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ENTREPRENEURSHIP

Assessment 1

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Abstract

The purpose of this report is to analyse and develop the key characteristics of entrepreneurship theories. The research will demonstrate an essential examination of the core values, abilities and beliefs of a typical entrepreneur by the use of the Elon Musk case study. The research will also include a thorough overview of the distinctions between 'profit' and 'non-profit' small-sized enterprises. The author of the report is an independent consultant.

Introduction

Thompson (2004, p. 243) defines the need for entrepreneurs in modern society: "In today's world of change and uncertainty we need the talents of entrepreneurs more than ever. We need them to start new businesses; we need them to champion the change agenda in established corporations and the public sector". The problem is to recognise potential entrepreneurs promptly, evaluate their attributes and skills, and enable them to make progress and grow. This essay critically analyses the knowledge and principles of entrepreneurship and enterprise from an entrepreneurial viewpoint. This essay offers real-life examples and applies various theoretical sources to objectively analyse the traits, characteristics, motives and strengths of entrepreneurs. It also addresses the differences between 'for-profit' and 'not-for-profit' small enterprises.

The Concepts of Enterprise and Entrepreneurship from an Entrepreneur's Perspective

Dayton (2019) describes business enterprise as "is a for-profit entity. There are different ways a business enterprise can be organized for legal and tax purposes. Whatever the structure, the common element is the for-profit aspect". This the main aim of every enterprise mission: to make a profit. A business enterprise is an activity related to the manufacture, selling or distribution of goods or services. A company may act as a sole proprietorship, a partnership, a corporation or another form of business association. A business may be managed by a single person or may relate to a small company with a few of employees. Company enterprise operates to make money to deliver goods or services to consumers (Dayton, 2019). The history of enterprises is

going back as far as 2000 BCE (BeBusinessed, 2020). With the developing of entrepreneurs activity, the enterprises related to the trade started to appear. At present there are two main types of enterprises, private and public (Economics Online, 2020). Table shown below identifies two main types of enterprises with more detailed explanation to follow.

Types of enterprises	
Private	Public
Sole trader - The sole traders are the backbone of a market system. Sole traders are popular in retail and local services, such as electricians or cab drivers. The sole trader controls the assets of the company, makes all business judgments, takes all risks and of course, keeps all profits.	Public corporations - Public corporations, like that of the British Broadcasting Corporation (BBC), are state-owned organisations. They are receiving finance in a variety of ways, involving grants provided by the government and charges for supplying their service. The Board of Governors, rather than the Board of Directors, typically governs public corporations. If their revenue is higher than their expense, they make a 'surplus' rather than a profit.
Partnerships - Partnerships are held and typically operated by a limited number of partners, each of whom may specialise in a specific area of the business. Decisions will be made together, and the risks and benefits will be shared between the partners. Not all partners share the same risks in some forms of relationship, and certain partners may have limited responsibility for debts incurred by corporations.	'Not-for-profit' organisations - In supplement to public companies, several other entities are not set up to make a profit, although they may collect income and operate on business lines. Examples of 'non-profit' organisations include Network Rail, charities such as Oxfam, universities, and government-sponsored organisations such as the Office of National Statistics.
Private Limited Companies (LTD) - At present, private limited companies are	

popular in all parts of economic activity in all sectors of the economy, from accountants and filmmakers to restaurants and garages. In a limited company, shareholders nominate directors to take important business decisions, although the directors are also shareholders. Directors shall take decisions jointly as members of the Board of Directors.	
Public Limited Companies (PLC) - Alike private limited companies, public limited companies are lawfully merged and are held by shareholders who have limited responsibility for the obligations of the company, the difference is that 'public companies are permitted to sell shares to the general public. In order to allow them to go public and to list their shares in the stock market, they must comply with strict conditions laid down in the law concerning the liquidity of the company, the release of financial statements and many trading years in the preceding years.	

Table 1: *Types of enterprises*, based on source: (Economics Online, 2020)

After reviewing the main types of enterprises, the author will take a look at the concepts of the sole trader enterprise from the point of an entrepreneur. Becoming the sole trader is one of the easiest ways for the entrepreneur to enter the world of business, especially when entrepreneur identified business idea on his or hers own (Barringer & Duane Ireland, 2016). Here are some of the benefits of being the sole trader, listed by Small Business Pro (2020):

1. Total oversight of everyday company activities.

2. The probability of making strategic executive decisions.
3. Fewer laws must be dealt with in order to equate them to a limited company.
4. There is no workers to handle and pay salaries.
5. Simple and fast start of the company.
6. Safe and confidential financial info.
7. There is no need for annual accounts: both expenses and profits may be attributed to the tax return of the sole trader.

According to Small Business Pro (2020) there are also some disadvantages of the sole trader position. The author looked at them from the position of an entrepreneur:

1. Personal responsibility for any debts incurred in the course of the company service.
2. No replacement to be named if the sole trader is sick or has an accident.
3. Difficulty in dealing with large contracts due to limited business resources.
4. The leveraging of purchasing power is not feasible due to the limited size of the company.
5. Some experience and skills relevant to the essence of the business need to be gained and paid for.

Barringer and Duane Ireland (2016, p. 4) giving this description on an entrepreneurship: “the ability to create products and services that enhance people’s lives”. The diagram below shows four steps of entrepreneurial process.

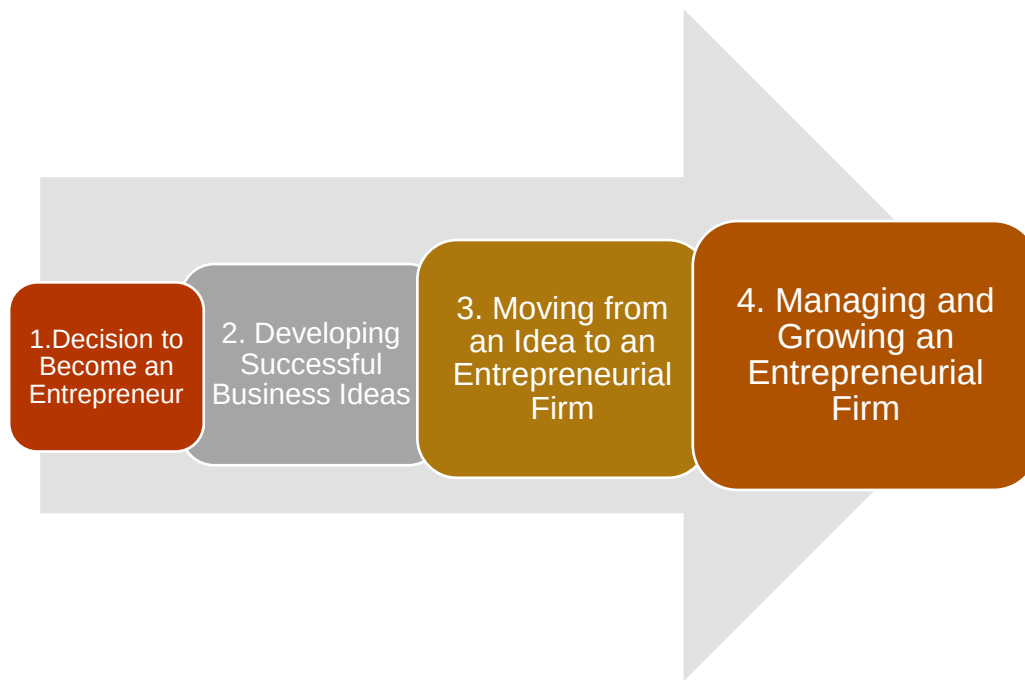


Diagram 1: Four steps of entrepreneurial process, based on source: (Barringer & Duane Ireland, 2016)

Kimmons (2019) identifies six main concepts of the entrepreneurship, they are displayed as a diagram shown below with more detailed explanation to follow.



Diagram 2: 6 Concepts of entrepreneurship, based on source: (Kimmons, 2019)

Kimmons (2019) supplies more detailed explanation of each concept mentioned above:

1. **Interest:** Interest is the first catalyst for entrepreneurial success. Since entrepreneurship pays off by success rather than by time spent on a specific effort, an entrepreneur must work in a field that interests him or her (Kimmons, 2019). Otherwise, it would not be possible to sustain a high degree of work ethic, and the entrepreneurship will most likely to fail (Kimmons, 2019).
2. **Vision:** The interest must also be translated into a vision for the future of the business. Even if the everyday market operation is of interest to an entrepreneur, this is not sufficient to succeed unless it can be transformed into a vision of increase and growth. This vision must be strong enough to express it to prospective investors (Kimmons, 2019).
3. **Knowledge:** The complete lack of relevant skills cannot be reported for by all the interest and vision. As the boss of a company, whether or not he has staff, an entrepreneur must be doing a lot in effective way. If someone wants to start a company that produces mobile games, he or she should have advanced knowledge in mobile technology, gaming or programming (Kimmons, 2019).
4. **Financial and emotional investment:** An entrepreneur should spend in his business. This investment may be fewer tangible, such as the time it invests or the expertise or prestige it carries with it but it also appears to entail a substantial investment in assets of clear value, whether they are cash, intellectual property or real estate. An entrepreneur who does not or cannot invest in his business cannot expect anyone to do so and cannot expect it to succeed (Kimmons, 2019).
5. **Organisation and delegation:** Entrepreneurs need to pay careful attention to all that is going on with their businesses, but if they want their companies to thrive, they need to learn to recruit the right people for the right jobs (Kimmons, 2019).
6. **Risks and rewards:** Entrepreneurship entails risk. Measuring this risk is equal to the amount of time and money you spend in your company. However, this risk often appears to be directly linked to the incentives involved. An entrepreneur who spends the money in a franchise gives for someone else's business plan and earns a decent salary, while an entrepreneur who embark on creative inventions risks all on the premise that something innovative is going to succeed on the market (Kimmons, 2019).

Entrepreneurship Skills, Traits, Characteristics, Attributes and Behaviour

Barringer and Duane Ireland (2016) are providing an excellent set of common traits and characteristics of entrepreneurs. It presented as a figure shown below.

A moderate risk taker	Optimistic disposition
Persuasive	A networker
Promoter	Achievement motivated
Resource assembler/leverager	Alert to opportunities
Creative	Self-confident
Self-starter	Decisive
Tenacious	Energetic
Tolerant of ambiguity	A strong work ethic
Visionary	Lengthy attention span

Figure 1: Common traits and characteristics of entrepreneurs, based on source:
(Barringer & Duane Ireland, 2016)

In the next part of this essay, the author will explain some of those traits and characteristics which will be applicable to the case study of Elon Musk.

Elon Musk Case Study

Forbes (2020) supplies some interesting facts about this gentleman:

- ✓ Elon Musk is the CEO and Chairman of company *Tesla*.
- ✓ Elon Musk is currently working to transform transportation on Earth by producing electrical vehicle make Tesla and in space through rocket producer *SpaceX*.
- ✓ Elon Musk grow up in South Africa, at the age of 17 went to Canada, later transferred to the USA to study in the University of Pennsylvania, from which he graduated as Bachelor of Arts/Science.
- ✓ His first business start-up was software company *Zip2*.

- ✓ His rocket company, *SpaceX*, is now valued nearly \$36B.
 - ✓ Musk's total real-time wealth is estimated \$92.4B (as of 12/11/2020).
 - ✓ Musk's current position in Forbes 400 is number 7.
1. **A moderate risk taker:** Elon Musk goes beyond the term 'moderate'. Elon Musk trusts in what he is doing. It has incurred monetary risk by engaging in the achievement of its objectives (Business Alligators, 2017). He promotes his corporate empire with extraordinary financial movements and embodies the wealth and impoverishment of his business. He spent around \$100m in SpaceX and \$70m in Tesla, seeing both companies battle with bankruptcy. In the end, it was a \$1.6 billion NASA deal that saved SpaceX and some \$40 million new financing that saved Tesla from going bankrupt (Calhoun, 2016). Elon Musk is never afraid to make difficult choices and does not negotiate his vision at any cost. He claims that if you like what you do, you need to make sacrifices (Business Alligators, 2017).
 2. **Achievement motivated:** Elon Musk is highly motivated and self-driven. He demonstrated a firm commitment to proceed to keep pushing forward despite all the inequalities even after three SpaceX rocket launch failure attempts (Business Alligators, 2017). Even when the Tesla Motors failed to reach the production deadline for the first Tesla Roadster, the company was close to bankruptcy and one of the directors declined to finance Elon Musk in order take up his place. But this is not what Elon Musk gave up. He found the investors, and he retaliated (Business Alligators, 2017).
 3. **Creative:** Elon Musk's creativity has given us companies like PayPal, where he has taught us how to make payments within seconds, thus fully modifying global e-commerce. PayPal was later purchased for \$1.5 billion, and Elon Musk, the company's biggest shareholder, made \$165 million (Business Alligators, 2017). He spent his money from PayPal in SpaceX. SpaceX designed spacecraft at a very low expense relative to the cost of NASA spacecraft. Tesla electric cars have also begun to draw buyers and are expected to become more cost-effective in the coming years. Solar City, Elon Musk's new venture to build solar cells and solar panels, has the capacity to be America's largest electricity provider. Elon Musk is also recognized with the creation of Zip2, the ancestor of Google Maps. His new concept of Hyperloop, according to which we can ride

a specific distance in 35 minutes, which is actually covered by a car in 6 hours, is shocking to all (Business Alligators, 2017).

4. **A strong work ethic:** Elon Musk is a hard-working innovator who has worked for around 100 hours a week and has been productive for many years (Calhoun, 2016). He can also be deemed the most hard-working employee of the organisation, setting expectations for the follow-up and execution of his colleagues (Insights Success, 2021). He does not have a lunch break of 30 minutes. Instead, it blends it with meetings and emails to improve productivity at work (Business Alligators, 2017).
5. **Optimistic disposition:** It is no doubt that Musk was, by far, a leader of inspiration for young entrepreneurs and investors because of his prolific and positive approach to life. Musk chooses to bring creativity to every level of his comprehension (Insights Success, 2021).

Profit and Not for Profit SMEs from Entrepreneurship Perspective

“Small and mid-size enterprises (SMEs) are businesses that maintain revenues, assets or a number of employees below a certain threshold. Each country has its own definition of what constitutes a small and medium-sized enterprise (SME).” (Liberto & Berry-Johnson, 2020). In the United Kingdom, HMRC defines an SME as a company with no more than 500 employees and an annual turnover not exceeding £100 million (The Company Warehouse, 2018). However, this term is not used by the rest of the UK Government. To gather data, the Department of Business defines small and medium-sized businesses as organisations with less than 250 workers. For accounting purposes, Companies House defines a small company as having less than 50 staff with a turnover of less than £6.5 million and a medium-sized business as less than 250 employees and a turnover of less than £25.9 million (The Company Warehouse, 2018). The table presented below explains the main differences between profit and not for profit SMEs from the entrepreneurship perspective.

Points of comparison	Profit SMEs	Not for Profit SMEs
1. Definition.	A legal entity that acts as a profit-making organization for the owner is known as a profit SME.	A non-profit organisation is a legal body that exists to support society as a whole.
2. Purpose.	Motive for profit.	Service Reason.
3. Type of organisation.	The sole proprietorship, partnership or company.	Club, Trust, Public Hospital, Society, etc.
4. Type of management.	The single owner, the partners or the executives.	Trustees, boards and regulatory bodies.
5. Source of income.	Sales of products and services.	Donation, membership fees, subscription.
6. Managed through.	Capital allocated by the owners of the company.	Donation, subscription, government grant.
7. Financial Statement of Service.	Income Statement, Balance Sheet and Cash Flow Statement.	Receipt & Payment A/c, Revenue & Expense A/c, Balance Sheet.
8. Profit management.	Transferred to the capital account.	Surplus shall be added to the capital fund.

Table 2: Key distinctions between profit and not for profit SMEs, based on source:
(Surbhi, 2018)

Conclusion

Usually, the conclusion is one of the hardest parts of any essay. In a few words, the author needs to summarise the whole amount of work that was done and make some conclusion or conclusions. But this time I was lucky. While I was thinking about how to finish this assignment and looking for appropriate words, the conclusion just appeared in the news around 1 hour earlier:



Figure 2: Bloomberg's Tweeter account, based on source: (Bloomberg, 2021)

I think this picture will summarise my essay very nicely indeed. Thank you all for spending time reading it.

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