

Edexcel (B) Economics A-level
**Theme 1: Markets, Consumers and
Firms**



1.2 Enterprise Business and the
Economy

1.2.2 Entrepreneurial motives

Notes





Profit as an incentive



-  For the entrepreneur in a firm, the incentive for taking risks is profit. An entrepreneur wants to avoid loss and gain profit, which makes them want to innovate. They can reduce their production costs and improve the quality of their products. Entrepreneurs seek to maximise their profits.
-  Entrepreneurs bring together the factors of production (land, labour, capital, and enterprise) in order to make a profit.

Non-financial motives:

○ Ethical stance and social entrepreneurship

-  Entrepreneurs might be motivated by their will to have an impact in the world. Some entrepreneurs might develop a product which increases the standard of living of people, such as the recent development of a 'drinkable book' (<http://www.bbc.co.uk/news/science-environment-33954763>), whilst others might want to improve society.
-  An entrepreneur has much more impact on wider society than an employee. Leaving a personal legacy is also a motive for entrepreneurs.

○ Independence and working from home

-  Being an entrepreneur provides a lot of flexibility. The entrepreneur can work when they choose and they are not confined to the rules of an office. This allows them to be flexible and independent, so they have more control over their lives. This freedom is a strong incentive for many entrepreneurs.
-  It allows entrepreneurs to spend time with their family and work at their will.

