

Why do people want to set up their own business?

- **Personal ambition / satisfaction** → always wanted to do it → building your own business may help individuals reach higher goals in life → challenge → opportunity
- **Interest** → may be passionate about the product or service they provide
- **To keep a family business running** → taken over from family member
- **Reward for own efforts** → to make profits → earn income
- **Can exploit an opportunity/identify a gap in the market to increase wealth**
- **Provide a service to local community/ social enterprise**
- **Use skills** → learnt in previous job / experience / interests / hobbies → knows own strengths/weaknesses
- **Be own boss / to be in control** → this will give greater flexibility than employment → to be able to make own decisions
- **No work available** → to get a job → may be no similar business locally → high unemployment in area
- **Use qualifications** → gained in school / college or in previous job
- **Encouragement by external/government agencies to set up own business** → support and advice offered by agencies → e.g. GO Wales, Careers Wales, Prince's Trust
- **To use redundancy pay to take advantage of the opportunity to set up a business**
- **Easy to set up** → no qualifications needed → no formal documentation → may need limited finance → site available

Business Enterprise

Definition: The formation of a new business or development of a new good or service to be introduced to the market.

Business Enterprise

Entrepreneur

Definition: A person who sets up a business by taking on the financial risks in the hope of making a profit.

They are responsible for bringing together the other factors of production, land, labour and capital, to create a business.

This involves:

- Initiative → Taking action
- Innovation → Idea for a new good or service
- Identifying opportunities → Spotting a gap in the market
- Organising resources → Planning and using a range of resources e.g. raising finance, employing staff, buying materials



Functions of an Entrepreneur:

- They set up a business / they are the business owners / they run (manage) the business → survival / success depends on their efforts
- They have the idea / show the initiative / innovation
- They take the risks / face the uncertainties / suffer the consequences of failure → of e.g. not selling / low demand → particularly with unlimited liability
- Qualities / characteristics of an entrepreneur → determined / organised
- They invest / put money into the business
- They earn the profits / earn an income → to fund their lifestyle → to further invest



The Motives of Entrepreneurs

Financial

- Generate a profit
- Provide employment for self
- Financial security for self and family

Non-financial

- Self satisfaction/challenge
- Be own boss
- Fill a gap in the market
- Create employment for others

Social/community

- Social enterprises are those whose prime objective is to do good in society rather than to make a profit
- Surplus revenue is used to support a specific cause e.g. a children's charity or community group

REWARDS of being an Entrepreneur

The potential personal and financial gains of being an entrepreneur

Be their own boss
Flexible working hours
Pursue an interest
Good customer feedback
Earn more money (profit)
Dissatisfaction with current job
Greater work life balance
Self- esteem from building something new
Self- satisfaction
Provide employment for self and others

RISKS of being an Entrepreneur

The potential personal and financial losses facing an entrepreneur

Financial loss of income and money invested
Low sales
Unexpected costs e.g. rise in rent
Unexpected events e.g. new competitor
Potentially long hours and stress
Loss of security
Pressure on friends and family
Damage to reputation if fail
May lose home etc.