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Entrepreneurship as a social science is the study of how people turn an idea into reality to create a new social agreement or institution (most often a new business). Social agreements are taken for granted ways of organizing so that the social world works and usually for the benefit or safety of a greater societal whole.

Entrepreneurs try to change the status quo or existing social agreements to new ways of doing things that are beneficial for a particular group of people. This proactive process of overcoming constraints to create value in new ways is what is meant by the adjective "entrepreneurial". An entrepreneurial spirit refers to someone that challenges the status quo and tries new ways to solve a problem. It can also refer to someone who is able to take limited resources—a constraint—and create something valuable. Historically speaking, the term entrepreneur was used to describe individuals who take on the financial risk that something might not work out believing they can take action that will generate a profit. Economists have further specified that entrepreneurs act under conditions of uncertainty rather than risk. Risk is something you can guess the results of, a kind of probability. Uncertainty is a kind of knowledge problem that doesn't have probabilities and can't really be guessed.

To illustrate the concept of uncertainty versus risk imagine that this cloud encompasses everything that you need to know to successfully run the business you want to start. Now imagine within the cloud there is a smaller circle that represents everything you are aware of in relation to starting the business, and finally inside of that circle is an even smaller circle about what you already know how to do to start the business. All that stuff that is outside your circle of knowledge that you are aware of is risk and all the other stuff that is outside your circle of awareness is uncertainty. It is the things that you don't even know you should worry about. It also represents stuff you can't know because it is dependent upon the future action of yourself and others like potential customers or competitors. As entrepreneurs take action and interact with others under these kinds of conditions they are able to reduce the uncertainty associated with a new venture.

The Nature of Entrepreneurship

If we look a little more closely at the definition of entrepreneurship, we can identify three characteristics of entrepreneurial activity:[1]

1. Innovation. Entrepreneurship generally means offering a new product, applying a new technique or technology, opening a new market, or developing a new form of organization for the purpose of producing or enhancing a product.

2. Running a business. A business, as we saw in Chapter 1 "The Foundations of Business," combines resources to produce goods or services. Entrepreneurship means setting up a business to make a profit.

3. Risk taking. The term risk means that the outcome of the entrepreneurial venture can't be known. Entrepreneurs, therefore, are always working under a certain degree of uncertainty, and they can't know the outcomes of many of the decisions that they

have to make. Consequently, many of the steps they take are motivated mainly by their confidence in the innovation and in their understanding of the business environment in which they're operating.

A Few Things to Know about Going into Business for Yourself Mark Zuckerberg founded Facebook while a student at Harvard. By age 27 he built up a personal wealth of \$13.5 billion. By age 31, his net worth was \$37.5 billion.

So what about you? Do you ever wonder what it would be like to start your own business? You might even turn into a "serial entrepreneur" like Marcia Kilgore.[2] After high school, she moved from Canada to New York City to attend Columbia University. But when her financial aid was delayed, Marcia abandoned her plans to attend college and took a job as a personal trainer (a natural occupation for a former bodybuilder and middleweight title holder). But things got boring in the summer when her wealthy clients left the city for the Hamptons. To keep busy, she took a skin care course at a Manhattan cosmetology institute. As a teenager, she was self-conscious about her complexion and wanted to know how to treat it herself. She learned how to give facials and work with natural remedies. She started giving facials to her fitness clients who were thrilled with the results. As demand for her services exploded, she started her first business-Bliss Spa-and picked up celebrity clients, including Madonna, Oprah Winfrey, and Jennifer Lopez. The business went international, and she sold it for more than \$30 million.

But the story doesn't end here; she launched two more companies: Soap and Glory, a supplier of affordable beauty products sold at Target, and FitFlops, which sells sandals that tone and tighten your leg muscles as you walk. Oprah loves Kilgore's sandals and plugged them on her show.[4] You can't get a better endorsement than that. Kilgore never did finish college, but when asked if she would follow the same path again, she said, "If I had to decide what to do all over again, I would make the same choices...I found by accident what I'm good at, and I'm glad I did."

So, a few questions to consider if you want to go into business for yourself:

- How do I find a problem to solve and know it is an opportunity worth pursuing?
- How do I come up with a business idea?
- Should I build a business from scratch, buy an existing business, or invest in a franchise?
- What steps are involved in developing a business plan?
- Where could I find help in getting my business started?
- How can I increase the likelihood that I'll succeed?

In this chapter, we'll provide some answers to questions like these.

What sort of characteristics distinguishes those who start businesses from those who don't? Or, more to the point, why do some people actually follow through on the desire to start up their own businesses? The most common reasons for starting a business are the following:

- To be your own boss
- To accommodate a desired lifestyle
- To achieve financial independence

- To enjoy creative freedom
- To use your skills and knowledge

The Small Business Administration (SBA) points out, though, that these are likely to be advantages only "for the right person." How do you know if you're one of the "right people"? The SBA suggests that you assess your strengths and weaknesses by asking yourself a few relevant questions:[5]

- Am I a self-starter? You'll need to develop and follow through on your ideas.
- How well do I get along with different personalities? Strong working relationships with a variety of people are crucial.
- How good am I at making decisions? Especially under pressure.....
- Do I have the physical and emotional stamina? Expect six or seven work days of about twelve hours every week.
- How well do I plan and organize? Poor planning is the culprit in most business failures.
- How will my business affect my family? Family members need to know what to expect: long hours and, at least initially, a more modest standard of living.

Before we discuss why businesses fail we should consider why a huge number of business ideas never even make it to the grand opening. One business analyst cites four reservations (or fears) that prevent people from starting businesses:[6]

- Money. Without cash, you can't get very far. What to do: line up initial financing early or at least have done enough research to have a plan to raise money.
- Security. A lot of people don't want to sacrifice the steady income that comes with the nine-to-five job. What to do: don't give up your day job. Run the business part-time or connect with someone to help run your business—a "co-founder."
- Competition. A lot of people don't know how to distinguish their business ideas from similar ideas. What to do: figure out how to do something cheaper, faster, or better.
- Lack of ideas. Some people simply don't know what sort of business they want to get into. What to do: find out what trends are successful. Turn a hobby into a business. Think about a franchise. Find a solution to something that annoys you—entrepreneurs call this a "pain point"—and try to turn it into a business.

If you're interested in going into business for yourself, try to regard such drawbacks as mere obstacles to be overcome by a combination of planning, talking to potential customers, and creative thinking

Who is an Entrepreneur?

You might be thinking, "All that sounds great, but I'm not an entrepreneur." While some research has found some correlation between personality traits, like openness to new experiences, to be common among entrepreneurs; entrepreneurs are not that different from you. You can learn to act entrepreneurially and decide if starting your own business is right for you now or in the future. While many people choose to be single founders of their own company (sometimes referred to as solopreneurs) most of entrepreneurship requires working with others in some way.

you are considering working with a co-founder start first by identifying what you can do, then consider what other skills or roles would allow you to achieve your goals of launching a new venture. Some common roles within a startup generally include someone who:

- Had the idea/pathfinder;
- Manages the project/company;
- Raises money or makes connections;
- Brings in the revenues;
- Built the product (or performs the services)

Now you may be able to do all of them pretty well yourself but you still only have 24 hours in a day and may need to spend your time doing something that no one else on your team can do, or using the time to work on your business rather than in it.

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