

# Reading 1

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## *What Is an Entrepreneur?*

Entrepreneurs recognize human wants and achieve personal satisfaction by discovering ways to fill those wants in both for-profit and not-for-profit organizations. In this lesson you will learn about entrepreneurs and entrepreneurship.

**T**hink of the people you know who have graduated from high school over the past several years. Some probably went to college. Others took jobs. A few perhaps haven't done much at all. Why did these individuals make different choices? How will their choices affect their futures? A more important question for you is, what will you do after you graduate from high school?

Some day you may decide to start your own business. About one out of every eight Americans during his or her lifetime decides to start a business. Most new businesses fail during the first year. The failure of such businesses can result from many different factors. For example, some people who start new businesses have good ideas but lack the skills, ability to plan, or knowledge of our economic system to be successful. On the other hand, those new business owners who succeed can earn significant rewards for themselves and in so doing contribute to our economy and to the society as a whole.

Not all business owners are entrepreneurs, nor do all entrepreneurs own their own businesses. It is possible to be an entrepreneur, or act in an entrepreneurial manner, without owning a business. What makes a person an **entrepreneur**? This is not an easy question to answer. Below is a list of words or terms used in six different books to describe entrepreneurs. Read through the list and try to form a picture of an entrepreneur in your mind.

risk taker	shrewd	gatherer of ideas
realist	planner	conscientious
organized	delegator	self-confident
flexible	achiever	enthusiastic
persuasive	adventurous	good listener
ruthless	ambitious	high-energy level
persistent	responsible	goal setter
independent	adaptable	good leader
foresighted	cooperative	

Can anyone be all of these things? Don't some of these characteristics contradict one another? For example, can a person be "ruthless" and "cooperative" at the same time? Lists of characteristics or traits of entrepreneurs, such as this, tend to be incomplete and contradictory. Basically, however, **entrepreneurship** is characterized by an awareness of economic conditions that affect people, a willingness to accept risks, and the ability to take advantage of existing conditions.

It has been said that successful entrepreneurs are planners, decision makers, builders, or workers. Successful entrepreneurs recognize wants that people have and respond in creative or innovative ways. People who are **innovative** are able to take advantage of opportunities or can solve problems by introducing new ideas or methods. In deciding how to respond to wants (or problems), successful entrepreneurs evaluate alternatives and make choices that are intended to **maximize** returns and minimize costs.

There is no such thing as a "born" entrepreneur. Successful entrepreneurs purposefully develop special skills and abilities that allow them to reach their goals. These skills and abilities include learning to be resourceful and innovative and finding new ways to take advantage of opportunities or to solve problems. They also include acquiring knowledge about our economy and the role of individual businesses in the economy, understanding the role of government in the economy and the effects of government regulations on **business firms**, or companies, and acquiring the knowledge and abilities needed to make informed marketing, production, and labor decisions.

It is obvious that the knowledge and skills that contribute to an entrepreneur's success cannot be acquired overnight. Entrepreneurs must prepare for success. They can do this by investing in their human capital. Both **human capital** and **labor** refer to the productive capacity of human beings. Human capital refers to those productive skills that have been acquired through investment in training, education, or other means by which people systematically acquire and add to their productive skills. For example, a salesperson at a shoe store must understand the quality of the prod-

uct offered for sale and be able to communicate this knowledge clearly and politely to customers. The ability to master these skills can be acquired by training and practice, that is, by investment in human capital. Like the salesperson, a successful entrepreneur acquires additional knowledge and skills through investment in his or her human capital.

Profit is sometimes used as a measure of the success of an entrepreneurial enterprise. **Profit** is the increase in value between the cost of producing something and the revenue received. An entrepreneur, however, may operate or work for an organization that never plans to earn a profit. In every community, not-for-profit organizations exist to serve the public. Examples of these include churches, volunteer fire companies, charities, and school booster groups. The skills and abilities that make people successful entrepreneurs in a business that earns a profit are also important in a not-for-profit organization. These are the ability to recognize human wants or problems and to respond to them in creative ways.

The lessons in this book, along with the classroom activities provided in this course, will help you evaluate your own potential as an entrepreneur, explain steps you can take to develop basic entrepreneurial skills, and demonstrate the importance of economic understanding to successful entrepreneurship. When you finish this course, you may not be ready to start your own business, but you will have a much better idea of the factors to consider before making such a decision.

### **CHECK YOUR UNDERSTANDING**

Consider each of the following questions. If you are not sure of an answer, review the reading to find the information you need before moving on to the next question.

1. What are several reasons that cause most new businesses to fail in their first year?
2. Joe is an executive in a business firm that earns a profit. What else do we need to know about Joe before we can say he is an entrepreneur?
3. What skills and abilities do you think are most important for becoming a successful entrepreneur?

4. Why are entrepreneurial skills important in not-for-profit organizations?

### **SOMETHING FOR YOU TO THINK ABOUT**

Study Illustration 1a. This cartoon is a caricature of an entrepreneur. Of course, it is not intended to be taken too seriously, but how much truth is there in it? How different is a successful entrepreneur from other people? Some of the symbols the artist used to depict characteristics of a successful entrepreneur include:

- a twenty-five-hour watch so that there is time to get everything done
- a long neck suitable for sticking out to take risks
- lots of money to finance a business
- a flag for leading others
- time-warp glasses for seeing into the future
- large ears for listening to customers
- a law book for keeping up with government regulations
- a long nose for putting in competitors' businesses
- a hard hat for protection from falling prices
- spring shoes for staying one jump ahead of the competition
- a large mouth for persuading customers

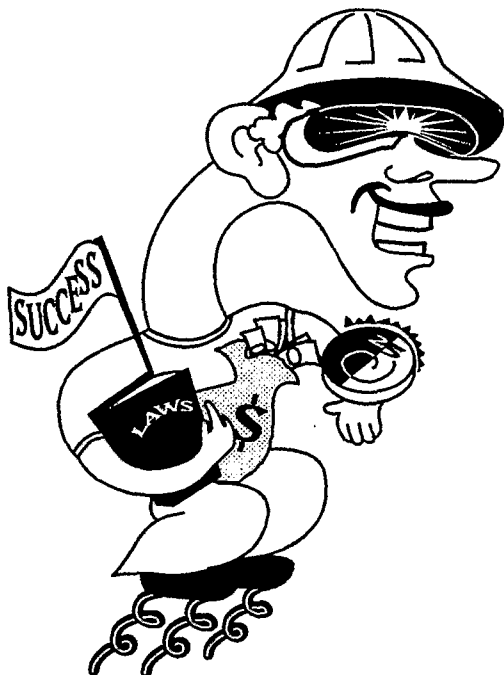


Illustration 1a

### **PUTTING IT ALL TOGETHER**

The following exercise is intended to help you compare your personal characteristics to those held by many entrepreneurs. It will not tell you if you are ready to become an entrepreneur now. Being a successful entrepreneur usually requires years of preparation.

Write the numbers 1-10 on a sheet of paper. Next to each number, answer the question by writing *always*, *sometimes*, or *never*.

1. Do you prefer to make your own decisions rather than let someone else make them for you?
2. Are you willing to take a risk with your own money if you believe you have a good idea?
3. In school, are you more interested in understanding how something works than in getting the best grade possible?
4. When you were young, did you try to lead other children in play rather than follow another child?
5. If you have a task you want to finish, do you stay up late rather than put it off until tomorrow?
6. If you have more than one thing to do, do you start to think about the next job before you finish what you are doing now?
7. If you believe you are right, will you fight for your own way even if it gets you in trouble?
8. Do you become bored if you have to do the same task many times?
9. When you were younger, did you keep track of your own things and know where they were?
10. If something you try does not work, do you try again rather than just give up?

Give yourself three points for each *always*, two for each *sometimes*, and one for each *never*. The higher your total score, the more characteristics you have in common with entrepreneurs.

## **EXTENSION ACTIVITIES**

1. Make a collage of pictures showing people engaged in entrepreneurial behavior. Each picture should be labeled with the attribute being demonstrated.
2. Write a letter to an imaginary twenty-year-old friend who has expressed an interest in starting a pizza restaurant in your neighborhood. The letter should advise the friend of the entrepreneurial skills needed to make the business a success.
3. Read a biography or autobiography of a successful entrepreneur and prepare a written or oral report in which you discuss the special skills and talents this person used to become successful.