

Chapter 4: Entrepreneur: Types and Functions

Objectives

- Classify different types of entrepreneurs on various bases.
- Look at the reasons for entrepreneurial failure.
- Describe the various functions of entrepreneurs.
- Understand the role and significance of entrepreneur in economic development
- Establish a relationship between entrepreneur and entrepreneurship.
- Come across the rewards and challenges of being an entrepreneur.

Types of entrepreneurs

Entrepreneurs can be classified on various bases:

1. On the Basis of Economic Development:

Innovating Entrepreneurs. Entrepreneurs falling in this class are generally aggressive in experimentation and exhibited shrewdness in putting attractive possibilities into practice. They are the entrepreneurs who have creative and innovative ideas of starting a new business.

Adoptive or Imitative Entrepreneur. There is a second group of entrepreneurs generally referred as imitative entrepreneurs. The imitative entrepreneurs copy or adopt suitable innovations made by the innovative entrepreneurs. They do not innovate the changes himself. They only imitate technology innovated by others.

Fabian Entrepreneur: By nature these entrepreneurs are shy and lazy. This type of entrepreneurs have neither will to introduce new changes nor desire to adopt new methods of production innovated by the most entrepreneurs. They are not much interested in taking risk and they try to follow the footsteps of their predecessors. Usually they are second generation entrepreneur in a business family enterprise.

.....Continued

Drone Entrepreneur: These refuse to copy or use opportunities that come on their way. They are conventional in their approach and stick to their set practices products, production methods and ideas. They struggle to survive not to grow. In such cases the organization loses market, their operations become uneconomical and they may be pushed out of the market.

2. On the Basis of Type of Business

Business Entrepreneurs: They are the entrepreneurs who conceive an idea for a new product or service and then create a business to materialize their idea into reality.

Trading Entrepreneur: These entrepreneurs undertake trading activities and are not concerned with the manufacturing work. They identify the potentiality of their product in markets, stimulate demand for their product line among buyers.

Industrial Entrepreneur: Industrial entrepreneur is essentially a manufacturer who identifies the needs of customers and creates products or services to serve them.

Agricultural Entrepreneur: Agricultural entrepreneurs are those who undertake agricultural activities as through mechanization, irrigation and application of technologies to produce the crop.

.....Continued

Corporate Entrepreneur: These entrepreneurs used his innovative skill in organizing and managing a corporate undertaking. A corporate undertaking is a form of business organisation which is registered under some statute or Act like a trust registered under the Trust Act, or a company registered under the Companies Act.

3.On the basis of Use of Technology

Technical Entrepreneurs. Technically qualified persons have entered the field of business. These entrepreneurs may enter business to commercially exploit their inventions and discoveries. Their main asset is technical expertise.

Non-technical Entrepreneur: Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product or service in which they deal.

Professional Entrepreneur: Professional entrepreneur is an entrepreneur who is interested in establishing a business but does not have interest in managing it after establishment. A professional entrepreneur sells out the existing business on good returns and starts another business with a new idea.

.....Continued

4. On the basis of Motivation

Pure Entrepreneur: A pure entrepreneur is the one who is motivated by psychological economical, ethical considerations. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego or status.

Induced Entrepreneur: This type of entrepreneur is one who induced to take up an entrepreneurial task due to the policy reforms of the government that provides assistance, incentives, concessions and other facilities to start a venture.

Motivated Entrepreneur: New entrepreneurs are motivated by the desire for self-fulfillment. They come into being because of the possibility of making and marketing some new products for the use of consumers. They are motivated through reward like profit.

.....Continued

5. On the basis of Growth:

Growth Entrepreneur: He necessarily takes up a high growth industry and chooses an industry which has sustained growth prospects. Growth entrepreneurs have both the desire and ability to grow as fast as large as possible.

Super-Growth Entrepreneur: This category of entrepreneurs is those who have shown enormous growth of performance in their venture. The growth performance is identified by the high turnover of sales, liquidity of funds, and profitability.

6. According to Entrepreneurial Activity

Novice Entrepreneur: A novice is someone who has started his/her first entrepreneurial venture.

A Serial Entrepreneur: A Serial Entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. It is the process of starting that excites the starter. Once the business is established, the serial entrepreneur may lose interest and think of selling and moving on.

.....Continued

Portfolio Entrepreneur: A portfolio entrepreneur is an individual who retains an original business and builds a portfolio of additional businesses through inheriting, establishing, or purchasing them. A portfolio entrepreneur starts and runs a number of businesses.

Other Entrepreneurs:

- **First-Generation Entrepreneurs:** This category consists of those entrepreneurs whose parents or family had not been into business and was into salaried service.
- **Women Entrepreneurs:**
- **Nascent Entrepreneur:** A nascent entrepreneur is an individual who is in the process of starting a new business.
- **Lifestyle Entrepreneurs:**

Functions of Entrepreneurs

Kilby has classified these functions into four groups.

A. Exchange Relationship:

- Perceiving market opportunities.
- Gaining command over scarce resources.
- Purchasing inputs.
- Marketing of the products and responding to competition.

B. Political Administration:

- Dealing with the public bureaucracy (concession, licenses & taxes)
- Managing human relation within the firm.
- Managing customer and supplier relations.

.....Continued

C. Management Control:

- Managing finance
- Managing production

D. Technology:

- Acquiring and overseeing assembly of the factory.
- Industrial engineering
- Upgrading process and product quality.
- Introducing new production techniques and products

Functions of an entrepreneur

Innovation: They analyze the existing state of company's affairs and try to reach a new level of equilibrium by trying new and productive combinations of existing resources.

Assumption of Risk: Entrepreneurs assume the risk of success or failure of the enterprise that they wish to launch. Thus, risk-bearing or uncertainty-bearing still remains the most important function of an entrepreneur which he tries to reduce by his initiative, skill and good judgement.

Idea Generation: It is the function of the entrepreneurs to generate as many ideas as he can for the purpose of selecting the best business opportunities which can subsequently be taken up by him as a commercially - viable business venture.

Organizing and Management: An entrepreneur brings together various resources of production, organizes them properly and converts them into a productive unit.

Decision Making: An entrepreneur is a 'decision maker'. He takes various decisions regarding several matters

.....Continued

Leading: The entrepreneur's leading function is drawing the best out of his human resources. He must create teamwork, motivation among employees. As a leader, entrepreneurs must shift from the command-and-control style of managing to a coach-and-collaboration style.

Managing Growth: The entrepreneur must manage the enterprise's growth. It includes such activities as developing and designing appropriate growth strategies, dealing with crises, exploring various ways for financing growth and placing a value on the venture.

Support to Social Environment: Social environment is characterized by social customs, culture, values and beliefs.

Economic Development: Entrepreneurs play an important role in accelerating the rate of economic development of developed and under-developed countries. They exploit the country's resources (land, labour, capital and technology) and optimize their utilization to result in development of that country.

The Rewards and Challenges of Being an Entrepreneur

Rewards:

- High degree of independence
- Freedom from constraints
- Get to use a variety of skills and talents
- Freedom to make decisions
- Accountable to only yourself
- Opportunity to tackle challenges
- Feeling of achievement and pride
- Potential for greater financial rewards

.....Continued

Challenges:

- Must be comfortable with change and uncertainty
- Must make a bewildering number of decisions
- May face tough economic choices
- Must be comfortable with taking risks
- Need many different skills and talents
- Must be comfortable with the potential of failure

The role and significance of an entrepreneur

Bringing Economic Growth and Prosperity: Entrepreneur bring economic growth and prosperity in the country through generation of employment opportunities, capital and wealth creation, increasing per capita income and GDP, improvement in quality of life by raising the standard of living.

Brining Social Stability and Balanced Regional Development: Entrepreneurs play a crucial and unique role in bringing about social stability and balanced regional development through removal of poverty, improving health and education facilities, creating fair competition, equitable distribution of income.

Innovator in Economic Growth: An entrepreneur plays a very crucial role in encouraging entrepreneurship and economic development by bringing new ideas, combinations, products techniques, organizations, new markets, making full use of technical knowledge.

Creation of Employment Opportunities: Entrepreneurs play a significant role in generation of employment opportunities by establishing new units in manufacturing, trading and service sectors.

.....Continued

Increase Productivity with Modern Production System: Play an important role in raising productivity. Two keys to higher productivity are research and development and investment in new plant and machinery.

Export Promotion and Import Substitution. Entrepreneurs establish industries producing import substitution goods, establish new industries, especially for export products.

Entrepreneur Plays a Role of Catalytic Agent. As Joseph Schumpeter says, entrepreneur's task is "creative destruction". He destroys to create new things.

Augmenting and Meeting Local Demands: Entrepreneurs also play a significant role in augmenting local demands and meeting them satisfactorily.

Reinventing Entrepreneurial Venture: An entrepreneur work to reinvent his entrepreneurial venture. He knows that change and innovation is good for his organization.

Entrepreneur vs. Entrepreneurship

Table 4.1 Relationship between Entrepreneur and Entrepreneurship

Entrepreneur	Entrepreneurship
Refers to a person	Refers to a Process / Activity / Action
Leader	Leadership
Planner	Planning
Programmer	Action
Motivator	Motivation
Risk-taker	Risk-taking
Creator	Creativity
Visionary	Vision
Innovator	Innovation
Technologist	Technology
Initiator	Initiative
Organizer	Organization
Decision-maker	Decision Making
Administrator	Administration
Adopter	Adopting
Delegator	Delegating
Ethical	Ethics
Goal Setter	Goal Setting
Imagination	Imagining
Skilled	Skills
Transformer	Transformation
Wealth Creator	Wealth Creation
Economic Developer	Economic Development
Promoter	Promotion

Entrepreneurial Failure

There are a number of reasons for failure of a new venture. Below are some of them:

Inadequate Management of Finance: Due to a lot of operational issues sometimes, financial management is likely to get neglected. Sometimes entrepreneurs are more concerned about raising the fund, they are less concerned about utilization of funds. Common errors in financial improper cash management, unproductive investments, and poor budgeting decisions.

Lack of Professional and Experienced Management Team: One of the main problems faced by new enterprises in that the management team is usually very new to their role. Even in some rare cases, when the management has some individuals who have led a company in the past, they are now faced with a situation where the company itself has no previous track record.

Weak Promotional Efforts: Entrepreneurial firms are very reluctant to spend on promotional activities. Sometimes entrepreneurs think that investing in this campaign is not going to give assured returns.

Unplanned Rapid Growth: Unplanned growth is not always a desirable situation. Higher growth will put greater stress on production facilities, manpower, and distribution and working capacity of Venture.

.....Continued

Shortage Trained or Experienced Manpower: Shortage of skilled and experienced manpower. Most people prefer to work with a well-established organization employing hundreds of employees and having a stable track record and experienced manpower and are less interested to work with new venture. New ventures are also reluctant to invest in training and development. Lack of experienced and skilled manpower can lead to a general dropping productivity and quality of output.

Lack of Appropriate Information: The quality of information available to large corporations is superior than the information available to new small entrepreneurial ventures. Quality information is always have some cost and small ventures may not be able to invest so much in getting the high-quality information.

Improper Price Management. But improper management of price creates a lot problem to enterprise as price is directly associated with the volume of sales. There are many sophisticated pricing policies a new venture can adopt, taking into account its cost structure, productivity level, nature of demand, and extent of competition.

.....Continued

Lack of Strong Business Relationship: Relationships with vendors, creditor, venture capitalist, customers, and others is a huge advantage to established businesses. A new venture will have to establish new relationships and work hard at strengthening them.

Less Concerned about Management: Improper inventory management can lead to tough problems. Production can be halted due to insufficient inventory, whereas excess inventory can lead to wastages and financial loss. In case of perishable goods, high inventory can lead to expiration of stock.

Narrow Vision: In a crisis, the management of the venture focuses on surviving the immediate crisis and resolving the conflict and soon the long-term vision and strategy of the firm are forgotten. If this continues for long, the danger is that long-term plans and strategies are discarded as impractical or irrelevant. Ultimately, the firm acquires a shape very different from what was originally envisaged by the entrepreneur.