

Unit 6: Entrepreneurship

Subunit 6.1: Type of entrepreneurial institutions

Learning goals

- Understand the different forms of entrepreneurial entities.
- Differentiate between various types of business structures.
- Grasp the concept of corporate responsibility in the context of the circular economy.

Definition

“**Entrepreneurship** is when you act upon opportunities and ideas and transform them into value for others. The value that is created can be financial, cultural, or social.” (ENTRECOMP 2016 DEFINITION DEVELOPED BY THE DANISH FOUNDATION FOR ENTREPRENEURSHIP & YOUNG ENTERPRISE, 2012). According to the European Court of Justice, an enterprise is any entity, regardless of its legal form, engaged in economic activities. The key determinant is the economic activity rather than the legal structure. This broad definition includes various setups like self-employed individuals, family businesses, partnerships, and groups actively participating in economic activities.

Self-Employed Individuals: If you are doing something to earn money on your own, like freelancing or providing a service, you are part of the entrepreneurial game.

Example: A graphic designer who works independently, getting paid for each project.

Family Businesses: Even if it is run by family members, as long as the business is actively making money, it falls under the enterprise category.

Example: A local bakery owned and operated by a family, selling goods to the community.

Partnerships: When two or more people join forces to run a business and make money together, that's a partnership and, according to the definition, an enterprise.

Example: A law firm where lawyers work together and share profits.

Associations and Groups: It's not just about individuals; even groups or associations that regularly engage in economic activities are considered enterprises.

Example: A community organization that sells handmade products to fund community projects.

Not all entrepreneurship is the same. Steve Blank, entrepreneur, educator, author and speaker based in Pescadero, California, clearly describes four different types:

1. Small Business Entrepreneurship

Small businesses are grocery stores, hairdressers, consultants, travel agents, internet commerce storefronts, carpenters, plumbers, electricians, etc. They are anyone who runs his/her own business. They hire local employees or family. Most are barely profitable. As they can't provide the scale to attract venture capital, they fund their businesses via friends/family or small business loans.

2. Scalable Startup Entrepreneurship

Unlike small businesses, scalable startups are what Silicon Valley entrepreneurs and their venture investors do. These entrepreneurs start a company knowing from day one that their vision could change the world. They attract investment from equally crazy financial investors – venture capitalists. They hire the best and the brightest. Their job is to search for a repeatable and scalable business model. When they find it, their focus on scale requires even more venture capital to fuel rapid expansion.

Scalable startups in innovation clusters (Silicon Valley, Shanghai, New York, Bangalore, Israel, etc.) make up a small percentage of entrepreneurs and startups but because of the outsize returns, attract almost all the risk capital (and press.)

3. Large Company Entrepreneurship

Large companies have finite life cycles. Most grow through sustaining innovation, offering new products that are variants around their core products. Changes in customer tastes, new technologies, legislation, new competitors, etc. can create pressure for more disruptive innovation – requiring large companies to create entirely new products sold to new customers in new markets. Existing companies do this by either acquiring innovative companies or attempting to build a disruptive product inside. Ironically, large company size and culture make disruptive innovation extremely difficult to execute.

4. Social Entrepreneurship

Social entrepreneurs are innovators who focus on creating products and services that solve social needs and problems. But unlike scalable startups their goal is to make the world a better place, not to take market share or to create wealth for the founders. They may be nonprofit, for-profit, or hybrid.

The European Commission dedicated a page to Entrepreneurship and small and medium-sized enterprises https://single-market-economy.ec.europa.eu/smes_en and defines “Small and medium-sized enterprises (SMEs) are the backbone of Europe's economy. They represent 99% of all businesses in the EU. They employ around 100 million people, account for more than half of Europe's GDP and play a key role in adding value in every sector of the economy. SMEs bring innovative solutions to challenges like climate change, resource efficiency and social cohesion and help spread this innovation throughout Europe's regions. They are therefore central to the EU's twin transitions to a sustainable and digital economy. They are essential to Europe's competitiveness and prosperity, industrial ecosystems, economic and technological sovereignty, and resilience to external shocks.” The definition of an SME is important for access to finance and EU support programmes targeted specifically at these enterprises. (available here: https://single-market-economy.ec.europa.eu/smes/sme-definition_en)

While the differences are often a question of definition, what is important for you is to identify what kind of entrepreneur you want to be and what your final objectives and goals are.

If your final goal is to create a change and become a circular economy entrepreneur, using tools and methods from business entrepreneurship is crucial to ensure the sustainability of your project.

“To be an entrepreneur means that you will need to be an eternal student and continue to learn from multiple avenues including people, groups, and through your own trials and tribulations.

If you're embarking on a journey as an entrepreneur, read, research, listen, watch, meet, discuss and, most importantly, do whatever you can to continue to gain knowledge.” (Alan Manly OAM is the CEO of Universal Business School Sydney and author of The Unlikely Entrepreneur).

Perspective in project countries

Entrepreneurship is a multifaceted phenomenon, and its manifestation is uniquely influenced by the legal and cultural contexts of individual countries. Examining examples from Spain, Italy, Romania, Austria, and Greece sheds light on how these factors shape entrepreneurial ventures, especially within the circular economy.

Entrepreneurial Landscape in Spain

Spain has a vibrant entrepreneurial ecosystem, with a strong tradition of family businesses. Legal structures such as the "Sociedad Limitada" (SL) and a growing emphasis on sustainable practices contribute to the rise of circular economy entrepreneurs. Spanish entrepreneurs may draw inspiration from the country's commitment to renewable energy and environmentally conscious policies.

Innovative Startups in Italy

Italy, known for its rich cultural heritage, is also home to a thriving startup scene. Legal structures like the "Società per Azioni" (SpA) provide flexibility for entrepreneurs. In Italy, circular economy entrepreneurs might focus on sectors like fashion or design, leveraging the country's renowned craftsmanship and emphasizing sustainable and eco-friendly practices.

Emerging Ventures in Romania

Romania's entrepreneurial landscape is evolving, with a surge in startups and a growing emphasis on innovation. Legal structures like the "Societate cu Răspundere Limitată" (SRL) offer options for entrepreneurs. The cultural shift towards embracing technology and environmental consciousness is influencing circular economy entrepreneurs in Romania, who may explore initiatives in recycling or green technologies.

Sustainability Focus in Austria

Austria has a strong tradition of environmental awareness and a business environment that supports sustainable initiatives. Legal structures like the "Gesellschaft mit beschränkter Haftung" (GmbH) provide a solid foundation. Circular economy entrepreneurs in Austria may align their ventures with the country's commitment to renewable energy and green urban planning, creating businesses that contribute to both economic and environmental sustainability.

Entrepreneurial Resilience in Greece

Greece, with its unique economic challenges, has seen a resilient entrepreneurial spirit. Legal structures like the "Εταιρεία Περιορισμένης Ευθύνης" (EPE) cater to diverse business needs. Greek circular economy entrepreneurs may focus on leveraging the country's natural resources sustainably, exploring ventures in agribusiness or eco-tourism, aligning with the cultural emphasis on local and organic products.

Examining these diverse examples demonstrates that entrepreneurship is deeply intertwined with the legal and cultural fabric of each country. Entrepreneurs navigating the circular economy in Spain,

Italy, Romania, Austria, or Greece must consider these contextual factors to craft ventures that resonate with local values and contribute meaningfully to sustainable development.

Wrapping It Up: Being Responsible in Business

In the world of starting your own business and making it work in a way that's good for everyone, being responsible is super important. It means thinking about more than just making money – it's about doing things in a way that helps the environment and the community.

Whether you're doing your own thing, running a family business, teaming up with others, or being part of a group, being responsible matters. It's like having a guide that helps you make good choices that don't harm the planet or the people around you.

As you set out on your business adventure, especially in the circular economy, remember that being responsible is key. It's not just about making a profit but doing it in a way that's good for the Earth and the people living on it. So, whether you're starting a small business, aiming for big-scale success, working in a large company, or focusing on making a positive impact in society, being responsible helps you do good things.

In Europe, where small and medium-sized businesses are a big deal, being responsible is even more important. These businesses are like the backbone of the economy, and when they do things responsibly, they can make a big difference in solving problems and making life better.

So, as you step into the world of business, especially in the circular economy, remember that being responsible isn't just a small part of success – it's the strong foundation that builds businesses that last and make the world a better place for everyone.

Practical activity: **What inspires you?**

Objective: to describe the understanding of entrepreneurship.

Materials:

- access to the internet to watch the video playlist provided
- a notebook or a digital note-taking tool to point down any insights or reflections as you watch the interviews.

Time: 30-60 minutes.

Methodology:

1. Watch video interviews and answer to questions “What inspires you?”, “What is the attitude of an entrepreneur?” video playlist:

<https://www.youtube.com/watch?v=orQPEddqQJQ&list=PLxASVkwZPBrAoj211wlo2NSJeKkHAeA8h>

2. As you watch, pay close attention to what the young entrepreneurs say focusing on extracting insights related to the motivations, creativity, and perspectives on the circular economy.

3. Take notes on key points, quotes, or insights that resonate with you.

4. After watching different interviews, take some time to reflect on the common themes or recurring ideas across the different responses.

5. Finally, answer the questions “What inspires you?”, “What is the attitude of an entrepreneur?” based on your reflections and insights gained from the interviews.

Food for thought:

What type of entrepreneurial venture resonates with you the most: small business, scalable startup, large company entrepreneurship, or social entrepreneurship?

How do cultural and legal factors in your country influence the type of entrepreneurial activities that thrive?

Circular Economy Entrepreneurship: How can circular economy principles be integrated into different types of entrepreneurial ventures (small business, scalable startup, large company, social entrepreneurship)? What are the unique challenges and opportunities for entrepreneurs in promoting sustainability within the circular economy?

Legal Structures and Entrepreneurial Choices: How do legal structures in your country impact the formation and operation of different entrepreneurial entities? What legal structures might be more conducive to circular economy initiatives, considering long-term sustainability goals?

Role of Responsible Business Practices: How can responsible business practices contribute to the success and longevity of entrepreneurial ventures? In what ways can circular economy entrepreneurs balance profit-making with environmental and social responsibility?

Regional Perspectives on Entrepreneurship: Explore specific examples of successful entrepreneurs or businesses in your region that align with circular economy principles. What can be learned from

their experiences? How do regional economic and cultural factors shape the entrepreneurial landscape?

The European Perspective: Reflect on the significance of small and medium-sized enterprises (SMEs) in the European economy. How can responsible entrepreneurship contribute to Europe's competitiveness and sustainability? Explore the European Commission's definition of SMEs and its implications for access to finance and support programs.

Balancing Profit and Purpose: Consider the challenges and benefits of balancing profit-making with social and environmental impact. How can entrepreneurs ensure a sustainable and ethical approach to business?

Continuous Learning and Adaptation: Emphasize the importance of being an "eternal student" in entrepreneurship, as mentioned by Alan Manly. How can aspiring entrepreneurs continue to gain knowledge and adapt to changing circumstances?

Learning material suggestions

How to Cultivate an Entrepreneurial Mindset | Linda Chiou:

https://www.youtube.com/watch?v=niOV_jSVCKs