Topic 1.5 Entrepreneurs and Leaders

**Business Objectives**

Businesses set objectives to:
- Provide quantifiable steps to achieve aims
- Clarify direction of the business
- Measure success against targets
- Motivate employees to achieve
- Reward employees.

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**Forms of Business**

- **SOLE TRADER** – owned by self-employed individuals
  - Easy to start up – no registration is required.
  - Requires a wide range of skills and flexibility.
  - Owners can be their own boss but the hours are likely to be long.
  - The owners keep all profits.
  - Unlimited liability.

- **PARTNERSHIP** – a business owned by two or more individuals
  - Joint ownership of running a business.
  - A contract of relationship will be set up through a deed of partnership.
  - These are common in professions such as solicitors.
  - Similar issues as faced by sole traders but with greater shared responsibility, risk, and reward.

- **PRIVATE LIMITED COMPANY** – owned by shareholders separate legal entity
  - Must go through the process of incorporation.
  - Limited liability.
  - Has a higher status than a sole trader.
  - Will have wider access to capital.

- **PUBLIC LIMITED COMPANY** – large publicly owned companies
  - Can raise capital through selling shares to the public.
  - Size is measured by market capitalisation.
  - Has the ability to take over other businesses.
  - Can lose control of the business.

**Entrepreneur to Leader**

As an entrepreneur’s firm grows there will be increasing pressure for them to change their approach and become an effective leader of the organisation. This growth and move towards leadership may demand certain characteristics and approaches:
- Greater responsibility towards others.
- The needs to motivate and inspire others.
- The need for strategic vision.
- Entrepreneurs will face a number of challenges when taking on the role of a leader for the first time.
  - Sharing ownership and control of their business.
  - Stress – larger businesses bring with them more responsibility.
  - Leaders need qualities such as confidence, compassion, and interpersonal skills.
  - Seeing themselves as a leader – entrepreneurs must accept the responsibility and adjust their mindset.
- Entrepreneurs may adopt the following approaches to overcome the challenges of becoming a leader:
  - Stress management – use approaches to reduce stress levels and find time to relax.
  - Education – complete leadership development courses and qualifications.
  - Mentor – gain advice and support from an experienced mentor.
  - Delegate and trust – utilise qualified employees to lighten their load and take responsibility for aspects of running the business.

**Key Words**

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