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Module 1

ENTREPRENEUR

SYLLABUS

- Meaning of entrepreneur, evolution of the concept, functions of an entrepreneur, Types of entrepreneur, Intrapreneur-an emerging class, concept of Entrepreneurship-evolution of Entrepreneurship, development of entrepreneurship, The entrepreneurial culture, stages in entrepreneurial process
- Reference books...



Meaning of entrepreneur

The commonest definition of an entrepreneur is a person who organizes, manages and assumes the risk of running an enterprise.



Meaning of entrepreneur

- In economics and commerce, entrepreneur is an economic leader who possesses the ability to

.....**recognise opportunities** for the successful introduction of new commodities, new techniques, and new sources of supply,

.....and **to assemble** the necessary plant, equipment, management and labour for

.....and **organise them** into a running concern

India needs entrepreneur. .

- To capitalise on new opportunities
- To create wealth and new jobs
- Traditional employers find it difficult to create new jobs
- Knowledge based economy –fertile ground for entrepreneurs

Why should you become an entrepreneur?/charms

- Own boss/to others
- Make decisions that are crucial to business' success/failure
- Chance to put your ideas into practice
- You will make money for self than for other
- Gain experience in every discipline of business
- Chance to work directly with customers
- Satisfaction of creating/running a business
- You will work in an area you enjoy
- Chance to build retirement value



Evolution/History of entrepreneur

- The word 'entrepreneur' has been taken from the French language where it cradled and originally meant to designate an organiser of musical or other entertainments.
- Oxford English Dictionary (in 1897) also defined as "the director or a manager of a public musical institution, one who 'gets up' entertainment, especially musical performance".
- In the early 16th century, it was applied to those who were engaged in military expeditions.



Evolution/history...

- It was extended to cover civil engineering activities such as construction and fortification in the 17th century
- In 18th century that the word was used to refer to economic aspects.
- In this way, the evolution of the concept of entrepreneur is considered over more than four centuries.
- Since then, the term 'entrepreneur' is used in various ways and various views - broadly classified into *three* groups, namely, risk-bearer, organizer and innovator.



Functions of entrepreneur

- Entrepreneur as a risk- bearer
- Entrepreneur as an organizer
- Entrepreneur as an innovator

Staffing

- Procuring machine and material
- Raising necessary funds
- Sales/marketing promotional formalities
- Form of ownership
- Business objective.

What makes him successful

According to EDI, India,

- Initiation
- Watching for opportunities
- Persistence
- Information seeker
- Quality conscious
- Commitment to work
- Efficiency lover
- Proper planning
- Self-confidence
- Assertiveness
- Persuasion
- Efficiency monitoring
- Concern for employees



Characteristics of a successful entrepreneur

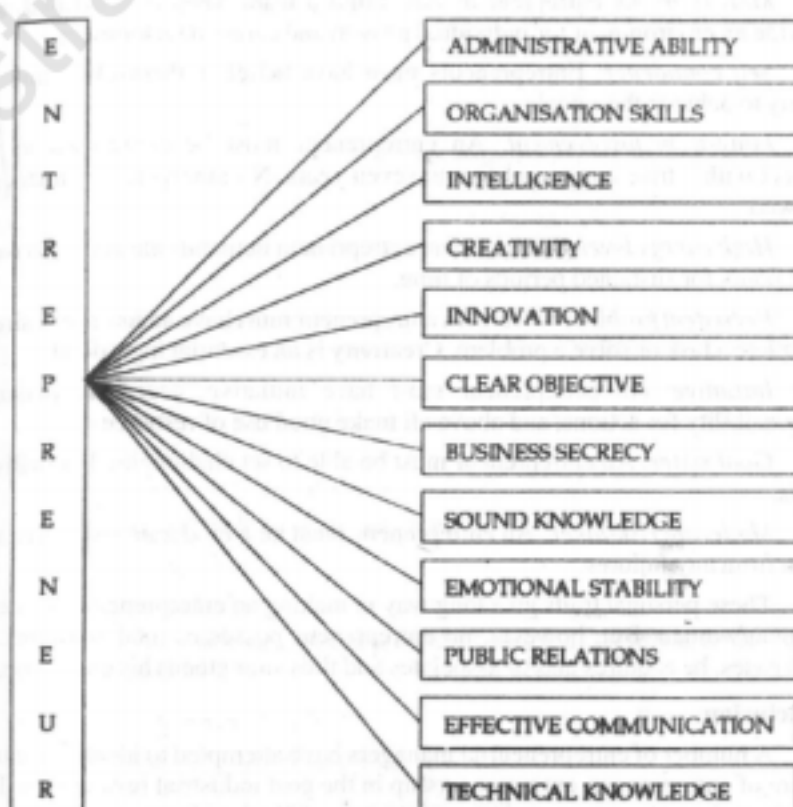
- Creativity
- Innovation
- Dynamism
- Leadership
- Team building
- Achievement motivation
- Problem solving
- Goal orientation
- Risk taking and decision making ability
- Commitment

(Read Poornima page

Characteristics of entrepreneur

Janakirama

Characteristics of entrepreneur



Watch this video

- https://www.youtube.com/watch?v=sOj_pHh4



Entrepreneurial core competencies

- Initiative
- Perceiving opportunities
- Persistence
- Information gathering
- Concern for quality work
- Commitment to contractual obligation
- Efficiency orientation
- Planning
- Problem solving
- Self-confidence
- Expertise
- Self critical
- Persuasion
- Use of influence strategies
- Assertiveness
- Monitoring
- Credibility
- Concern for employee welfare
- Impersonal relationships
- Expansion of capital base
- Building product image



Entrepreneurial skills

- Administrative skills
 - Leadership skills
 - Conflict management skills- emotional and cognitive
 - Interpersonal skills
 - Communication skills- writing, speaking, listening
 - Problem solving skills
 - Technical skills
 - Marketing skills
 - Selling skills
- Guide) (Taken from
-

Entrepreneur v/s manager

| ASPECT | ENTREPRENEUR | MANAGER |
|----------------|---|---|
| MOTIVE | Starts a venture for self gratification | Renders service & set-up enterprise |
| STATUS | Owner of the enterprise | Employee in an enterprise setup by entrepreneur |
| RISK BEARING | Bears all risks and uncertainties | Bears no risk |
| REWARDS | Gets profits which is uncertain | Gets fixed and certain salary |
| INNOVATION | Himself an innovator | Implements entrepreneur's ideas |
| QUALIFICATIONS | Qualities like high motivation, original thinking, risk-bearing etc | Knowledge of management theory and practice |

Classification of entrepreneurs

Based on:

- Functional characteristics
- Developmental angle
- Types of business
- 9 personality types
- Schools of thought

(Read Poornima, pages 6)



Functional types of entrepreneurs

Clarene danhoff, 1969 classified as follows:

- **1. Innovating Entrepreneurs:**

An innovating entrepreneur is one who introduces new goods, inaugurates new method of production, discovers new market and reorganizes the enterprise.

- **2. Imitative Entrepreneurs:**

These are characterized by readiness to adopt successful innovations inaugurated by innovating entrepreneurs. Imitative entrepreneurs do not innovate the change themselves, they only imitate techniques and techniques innovated by others.



Functional types

3. Fabian Entrepreneurs:

Fabian entrepreneurs are characterized by very great caution in experimenting any change in their enterprises. They imitate when it becomes perfectly clear that failure would result in a loss of the relative position in the enterprise.



Functional types

4. Drone Entrepreneurs:

These are characterized by a refusal to accept opportunities to make changes in production formulae even at the cost of severely reduced returns relative to other like producers. Some drone entrepreneurs may even suffer from losses, but they are not ready to make changes in their existing production methods.

Assignment

- Classify entrepreneurs based on the following criteria:
- 1. Type of business
- 2. Use of technology
- 3. Motivation level
- 4. Growth
- 5. Stages of development
- 6. area
- 7. Scale of operation



Intrapreneurs

Of late, a new breed of entrepreneur is coming to the fore in large industrial organisations. They are called 'intrapreneurs'.

- They emerge from ***within the confines of an existing enterprise.*** In big organizations, the top executives are encouraged to catch hold of ***new ideas and then convert*** these into products through research and development activities ***within the framework of organization.***



Intrapreneurs. . .

- The concept of intrapreneurship has become popular in developed countries like America. Studies have found that an increasing number of intrapreneurs are leaving their jobs in big organizations and starting own enterprises.
- Many of such intrapreneurs have become exceedingly successful in their ventures. What is more that they are causing a threat to the organizations they left. Such intrapreneurs are compared to the innovative entrepreneurs who inaugurate new products.



| Difference | Entrepreneur | Intrapreneur |
|---------------------|---|--|
| 1. Dependency | An entrepreneur is independent in his operations. | But, an intrapreneur is dependent on the entrepreneur, i.e., the organization. |
| 2. Raising of Funds | An entrepreneur himself raises funds required for the enterprise. | Funds are not raised by the intrapreneur. |
| 3. Risk | Entrepreneur bears the risk involved in the business. | An intrapreneur does not bear the risk involved in the enterprise. |
| 4. Operation | An entrepreneur operates from outside. | On the contrary, an intrapreneur operates from within the organization. |

Concept of entrepreneurship

- Entrepreneur is a person who creates an enterprise and the process of creating an enterprise is called entrepreneurship.



Definitions- Entrepreneurship

- Entrepreneurship is defined as a ***process of action*** an entrepreneur undertakes to establish his enterprise.
- D C McClelland – Entrepreneurship is ***doing things in a new and better way and decision making under conditions of uncertainty.***
- Benjamin Higgins- it is a function of ***foreseeing*** investment and production opportunity, ***organising*** enterprise to undertake a new production process, raising capital, hiring labour, arranging for supply of raw material, and selecting managers for the day to day operation of the enterprise.



Definitions- Entrepreneurship

- Peter Drucker- entrepreneurship is neither science nor an art. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed the end largely defines what contributes knowledge in practice.
- 16th century definition - a dealer who bought a thing at a certain price and sold it at an uncertain price, making a profit.



Entrepreneurship

Conference on Entrepreneurship, USA defined it as an attempt to create value through recognition of business opportunity, the management of risk to appropriate to the opportunity, and through the communicative and management skills to mobilize human financial and material resources necessary to bring a project to fruition

In the opinion of A.H. Cole,

"Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain profit by production or distribution of economic goods and services".



Entrepreneurship

- Entrepreneur and entrepreneurship often used interchangeably. One is a tangible person and the other is an intangible process.
- Schumpeter defines "Entrepreneurship is based on purposeful and systematic innovation. It includes not only the individual businessmen but also company directors and managers, who actually carry on innovative functions."
- (Various definitions page 52, Poorima)



Entrepreneurship-comment

- In all above definitions, entrepreneurship refers to the functions performed by an entrepreneur in establishing an enterprise. Just as management is regarded as what managers do, entrepreneurship may be regarded as what entrepreneurs do. In other words, entrepreneurship is the act of being an entrepreneur. Entrepreneurship is a process involving various actions to be undertaken to establish an enterprise. It is, in essence, the process of giving birth to a new enterprise.

Entrepreneur v/s Entrepreneurship

| BASIS | ENTREPRENEUR | ENTREPRENEURSHIP |
|------------------------|---|---|
| MEANING | Refers to a person | Refers to a process |
| SPECIFIC QUALITIES | Needs qualities like creativity decision making leadership etc | It is the specific quality shown by an entrepreneur |
| FUNCTION | To establish an enterprise. Like an engine | To motivate an entrepreneur |
| ECONOMIC POINT OF VIEW | Initiator, innovator, leader, planner, risk-taker, motivator, organiser, etc used | Initiative, innovation, leadership, planning, risk taking, motivation |



Characteristics of Entrepreneur

- Economic activity
- Purposeful activity
- Decision making
- Accepting challenge
- Risk taking
- Building organisation
- Dynamic process
- Gap-filling process
- Skilful management
- Innovation
- Resource mobilisation

(Taken from g

Entrepreneurial development process

- Stage 1: Perceiving, identifying and evaluating an opportunity
- Stage 2: Drawing up a business plan
- Stage 3: Marshalling resources
- Stage 4: Creating the enterprise
- Stage 5: Consolidation and management

Role in economic development

It plays an important role as follows:

- Entrepreneurship promotes capital formation
- It provides immediate large scale employment
- It promotes balance of regional development
- It encourages effective utilization of capital and natural resources
- It also promotes country's export trade.
- New products and services

Role in economic development

- Dispersal of economic power
- Better standards of living
- Creating innovation
- Production evolution process
- Enhancing welfare amenities

Factors affecting Entrepreneur

Economic factors:

Availability of economic resources

Economic conditions

Economic policies

Labour policies

Trade policy

Tariff policy

Incentives

Subsidies

(taken from



Factors affecting Entrepreneur

Non-economic factors:

- Social
- Cultural
- Personality factors
- Psychological and sociological factors
- Technological factors
- Educational factors
- Motivation

(Taken from G



Problems of Entrepreneursh

- Internal problems - Planning, implement
Production (Poornima, pag
- External problems – Infra, finance, market
taxation, RM, regulations, inspection,
technology, Government policy, admin
hurdles, rampant corruption, lack of dire
competitive and volatile environment
(Poornima, pag



Specific Problems faced by entrepreneurs

- Specific management problems
 - management deficiency
 - Finance
 - Manufacturing and technical problems
 - product planning
 - Selection of equipment, P&M
 - Human resources development
 - Technical know-how
 - Preparation of project report



Myths of entrepreneurship

- Entrepreneurs are born, not made
- Entrepreneurs are academic and social misfits
- Entrepreneurs fit an ideal profile
- All you need is money to be an entrepreneur
- All you need is luck to be an entrepreneur
- A great idea is the only ingredient in a recipe of success
- My best friend will be a great business partner
- Having no boss is great fun
- I can make lots of money
- I will definitely become successful
- Life will be much simpler if I work for myself



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Capacity building for entrepreneurs

India has extra-ordinary talent pool. India needs to develop successful entrepreneurs:

1. Create the right environment for success
2. Ensure entrepreneurs have access to the right skills
3. Ensure that entrepreneurs have access to smart capital
4. Enable networking and exchange

Entrepreneurial culture

- Not inborn skill, product of environment
- Complex social and economic behaviour
- Dynamic and responsible to environment
- Flourishes in right environment



Characteristics of Entrepreneur culture

- Increase awareness of Entrepreneurial opportunities.
- Intensify enterprise education and awareness campaigns
- Create identifiable role models and champions
- Establish mentor and patron panels
- Incentives and support for business success
- Create incentives for SMEs to take apprentices
- Enhance Intrapreneurship (taken from gu

Dimensions of entrepreneurial cu

- Individual v/s collectivism
- Masculinity v/s femininity
- High v/s low power distance
- Uncertainty avoidance

Creating entrepreneurial culture

- Treat people with respect
- Help employees to stay healthy
- Open doors to communication
- Build comradery

Maintaining entrepreneurial cult

- Let the team build itself
- Participative without controlling
- Do not forget the little things

Steps to introduce changes in e culture

- Organisational self-analysis
- New core vision and mission
- Communication
- Involvement
- New human resources practice
- New org structure

Presentations

- Classification of entrepreneurs (other cr
- Barriers to entrepreneurs
- Entrepreneurial development models
- Problems faced by entrepreneurs



Case studies

- Rags to riches- Dhirubhai Ambani
- Nirma story- Kasanbhai Patel
- The king of omega- Kunjachan
- Luck or persistence?
- Pain or partnership?