



ANIMAL HEALTH CARE SERVICE

Level -I

Learning Guide #65

Unit of Competence: Develop Understanding of Entrepreneurship

Module Title: Developing Understanding of Entrepreneurship

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LO1 - Discuss How to Become an Entrepreneur

This learning guide is developed to equip you with the necessary information regarding the following content coverage and topics –

- Assessing own potential to be future entrepreneur
- Basic competencies of successful entrepreneurship
- Entrepreneurial characteristics/traits/
- Knowing risk assessment and their management
- Meaning of self employment
- Self employment versus paid employment

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to –

- Assess own potential to be future entrepreneur
 - Basic competencies of successful entrepreneurship
 - Entrepreneurial characteristics/traits/
 - Know risk assessment and their management
 - Meaning of self employment
- Self employment versus paid employment

Learning Activities

1. Read the specific objectives of this Learning Guide.
2. Read the information written in the “Information Sheets-
3. Accomplish the “Self-check”
4. If you earned a satisfactory evaluation proceed to “Information Sheet”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity .

1. Discuss How to become an Entrepreneur

2.1 Assessing own potential to be future

Today, people are becoming entrepreneurs at an alarming rate. The fact that the number of today's entrepreneurs when compared to the figure before ten years is almost quadruple tells too much about the increasing number of entrepreneurs. These days, many people share a dream of becoming entrepreneurs. This shows, there are a lot of factors that push ordinary people to become entrepreneurs. This ranges from the tangible and psychological benefit of putting themselves in the world of entrepreneurship. In brief these factors are:

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- *Opportunity*: Chance to be part of a new environment or to be exposed to a new environment and Chance to share the dream of many people
 - *Profit*: Fast road to richness
 - *Independence*: Not working for others. Some people have a phobia of being a servant of others.
 - *Challenge*: To take a risk. People like to take risks to test themselves and to get the happiness after surpassing those risks.

a. Benefits and Drawbacks of being an Entrepreneur

Truly speaking, when most entrepreneurs start operating entrepreneurship, they more presumably start from a scratch. That means at the first glance of living in the world of entrepreneurship, they will only be the owners of small business. Of course, this may be an exception when businesses are inherited from rich parents. But the true adventure of entrepreneurship is observed when businesses start from a scratch or small businesses. That is why we will discuss the general benefits and drawbacks of entrepreneurship from the stand point of small entrepreneurs.

i. Benefit and Opportunity

Pull factor

- *Opportunity to gain control over your own destiny*: owning a business gives the entrepreneur the independence and the opportunity to achieve what is personally important.

- *Opportunity to reach your full potential:* small business is an instrument for self-expression and self-actualization. Many entrepreneurs don't enjoy working for someone else. Nobody limits you because you are independent and there is likely that you have challenging job.
- *Opportunity to reap unlimited profit:* although money is not the primary force driving most entrepreneurs, their ability to keep the money their business earns certainly is a critical factor in their decision to create companies.
- *Opportunity to contribute to the society:* small business owner enjoy the recognition they received from customers whom they have served faithfully over the years.
- *Opportunity to turn previous work experience into business for self and family.*

Push factor

- ✓ Redundancy (unable to recycle a job)
- ✓ Job insecurity or unemployment
- ✓ Disagreement with previous employer

2.1.3 Potential draw backs of being an entrepreneur

- *Uncertainty of income:* the entrepreneur of small business cannot be 100% sure about the level of revenue that he will earn because there could be more powerful competitors
- *Risk of losing entire capital:* Small businesses fail more than any other business type. If they completely fail, their owner loses his entire capital.
- *Psychological and Social Tensions:* When you run a small business, you question yourself whether it will be successful or not i.e. torturing your psychology. On the other hand, there could be some social out castings. Others may neglect you and even laugh at you when you start your own business because they may feel that you want to be special from them and this results in some social tensions
- *Long hours and hard work:* - opening small business needs a devotion of your entire time. You may work for more than 60 hours per a week.
- *Lower quality of life until the business get established:* Your frequent food and drink can be "shiro" and "water" till your financial power gets more enhanced.
- *Complete responsibility on those issues which you don't have a complete knowledge.*
- *Tremendous competition:* stiff competition from established businesses can be faced by small business entrepreneurs

2.1.4 Self-potential is assessed to determine if qualified to become future entrepreneur

There are certain characteristics that people should possess or have the potential to develop if they wish to be entrepreneurial. As a group, when measured on various personal characteristics and skills,

a number of traits emerge (such as risk-taking ability and leadership) where entrepreneurs differ from non-entrepreneurs. On completing this topic, learners will be able to identify many of the personal characteristics that contribute to starting and operating successfully their own business.

In considering self-employment or setting up a business, as a career option, the learners should be aware of what it takes to become a successful entrepreneur. In order to assess self-potential to determine if qualified to become future entrepreneur: Personal Background, Behavior Patterns and Lifestyle need to be considered.

2.2 Basic competencies of successful entrepreneurship

There are three major competencies for successful entrepreneurship. These may be defined as:

A. **Knowledge:** has been defined as a set or body of information stored, which may be recalled at an appropriate time. Knowledge in the context of business may be manifested by information on, or familiarity with aspects such as:

- a business opportunity
- the market
- customers
- Competitors
- production processes
- technical matters
- business management
- sources of assistance

Knowledge of business or entrepreneurship, however, is not enough for success in setting up and operating a business – in the same way as, for example, reading or learning about flying, driving or swimming will not on its own enable you to fly a plane, drive a car or swim in a pool.

Technical	Managerial
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B. Skill: defined as to apply and can be developed practice, driving or In the business, it to

Engineering	Marketing (including selling)
Computing	Financial management
Carpentry	Organization
Mechanics	Planning
Catering	Leadership

has been the ability knowledge acquired or through e.g. flying, swimming. context of is possible distinguish

between skills of a technical and managerial nature. Some examples are listed below:

Knowledge and skills are relatively easy to acquire or develop. However, traits take time to develop and are not easily changed or acquired.

C. Traits: have been defined as the aggregate of peculiar qualities or characteristics which constitutes personal individuality

2.3 Entrepreneurial Characteristics/ Traits/

The characteristics, nature, feature or qualities of entrepreneur as an individual are essential to contribute to the success of an enterprise. The characteristic of successful entrepreneur as an individual with technical competence, risk taking, high initiative, good judgment, intelligence to analyse and solve problem areas, leadership qualities, confidence, positive attitude high level of energy, creativeness, honesty integrity, emotional stability and fairness.

An entrepreneur should have the firsthand knowledge of the product, process and end users to bring inventive ability and sound judgment of the planned project. Flexibility, good social behaviour, open mind and the desire to take personal responsibilities will fit in the qualities of a true entrepreneur. Let

us have a look at some of the characteristics and traits that tried to give answer to our big question: who are entrepreneurs?

2.3.1 Entrepreneurial Characteristics

- *Self-directed (self-disciplined):* Entrepreneurs have independent mind, i.e. mind that is not derived and manipulated by others. Their mind is not pushed by anyone's.
- *Self-nurturing:* Entrepreneurs believe in their ideas even if no one else does
- *Action oriented:* Entrepreneurs have a burning desire of building their dreams in to reality. They understand that business ideas are not enough by themselves unless they are implemented
- *Action oriented:* Entrepreneurs are emotionally, mentally and physically able to work long and hard.
- *Tolerant of Uncertainty:* Entrepreneurs have the ability of taking risk and facing uncertainty
- ✓ *Strong mental ability, intelligent, creative and analytical*
- ✓ *Clear Objectives (Entrepreneurs chase clear purposes)*
- ✓ *Business Secrecy (Ability to guard trade secrets)*
- ✓ *Human relation ability (Entrepreneurs display polished behavior while dealing with customers, employees, suppliers, government etc.)*
- ✓ *Communication Skill (Entrepreneurs are excellent communicators)*
- ✓ *Technical knowledge (Entrepreneurs have sound knowledge about production process and techniques)*
- *High need for achievement:* Every human being possesses three basic needs. These are need for power, need for affiliation and need for achievement and only one is dominant. For entrepreneurs need for achievement is dominant. Entrepreneurs need to be successful in all assignments.
- *High Self determination (Internal locus of control):* Entrepreneurs are quite confident in their ability to perform and succeed which gives rise to external locus of control, i.e. blaming others for failure and take credit for success.
- *Desire for Self independence:* Entrepreneurs act according to their personal vision, analysis and decision-making. They don't want to work under other's influence.
- *Innovative and Action oriented:* Entrepreneurs are always ready (impulsive) to implement their ideas
- *High tolerance for ambiguity:* Entrepreneurs can work under dynamic and uncertain environment
- *Moderate risk takers:* Entrepreneurs are not gamblers (not high risk takers)

2.3.2 Entrepreneurial Traits

Several research studies have been carried out to identify the traits of a true entrepreneur. A distillation from fifty-research studies reveals the following entrepreneurial traits.

- ✓ Capacity to take risk
- ✓ Capacity to work hard
- ✓ Willingness to defer consumption
- ✓ Mobility and drive
- ✓ Creative thinking
- ✓ High degree of ambition
- ✓ Will to conquer and impulse to fight

2.4 Risk assessment and their management

2.4.1 Assessing Risk Situations

The entrepreneur's assessment of the situation is very different from that of both the above types of people, although the entrepreneur shares certain characteristics with them. The essential difference is that entrepreneurs will systematically and thoroughly. In business, as in life, there is clearly no way of avoiding risk-taking. When you take risks, you discover your own abilities and you will become better able to control your own future. You will become more self-assured. You will have a more positive outlook towards risk-taking because you will have faith in your own abilities. You will accept risks as challenges that require your best efforts to achieve goals.

➤ Risk Management

'Risk management' consists of a systematic process of assessing and then dealing with risk. This is described in more detail in the following diagram. The process entails consideration of the context, followed by identification, analysis, evaluation, and treatment of risks. It is an iterative process that also involves monitoring and review, and can usefully encompass a dialogue with stakeholders along the way.

Risk management provides structured systems for identifying and analysing potential risks, and devising and implementing responses appropriate to their impact. The responses generally draw on strategies of risk prevention, risk transfer, impact mitigation or risk acceptance. Within a single activity or proposal, a mix of each of these strategies may have application for different individual risks.

2.5 Meaning of self employment

2.5.1 Understanding self employment

Self-employment is an activity where individuals create their own employment opportunities by creating a business.

Reasons for Wage Employment or Going into Business

- A. Economic – to earn more money
- B. Psychological – to feel useful and needed
- C. Social – to be with people
- D. Critical incidents – Shocks
- E. Practical reasons – Rational
- F. Personal reasons – Emotional

Reasons for Wage Employment or Going into Business

To accommodate:

1. **CRITICAL INCIDENT (Economic, Psychological, Sociological)**

- Inheriting family wealth.
- Being fired/sacked/made redundant/retired.
- Transferred to different job or location.
- Challenged by people you know/emulating others.
- Unhappy with your boss or colleagues.
- No job opportunity after leaving school or vocational training.

2. **PRACTICAL REASONS (Economic, Psychological, Sociological)**

- To make a living and/or get rich.
- To prepare for retirement. That is, “something to do” in retirement, or to Provide additional income, or both.
- For supplemental income and equity building, such as in real estate.

- To use as a tax shelter or business write-off.
- To have something to occupy spare time. (To relieve boredom).
- To create a common cause for the whole family, thereby building to

3. **ABSTRACT PERSONAL REASONS (Economic, Psychological, Sociological)**

Some of the abstract, personal reasons include:

- For emotional rewards, a realization of self-worth, self-image, seeing your
Creativity develops and expands.
- To escape working for someone else.
- To have flexible working hours – the freedom to do what you please, when
You please.
- To stop having to take orders.

2.2 **Advantages and Constraints of Self-Employment**

1. **ADVANTAGES OF WORKING FOR YOURSELF**

Those who choose self-employment as a career usually do so for five basic reasons: Personal satisfaction, independence, profits, job security and status.

a. Personal satisfaction:

- To some people, the chief reward of working for your self is personal satisfaction. Personal satisfaction means doing what you want with your life. Being self-employed will enable you to spend each work day in a job you enjoy
- You may receive satisfaction from aiding the community in which you live.
- Self-employed persons supply goods and services and create jobs for others.
- They also buy goods and services from other local enterprises, borrow money from local banks, and pay taxes.

b. Independence: Another advantage of being a self-employed person is independence.

Independence is freedom from control of others. You are able to use your knowledge, skills and abilities as you see fit. When you are self-employed you are driven by spirit of self-reliance and individual survival. Compared to those who work for others, self-employed persons have more freedom of action. They are in charge and can make decisions without first having to get the approval of someone else.

c. Profit and income: One of the major rewards expected when starting a new business

is profit. Profit is the amount of income left after all expenses have been paid. Profits go to the owner of a business. Being self-employed, you would be able to control your income. Very often, increased time and effort put into the enterprise results in increased income.

d.Job security: Many enterprises are created by persons who are seeking the kind of job that is not available elsewhere. Job security is the assurance of continued employment and income. Self-employed persons cannot be laid off, fired, or forced to retire at a certain age.

e.Status: Status is a term used to describe a person's social rank or position. Self-employed persons receive attention and recognition through customer contact and public exposure. As a result, they may enjoy status above that of many other types of workers.

f Flexibility: Individuals who become self-employed have options to start enterprises in all categories and sizes depending on their capabilities. Self-employment also gives the individual the job of being an employer and a leader rather than an employee and a follower.

2.6 Self employment versus paid employment

When you start your own business, it is important to consider the difference between the self-employed status and the employee status. The most important differences are set out below.

Risks and freedom A self-employed person works autonomously and enjoys a great deal of freedom. You decide what you do and when you work. But you also carry all the risks. An employee is under contract and exercises his activities in the name of and on behalf of an employer. He works according to the schedule specified in his contract and bears no personal risk.

Costs and expenses As a self-employed person, you have to pay your costs and expenses yourself. You are also responsible for the advance payments of your taxes. On the other hand, your professional expenses are tax deductible. The purchase of a car, rent for an office space, a computer, the social security contributions paid, et cetera., can be deducted as professional expenses. A self-employed person pays social security contributions and taxes on his net taxable income, or in other words, the income after the expenses have been deducted. Costs and expenses are mainly borne by the employer. Your employer also takes care of your advance tax payments, so as an employee, you only receive your net wages. This makes the amount you pay to the government as an income tax less conspicuous. An employee can deduct almost no professional costs.

Social contributions As a self-employed person, you have to become affiliated to a social insurance fund and you are responsible for the payment of your social

security (21% of your net taxable income) and thus for building up your social security rights. As an employee, your social status is taken care of for you. Every month, your employer deducts the personal social security contributions (13.07 % of your gross salary) from your wage and transfers this to the National Social Security Office (NSSO). Apart from that, your employer also pays an employers' contribution on your wage (about 35 %).

Child benefit The child benefit for a first child is EUR 92.09. Furthermore, you receive an extra age allowance for the first child. The child benefit system is the same for an employee and a self-employed person.

Maternity leave As a self-employed person, you are entitled to a maximum of 12 weeks' maternity leave (13 weeks for a multiple birth). You receive an allowance of EUR 467,47 per week from your recognised health insurance fund. You can also apply for 105 free service vouchers for assistance with cleaning, for instance. An employee is entitled to 15 weeks' maternity leave for the birth of her child and she receives 82 % of her gross salary the first month after the birth and 75 % of a limited wage as of the second month.

Pension A self-employed person's pension is calculated in the same way as an employee's pension: based on the paid social security contributions and the number of years worked. As a self-employed person, you pay less in social security contributions, so in most cases your pension will be lower than that of an employee. However, aside from the regular pension saving schemes, you can take out a pension saving insurance that is advantageous in terms of taxation, a Voluntary Supplementary Pension for the Self-Employed. An employee pays more social contributions than a self-employed person. Consequently, an employee usually receives a higher pension than a self-employed person.

Illness or accident In case of illness or an accident, a self-employed person does not receive a benefit during the first month. As of the second month of incapacity for work, he receives a flat-rate daily allowance of between EUR 35,16 and EUR 57,29 (depending on the family situation). There is no accident insurance for the self-employed. You can insure your income during a period of incapacity for work by taking out Guaranteed Income insurance. As an employee, you receive a guaranteed income from your employer as of the first day that you are unable to work due to illness or an accident. As of the 31st day, you receive an allowance equal to 60 % of a limited wage from your recognized health insurance fund. In the event of an industrial accident or an occupational illness, an employee receives an allowance through his employer's insurance company for occupational accidents, or through the Fund for Occupational Illnesses.

Unemployment and holidays A self-employed person has no right to paid leave or an unemployment benefit. In the event of bankruptcy, self-employed people can call in a bankruptcy insurance policy. If you go bankrupt, you can receive a bankruptcy allowance for a maximum of 12 months.

Self-Check	Written Test
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Name: _____

Date: _____

Directions: Answer all the questions listed below.

1. List three entrepreneurial characteristics.
2. What are the three major competencies for successful entrepreneurship?

Note: Satisfactory rating – 10 points Unsatisfactory - below 10 points

You can ask you teacher for the copy of the correct answers.