

2

The mutual relationship between entrepreneurship and businesses



This chapter discusses the following facts.

- 2.1 Introduction of business and businessman
- 2.2 Needs and wants
- 2.3 Characteristics of businesses
- 2.4 Similarities of a businessman and an entrepreneur
- 2.5 Differences between a businessman and an entrepreneur
- 2.6 Types of entrepreneurs
 - Business entrepreneurs
 - Social entrepreneurs
 - Internal entrepreneurs



Activity 01

You can check your knowledge on entrepreneurship and business by answering the following checklist. Mark " ✓ " in the columns given below as "agree" "do not agree" or " not sure".

Serial No.	Statement	Agree	Do not agree	Not sure
1	There is a risk in involving in business activities.			
2	Employees in organisations too can carry out their activities as entrepreneurs.			
3	Human needs are fulfilled through innovations created by entrepreneurs.			
4	Human needs are fulfilled by the consumption of goods and services.			
5	Business people can also be considered as entrepreneurs.			
6	Business activities are carried out with a profit motive.			
7	A feature of business is transactions.			
8	We can do business activities even without a profit motive.			
9	Function of a business is to sell goods and services produced by entrepreneurs.			
10	Businesses do not provide services free of charge.			

Check whether your answers are correct or incorrect after studying this chapter.

2.1 Introduction of business and businessman

It is not necessary to explain about businesses. That is because we deal with businesses all the time. Think of goods and services we consume to fulfill our day to day needs and wants in the following contexts.

Example :-

- Wash yourself in the morning
- Have a cup of tea
- Prepare daily meals
- Watch television
- Get ready to go to school or to work

We need to consume a variety of goods and services for the above activities. Think about the complexity of processes from producing goods and services by different institutions and people to fulfil human needs. All the production and distribution of goods and services are done by businesses. Now we can identify what businesses are.

Business refers to all the activities related to production and distribution of goods and services to fulfil human needs and wants. The people who carry out these activities are called businessmen.

2.2 Needs and Wants

The basic things which are essential in order to live are known as needs. The various ways by which the needs are fulfilled are called wants. Each want is created on a need. Accordingly, needs are fulfilled by satisfying wants.

Differences between needs and wants

Needs	Wants
Basically required	Arise after the needs.
Limited	There are lots of wants to fulfill one particular need.
Common to all	Vary according to the personality of each person.
Occur with birth	Entrepreneurs and businessmen create wants according to the requirements of people.

You need to understand the goods and services related to the needs and wants which you have already learnt. Anything which fulfills human needs and wants is called goods and services.

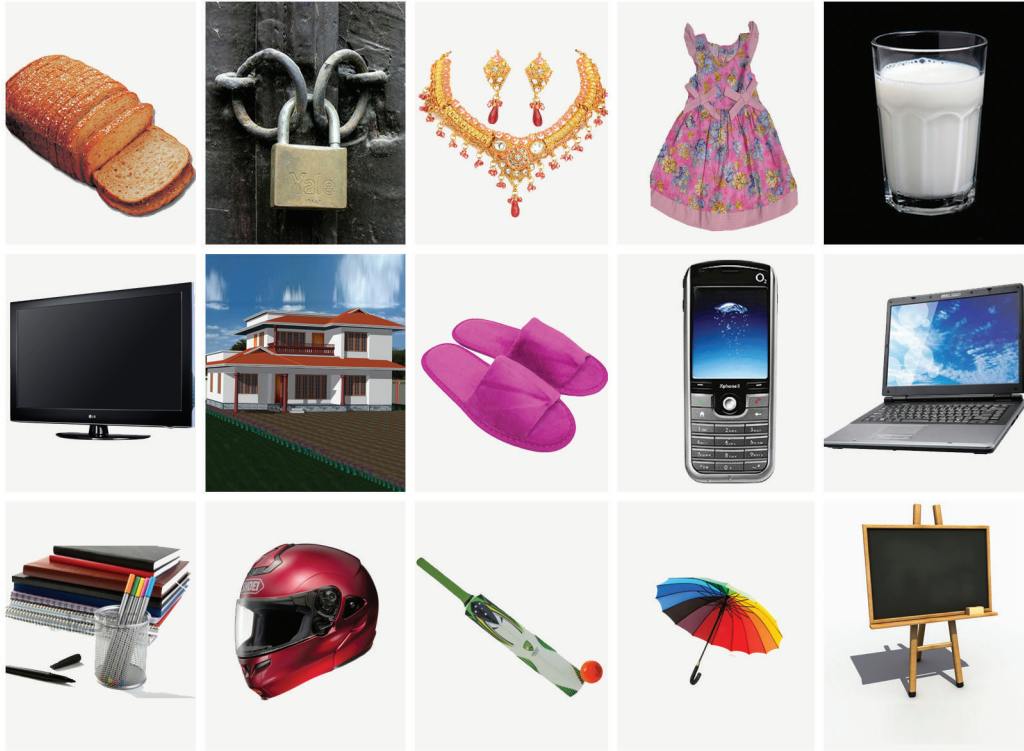
Identify some specific characteristics of goods and services by studying the following table.

Goods	Services
Tangible and exist physically	Intangible and do not exist physically.
Storable	Non-storable
Can preserve the homogeneity.	Cannot preserve homogeneity. Differ according to the supplier and the context.
Consumer is not essential for the production process.	Most of the time, consumer is a part of the production process.
Can separate from the supplier	Cannot separate from the supplier.



Activity 02

Observe the following pictures.



Complete the following table using the above pictures. An example is given to you.

Need	Items which can fulfil the need.(some needs can be fulfilled even by one item.)
1 Food	a loaf of bread, a glass of milk
2 House
3 Dress
4 Security
5 Education
6 Leisure
7 Communication

2.3 Characteristics of business

Let us examine some features of businesses to improve your knowledge on businesses.

Characteristics		Explanation
Carry out the transactions using resources	➔	Every business involves in the activity of production or purchase and sale of goods and services.
Continuous transactions	➔	Transactions in a business never end with one or few but continue.
There is an objective	➔	There are businesses with profit motive and non profit motive as well.
There is a risk	➔	There may be a profit as well as a loss in business activities. Businesses will have to face these uncertainties.
Transactions are based on price	➔	The value is expressed in terms of price when buying and selling of goods.
An economic activity	➔	This is considered as an economic activity because limited resources are used for the production of goods and services, and transactions are carried out based on price.

2.4 Similarities of a businessman and an entrepreneur

Business activities are carried out by both businessmen and entrepreneurs. Following similarities exist between them.



Figure 2.1

- * Carry out an economic activity
- * Face a risk
- * Carryout transactions
- * Use resources
- * Make decisions on production, purchasing and selling of goods and services
- * Face competition.
- * Think of survival
- * Self motivation



Figure 2.2

2.5 Differences between a businessman and an entrepreneur

All businessmen are not entrepreneurs. Likewise all entrepreneurs are not businessmen. Study the following venn diagram.

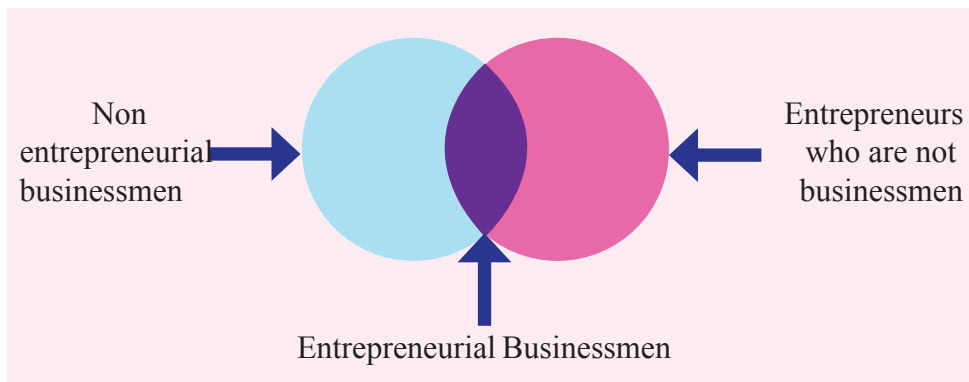


Figure 2.3

How an entrepreneur and a businessman differ from each other is presented below. Try to understand the different characteristics clearly.

Businessman	Entrepreneur
<p>Carries out business activities in a traditional and conventional method.</p> <p><i>Example :-</i> Most of the traditional retail shops</p>	<p>Carries out business activities based on new products and considering the realities and changes in the environment.</p> <p><i>Example :-</i> Super markets</p>
<p>Doesn't like to face or take risks.</p> <p><i>Example :-</i> Doesn't like to extend the business</p>	<p>Accepts risks which can be bearable after a careful calculation of risks.</p> <p><i>Example :-</i> Extends the business through new investments, enters new markets</p>
<p>Doesn't like to face competition.</p> <p><i>Example :-</i> Doesn't like opening new business by other people Scared of imported items</p>	<p>Seeks for competition.</p> <p><i>Example :-</i> Takes competition as a challenge</p>
<p>Doesn't take maximum advantage from existing resources.</p> <p><i>Example :-</i> Minimum use of buildings, motor vehicles, tools and equipments and raw materials</p>	<p>Takes maximum use of the existing resources, as per required.</p> <p><i>Example :-</i> Maximum use of available resources Creates by-products from waste</p>

<p>Tries to solve problems in a conventional way.</p> <p><i>Example :-</i> Sells goods when customers come Sells only the goods and services which are available at the moment</p>	<p>Solves problems creatively.</p> <p><i>Example :-</i> Finds customers and sells goods at their doorstep. Produces goods and services suitable for the hidden requirements of customers</p>
<p>Setting short term objectives.</p> <p><i>Example :-</i> Tries to sell goods some way or the other to earn a quick profit</p>	<p>Setting long term and visionary objectives.</p> <p><i>Example :-</i> Long term survival in the market tries to bring the customers back to the business</p>
<p>Be Satisfied by keeping the business in the same way.</p> <p><i>Example :-</i> Pavement business Traditional retail business</p>	<p>Extends the business day by day, is not satisfied of the present position.</p> <p><i>Example :-</i> Looks for new markets and becomes an exporter</p>

As a whole, according to the information given above, entrepreneurs have more ability than a businessman or a trader to become more successful.

2.6 Types of entrepreneurs

We can identify three types of entrepreneurs.

Business Entrepreneurs

These are the traders or businessmen who involve in business activities with the motives of earning profits.

Example :-
Retail trading businessman

Social Entrepreneurs

Social entrepreneurs are those who submit or show creative solutions for social problems.

Today, the society faces a lot of problems. Spread of epidemic diseases, problems of nutrition, problems of illiteracy, use of drugs, and poverty are some of them. People who endeavour to solve these problems creatively are known as social entrepreneurs.

Example :-

Grameen loan system
Introduction of activities related to eradication of epidemic diseases.

Social entrepreneurs attempt to transform the society by proposing various solutions to these social issues. These can be seen implemented provincially, nationally and internationally. There are number of world famous entrepreneurs.

Example :-

Mahatma Gandhi, Marie Curie, Prof. Mohomad Yoonus.

Nationally, we have a number of popular social entrepreneurs.

Example :-

Dr. C.W.W. Kannangara

Internal (institutional) Entrepreneurs

A recent attention has been focused on the type of people called internal entrepreneurs. These entrepreneurs can be seen among the existing employees in the business.

Internal entrepreneurs are those who hold top level jobs within the business with entrepreneurial skills. These people make changes on their own as examples to others.

Example :-

Heads of government institutions who have won awards for quality.
Principals of schools who have won awards for productivity.



Activity 03

State some of your needs and various ways by which you fulfil those needs.

Needs	Goods/ Services you use	The way it is fulfilled



Activity 04

What type of an entrepreneur would you like to become in the future? Explain with reasons.

1. Business entrepreneur
2. Social entrepreneur
3. Internal entrepreneur



Activity 05

List out the businesses with businesses and entrepreneurial characteristics in your environment.

Let us write answers.



01. Define needs and wants.
02. How do goods differ from services?
03. Write 03 differences between needs and wants.
04. Write 05 characteristics of businesses.
05. Compare and contrast a businessman and an entrepreneur.
06. Name 03 types of entrepreneurs and give two examples for each type.