Meaning definition and Roles of Entrepreneur

Introduction: By Ombati Moturi

Meaning definition and Roles of Entrepreneur Notes

***Meaning definition and Roles of Entrepreneur Notes :-****Hello friends in this post we are provided the materials of the b.com second part its name is fundamental of Business Entrepreneurship notes and it’s the first chapter of this subject and in this article you learn many more knowledge of Entrepreneurship like as*Meaning and definition of entrepreneurship, evolution of the word entrepreneur, Characteristics of an entrepreneur, roles of the entrepreneur In generating employment opportunities, types of entrepreneur, roles and importance of entrepreneur.

**Entrepreneur**

The term “entrepreneur’ was applied to business initially by the French economist can till on, in the 18th century to designate a dealer who purchases the means production tor combining them into marketable products. The emergence of the entrepreneurial society may be major turning point in history. Only the entrepreneurs create capital, wealth and resources in a country there inventive and risk-taking behavior. They are the prime movers of industrial development in a country. Fact entrepreneurs are the builders of a nation and erectors of humanity their innovative vision, dynamic eider ship and creative decision behavior.

[](https://sdak24.com/meaning-definition-and-roles-of-entrepreneur-notes/)

**EVOLUTION OF THE WORD ENTREPRENEUR**

The word “entrepreneur derived from the French verb enter render which means to “undertake”. It refers to an individual who undertake the risk of new enterprise. In the early 16th century, the Frenchman who organized and led military expeditions were referred to as ‘entrepreneurs pop’. Later on, entrepreneur was con- severed as a coordinator who combined all means of production and managed them. Today, he is considered as an innovator who introduces new production functions and techniques.

**MEANING AND DEFINITION OF ENTREPRENEUR**

An entrepreneur is a person who conceives an idea of establishing a new business enterprise undertakes risks and brings together the land, labor, equipment, materials and then finds some way of raising capital to form a business to produce the product or Service. Although, risk taking is the primary function of an entrepreneur but in modern age he is required to perform many  other functions also such as, planning, leadership, control, innovation and other related functions. An entrepreneur in a developing economy is one who starts his own new and small business, under take risk, bear uncertainties and also perform the managerial functions of decision making and co- ordination. Entrepreneur may be an in dealer group of individuals.

***Different authors have given different definitions of entrepreneur. Some of the main definitions are as follows:***

According to **Schumpeter***, The entrepreneur in an advanced economy, is an individual who introduces something new in the economy-o production of method not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like”*

According to **Marshall*,****“Entrepreneur is an individual who adventures or underrates risks, who brings together the capital and labor required for he work, who arranges its general plan  and who superintends its minor details.”*

According to **Gerald A. Silver,** *“An entrepreneur is an in-dividable who conceives an idea for a new product or service, then finds some way of raising capital to form a business to produce the product or service.”*

According to**R.T. Ely*,****“Entrepreneur is the person who organizes and directs the productive factors.”*

According to **Arthur Dewing,** *“Entrepreneur is one who trans-form ideas into a profitable business.”*

According to **James Burma**, *“Entrepreneur is a person or group of persons responsible for the existence of a new industrial enterprise.”*

**Conclusion:** From the study of above definitions, we conclude that entrepreneurs are people who have the ability to see and evaluate business opportunities, to gather the necessary resources to take advantages of them and to take appropriate action to ensure success. He bears the risk of changes and uncertainties, always searches for change, introduces innovations and exploits changes as an opportunity.

**CHARACTERISTICS OP AN ENTREPRENEUR**

The main characteristics of an entrepreneur are as follows:

**(1) Risk takers :**Entrepreneur has the risk bearing capacity. He bears the risks of change and uncertainties Entrepreneurs are not high risk-takers-they are not gamblers. They are moderate risk-takers who believe in taking calculated risks where the chances of achievement are consistent are match with the level of performance efforts and resources. In other words, they prefer such risks as provide resemble changes of success and seem to be with in proper control of available resources and capacities. They believe in “moderate risk. Reasonable rewords.”

**(2 ) Innovators :** Another important characteristics of an entrepreneur is that he is an innovator by nature. He is always in search of new ideas and new opportunities; He tries to outshine others by taking initiative in doing new things*i.e*., exploring new products, new markets, new raw materials, new methods of production, etc. material, equipment

**(3) Provider of Resources:**An entrepreneur is the economic agent who brings together manpower, land, material, equipment and arranges necessary capital needed for business.

**(4) High Achievers:**An entrepreneur believes n high achievements. As a high achiever, he competes with his rivals in the venture fields as well as with his own previous performance. He desires to excel in his venturing performance and to achieve a goal that possesses are as on able challenge to his ability and competence.

**(5) Motivator: An** entrepreneur is a motivator. He builds a team, keep it motivated and provide an environment for individual growth and career development.

**(6) Opportunist:**Entrepreneurs have the ability to see and evaluate business opportunities. They take advantage of opportunities by taking appropriate actions.

**(7) Individual organization or Groups:**Entrepreneurs may be an individual, an organization or a group of individuals.

**(8) Dynamic Agent:**An entrepreneur has the ability to visualize new ventures and new pl   He breaks old traditions and develops new ones. He creates a new business venture through the utilization of his knowledge, passion, dreams and desires.

**(9) More than a manager:**In real sense, an entrepreneur is more than a manager. Entrepreneur takes risks and bear uncertainties but a manager does not do so. An entrepreneur by nature is a visionary leader. He inspires loyally and hard work to raise productivity and efficiency.

**(10) High Level Energy:**A success full entrepreneur exhibits a higher level of energy, hard work, and perseverance than an average person. He is fully determined to rush the hurdles, solve the problems, face the tough times, and get over the misfortunes in order to ultimately achieve his present goals. He spends most of his times in energetic activities. He has commendable stamina for enduring the frustrations and hardships.

**11) Desire for Independence:**Entrepreneurs often seek independence from others. As a result, they generally are not motivated to perform well in large, bureaucratic organizations. They have internal drive. They are confident of their own abilities and possess a great deal of self-respect.

**(12) Organizing capacity:**An entrepreneur is a good organizer of a new venture’s activities. He possesses special skills for identifying and grouping of work, creating and filling the administrative positions, delegating authority and responsibility, creating coordinated relationships among various positions, distribution of resources among them, and supervising the events to happen in the desired ways so as to accomplish the pre-determined goals of the new venture. He is an extraordinary organization build reorganizer of work and people.

**(13) Prefers Achievement over Money:** Entrepreneurs are not driven wholly by the desire to make money. To the contrary, achievement seems to be entrepreneurs’ primary motivating force. Simmered says, Money is simply a way of keeping score” of accomplishments-a symbol of achievement.

**(14) Different from Capitalist and Investors:**He is distinguished from investors and capitalists. Peter Ducker writes, “Nor are entrepreneurs capitalists, although of course they need capital. They are not investors either. The entrepreneur is also not an employer, but can be, and often, is, an employee or someone who works alone entirely by himself.”

**(15) Human relations ability:**An entrepreneur possesses sound human relations ability to deal with his employees, customers, suppliers, creditors etc.

**(16) Decision makers:**Prof. A.H. Cole regarded an entrepreneur as a decision maker. He has to take several decisions to put his business idea into a reality. For example, he has to decide what is to be produced, how is to be produced, when and where to be produced etc.

**(17) Self-confidence:**An entrepreneur does not believe in luck or fate. He has high class self confidence in achieving his goals, He believes in his own firm decisions and actions.

**NECESSARY QUALITIES OF AN ENTREPRENEUR**

An entrepreneur possesses the following characteristics

**(A) Physical Qualities:**(1) Good Health, (2) Effective personality,(3) Agreeable Looking,(4) Hard Worker.

**(B)  Mental Qualities:**(1) Sharp mind, (2) Alertness, (3) Sharp Memory, (4) Imaginative, (5) Foresightedness, (6) Self-Confidence, (7) Optimism, (8) Maturity, (9) Dynamic Philosophy.

**(c) Social Qualities:** (1) Sociability, (2) Helpful Behavior, (3) Likeable Dispositive, (4) Respectful.

**(D) Ethical or Moral Qualities:** (1) Honesty, (2) Character, (3) s Politeness, (4) Loyal, (E) Business Qualities : (1) Business Aptitude, (2) Entrepreneurially Ability, (3) Risk-taking Capacity, (4) Innovation Ability, (5) Decision Capability, (6) Technical Skill, (7) Alertness towards Opportunities, (8) Knowledge of market Conditions, (9) Knowledge of different statutory laws, (10) Alertness of Social Responsibilities, (11) Leadership Capability.

**ROLE OF THE ENTREPRENEUR IN GENERATING EMPLOYMENT OPPORTUNITIES**

.

Entrepreneurism quite different from a manager. In fact he is more than a manager. An entrepreneur discovers new ideas and business opportunities, bring together funds to establish a business, organize and manages its operations in order to provide economic goods and services for the public. He acts as an innovator and creates new things and ways of value for satisfying the ever changing needs and requirements of the consumers. He also acts as a change-agent and persuades the consumers to change their

Demands in favors of the entrepreneur’s new inventions. Whereas, a manager simply executes the plans and programmers as chalked out by the owner of the organization. Thus, a manager ordinarily translates the ideas of an entrepreneur into practical shape. He is more concerned with running things properly to achieve given targets.

An entrepreneur is a moderate risk taker. He acts in psychological, and social. He risks his personal capital investment as well as the loan capital taken from outside sources. On the contrary, a manager is a salaried employee and therefore he does not sum any risks of business.

According to Joseph Schumpeter a manager is one who deals with day-to-day affairs of a going concern. However, an entrepreneur attempts to change the factor combinations and thus increases productivity and profits. An entrepreneur launches a new enterprise, whereas a manager operates an existing enterprise.

Thus, it becomes clear that entrepreneur is more than a manager. Entrepreneur is an innovator and promoter as well. He is appoints manager to run business properly and to achieve the given targets.

**TYPES OF ENTREPRENEUR**

**One the basis of Innovating Ability:**

Clarence Dan of (1949) conducted a study of American Agriculture and classified entrepreneurs in the manner that at the initial stage of economies development, entrepreneurs tend to have less initiative and drive. However, when economic development proceeds, they become more innovative and enthusiastic. Based on this proposition, he classifies entrepreneurs into the following four categories or types:

**(1) Drone Entrepreneurs:**Drone entrepreneur is one who refuses to adopt opportunities to make changes in production. Such entrepreneurs even suffer losses but they are not willing to make changes in production. Generally this category of entrepreneurs follows the traditional methods of production and resist to changes. They are pushed out of the market when their product loses market and their operations become uneconomical.

**(2) Innovative Entrepreneurs:** An innovating is one who introduces entrepreneur’s new products by introducing new methods of production and new technology. He discovers new markets and new source of supply of raw materials. He applies inventions to produce better goods. The innovative entrepreneur is a key figure in the process of development. Innovative entrepreneur can emerge a work only when a certain level of economic development has been achieved by a country. And then its people look forward to further change, improvement, and progress. Hence, generally such entrepreneurs are found in developed countries, and only a few in undeveloped countries.

**(3)Imitative or Adoptive Entrepreneurs:** Imitative entrepreneur opts successful innovation initiated by innovating He does not innovate the changes himself. He only imitates technology innovated by others. Such entrepreneurs are found in developing countries. They prefer to initiate techno and knowledge already available in more advanced countries. These entrepreneurs face lesser risks and uncertainty than the innovative entrepreneurs.

**(4) Fabian Entrepreneurs:** Fabian entrepreneur are characterized by ‘great precaution and skepticism (doubtfulness)’ in experimenting or introducing any change in technology or product or market. Moreover, they do not have any will or desire to adopt or imitate we method innovated by innovative entrepreneurs. In fact, such entrepreneurs are very shy, lazy, and fearful of unwanted risks. They are usually satisfied with (current situation). They imitate only when they clearly feel that if they do not imitate then it would be fatal to them and result in a loss of the relative position of the enterprise in their industrial field.

**II .On the basis of Motivational Factors**

Different people become entrepreneurs due to different reasons or motivating factors. In case of every individual, certain factors play greater role than others. On the basis of motivational factors, the entrepreneurs may be classified into the following three categories:

**(1) Spontaneous Entrepreneurs:**such type of entrepreneurs is motivated by a desire for achievement and self-punishment. They want to achieve something new and which others have not achieved. They want to exploit their own abilities and capacities to the maximum by their excellent performance. Thus, they have inner motivation or self-motivation. In fact, they are natural entrepreneurs in a society. Their strength or force lies in their capabilities and it leads them to launch innovative business ventures.

**(2) Motivated Entrepreneurs:**such an entrepreneur is motivated by the desire for innovations and profit. They are motivated by the fact that they possess sufficient resources such as capital, technical skills and organizing capacity needed for launching an innovative business venture. They are motivated by a keen desire for doing something new and a new product or service or finding a new market.

**(3) Induced Entrepreneur:** Such entrepreneur is induced to take up an entrepreneurial task due to the policy measures of the government. These measures include assistance, incentives, concessions, simplification of licensing and other procedures, tax holidays, and other facilities like infrastructural support systems, to new business enterprises.

**III. On the Basis of Attitude and knowledge**

**Aurther H. Cole** classified entrepreneurs in the following three categories:

**Empirical Entrepreneur:** He hardly introduces anything revolutionary. He follows the policy of rule of thumb.

**(1) Empirical Entrepreneur:** He hardly introduces anything revolutionary . He follows the policy of the thumb.

**(2) Rational Entrepreneur:** This type of entrepreneur is well-informed about the general economic conditions. Hence, he in-trades changes with look more revolutionary.

**(3) Cognitive Entrepreneur:** Cognitive entrepreneur has complete knowledge about market conditions. He also draws upon the advice and services of experts. He introduces changes that reflect complete break from the present situations.

**On the Basis of “to Go It Alone or Share the Risks”**

Entrepreneurs may be of different types on the basis of their preference “to go it alone or share the risks.” These include the following ones:

1. **Solo Entrepreneur:** These are those entrepreneurs who work alone. This condition generally arises in the beginning of the enterprises. This type of entrepreneurs is dominant in the small-scale sector and sole-proprietorship. Such entrepreneurs have the advantages of flexibility and quick decision making.

**(ii) Active partners:** They are basically solo operators who have partners to contribute money to the business but without actively participating in it.

**(iii) Partners:** They are those entrepreneurs who carry on the business enterprise as a joint activity, all of them actively participating in the firms’ operations.

**(iv) Challengers:** Challengers are those entrepreneurs who enter into the industry due to challenge it presents. Having met out one challenge they start searching for the one.

**(v) Inventors:** This category consists of entrepreneurs who may enter the business to exploit their inventions and discoveries commercially. Thus, this class of entrepreneurs is also called

Inventor entrepreneurs. Their basic interest lies in research and votive activities to expand their business. Their main asset is cynical expertise.

**(vi) Buyers entrepreneurs:** These entrepreneurs tend to purchase the running business rather than starting it the selves, as it appears them to be less risky and less hazardous.

**(vii) Entrepreneurs by Inheritance:** These entrepreneurs arise from a class which is running family business. Business in this class is passed from one generation to other. These entrepreneurs take business as an integral part of their life, thus we can also terms them as “life time entrepreneurs.”

**ROLE AND IMPORTANCE OF ENTREPRENEUR**

Entrepreneur plays a significant role in the economic and in-doctrinal development of a country. If we study the economic history of the presently developed countries, such as America, Russia and Japan, we find that the economy is an effect for which entrepreneur is the cause. In the view of Schumpeter, “the entrepreneurs are the key figures in the economic development on account of their role in introducing innovations.

It has also an important role in the context of a developing nation like India which is confronted with major socio-economic problems. Entrepreneurs can play an important role not only in the industrial sector of a country but in the farm and agriculture sectors also. Entrepreneur is a catalytic agent of change. He creates wealth opens up employment opportunities and fosters the other segments of economic system.

***The role and significance of an entrepreneur are illustrated under the following headings.-***

**(1) Contribution in Economic Development:**Economic development refers a press of upward change, whereas the precipitate income of a country actually increases after a long time. Entrepreneurs create jobs, wealth and capital in the country. They promote investment, increase production and bring competitiveness in business, reduce costs of products and raise the standard of Livonian society. Entrepreneurs encourage effective resource mobilization of capital and skill which might otherwise remain unutilized and idle. They establish new business enterprises, make possible use of resources and increase the national income. Thus they play significant role in the economic development of a country.

**(2) Promotion of Innovation:**Entrepreneur recognizes the need to change and introduce something new in the existing economic field. Innovations may be in the form of new product,

Instituting of new production technology, searching or opening of a new market, discovery of new source of supply of a raw material and developing a better form of industrial organization.

The innovations of new product may imply the employment of productive means in a modified form.

**(3) Increase in Employment Opportunities:** Entrepreneurs promote he idle savings of the public. They provide immediate large scale employment. They integrate resources and technologies into profitable business ventures and help to reduce the unemployment problem in the country.

**(4) Pillar of Modern Production System:**Entrepreneur has become balancing wheel ‘of modern global economy. Marshall called him as the ‘captain of industry’. George Gilder in “The Spirit of

Enterprise’ said that: ”Entrepreneurs are innovators who evoke demand. They are makers of markets, creators of capital, and developers of opportunity and producers of new technology. They seek the unique product, the marketing break through, the startling new feature of the novel design.”

**(5) Increase in Productivity:**Entrepreneurs play an important role in raising the productivity. They have the ability to produce more goods and services with fewer inputs. They increase

Productivity with the help of research and development and investment in new plant and machinery.

**(6) Expansion of Existing Units:** Entrepreneurs not only establish the new enterprises but also make the expansion of the existing units.

**(7) Encouragement to Research and Development:**Entrepreneurs make the task of innovation along with the promotion of a new enterprise. It encourages research and Development and help to reform and revolutionize the pattern of production by exploiting an invention and provide better godless to the consumers.

**(8) Establishment of Nerd industrial Organization:** A business does not get started by itself. It is the entrepreneur who takes the risks and is willing to face devastating failure. He braves uncertainty, strikes out on his own, and through h native wit, devotion to duty, and singleness of purpose, somehow creates business and industrial activity where none existed before. His values and activates have become integral to corporate culture.

**(9) Catalytic Agent as Joseph Schumpeter says**, entrepreneur’s task is “creative destruction”. He destroys to create new things. He changes and transmutes values. He searches change and responds to it. He is a change creator. Without him there is no happening, no action, no growth.

**(10) Change in Social Framework**: Entrepreneurs bring creative changes in the Social environment. They help to change the thoughts and vision of the people. They bring optimism and courage in the society, with the help of their revolutionary ideas.

**(11) First Movers:**Entrepreneurs are first movers. They move in various areas first than their competitors. They have the ability to identify new segments in markets. Established markets Entrepreneurs can see opportunities to rise and move quickly to take advantage of them. They can create entire new industries.

**(12) Visionary Leader:** Entrepreneur is the key force in successfully moving the idea from the laboratory to the market place. They conceive business visions and term them into business realities. He is able to recognize potentially profitable opportunities and to conceptualize the venture strategy.

An entrepreneur has to early out a continuation of functions such as risk taking, innovation, motivation, planning organizing, controlling etc. keeping in. view of operation and expansion of the enterprise. The main functions of an entrepreneur are as follows.

**(1) Risk-taking:** Richard Canutillo stresses risk-taking as the specific function of an entrepreneur. Future is unpredictable and every venture involves risks. An entrepreneur assumes the responsibility for loss that may arise due to unforeseen contingencies. Risk is also associated with innovations since consumers may not respond favorably to the expectations of an entrepreneur. Risks also arise due to change in consumer’s tastes and behavior, shortage of raw materials or any sudden unexpected situation..

As a risk-taker, the entrepreneur has to make decisions in conditions of uncertainty, balancing potential success against potential loss.

**(2) Innovation:** An entrepreneur is basically an innovator and he introduces and his introduces something new in the economy.  He sees profitable opportunities and exploits them. Innovations may be in the form of new product, instituting of new production technology, searching or opening of a new market, discovery of new source of supply of a raw material and developing a better form of industrial organization.

**(3) Decision Maker:** Arthur H. Cole describes an entrepreneur as a decision maker. The entrepreneur has to take decisions regarding the activities of the concern. He is expected to take decisions about the type of business to be done and the way of doing it.

**(4) Organization and Management:** According to Jean-Baptist the definition of entrepreneur is associated with the functions of Organization, Planning, Coordination, Decision-making, Leadership and Supervision. Thus, an entrepreneur is a person who brings together the various factors of production, organizes them properly and converts them into productive unit. He determines the goals, makes plans, and assigns work and co-ordinates the activities to build an organization. He supervises and controls land, labor, and capital during the promotion and performance stages of an enterprise.

Though an entrepreneur is more than a manager, he combines in him some managerial functions. He deals with day-to-day affairs of a going concern by directing and controlling the employees. He manages time, personnel and resources. He arranges finance, coordinate work, provides infrastructure for production, sales and marketing. He frames rules and policies and formulates budget. He also assumes the role of the personnel managers.

**(5) Perceiving the Economic and Business Opportunities:** Identifying and evaluating the economic and important function of the entrepreneurs. They have to look at the creation and length of the opportunity or understanding the “windows” and “corridors” for a new venture; understanding opportunity’s real and perceived value; looking at its risks and returns; understanding its “fit” with the personal skills and goals of the entrepreneur; and its differential advantage in its competitive environment.

**(6) Project Planning:** Project planning is an important function of an entrepreneur. It describes the future direction of the new business enterprise. It is a written statement of what the entrepreneur hopes to achieve in his business and how is he going to achieve it. It is a course of action that he charts for himself in order to reach the destinations determined by him. It contains all the relevant internal and external elements involved in starting a new business.

**(7) Necessary arrangements for the establishment of Enterprise:** An enterer has to perform several function before commencement of commercial production such as submission of term loan application; term loan sanction; negotiations and securing possession of land; building construction; tie-up with supply utilities like water and power; placing order for machinery, receipts and installation of machinery, recruitment of key manpower trial production etc.

**(8) Arranging Finance:**Resources required for forming and running a new business enterprise has a great importance for the success of such enterprise. Hence a special exercise is necessary to determine the resources needed for exploiting the available opportunity. First of all an appraisal of the entrepreneur’s existing resources is made. Thereafter, “Critical” resources are identified and distinguished from those that are supposed to be just “helpful” or “secondary”. The amount and the variety of required resources are carefully determined. An assessment of possible risk is also made for the case if there are insufficient or inappropriate resources.

**(9) Leading:** As an entrepreneurial venture grows, an entrepreneur takes on a new role-that of a leader. He must assume the visionary leadership. He must create teamwork among employees. As a leader, entrepreneurs must shift from the tradition-al command-and-control style to a coach-and-collaboration style.

**(10) Making Efficient Marketing Management:** Making efficient marketing management is also an important function of an entrepreneur. He makes market research, sales forecasts, sales promotion, advertisement etc. to serve this purpose. He also appoints mediators and sales agents.

.

**.**

**FAMILY BACKGROUND COMMUNITY EMERGENCE OF ENTREPRENEURSHIP**

Family background has also played a vital role in the emergence of entrepreneurial Community in Africa. The desire to raise their family status, initiative, farsightedness, spirit of profiteering and desire to earn family reputation etc. has encouraged the emergence of entrepreneurial community..

**Q.3. Differentiate between Entrepreneur and Entrepreneur.**

The term ‘entrepreneur’ was coined in the United States of America in the late seventies. It refers to highly competent and capable executives who work with full independence and autonomy within the organization. They were allowed to introduce new products, take their own decisions and put their ideas into practice. Entrepreneur and entrepreneur both are innovators and perform the functions of organization and management.

**INTRAPRENEUR AND  ENTREPRENEUR**

1. An entrepreneur is an independent person who starts his venture and bears full risk of his failure and enjoys the fruit of his success whereas entrepreneur is partially independent and is sponsored by the corporation in which he is working. He is also not liable to bear the losses in case of failure.
2. An entrepreneur himself raises the necessary capital from various and guarantees the return to investors/creditors, On the other hand, an intrapreneur neither raises the capital nor guarantees any returns to the suppliers of capital.
3. An entrepreneur operates from outside of an organization various whereas an intrepreneur is an organization man, operating from within the organization.
4. An intrepreneur must be professionally qualified but it is not so in case of entrepreneur.