

## Starting a business – what is needed

An entrepreneur is defined as someone who has the **ability to take risks** and **organise the factors of production**. When starting a new business the entrepreneur faces a number of problems before they can start up. They need an idea and a will to succeed, but these are not enough on their own to be successful.

A business needs:

- ▶ **Finance** – to fund the other elements listed below: finance is usually the hardest thing to obtain in a start-up business.
- ▶ **Labour** – to help develop a product or service and then to produce/deliver it.
- ▶ **Customers** – without them, the business will fail. Obtaining customers means the business must undertake marketing.
- ▶ **Suppliers** – provide many of the “inputs”, such as raw materials.
- ▶ **Premises and equipment** – maybe a simple office, or possibly a large, modern factory; depending on what the business activity is.
- ▶ **Management organisation & structure** – this is often very simple at the start-up stage (e.g. a sole trader!).
- ▶ **Designed, researched and tested product or service** – a successful business is about more than just having a good idea – the product needs to be brought to the marketplace in its best format. Dyson spent many years completing his first vacuum cleaner before being able to sell it.

A business may also need to protect its idea or products.

It can do this through:

- ▶ **Copyright and patents** make it illegal for other firms to copy directly the business idea or invention.
- ▶ Keep new products and services **secret** until they are ready for launch.
- ▶ Focus on retaining key staff that would be otherwise valuable for competitors to poach!

## Entrepreneurs

An entrepreneur needs several skills to succeed:

- ▶ Have **ideas**
- ▶ Ability to **take risks**
- ▶ Ability to **persuade others** to join the business or lend the business money
- ▶ Energy to **keep the business going** under tough circumstances – it is often said that the best entrepreneurs are the most persistent

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