influenced by money rewards as compared to people with low achievement. The latter types are prepared to work harder for money or such other external incentives. On the contrary, profit is merely a measure of success and competency for people with high achievement need.

Professor David McClelland, in his book *The Achieving Society*, has propounded a theory based on his research that entrepreneurship ultimately depends on motivation. It

is the need for achievement (N-Ach), the sense of doing and getting things done, that promote entrepreneurship. According to him, N-Ach is a relatively stable personality characteristic rooted in experiences in middle childhood through family socialization and child-learning practices which stress standards of excellence, material warmth, self-reliance training and low father dominance.

According to him a person acquires three types of needs as a result of one's life experience. These three needs are:

- ✓ Need for Achievement. A drive to excel, advance and grow.
- ✓ Need for Power. A drive to dominate or influence others and situations.
- ✓ Need for Affiliation. A drive for friendly and close inter-personal relationships.

McClelland found that certain societies tended to produce a large percentage of people with high achievement. He pointed out that individuals, indeed whole societies that possess N-ach will have higher levels of economic well-being than those that do not. McClelland's work indicated that there are five major components to the N-ach trait:

- (a) Responsibility for problem solving,
- (b) Setting goals,
- (c) Reaching goals through one's own effort,
- (d) the need for and use of feedback, and
- (e) a preference for moderate levels of risk-taking.

The individual with high levels of need achievement is a potential entrepreneur. The specific characteristics of a high achiever (entrepreneur) can be summarized as follows:

- (i) They set moderate realistic and attainable goals for them.
- (ii) They take calculated risks.
- (iii) They prefer situations wherein they can take personal responsibility for solving problems.
- (iv) They need concrete feedback on how well they are doing.
- (v) Their need for achievement exist not merely for the sake of economic rewards or social recognition rather personal accomplishment is intrinsically more satisfying to them.
- (vi)

According to McClelland, motivation, abilities and congenial environment, all combine to promote entrepreneurship. Since entrepreneurial motivation and abilities are long run sociological issues; he opined it is better to make political, Social and economic environments congenial for the growth of entrepreneurship in underdeveloped and developing countries.

### **3. Leibenstein's X-Efficiency Theory:**

This theory, originally developed for another purpose, has recently been applied to analyze the role of the entrepreneur. Basically, X-efficiency is the degree of inefficiency in the use of resources within the firm: it measures the extent to which the firm fails to realise its productive potential. According to Leibenstein, When an input is not used effectively the difference between the actual output and the maximum output attributable to that input is a measure of the degree of X-efficiency. X-efficiency arises either because the firm's resources are used in the wrong way or because they are wasted, that is, not used at all.

Leibenstein identifies two main roles for the entrepreneur:

- (i) a gap filler and
- (ii) An input completer.

These functions arise from the basic assumptions of X-efficiency theory. Thus it is clear that "if not all factors of production are marketed or if there are imperfections in markets, the entrepreneur has to fill the gaps in the market. To put the enterprise in motion, the entrepreneur should fill enough of gaps." The second role is input completion, which involves making available inputs that improve the efficiency of existing production methods or facilitate the introduction of new ones. The role of the entrepreneur is to improve the flow of information in the market.

The theory concludes that an entrepreneur has to act as gap filler and an input completer if there are imperfections in markets. For using their unusual skills, he gets profits as well as a variety of non-peculiar advantages. According to him there are two types of entrepreneurship.

- (i) Routine entrepreneurship – deals with normal business functions like co-ordinating the business activities.
- (ii) Innovative entrepreneurship – wherein an entrepreneur is innovative in his approach. It includes the activities necessary to create an enterprise where not all the markets are well-established or clearly defined.

#### **4. Risk Bearing Theory of Knight:**

A key element of entrepreneurship is risk bearing. Prof. Knight and John Stuart Mill saw risk-bearing as the important function of entrepreneurs. Some important features of this theory are as follows:

- a. Risk creates Profit: According to the risk-bearing theory, the entrepreneur earns profits because he undertakes risks.
- b. More Risk More Gain: The degree of risk varies in different industries. Entrepreneurs undertake different degrees of risk according to their ability and inclination. The risk theory proposes that the more risky the nature of business, the greater must be the profit earned by it.
- c. Profit as Reward and Cost: Profit is the reward of entrepreneur for assuming risks. Hence, it is also treated as a part of the normal cost of production.
- d. Entrepreneur's Income is Uncertain: He identifies uncertainty with a situation where the probabilities of alternative outcomes cannot be determined either by a priori reasoning or by statistical inference. A priori reasoning is simply irrelevant to economic situation involving a unique event. This theory summarizes that profit is the reward of an entrepreneur effort which arises for bearing non-insurable risks and uncertainties and the amount of profit earned depends upon the degree of uncertainty bearing. Knight argues that business enterprises the level of uncertainty can be reduced through 'consolidation'. Consolidation as to uncertainty is what insurance is to risk; it is a method of reducing total uncertainty by pooling individual instances. The elasticity of the supply of self-confidence is the single most important determinant of the level of profit and the number of entrepreneurs.

#### **5. Max Weber's Theory of Entrepreneurial Growth:**

Max Weber in his theory says religion has a large impact on entrepreneurial development. According to Weber some religions have basic beliefs to earn and acquire money and some have less of it. He calls them a 'spirit of capitalism' and 'adventurous spirit'. The spirit of capitalism will be generated when mental attitude in the society is favourable to capitalism. According to Max Weber, driving entrepreneurial energies are generated by the adoption of exogenously-supplied religious beliefs. It is these beliefs which produce intensive exertion in occupational pursuits, the systematic ordering of means to ends, and the accumulation of assets. His theory suggests the belief systems of Christianity and Islam do not encourage entrepreneurship. His stand has been challenged by many sociologists.

The theory is based on the invalid assumptions, which are:

- (a) There is a single system of spiritual value,
- (b) The community internalized those values and translated them to day-to-day behaviour, and
- (c) These values remained immune to and insulated against external pressures and change.

Many thinkers have accepted the Weber's analysis of linkage between religious belief and entrepreneurial growth. But this view is not accepted universally. Samuelson criticized Weber's view on the ground that capitalism also developed in those societies where protestant ethic was 'not prevalent. Hoselitz argued that Protestant could not develop industries in France because they were not given political security. It can be concluded in the words of Carroll that "ethical values have some effect on entrepreneurial growth but to consider them all in all would be unrealistic."

## **6. Hagen's Theory of Entrepreneurship:**

One important theory of entrepreneurial behaviour has been propounded by Hagen which is referred to as the withdrawal of status respect. Hagen has attributed the withdrawal of status respect of a group to genesis of entrepreneurship. Hagen considers the withdrawal of status, of respect, as the trigger mechanism for changes in personality formation. Status withdrawal occurs when members of some social group perceive that their purposes and values in life are not respected by the groups in the society they respect, and whose esteem they value.

Hagen postulates four types of events which can produce status withdrawal:

- ✓ Displacement of a traditional elite group from its previous status by another traditional supply physical force.
- ✓ Denigration of valued symbols through some change in the attitude of the superior group.
- ✓ Inconsistency of status symbols with a changing' distribution of economic power.
- ✓ Non-acceptance of expected status on migration to a new society.

Hagen further postulates that withdrawal of status respect would give to four possible reactions and create four different personality types:

- (a). Retreatist: Entrepreneur who continues to work in society but remains indifferent to his work or status.

(b). Ritualist: One who works as per the norms in the society but with no hope of improvement in the working conditions or his status.

(c). Reformist: One who is a rebellion and tries to bring in new ways of working and new society.

(d). Innovator: An entrepreneur who is creative and try to achieve his goals set by himself.

According to Hagen (1962), the creativity of a disadvantaged minority group is the main source of entrepreneurship. He developed this thesis from the case of the samurai community of Japan. Traditionally, this community had enjoyed a high status of which it was deprived later. To regain this lost prestige, it became more active and vigorous and gave rise to many entrepreneurs. McClelland supported this thesis by admitting that a suppressed community had more creativity. He said that Jains could be successful entrepreneurs because of their consciousness of their majority and superiority complexes. McClelland had modified Hagen's thesis slightly in order to explain such cases. He stated that the subordination of minority group could arouse achievement motivation in its members but its extent depended upon the initial level of motivation and the means available to the group to active its achievement motivations.

## **7. Thomas Cochran's Theory of Cultural Values**

The key proportions in Thomas Cochran's theory are cultural values, role expectations and social sanctions. According to him, the entrepreneur represents society's model personality. His performance is influenced by the factors of his own attitudes towards his occupation, the role expectations held by sanctioning groups, and the operational requirements of the job. The determinants for the first two factors are the society's values. Changes over time in such variables as population, technology, and institutional drift will impinge on the role structure by creating new operational needs. In most countries, entrepreneurs have emerged from a particular socio-economic class. The Protestant ethic of the West is said to have contributed to the emergence of a new class of industrialists. It can be noted that various communities and castes like samurai in Japan, family pattern in France, Yoruba in Nigeria, Kikuya in Kenya, Christians in Lebanon, Halai Memon industrialists in Pakistan, Parsees, Marwaries and Gujaratis in India have been the sources of entrepreneurship.

## **8. Theory of Change in Group Level Pattern:**

Young defines entrepreneurs as that the entrepreneur characteristics are found in small groups wherein individuals develop as entrepreneurs. Young arrived at the group level pattern behaviour entrepreneurs based on his studies known as Thematic Appreciation Test (TAT) on groups of entrepreneurs. The test revealed' the tendency to describe the situation as a problem to be solved, an awareness of pragmatic effort required, confidence in their own ability to solve the problem and a tendency to take the viewpoint of each individual in turn and analyse the situation as he might see it before suggesting an outcome. Young's theory is a theory of change based on society's incorporation of reactive subgroups.

A group becomes reactive when the following three conditions coincide:

- ✓ When denied of access to important social networks;
- ✓ When a group experiences low 'status recognition; and
- ✓ When the group has better institutional resources than other groups in the society at the same level.

## **9. Economic Theory of Entrepreneurship**

Many economists revealed that entrepreneurship and economic growth will take place in those circumstances where particular economic conditions are in favour of the business environment. The main advocates of this theory were Papanek and Harris. According to them economic incentives are the main forces for entrepreneurial activities in any country. There are a lot of economic factors which promote or demote entrepreneurship in a country.

These factors are:

- (a) The availability of bank credit
- (b) High capital formation with a good flow of savings and investments
- (c) Supply for loan able funds with a lower rate of interest.
- (d) Increased demand for consumer goods and services
- (e) Availability of productive resources.
- (f) Efficient economic policies like fiscal and monetary policies
- (g) Communication and transportation facilities



Economic development was the result of rationalization of technology and accounting systems and the acquisition of capital and its productive use was the main theme of the Weberian thesis. Some scholars have tried to explain the growth of entrepreneurship in terms of regional economic factors, industrial support to environment in these regions. Thus, it can be concluded that the industrial climate may have a very significant impact on the response of entrepreneurs. However, the group factors, as emphasized by various studies, cannot be ignored altogether.

#### **10. Exposure Theory of Entrepreneurship:**

Many studies have shown that it is the exposure to new ideas and opportunities towards creativity and innovation which leads to create a new venture. There is adequate empirical evidence to prove its validity. 'Tripathi has observed that exposure to new ideas and values were the common factors among entrepreneurs, which led them to entrepreneurship. Education, experience and adventure have played very significant role in exposing the entrepreneurs to creative ideas leading them to entrepreneurship. It is also the differential responses of the social groups to opportunities provided by the commitment of the political system to industrialization that has led the process of entrepreneurial spread.

#### **11. Political System Theory of Entrepreneurial Growth:**

Political system can create adequate infrastructure, favourable laws, favourable taxation system and procedures, provide incentives and subsidies, security to entrepreneurs, create promoting policies and can encourage people towards entrepreneurship. Government can also build supporting system for potential entrepreneurs. Thus, the commitment of political system can contribute significantly towards entrepreneurial development.

According to Hoselitz, Japanese entrepreneurs could flourish because their political system was able to properly integrate with various sectors such as the industrial and agricultural, large, small and handicraft industries, labour intensive and capital intensive technology, traditional and modern social structure. According to Boulding "political structure was the decisive factor in entrepreneurial growth of France and Russia. But before 1917 it did not flourish because the creative ability of masses could not find expression. Hoselitz argued that France lagged behind entrepreneurially, because his political system did not provide sufficient incentives and security to entrepreneurs.

A new combination, causing discontinuity, will be created, i.e., entrepreneurship will occur, under conditions of:

- ❖ Task-related motivation (some vision or sense of social value embedded in the basic task itself that motivates the initiator to act),
- ❖ Expertise (present know-how plus confidence to be able to obtain know-how needed in the future),
- ❖ Expectation of gain for self (economic and/or psychic benefits),
- ❖ A supportive environment (conditions that either provide comfort or support to the new endeavour, or that reduce discomfort from a previous endeavour).

*i. Task-Related Motivation:* The dedication of the entrepreneur to the task at hand typically permeates the aspect of the work place. It is easy to sense, but not well documented in the literature. Some may interpret this dedication as part of the drive for economic gains. Some see it as obsession. Further research is needed to better understand the entrepreneur's motivation, its source, and how it is sustained. Although the motivations for becoming an entrepreneur (carrying out the new combinations causing the discontinuity) are likely to vary greatly, a frequently cited reason is independence, the determination not to work for someone else.

McClelland (1961, 1962) identified three characteristics of entrepreneurs that he related to their need for achievement:

- ✓ a desire to accept responsibility for solving problems, setting goals and reaching those goals through their own efforts;
- ✓ a willingness to accept moderate risks, not as a function of chance, but of skill, and
- ✓ a desire to know the outcomes of their decisions. Perhaps creating the new venture provides the pleasure and satisfaction of independence and acceptance of responsibility for outcomes.

Entrepreneurial highs, including enthusiasm, excitement, and a sense of having fun are sometimes experienced. Visions of success can help sustain the needed energy level and provide task-related motivation.

*ii. Expertise:* Arguably, a new combination that causes discontinuity does not occur by chance. A mere discovery can occur as a result of observation of the unexpected, but a new combination is the result of deliberate actions, the implementation of a plan or the carrying out of a vision. A child does not program a computer without knowledge of both programming and computers. An accountant without golfing or manufacturing skills would not substitute steel for hickory or graphite for steel in the shaft of a golf

club. A physicist whose life had been devoted to laser technology would not be likely to devise a leveraged buyout to acquire a business.

Presumably, entrepreneurs can gain both expertise and relationships necessary for success from previous work experience. Stinchcombe (1965), however, argued that technical expertise alone provides no assurance of success.

Incubators, networks, formal and informal sources of information often supplement the formal expertise of the entrepreneur. Smilor and Gill (1986) describe advantages afforded new ventures who participate in formal “incubator” programs.

First, the incubator can assist the entrepreneur in developing credibility. Merely to be accepted into a successful incubator program suggests the new firm has been investigated and determined to have potential. By word-of-mouth, the incubator manager, directors, advisors, and consultants can create a perception in the business community that may help to overcome liabilities.

The incubator can also shorten the time necessary to learn the essentials of operating a successful business and to develop the communication channels required.

Working through an incubator, entrepreneurs gain direct and indirect access to the business network of the community, region, and industry (Smilor and Gill 1986, p. 39). Even without formal incubator programs, networks provide linkages or relations between the entrepreneur and opportunities critical to the success of his enterprise.

- iii. Expectation of Gain for Self:* Baumol (1990) observes that the types of innovation that are attributed to entrepreneurs by Schumpeter have been shown in some form by different classes of entrepreneurs over the recorded history. He points out that entrepreneurs behaviours patterns were different in different eras, e.g., in ancient Rome, medieval China, the earlier Middle Ages, the later Middle Ages, the fourteenth century, the eighteenth century, and the modern era. Baumol believes that entrepreneurs are always present. However, how entrepreneurs act depends heavily on the rules of the game and the reward structure in the economy. Changing the rules can modify the composition of the class and the number of entrepreneurs, but more importantly, changing the rules modifies behaviour.

The rules of the game that produce gain for the entrepreneur are therefore hypothesized to be an important variable in explaining variations in

entrepreneurship. Among other observations, Rumelt (1987) sees entrepreneurship related to expectation of personal gain. Entrepreneurship is encouraged when the entrepreneur can resist the appropriation of entrepreneurial rents by powerful outsiders with whom the entrepreneur must work, and when isolating mechanisms exist that provide first-mover advantages.

Entrepreneurial managers have incentives to leave their employer and start new ventures when institutional myopia tends to prevent incentive contracts that tightly link future returns to the innovator's wealth and reputation.

But why start a business? One reason is the expectation of gain. When that expectation is reinforced by culture, family, peers and colleagues with offers of support, entrepreneurship is likely to occur.

*iv. Supportive Environment:* The environment undoubtedly influences entrepreneurship. It can be supportive, but it can also provide obstacles. Knight, Dowhng, and Brown (1987) analyze the automobile, semiconductor, vacuum tube, and airline industries and offer the theory that new venture creation is fairly regular and predictable and that three forces potentially stimulate the growth of new firms in an industry, e.g., new technology, new markets, and deregulation or shifts in government regulation. They postulate that variables such as environmental conditions, market forces, government policy, life cycles, and innovation can play important roles in the growth of new firms. Strong evidence is presented that changes in the environment preceded and were causally related to "new combinations" and discontinuity in these industries.

Van de Ven (1993) offers a social system macro-perspective framework for studying entrepreneurship. He believes that most entrepreneurial innovations are collective achievements of many people in both the public and private sectors who develop an infrastructure that supports entrepreneurship. An explanation of how innovations develop requires a theory of change that examines the temporal sequence of events by which new technologies and institutions develop over time. Environmental niches are created and constructed through the opportunistic and collective efforts of independent actors in common pursuit of a technological innovation. Entrepreneurs tend to utilize an infrastructure that is substantially developed by others. They would be less likely to create new combinations without such a supportive environment.

## **4.0 CONCLUSION**

The potential research implications of a credible entrepreneurship theory are enormous. Consider the hundreds of studies and their contributions towards the understanding (still imperfect) of financial markets that followed the efficient market theory and the capital asset pricing model. The articulation of these useful theories appears to have spurred research to an incredible extent.

Teaching and research are interrelated; the teaching of entrepreneurship-related topics would expand and improve as the frontiers of knowledge are pushed forward by research. Public policy and practice could both lead and follow research findings. As an understanding of the relationships of the entrepreneurship variables develops, practice would change to attempt to bring about the desired creation of new ventures and the implementation of effective success strategies (Bull and Willard, 1993).

## **5.0 SUMMARY**

This Unit explored the history of entrepreneurship theories. It started with the early economic theorists and highlighted the different Schools of Thought. The unit showed how the economic thinkers sought to understand the function of entrepreneurship in the economy and discussed the different theories. In the economic thinking there were some clear differences. The early French economists began the process of considering entrepreneurs and thought that they played an important function in the economy. British classical and neo-classical economists largely ignored the role of entrepreneurship and the disappearance of the entrepreneur in contemporary economics can be explained by the dominance of their theories in economics today. The Austrian and Neo-Austrian's took up the challenge from the French and identified key aspects of entrepreneurial activity, such as, making decisions about the allocation of resources and identifying opportunities when faced with uncertainty. Schumpeter put forward a new interpretation and this view guided much of contemporary thought; the idea that entrepreneurship was about innovation or 'doing new things'. Towards the end of the unit early theory in psychology, social psychology and sociology was introduced, here it was explained that the economic focus on entrepreneurship closed with a recommendation to examine individuals. Personality theory became the dominant form from this point but in the late 1980s researchers began to question its value and approach; which led a diversification of thought from the 1980s onwards. In the final part of the chapter contemporary

thinking about entrepreneurship theory was discussed and several branches were explained, each leading to greater diversity in the subject.

Overall, the unit shows that thinking in entrepreneurship has a long history. It is rooted in the very beginning of economics as a discipline and early economists considered it to be an important function within the economic system. Entrepreneurship as a subject over the years has gone through several phases and has perhaps gone in and out of fashion as economies have gone through periods of change. From the 1980s onwards though the modern subject has blossomed and there are now a wide host of subjects and themes in the field; you will learn more about some of these in the chapters that follow.

## **6.0 TUTOR MARKED ASSIGNMENT**

There are various types of theories propounded for entrepreneurship. In a bid to sound understanding of these principles, do a critique on these theories. That is, criticise and compare these theories of entrepreneurship and highlight the best theory that suit your opinion.

## **7.0 REFERENCES FOR FURTHER READINGS**

Taiwo, O. Abdulahi; Lawal, Kamaldeen A.A and Okafor, Ifeoma P. (2017) Entrepreneurship: A Global Perspective. Uzopietro Publishing Company, Owerri, Imo State, Nigeria. ISBN: 978-27104-7-18

## **MODULE 3**

- Unit 1      Government policies and Programmes Designed to Enhance Entrepreneurship Development among Youths and Women in Nigeria
- Unit 2: Contributions of Cooperative Entrepreneurship to Nigeria Economic Development
- Unit 3: The Trend of Entrepreneurship Development in Nigeria: Government Interventions and Areas of Micro-Enterprise Development in Nigeria
- Unit 4      Review of Past Initiatives Aimed at Promoting and Entrepreneurship and SMEs in Nigeria

### **UNIT 1: GOVERNMENT POLICIES AND PROGRAMMES DESIGNED TO ENHANCE ENTREPRENEURSHIP DEVELOPMENT AMONG YOUTH AND WOMEN IN NIGERIA**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objective of the Unit
- 3.0 Main Content
  - 3.1 Youths and Women Empowerment through Entrepreneurship
  - 3.2 The Potential of Youth Entrepreneurship
  - 3.3 Advantages of Entrepreneurship among Women
  - 3.4 The Challenge of Engaging Women in Enterprise Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References for Further Readings

## **1.0 INTRODUCTION**

Entrepreneurship typically operates within an entrepreneurship ecosystem which often includes government programs and services that promote entrepreneurship and support entrepreneurs and start-ups; non-governmental organizations such as small business organizations and cooperative societies that offer advice and mentoring to entrepreneurs; small business advocacy organizations that lobby the government for increased support for entrepreneurship programs and more small business-friendly laws and regulations; entrepreneurship resources and facilities (e.g., business incubators and seed accelerators); entrepreneurship education and training programs offered by schools, colleges and universities; and financing (e.g., bank loans, venture capital financing, angel investing, and government and private foundation grants).

## **2.0 OBJECTIVE OF THE UNIT**

The learning objectives for this Unit are to enable the learners understand the contributions and interventions of Nigerian governments towards the development of entrepreneurship among the youths and the women. As such at the end of the unit the learners and readers should be able to, identify the efforts made by the government to empower Youths and Women through Entrepreneurship; understand the various trend of Government Interventions towards entrepreneurship development in Nigeria. The unit will also exposed the learners and readers to the Potential of Youth Entrepreneurship as well as areas of Micro-Enterprise Development in Nigeria. Advantages of Entrepreneurship among Women and Challenge of Engaging Women in Enterprise Development will also be understand by the learners. Finally, the unit reviewed some notable Past Initiatives Aimed at Promoting and Entrepreneurship and SMEs in Nigeria.

## **3.0 MAIN CONTENT**

### **3.1 YOUTHS AND WOMEN EMPOWERMENT THROUGH ENTREPRENEURSHIP**

The world's population is growing at a time when traditional, stable labour markets are shrinking. United Nations Industrial Development Organization (UNIDO) (2015) estimated 74 million young men and women worldwide unemployed. The youth



unemployment rate is three times higher than its adult counterpart despite the global educational improvement trend. There is an undeniable need to create employment for youths. The challenges of youth employment in least-developed and middle-income countries, which are particularly acute, are subject to many development efforts by Governments and development partners. Many of these efforts foster the engagement of youths and women in productive activities. The success of these initiatives however depends on the availability and capacity of local enterprises, particularly small and medium sized businesses. There is now empirical and anecdotal evidence that the number of sustainably-operating small and medium sized enterprises (SMEs) that can provide work to additional employees in developing countries is limited and difficult to expand. Meanwhile, start-up SMEs face severe constraints during their creation related to hurdles in registration, access to credit, business organisation and developing markets.

Entrepreneurship and self-employment are therefore a viable alternative for women and young people when given the right skills and provided with adequate support to establish and develop their own micro or small enterprises. Youth entrepreneurship cannot only create employment opportunities for self-employed youth but also for the other young people who they may employ. In addition, the changing structure of the job market (types of jobs available, sectors and the nature of hiring employers), the lack of access to professional networks and the growing value employers place on work experience all put a strain on young people while entering the job market. The labour market shortcomings are such that they have to be addressed through adequate vocational training to match youth skills with current needs in the industry, through opportunities to bridge a gap in work experience for young people. Thus, there is a critical need to create more entry points and progression routes for young people.

Empowerment through entrepreneurship focus is to engage women and youth in economic/productive processes through enhancing youth and women employability (by addressing the skills mismatch of youth and women by providing training skills in line with the needs of the job market) and in providing young aspiring entrepreneurs with the necessary tools to effectively start and run their businesses. By building the capacity of youth and women with a view to create jobs by the means of entrepreneurship development, empowerment also contributes to reduce the vulnerability of economies to crises and strengthens their capacity to absorb and overcome severe shocks while supporting strong growth in post crisis situations for instance.

Within the framework of potential efforts and strategies to boost employment and create jobs for women and young people, entrepreneurship development is

increasingly accepted as an important mode of technical assistance and a useful alternative for income generation among women and young people. As traditional job-for-life career paths become rarer and taking into account the limited absorptive capacities of the public sector and the formal labour markets, women and youth entrepreneurship is regarded as an additional way of integrating them into the labour market and overcoming poverty

### **3.2 THE POTENTIAL OF YOUTH ENTREPRENEURSHIP**

With appropriate resources (financial and non-financial services), entrepreneurship can be a major source of job creation especially for young people. The Youth Employment Inventory ranked entrepreneurship promotion measures as having the highest positive impact on employment creation among a range of programmes reviewed. Studies were carried out on the spill-over effects of youth entrepreneurship. For instance, a study from the Oxford University sums up a number of reasons for the importance of promoting youth entrepreneurship:

- ✓ Creating employment opportunities for self-employed youth as well as the other young people they employ;
- ✓ Bringing alienated and marginalized youth back into the economic mainstream and giving them a sense of meaning and belonging;
- ✓ Helping address some of the socio-psychological problems and delinquency that arises from joblessness;
- ✓ Helping youth develop new skills and experiences that can then be applied to other challenges in life;
- ✓ Promoting innovation and resilience in youth;
- ✓ Promoting the revitalization of the local community by providing valuable goods and services;
- ✓ Capitalizing on the fact that young entrepreneurs may be particularly responsive to new economic opportunities and trends.

As mentioned earlier, youth entrepreneurship is an option to create employment for the youth not only through self-employment but also through enterprise development. The contribution of entrepreneurship to job creation and growth has been reiterated many times over recent years. It is estimated that in the last decade new firms generated between 1 and 6 per cent of employment in Organisation for Economic Cooperation and Development (OECD) countries. Establishing a new venture may have positive impacts on youth employment and economic growth, as it offers unemployed youth an opportunity to build sustainable livelihoods and to integrate into

society. Young entrepreneurs, once established, are particularly active in high-growth sectors. It has been found that self-employed youth have higher “life satisfaction” than youth in the same age group and are more likely to hire fellow youths, setting up fertile ground for further employment-creation dynamics. Transition into paid employment within three years is easier for young people who were formerly self-employed than for those who were unemployed (Listerri et al., 2006).

In addition, young entrepreneurs are particularly responsive to new economic opportunities and trends. Creativity is often the biggest asset for young people who can afford to experiment and take calculated risks in the early stage of their lives and careers when a whole range of possibilities exists. Indeed, one can argue that the absence of opportunities for young people to experiment on new ideas and take on risk usually differentiates a creative, flexible, entrepreneurial society from another in which institutions are becoming increasingly rigid, hierarchical and risk adverse.

### **3.3 ADVANTAGES OF ENTREPRENEURSHIP AMONG WOMEN**

Empowering women particularly rural women is a challenge. Micro enterprises in rural area can help to meet these challenges. Micro-enterprises not only enhance national productivity, generate employment but also help to develop economic independence, personal and social capabilities among rural women. Following are some of the personal and social capabilities, which were developed as result of taking up enterprise among rural women.

- Economic empowerment
- Improved standard of living
- Self confidence
- Enhance awareness
- Sense of achievement
- Increased social interaction
- Engaged in political activities
- Increased participation level in gram Sabha meeting

- Improvement in leadership qualities
- Involvement in solving problems related to women and community
- Decision making capacity in family and community

Economic empowerment of women by micro entrepreneurship led to the empowerment of women in many things such as socio-economic opportunity, property rights, political representation, social equality, personal right, family development, market development, community development and at last the nation development.

### **3.4 THE CHALLENGE OF ENGAGING WOMEN IN ENTERPRISE DEVELOPMENT**

Gender inequality produces different constraints for men and women to engage in businesses. Women entrepreneurs often face gender-based barriers to starting and growing their businesses namely discriminatory property, matrimonial and inheritance laws and/or cultural practices, lack of access to formal finance mechanisms and technology, limited mobility and access to information and networks, an unequal share of family and household responsibilities and lack of maternity protection. The nature of these constraints will vary from one context to the next as will their relative importance.

For example, an ILO primary research based on detailed interviews was conducted among 379 women entrepreneurs in Ethiopia, the United Republic of Tanzania, and Zambia. The main findings of the research were:

- a. Women entrepreneurs do not have the same access to networks as men;
- b. Women entrepreneurs have difficulties accessing premises due to, among other things, a lack of property and inheritance rights;
- c. Women's lack of access to titled assets that can be offered as collateral for loans adversely affects the growth of their enterprises;
- d. Women entrepreneurs lack access to formal finance and rely on loans from family and community
- e. Women entrepreneurs tend to be grouped in particular sectors, particularly food processing and textiles;
- f. Business development service providers do not give adequate time or effort to target women entrepreneurs they do not offer flexible arrangements in respect of the timing and location of service delivery;

- g. Women often experience harassment in registering and operating their enterprises.

A large percentage of women entrepreneurs operate micro and small businesses in the informal economy. In the developing world, women workers make up around 60 per cent of non-agricultural employment in all economy including up to 90 per cent of street vendors and up to 80 per cent of home-based workers. Gender discrimination denies women their rights and is economically unproductive. Gender-based asset inequality affects resource allocation within the household and labour productivity.

As a matter of fact, the World Bank estimates that gender inequality in education and employment has reduced sub-Saharan Africa's per capita growth from 1960 to 1992 by 0.8 per cent per year. Women's entrepreneurship can make a particularly meaningful contribution to the economic well-being of the family and communities, poverty reduction and women's empowerment, thus contributing to the first and third Millennium Development Goals (MDGs). Actually, where women have more control over the resources of the household, the pattern of consumption tends to be more child-focused and oriented to meeting basic needs. As women tend to be over-represented in micro- and small enterprises (MSEs), and since they generally invest more in the well-being of their families and communities than men, women-targeted programmes at this level can be a particularly effective means of poverty reduction. At the same time, more jobs and more sustainable employment creation can be achieved by focusing on women-owned enterprises with growth potential. It is important that enterprise development efforts consider the differences in the barriers of entry that exist for the two genders to become acquainted to enterprises as well as the specificities with which culturally they may be inclined to engage in them. With the particular focus on youth, it is important to recognize that young women face other choices than young men with regard to their economic futures.

#### **4.0 CONCLUSION**

The Prospects and Challenges of Entrepreneurship in Nigeria to tackle the problems of Nigeria's economic development, concerted effort be made to fashion out a truly Nigerian economics ideology, and that the Nigerian Government should improve the entrepreneurial framework conditions to galvanize Nigeria's total entrepreneurial activities towards improved national economic growth and development.

## **5.0 SUMMARY**

Small and medium-scale enterprises (SMES) especially entrepreneurial activities have played important roles in the development process in most of the developed economies, and proved to be one of the most viable sectors with economics growth potentials. SMES have such a crucial role to play in the development of an economy that they cannot be ignored by the government. Ehis and Frank (2013) argue that government must develop policies to remove the problems of entrepreneurship and Nigeria's economic development and enhance the growth of the economy. Since Nigeria's political independence in 1960, the country has been working tirelessly to achieve economic independence. Several policies aimed at capacity building and utilization has been introduced by both civilian and military regimes in the country.

## **6.0 TUTOR MARKED ASSIGNMENT**

As a citizen of this country, highlight the possible areas which the government policies and programmes should target in order to empower and develop the full potentials of Nigerian youths and women.

## **7.0 REFERENCES FOR FURTHER READINGS**

Taiwo, O. Abdulahi; Lawal, Kamaldeen A.A and Okafor, Ifeoma P. (2017) Entrepreneurship: A Global Perspective. Uzopietro Publishing Company, Owerri, Imo State, Nigeria. ISBN: 978-27104-7-18

## **UNIT 2:      CONTRIBUTIONS OF COOPERATIVE ENTREPRENEURSHIP TO NIGERIA ECONOMIC DEVELOPMENT**

### **CONTENTS**

- 1.0    Introduction
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### **1.0      INTRODUCTION**

The history of entrepreneurship has been from the stone-age, it is only the definition that has changed, but entrepreneurship has been part of economic activity and growth for a long time. People were self-sufficient and they produced what they wanted by themselves. Later they recognized the importance and benefits of being more specialized, certain individuals can specialize in what they know best. This way community made transition from self-sufficient economy to exchange economy. (Kinkki & Isokangas, 2006).

Cuervo, Ribeiro, and Roig (2007) addressed in their research work that entrepreneurship plays a key role in the economic growth. Entrepreneurship importance can be seen when assessing business opportunities, when creating new entities, or renewing the existing ones, by implementing dynamic way of business

operation, that leads to innovation and drives the economy forward, creates job opportunities and improves the welfare of the community.

Interest in the role of small and medium-sized enterprises (SMEs) in the development process continues to be in the forefront of policy debates in developing countries. The advantages claimed for SMEs are various, including: the encouragement of entrepreneurship; the greater likelihood that SMEs will utilize labour intensive technologies and thus have an immediate impact on employment generation; they can usually be established rapidly and put into operation to produce quick returns; SME development can encourage the process of both inter- and intra-regional decentralization; and, they may well become a countervailing force against the economic power of larger enterprises. More generally the development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation.

## **2.0 OBJECTIVE OF THE UNIT**

This unit will enable the students and the learners to understand the immense contributions made by cooperative entrepreneurship towards the development of Nigeria from all spheres of life.

## **3.0 MAIN CONTENT**

### **3.1 RELATIONSHIP BETWEEN SMES; ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT**

The relationship between entrepreneurship and economic growth or development is widely believed that entrepreneurship is beneficial for economic growth and development. Entrepreneurship has been remarkably resurgent over the past three decades in countries that achieved substantial poverty reduction (Naude, 2013). In recent time, the stag inflation and high unemployment caused a renewed interest in supply side economics and in factors determining growth. Simultaneously, the 21<sup>st</sup> century have seen a revaluation of the role of small firms and a renewed attention for entrepreneurship. In fact, understanding the role of entrepreneurship in the process of economic growth requires the decomposition of the concept of entrepreneurship (Wennekers & Thurik, 1999). Having considered the concepts of entrepreneurship, economic growth and economic development individually, ascertaining the link between the two concepts would not be unachievable.



The idea that entrepreneurship and economic growth are very closely and positively linked together has undoubtedly made its way since the early works of Schumpeter. An increase in the number of entrepreneurs leads to an increase in economic growth. This effect is a result of the concrete expression of their skills, and more precisely, their propensity to innovate. Schumpeter has already described this innovative activity, “the carrying out of new combinations”, by distinguishing five cases:

- (1) The introduction of a new good that is one with which consumers are not yet familiar or of a new quality of a good.
- (2) The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.
- (3) The opening of a new market, that is, a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
- (4) The conquest of a new source of supply of raw materials or half- manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.
- (5) The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through fructification) or the breaking up of a monopoly position” (Schumpeter, 1963).

Through his innovative activity, the Schumpeterian entrepreneur seeks to create new profit opportunities. These opportunities can result from productivity increases, in which case, their relationship to economic growth appears quite clearly.

In terms of how entrepreneurship has been a stimulant in economic growth, there exist enormous discussions and debates but it is however eminent to realize the importance of constant innovations and rivalry enhancement (Todtling and Wanzanbock, 2003). There has been a problem in defining and measuring entrepreneurial factors and this has further complicated the exact contributions to economic growth. In addition, Carree and Thurik (2002) explained that the concept of entrepreneurship is multidimensional and largely ill-defined. Understanding the role of entrepreneurship in the process of economic growth will therefore require a framework because of the nature of intermediate variables and connections which exist (Bygrave and Minniti, 2000). The best examples of these intermediate variables include innovation,

competition mainly characterized by exit and entry of firms, variety of supply and particular energy and efforts of invested by entrepreneurs. Other conditions of entrepreneurship also add up when it comes to their contributions to economic growth (Robbins et.al, 2000).

There is a positive relationship between entrepreneurship and economic growth while Henderson (2007) explained that entrepreneurship is increasingly being recognized as a primary engine of economic growth. By combining existing resources with innovative ideas, entrepreneurs add value through the commercialization of new products, the creation of new jobs, and the building of new firms. The Global Economic Monitor indicates that nations with higher levels of entrepreneurial activity enjoy strong economic growth. In short, entrepreneurs are the link between new ideas and economic growth.

Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations, to: perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product- market combinations) and to introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions. Entrepreneurship is “at the heart of national advantage” (Porter, 1990). It is of eminent importance for carrying out innovations. Concerning the role of entrepreneurship in stimulating economic growth, many links have been discussed. Both the role of the entrepreneur in carrying out innovations and in enhancing rivalry is important for economic growth.

### **3.2 CONTRIBUTIONS OF ENTREPRENEURSHIP AND SMEs TO ECONOMIC DEVELOPMENT**

The role of entrepreneurship and SMEs in developing countries like Nigeria has been established and they contribute immensely to economic development of Nigeria economy in the following areas:

#### ***1. Entrepreneurship Introduce Innovations And Induce Economic Growth***

Entrepreneurs often create new technologies, develop new products or process innovations, and open up new markets. Radical innovations often lead to economic growth. Entrepreneurs who bring innovations to the market offer a key value-generating contribution to economic progress. Compared with incumbent firms, new

firms invest more in searching for new opportunities. Existing firms might be less likely to innovate because of organizational inertia, which numbs their responsiveness to market changes, or because new goods would compete with their established range of products. Incumbent firms often miss out, sometimes intentionally, on opportunities to adopt new ideas because of the fear of cannibalizing their own markets. For inventors and innovators (who sometimes come from established firms) setting up their own business often appears to be the only way to commercialize their ideas.

## **2. *Entrepreneurship Increase Competition***

By establishing new businesses, entrepreneurs intensify competition for existing businesses. Consumers benefit from the resulting lower prices and greater product variety. Researchers have developed a measure of market mobility, which identifies the effects of new business formation on existing firms. A change in the ranking of established firms by number of employees indicates a transfer of market share and higher market mobility. This effect is particularly strong when considering entrepreneurial activity five years prior to the start-up, which points to a substantial time lag in the effect of start-ups on market mobility. Furthermore, new business formation has an indirect competition-enhancing effect by pushing established firms to improve their performance.

## **3. *Entrepreneurship have Positive Employment Effects in the Short and Long Term, and Negative Effects in the Medium Term***

Entrepreneurs stimulate employment growth by generating new jobs when they enter the market. Research has shown (after disentangling all the potential effects) that beyond this immediate effect there is a more complicated, over time. There is a direct employment effect from new businesses that arises from the new jobs being created. Following this initial phase, there is usually a stagnation phase or even a downturn as new businesses gain market share from existing firms that are unable to compete and as some new entrants fail. After this interim phase of potential failure and displacement of existing firms, the increased competitiveness of suppliers leads to positive gains in employment once again. About ten years after start-up, the impact of new business formation on employment has finally faded away. This type of wave pattern has been found for a number of countries, as well as Organization for Economic Co-operation and Development (OECD) countries.

#### **4. *Entrepreneurship Boost Productivity***

Competition between new and existing firms ideally leads to survival of the fittest. Even though overall employment may decline, new firms can foster productivity. The productivity-enhancing effect of business formation occurs in the medium term, when the employment effect is dominated by the displacement of existing firms. This happens for two reasons. First, new firms increase competition in the market and thus diminish the market power of incumbent firms, forcing them to become more efficient or go out of business. Second, only firms with a competitive advantage or firm that is more efficient than incumbents will enter the market. The subsequent selection process forces less efficient firms (both entrants and incumbents) to drop out of the market.

Entrances, exits, and “turbulence” (the sum of entries and exits of firms in a given year) have been shown to have a positive overall effect on productivity, as measured by various indicators of productivity in several countries. In the initial years following entry, the productivity effect can sometimes be negative, probably a result of adjustments to routines and strategies in response to the new entrants. The overall positive relationship is particularly strong for entrepreneurs with high-growth ambitions and a high degree of innovation; the effect on productivity is weaker for entrepreneurs with low-growth ambitions. This pattern indicates that entrepreneurs generally increase the productive use of scarce resources in an economy, with the strongest impact coming from innovative entrepreneurs.

#### **5. *Entrepreneurship Encourages Structural Change***

Existing firms often struggle to adjust to new market conditions and permanent changes, getting locked into their old positions. They fail to make the necessary internal adjustments and lack the ability for “creative destruction,” famously described by Schumpeter in 1934. The entry of new businesses and the exit of worn-out firms can help to free firms from a locked-in position. Moreover, entrepreneurs may create entirely new markets and industries that become the engines of future growth processes.

#### **6. *Entrepreneurship and SMEs Facilitates Capacity Building***

Entrepreneurship and SMEs provide a platform for training of indigenous entrepreneurs, which drives the wealth creation process at all levels. It has even been established that SMEs is a nursery of entrepreneurship where individual creativity and

innovation are the driving force. Therefore, they may be as the university where vast majority of entrepreneur receives training or through other informal and vocational training centres.

### **7. *Industrial Dispersal***

SMEs could easily be located in rural areas because they can survive on rudimentary industrial infrastructure consequently they serve as major facilitators for industrial dispersal and rural development and thus have the capacity to stem rural-urban conjugation.

### **8. *Backward and Forward Linkages***

Most entrepreneurs and SMEs output serves as intermediate or semi-processed goods of large scale firms. By this, they generate mutual industrial linkages between local producers of raw materials and large industrial concerns.

### **9. *Technological Acquisition***

Entrepreneurs and Small-scale industries provide opportunities for the development of local skills and technology acquisition through adaptation. The “Aba made good syndrome” a concept adopted by the part of Nigeria is a clear manifestation of such technological acquisition and this gives impetus to rapid development in the economy (Odubanjo, 2000).

### **10. *Poverty Alleviation***

Entrepreneurs and SMEs play a vital role in reducing poverty and inequality among citizenry. This is not unconnected to the affordable and relatively low capital requirement for its establishment. It also engages both skilled and unskilled workforce thereby creating a means of livelihood. This is an important role in any economic development process.

### **3.3 ENTREPRENEURSHIP AND NIGERIAN ECONOMY DEVELOPMENT**

The Nigerian economy has been described as a middle-income mixed economy; as an emerging market, with expanding financial, service, communications, and technology and entertainment sectors. Nigeria is the biggest economy in Africa. Services is the largest sector of the economy, accounting for about 50 percent of total GDP. One of the fastest growing segments in Services are Information and Communication, which together account for about 10 percent of the total output. Agriculture, which in the past was the biggest sector, now weights around 23 percent. Crude Petroleum and Natural Gas constitute only 11 percent of total GDP, while being the main exports. Industry and Construction account for the remaining 16 percent of GDP (NBS, 2020).

The exercise also reveals a more diversified economy than previously thought. Nigeria has maintained its impressive growth over the past decade. The economy of Nigeria advanced 1.87% year-on-year in the first quarter of 2020 compared to a 2.55% growth in the previous period, against the backdrop of significant global disruptions resulting from the Covid-19 public health crisis, a sharp fall in oil prices and restricted international trade. It was the slowest pace of economic expansion since the third quarter of 2018, reflecting the earliest effects of the disruption, mainly in the non-oil sector (1.55% vs 2.27% in Q4), amid declines in internal trade (-2.82% vs -0.58%); accommodation & food services (-2.99% vs 2.05%); public administration (-8.72% vs 0.06%); administrative & support services (-1.9% vs 1.27%). Also, output grew less in manufacturing (0.43% vs 1.24%) and agriculture (2.20% vs 2.31%). At the same time, the all-important oil sector lost steam (5.06% vs 6.36%). On a quarterly basis, the GDP shrank 14.27%, following a 5.59% expansion in the previous period (NBS, 2020).

Entrepreneurship is an important factor in the development of any nation. Entrepreneurs are responsible for taking calculated risk those open doors to progressively higher levels of economic growth. They are the veritable backbone on which the world and modern ideas continue to develop. The return of democracy in 1999 ushered in a period of economic reforms and a renewed focus on enterprise development as the only viable means to sustainable growth. Nigerian leaders initiated a massive programme of disinvestment and financial deregulation aimed at boosting business development across the Micro, Small and Medium Enterprises (MSMEs) space. Progress has been hampered by institutional deficiencies and widespread bureaucratic, violence and political corruption.

### **3.4 RECENT DEVELOPMENT OF ENTREPRENEURSHIP IN NIGERIA**

The role of government in entrepreneurship development in Nigeria became significant only after the Nigeria civil war (1967-70). Since the mid-1980s there has been an increased commitment of government to entrepreneurship development especially after the introduction of the Structural Adjustment Program (SAP) in 1986. Added to this is the establishment of the National Directorate of Employment (NDE), National Open Apprenticeship Scheme (NOAS) and, the Small and Medium Enterprise Development Association of Nigeria (SMEDAN) (Thaddeus, 2012). Fundamentally the Nigerian government promotes entrepreneurial culture through initiatives that build business confidence, positive attitude, pride in success, support and encouragement of new ideas, social responsibility, providing technological supports, encouraging inter-firm linkages and promotion of research and development.

In the early 2000s, entrepreneurship studies were introduced into the Nigerian educational system especially in higher institutions as a mandatory course. The Centre for Entrepreneurship Development (CED), which has the objective of teaching and encouraging students of higher institutions (especially in science, engineering and technological (SET)) to acquire entrepreneurial, innovative, and management skills, was established. The Centre's goal is to make the graduates self-employed, create job opportunities for others and to generate wealth (Thaddeus, 2012). Entrepreneurship development in Nigeria became significant only after the Nigerian civil war. At the end of the war the 2nd National Development Plan focused on the development of the 3Rs objectives of Reconstruction, Re-development and Reconciliation. The activities in the plan challenged/tasked the ingenuity and inventive skill of the individuals.

This early period witnessed an economic development ideology of industrialization as the ultimate source of economic growth, and industrialization itself as the product of technical progress and investment. Technical progress or capital growth on the other hand is seen to be a function of, and the result of, entrepreneurial effort. In particular, evidence from the developed world indicates that economic growth is entirely due to the quality and efficiency of the entrepreneur. Thus after independence in 1960 there was the need by the government of Nigeria to promote indigenous entrepreneurs. The Government never loses sight of the tripartite relationship between entrepreneurship, industrialization and economic growth. Entrepreneurship is often carried out by micro and small scale businesses and therefore SMEDAN's focus is on the development of micro, small and medium-scale enterprises (MSMEs) where it co-ordinates and integrates MSME activities in order to develop their full potential and competitiveness.

In the past forty years or so, the government had established various support institutions specially structured to provide succour and to assist SMEs to contend with some of the hurdles along their growth path. Some of these specialized institutions include the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI), the National Economic Reconstruction Fund (NERFUND), the Nigerian Export-Import Bank (NEXIM), the National Directorate of Employment (NDE), Industrial Development Coordinating Centre (IDCC), Peoples Bank, Community Banks, Construction Bank, Family Economic Advancement Programme (FEAP), State Ministries of Industry SME schemes, the Bank of Agriculture (BOA), BOI [bank of industry] etc.

These support institutions and other incentives created by the government notwithstanding, policy instability and reversals in addition to high turnover and frequent changes in government have impacted negatively on the performance of the primary institutions responsible for policy formulation, monitoring and implementation resulting in distortions in the macro-economic structure, low productivity and dismal performance of SMEs (Nwachukwu, 2012).

Other major problems which have contributed to the poor performance of SMEs include: limited access to long-term capital, high cost of even short-term financing, poor partnership spirit, dearth of requisite managerial skills and capacity, illegal levies, street urchins' harassments, over-dependence on imported raw materials and spare parts, poor inter and intra-sectoral linkages that make it difficult for the SMEs to enjoy economies of scale production, bureaucratic bottlenecks and inefficiency in the administration of incentives that discourage rather than promote SME growth, weak demand for products arising from low and dwindling consumer purchasing power, incidence of multiplicity of regulatory agencies and taxes that have always resulted in high cost of doing business and poor corporate governance and low entrepreneurial skills arising from inadequate educational and technical background for many SME promoters (Nwachukwu, 2012).

Small and Medium Scale Enterprises (SMEs) are veritable tool of economic development to a developing economy. Unfortunately, this development is limited by some constraints highlight below:

**A. *Inadequate Access to Finance:*** Capital Majority of them have limited access to foreign exchange as well as institutional credits This has adversely affected SMEs scale of operations and many countries have adopted policies aimed at ameliorating their financial conditions such as liberalization of the financial markets, the establishment of lending institutions and at times the formulation of policy measures



that compel financial institutions to allocate a certain percentage of their lending portfolio to SMEs. Because majority of SMEs are predominantly sole proprietorship, banks view them with lots of caution and as such these policies have not been implemented to the letter. Furthermore, the death of the owner results in discontinuity of their operations as there are usually no succession plans in place. This raises the risk of financing such establishments.

***B. Inadequate Infrastructural:*** Base The availability of infrastructural facilities in most developing countries are grossly inadequate. This includes epileptic power supply, lack of adequate water supply, poor state of road network and unreliable telecommunication facilities among others.

***C. Inadequate Information:*** Base SMEs are characterized with poor record keeping thus they lack necessary information required for planning and management purposes. This usually affects the realization of the objectives of the sector.

***D. Low Entrepreneurial Skills:*** The success of SMEs is usually in jeopardy as most entrepreneurs lack the required entrepreneurial skills and management expertise to survive. They lack good exposure to management theories/training/practices. Worst still, they do not keep abreast with modern day techniques.

***E. Poor Policy Implementation:*** The federal government has formulated good policies in the past but implementation and control has always been the problem. As such SMEs hardly thrives in Nigeria.

#### **4.0 CONCLUSION**

According to Global Entrepreneurship Monitor (GEM) 2000 report there is a strong relationship between entrepreneurship and economic growth at a global level; most countries which record high level of entrepreneurship activity have also recorded above average economic growth. Entrepreneurs have realized the value and importance of equity creation; they create new technology/ product, they create value with high potential growth and job opportunities. Entrepreneurship creates equal opportunity, it rewards performance and economic improvement, giving high potential for poor people to get rich, no matter what race, sex, religion, background is, not even the geographic area. Government and policymakers around the world have seen the expansion of new business and the effect of entrepreneurship on economic growth and improvement therefore they put more emphasis on social and political activities to more support entrepreneurs.

## **5.0 SUMMARY**

It is an obvious fact that cooperative entrepreneurship has contribute positively towards the development of Nigeria economically and socially.

## **6.0 TUTOR MARKED ASSIGNMENT**

Over the past five years, describe the recognizable contributions of cooperative entrepreneurship that have positive impact on the social and economic development of Nigeria.

## **7.0 REFERENCES FOR FURTHER READINGS**

Taiwo, O. Abdulahi; Lawal, Kamaldeen A.A and Okafor, Ifeoma P. (2017)  
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## **UNIT 3: TRENDS OF ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA: GOVERNMENT INTERVENTIONS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objective of the Unit
- 3.0 Main Content
  - 3.1 The Trend of Government Interventions on Entrepreneurship Development on Nigeria
  - 3.2 Areas of Micro-Enterprise Development in Nigeria
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
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### **1.0 INTRODUCTION**

Entrepreneurial activities differ substantially depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo, part-time projects to large-scale undertakings that involve a team and which may create many jobs. Many "high value" entrepreneurial ventures seek venture capital or angel funding (seed money) in order to raise capital for building and expanding the business. Many organizations exist to support would-be entrepreneurs, including specialized government agencies, business incubators (which may be for-profit, non-profit, or operated by a college or university), science parks, and Non-governmental organizations, which include a range of organizations including not-for-profits, charities, foundations and business advocacy groups (e.g., Chambers of Commerce).

## **2.0 OBJECTIVE OF THE UNIT**

The objectives of this unit are to

- ✓ Identify the trend of government intervention in entrepreneurship
- ✓ Areas of Micro-Enterprise Development in Nigeria

## **3.0 MAIN CONTENT**

### **3.1 THE TREND OF GOVERNMENT INTERVENTIONS ON ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA**

Nigeria has populations of youngsters which represent a critical resource that may foster future economic development and structural transformation. However, realizing these economic benefits depends on the availability of employment opportunities. Efforts to improve youth employment opportunities (including through developing youth entrepreneurship) hold the potential to deliver widespread benefits to the entire economy of the country. Self-employment and entrepreneurship can provide career options for women and young people by unleashing their economic potential. For Nigerian government to support and invest in women and youth entrepreneurship today is like a venture capitalist investing in the early stage of an innovative company that later achieves equity growth. Nigerian economy's future structure is determined by today's investment in human capital and new skills.

Nigeria as a country has numerous business and investment potentials due to the abundant, vibrant and dynamic human and natural resources it possesses. Tapping these resources require the ability to identify potentially useful and economically viable fields of endeavours. Nigerians have made their marks in diverse fields such as science, technology, academics, business and entertainment.

Thus, entrepreneurship activities and innovative ingenuity in Nigeria have developed enterprises in the following areas:

- ❖ Agricultural/agro-allied activities where there are foodstuffs, restaurants, and fast food vending, etc.
- ❖ In the area of solid minerals, there are quarrying, germ stone cutting, polishing and crushing engineering.
- ❖ In power and transport, there are power generations, haulage business (cargo and passengers).
- ❖ In the area of information and telecom business, there are manufacturing and repairs of GSM accessories and the printing and selling of recharge cards.

- ❖ In hospitality and tourism business, there are hotels, accommodation, resort centers, film and home video production;
- ❖ In oil and gas business, there are construction and maintenance of pipelines, drilling, refining by-products.
- ❖ In the area of environmental and waste management business, there is refuse collection/disposal, recycle and drainage/sewage construction jobs.
- ❖ In the area of financial banking services, there is banking, insurance and stock trading.
- ❖ Online marketing and distribution services
- ❖ In engineering and fabrication work, there are machines and tools fabrications. There is also the building and construction, where there are plan and design services and material sourcing (Agbeze, 2012).

In spite of the fact that entrepreneurship development has been regarded as the bulwark for employment generation and technological development in Nigeria, the sector nevertheless has had its own fair share of neglect with concomitant unpleasant impacts on the economy. Against this backdrop, entrepreneurship when and if gallantly developed in Nigeria will take its pride of place in quelling unemployment and thus generating employment among Nigerian youths especially the graduates and once again, place the economy on a proper footing (Nkechi et.al, 2012).

Moreover, Ogundele and Abiola (2006) revealed that the wide-spread level of unemployment in the country could have been minimized if Nigerians of varying age groups and backgrounds were exposed to entrepreneurial education, training and development across levels. The quest for producing great and dynamic economy, in the 21st century, if Nigeria is not to be left behind the rest of the world in the march towards propensity demands that all hands must be utilized to produce entrepreneurial education, training and development for the general populace. In addition, Tende (2014) asserted that government policies and programs promote entrepreneurship and investment in new ventures. However, he found out that Nigeria's government credit policies and programs have no significant effect on the development of entrepreneurs in the country.

The economic benefits of youth participation in the development process are varied and have a multiplier effects on the national economy. Since youths constitute about 70% of Nigeria's population, the nation cannot achieve development when there are mostly idle and unproductive. This is basis for their productive engagement in entrepreneurship (Lemo, 2013).

Over the last decade, various efforts had been initiated by the government and other stakeholders to provide employment for the youths in Nigeria. These include the programmes on Universal Basic Education (UBE), Poverty Eradication, Agricultural Development (PEAD), Economic Empowerment and Development, Commodity Marketing and Development, as well as Presidential Initiatives, such as the YouWin Programme. Beside this, the National Directorate of Employment (NDE) grooms unemployed youths and retired persons in vocational skills, entrepreneurship/business development, labour-based works, rural employment promotion and job placement guidance and counselling while Bank of Industry (BOI) encourage and facilitates entrepreneurship among the youths through their financial and non-financial service delivery to the youths.

Some of the notable government interventions towards entrepreneurship development in Nigeria are as follows;

- The Federal Government earmarked on N100 Billion Textile Revival Fund for the Cotton, Textile and Garment Industries, which used to be among the largest employers of labour in the country.
- The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established to promote the development of the MSMEs sector of the Nigeria economy. Tremendous outcomes have been recorded from its various programmes, including the Entrepreneurship Development Programme.
- The Public Works and Women/Youth Empowerment Scheme (PW/WYE) was launched by the Federal Government to create immediate employment opportunities for women and youths in labour-intensive public works. To be implemented in partnership with the state & local governments and the private sector, the scheme is expected to generate 50,000 skilled jobs and 320,000 unskilled job opportunities. It is a component of the Subsidy Re-investment and Empowerment Programme (SURE-P).
- The Youth Enterprise with Innovation in Nigeria (You WIN) programme is a collaboration of the Federal Ministries of Finance, Communication Technology and Youth Development to organize an annual Business Plan Competition (BPC) for aspiring young entrepreneurs in Nigeria. The programme will provide a one-time Equity Grant of 1 million—N10 million to 1,200 selected aspiring entrepreneurs to start/expand their business concepts and mitigate start up risks; and to further generate some 80,000--110,000 new jobs for unemployed Nigerian youths over a three-year period.
- In addition, the Niger Delta Amnesty Training Programme has been engaged in the training of youths at various institutes in Ghana, South Africa, the Philippines, Russia, Ukraine, India and elsewhere. Also, more than 5,000 youths have been enrolled in formal educational institutions and vocational

centres within and outside the country. To date, over 5,000 beneficiaries have graduated in such skill fields as welding & fabrication, entrepreneurship, pipe-fitting, carpentry & plumbing, oil drilling, electrical installation, ICT, and marine related vocations. The Petroleum Technology Development Fund (PTDF) was established to promote and upgrade petroleum technology and manpower development through research and training of Nigerians as graduates, professionals, technicians and craftsmen in the fields of engineering, geology, geo-sciences, management, economics and relevant fields in the petroleum and solid minerals sectors, here and abroad.

- There are various Micro-Finance Schemes providing financial services to the poor who are traditionally not served by conventional financial institutions. Currently, there are 873 Micro Finance banks (MFBs) in Nigeria, employing more than 12,000 Nigerians. Their combined portfolios include 905,099 and 8,241,706 borrowers and depositors respectively.
- The NYSC Venture Price Competition was introduced by the CBN to sensitize and create awareness in Nigerian youths, awaken their entrepreneurship expertise, and orientate serving youth corps members towards seeking alternative employment options, in particular, self-employment.
- The N200 billion Commercial Agriculture Credit Scheme (CACS) finances large ticket projects along the agricultural value chain, in addition to the older Agricultural Credit Guarantee Scheme (ACGS). To date, the CACS has disbursed N158.39 billion for 203 projects owned by 175 private promoters and 27 State Governments and the Federal Capital Territory (FCT), with 5,910 jobs created. The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) is a partnership of the Central Bank of Nigeria (CBN), UNIDO and Alliance for a Green Revolution in Africa. It was developed to boost access to bank financing for agriculture by de-risking the agricultural and financial value chains through the adoption of risk-sharing approaches.
- The N200 Billion Refinancing/Restructuring of SME/Manufacturing Fund is to enable banks refinance and restructure their existing loan portfolios to SMEs and manufacturing firms. So far, the scheme has improved staff strengths, capacity utilization and turn-over of 499 benefiting companies. The Power & Aviation Intervention Fund (PAIF) has disbursed some N144.60 billion to Deposit Money Banks (DMBs) for 10 power and 11 aviation projects as well as generated numerous jobs. The N200 billion Small & Medium Scale Enterprises Guarantee Scheme (SMECGS) of the CBN promotes further SME access to credit. In barely two years, the scheme has disbursed over N1 billion to 20 qualified applicants, with the attendant boosts in their businesses and employment generation.

- The Entrepreneurship Development Centres (EDCs) were set up in the six geopolitical zones (South-West, South-South, South-East, North-West, North-Central and North-East) to bridge gaps in various elements of youth entrepreneurship development. To date, over 102,000 youths have benefited from the initiative. Since government cannot solely create for all youths and others, there are imperatives for private sector-driven entrepreneurial development. These include reduction in crime and social vices, improving economic conditions for business viability, guaranteed future for the country and improved self-worth of Nigerian Youths.

### **3.2 AREAS OF MICRO-ENTERPRISE DEVELOPMENT IN NIGERIA**

Depending on number of factors ranging from landholdings, subsidiary occupations, agro climatic conditions and socio-personal characteristics of the women and youths areas of micro-enterprises also differ from place to place. The micro enterprises are classified under three major heads:

1. Micro Enterprise development related to agriculture and allied agricultural activities like cultivating to organic vegetables, flowers, oil seeds and seed production are some of the areas besides taking up mushroom growing and bee – keeping. Some more areas can be like dehydration of fruits and vegetables, canning or bottling of pickles, chutneys, jams, squashes, dairy and other products that are ready to eat.
2. Micro-Enterprise development related to livestock management activities like dairy farming, poultry farm, livestock feed production and production of vermicomposting using the animal waste can be an important area in which women can utilize both her technical skills and raw materials from the farm and livestock to earn substantial income and small scale agro-processing units.
3. Micro – Enterprise development related to household based operations like knitting, stitching, weaving, embroidery, bakery and flour milling, petty shops, food preparation and preservation.

### **4.0 CONCLUSION**

It cannot be overemphasized that entrepreneurship development programmes and policies are the appropriate steps to solve the problems of economic development in



Nigeria. Jobs have to be created by and for the people. Entrepreneurship is a valuable factor of production and should be seen distinctly and as valuable as any of the basic factors of production (land, labour and capital). Increasing the supply of entrepreneurs implies increasing the products they produce enterprise. By innovative processes and/or products, entrepreneurs create jobs for themselves and others. Entrepreneurship development programme already started in Nigeria late 1980s. When well-funded by the government, some of the Entrepreneurship development programmes (EDPs) have had some measures of success. However, many problems militate against the development of small-scale industries/enterprises sector. This is discussed as problems of skilled manpower and technical know-how, finance and capital, marketing, administrative policies and support, corporate entrepreneurship enabling environment and women and entrepreneurship (Ehis and Frank, 2013).

## **5.0 SUMMARY**

The best approach to entrepreneurial nationhood for Nigeria is through entrepreneurship education that cuts across the entire spectrum of the education system from primary school to university as well as in the informal system. Actualizing this will imply a definitive national philosophy of education that emphasizes self-reliance with entrepreneurship at the core (Ubong, 2013).

## **6.0 TUTOR MARKED ASSIGNMENT**

Name and state the specific objectives of some major and notable government interventions programmes and policies that are design specifically for the development of entrepreneurship in Nigeria.

## **7.0 REFERENCES FOR FURTHER READINGS**

Taiwo, O. Abdulahi; Lawal, Kamaldeen A.A and Okafor, Ifeoma P. (2017)  
Entrepreneurship: A Global Perspective. Uzopietro Publishing Company, Owerri, Imo State, Nigeria.

## **UNIT 4: REVIEW OF PAST INITIATIVES AIMED AT PROMOTING ENTREPRENEURSHIP AND SMEs IN NIGERIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objective of the Unit
- 3.0 Main Content
  - 3.1 Review of Past Initiatives Aimed at Promoting and Entrepreneurship and SMES
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References for Further Readings

### **1.0 INTRODUCTION**

Another focus in the liberation programme is the ongoing massive privatization campaign of public institution, which is again aimed at attracting foreign investment with the hope that this would help increase economic activity and bring in much-needed revenue to accelerate economic growth.

### **2.0 OBJECTIVE OF THE UNIT**

The major objective of this unit is to review the Past Initiatives of government aimed at promoting and developing Entrepreneurship and SMEs in Nigeria.

### **3.0 MAIN CONTENT**

#### **3.1 REVIEW OF PAST INITIATIVES AIMED AT PROMOTING AND ENTREPRENEURSHIP AND SMEs IN NIGERIA**

Previous governments have adopted numerous initiatives to promote the development of entrepreneurship and SMEs in Nigeria. These programmes according to Olumide (2004) include: Youth Empowerment Scheme (YES): The Youth Employment

Scheme popularly tagged project YES is a registered non-governmental organization initiated by Hajiya Zainab Kure, the former first lady of Niger State in Nigeria. The scheme was exclusively designed to empower youths economically.

- ✓ YES is targeted at training youths by way of empowering them economically and socially (Ohize and Adamu, 2009).

It consists of three (3) programmes as follows:

- (i) Capacity acquisition programme (CAP )
  - (ii) Mandatory attachment programme (MAP) and
  - (iii) Credit Delivery Programme (CDP)
- 
- ✓ Capacity Acquisition Programme (CAP) is to enable participants acquire skills and vocational capabilities while
  - ✓ Mandatory Attachment Programme (MAP) is to assist graduates who have completed their mandatory National Youth Service Corps (NYSC) and who are yet to secure fulltime employment to have something doing.
  - ✓ Credit Delivery Programme (CDP) on the other hand is to provide micro-credit empowerment scheme the following objectives.
    - (i) National Employment Rate 3%
    - (ii) Graduate self-employment rate 50%
    - (iii) Non-graduate self-employment rate 60%
    - (iv) Skill acquisition rate for school leavers 60%
    - (v) Establishment of local resources-based college industries per local government area, five (5) units per year.
    - (vi) Annual growth rate replacement of traditional methods of production with improved technology in agricultural sector 15%
    - (vii) Annual growth rate of development of relevant technologies 15%.
- 
- ✓ National Directorate of Employment (NDE). The directorate was established on the 24th October, 1986 and it commenced full operation in January 1987 with the primary aim of promoting skill acquisition, self-employment and labour intensive work scheme. The scheme was targeted at school leavers, apprentice, graduates etc.

The programme was to address four (4) major areas as itemized below: -

- i. small scale enterprises programme
- ii. vocational skill development programme
- iii. rural employment promotion programme
- iv. Special public work programme.

Funding of the directive in 1987-1989 rose from N70million to N193.31million. It was reported also to have declined to N176.82 million and to N100million in 1994 and to N132.90 million in 1995. The NDE operated, among others, two credit schemes with concessionary interest rates, to assist SMEs.

- ✓ Graduate Job Creation Loan Scheme (GJLS) and the mature people scheme (MPS) projects covered included soap-making, food processing and flour milling.
- ✓ National Poverty Eradication Programme (NAPEP). The regime of President Olusegun Obasanjo in Nigeria (1999-2007) initiated this programme to eradicate poverty. The first attempt was the Poverty Alleviation Program (PAP) in the year 2000 and it was immediately replaced the following year by National Poverty Eradication Program (NAPEP). Ike (1996) explained that before the introduction of National Poverty Eradication Programme (NAPEP), a temporary Poverty Alleviation Programme (PAP) in year 2000 was put in place to cushion the effect of terrible economic hardship faced by large number of unemployed people in the country. The intent was to provide monthly stipends to 200,000 unemployed Nigerians across the country so that they could start small businesses and be self-reliant. The programme was structured to benefit three categories of people namely: - unemployed skilled person - unemployed unskilled and semi-skilled persons - unskilled and uneducated persons. The skilled unemployed people were provided with a micro-credit to enable them established any viable venture. The second category were trained for a period of 3-12 months or attached to a relevant core structure and manufacturing companies for a period of 2years to enable them acquire additional skills after which they will be provided with micro credit to enable them start a businesses of their own. The third and final category were to either acquire formal education through Universal Basic Education (UBE) or be provided with permanent menial jobs in the area of agriculture, road maintenance, tree planting etc.

#### **4.0 CONCLUSION**

Over the years there are a lot initiatives designed by various government at various level to promote entrepreneurship culture among the citizen. Some of these initiatives recorded significant success to promote entrepreneurship, also other initiatives short lived and did not achieve their objectives. Their failure could be attributed to inconsistency on the part of government policies and lack of political will to implement policies and programmes while other factor could be corruption.

#### **5.0 SUMMARY**

As matter of fact it is important for the government to continuously formulate policies and programmes that conform to reality. This will eventually enhance the adaptability of entrepreneurship among the teeming population on these country which will trickle down to reduction in unemployment rate.

#### **6.0 TUTOR MARKED ASSIGNMENT**

Highlight at least 10 government initiatives in past 10 years and discuss their success and failure in entrepreneurship development in Nigeria.

#### **7.0 REFERENCES FOR FURTHER READINGS**

Taiwo, O. Abdulahi; Lawal, Kamaldeen A.A and Okafor, Ifeoma P. (2017)  
Entrepreneurship: A Global Perspective. Uzopietro Publishing Company, Owerri, Imo State, Nigeria.

