

Chapter 3:Entrepreneur: Definition and Concept

Objectives

- Understand meaning of the term ‘Entrepreneur’
- Explore various personality characteristics and skills of a successful entrepreneur.
- Understand the evolution of the term entrepreneur.
- Describe who entrepreneurs are and what they do?
- Discuss the various entrepreneurial decisions.
- Outline the steps in entrepreneurial process

Entrepreneur

Who is an Entrepreneur?

An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them.

What is entrepreneurship?

What is an entrepreneurial career path?

Note: Although many people come up with great business ideas, most of them never act on their ideas but Entrepreneurs do. Entrepreneurs can create value in a number of ways:

- inventing new products and services
- developing new technology, discovering new knowledge
- improving existing products or services
- finding different ways of providing more goods and services with fewer resources

Entrepreneurship

Entrepreneurship may be defined in various ways, but the four key elements involved in it are:

(i) Innovation

(ii) Risk-taking,

(iii) Vision

(iv) Organising skill. All the four elements are inter-related and form a continuous process in business.

.....**Definition of an entrepreneur**

F. H. Knight, defines entrepreneurs as a specialized group of persons who bear risks and deal with uncertainty.

According to Francis A. Walker “An entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the various factors of production.

David C. McClelland wrote that “an entrepreneur is an individual who takes moderate risks and brings innovation.

Henry Ford said that, Entrepreneur can do anything with passion and enthusiasm. Enthusiasm is the yeast that makes his hopes rise to the stars.

An Entrepreneur According to Joseph Schumpeter

According to Joseph Schumpeter “Entrepreneur is one who innovates, raises money, assembles inputs, chooses managers and sets the commercial organization going with his ability to identify them and opportunities which others are not able to identify and is able to fulfil such economic opportunities.”

Joseph A. Schumpeter states that : “The entrepreneur in an advanced economy is an individual who introduces something new in the economy - a method of production not yet tested by experience in the branch of manufacturer concerned, a product with which consumers are not yet familiar, a new source of raw material or new markets.

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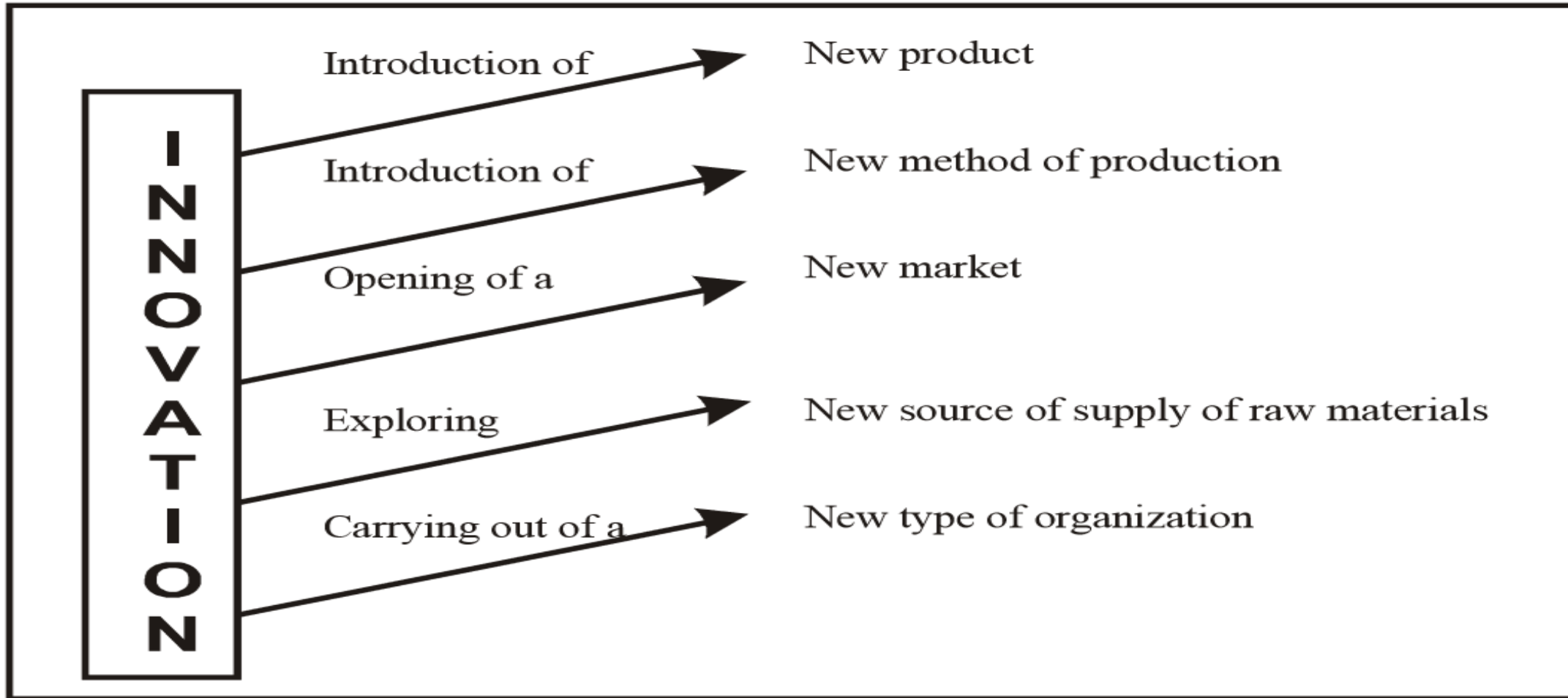


Figure 3.1 : Schumpeter's view of Entrepreneur

Key elements of an entrepreneur

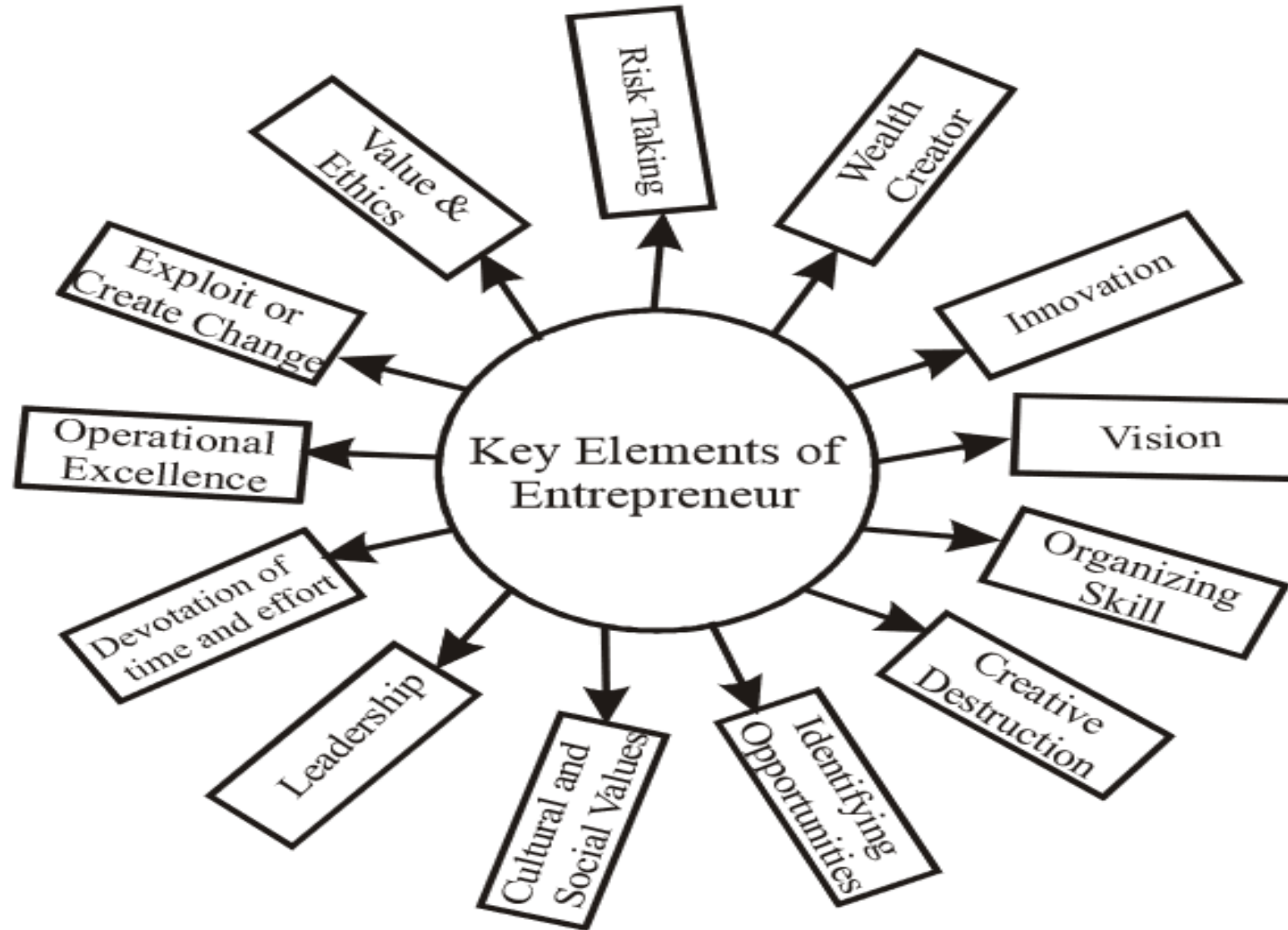


Figure 3.2 : Key elements of Entrepreneur

Nascent Entrepreneurs

What Do We Know About Nascent Entrepreneurs?

- They have significantly higher expectations about the desirability of starting a business, the extent to which doing so would help achieve other goals, and the extent to which their skills and abilities would contribute to the success of the business.
- They use entirely different styles of problem solving, decision making, and creative discovery than do non-nascent entrepreneurs.
- Most nascent entrepreneurs draw upon their own savings and personal assets in putting together their organizations.
- Having strong relationships (high levels of trust and emotional closeness) with contacts (business associates, close friends, and family members) can help nascent entrepreneurs in their efforts.

Characteristics and Skills of Entrepreneur

The characteristics or features or nature or qualities of entrepreneur as an individual are essential to contribute to the success of an enterprise. An entrepreneur possesses the following characteristics:

Innovator. Entrepreneurs have a creative vision to recognize a business opportunity. An entrepreneur should have creative thinking and be able to engage in the analysis of various problems and situations in order to deal with them. An Entrepreneur creates something new, something different, they change or transmute values.

Motivation towards Achievement. A successful entrepreneur should have a strong motivation towards the achievement of a task and must be able to exert considerable efforts in getting things done by others. He has strong urge to achieve. He has a more aggressive level of entrepreneurial venturing, and need achievement.

Ability to Handle Uncertainty: The ability to handle uncertainty is critical because these business builders constantly make decisions using new, sometimes conflicting information gleaned from a variety of unfamiliar sources. Based on his research, entrepreneurial expert Amar Bhide says that entrepreneurs exhibit “a willingness to jump into things when it’s hard to even imagine what the possible set of outcomes will be.”

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Moderate Risk Taker: Entrepreneurs are not wild risk takers but are instead calculating risk takers. Unlike “high-rolling, riverboat” gamblers, entrepreneurs rarely gamble. Their goals may appear to be high-even impossible-in others’ eyes, but entrepreneurs see the situation from a different perspective and believe that their goals are realistic and attainable. They usually spot opportunities in areas that reflect their knowledge, backgrounds, and experiences, which increase their probability of success.

Skill for Organizing: A true entrepreneur is one who has the ability to mobilise resources in the best possible manner for achieving the business objectives. Entrepreneurs know how to put the right people together to accomplish a task. Effectively combining people and jobs enables entrepreneurs to transform their vision into reality.

Goal Oriented: Entrepreneurs are highly goal-oriented and specifically aim at producing goods and services that represent unmet needs of consumers. An entrepreneur must be able to set realistic but challenging goals for him as well as for others in the organisation

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Desire for Responsibility: Entrepreneurs feel a deep sense of personal responsibility for the outcome of ventures they start. They prefer to be in control of their resources, and they use those resources to achieve self-determined goals.

Emotional Stability and Self-control: Emotional health is a must for entrepreneurs to meet the challenges of exploiting a new business opportunity. Successful entrepreneurs believe in control being exercised from within. They believe in imposing control on themselves and their enterprises rather than leaving their success to fate.

Communication Ability: This ability pertains to communicate effectively. As a leader an entrepreneur communicates effectively with all concerned such as financiers, employees, customers, suppliers, creditors and all who are concerned with the new enterprise.

Future Orientation: Entrepreneurs look ahead and are less concerned with what they did yesterday than with what they might do tomorrow. Not satisfied to sit back and revel in their success, real entrepreneurs stay focused on the future.

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Commitment and Dedication: Entrepreneurs must work with dedication and commitment to launch successful business enterprises. The commitment from the entrepreneur for longer period may be 5 to 10 years is necessary for conceptualisation, building and running an enterprise. Entrepreneurship is hard work, and launching a company successfully requires total commitment from an entrepreneur.

High Level of Energy: Entrepreneurs are more energetic than the average person. Managing resources and running an enterprise calls for long hours of work for longer period of time and hence an entrepreneur is a man of high energy level.

Flexibility: One hallmark of true entrepreneurs is their ability to adapt to the changing demands of their customers and their businesses. In this rapidly changing global economy, rigidity often leads to failure.

Technical Knowledge: An entrepreneur must have a reasonable level of technical knowledge. This is the one ability that most people are able to acquire if they try hard enough. The entrepreneur should have a keen desire to change and adopt new industrial or commercial technology available in the market.

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Mental Ability: An entrepreneur will be a man of high level intelligence, creative, thinking and decision maker. He must be able to engage in the analysis of various problems and situations in order to deal with them. The entrepreneur should anticipate changes and must be able to study the various situations under which decision have to be made.

More than a Manager: An entrepreneur is more a true leader and less a manager. An entrepreneur builds up his team, educates them, keeps high level of motivation and also provides an environment for creative and focused to work culture. He is the leader of the team. He inspires loyalty and hard work to raise productivity ad efficiency. He has the ability to become market leader.

Problem Solver and a Decision Maker: In the initial phases of an enterprise many teething problems do occur and an entrepreneur should be a creative problem solver to turn difficulties into advantages. Entrepreneurs face lots of problems right from the conception of an idea to its implementation. Entrepreneurs who are decisive arrive at the right solution to the problem by spending the least possible time and money. Lack of ability to solve problems will result in most of the problems remaining unresolved.

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Desire for Immediate Feedback: Entrepreneurs enjoy the challenge of running a business, and they like to know how they are doing and are constantly looking for feedback.

Human Relation Ability: Tactful and warm human relation is an important factor which brings success to an entrepreneur. An entrepreneur who maintains good relations with customers, employees, suppliers, creditors and the community is much more likely to succeed in his business than the individual who does not invest in maintaining these relations.

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According to James J. Berne (x-tics of an entrepreneur)

- He is an enterprising individual, is energetic, hardworking, resourceful, aware of new opportunities and able to adjust himself to changing conditions with ease and willing to assume risks involved in change.
- He is interested in advancing technologically and in improving the quality of his product or service.
- He is interested in expanding the scale of his operations by reinvesting his earnings.
- He visualizes changes and adapts to changing conditions.
- He is a firm believer in planning and systematic work.
- He works for the society at large and for the good of his fellow-beings.

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According to Michael Armstrong the particular characteristics of successful entrepreneurs are that they:

- Are action orientated
- Have the ability to visualize the steps from idea to actualization.
- Are prepared to ‘break the mould’.
- Are thinkers and doers, planners and workers.
- Adopt a ‘hands-on’ approach.
- Can tolerate ambiguity- ‘enterprise always consists of action in uncertainty’
- Accept risk but understand and manage it

Activities for a successful entrepreneur in an underdeveloped economy(According to Kilby)

- Perception of market opportunities (novel or imitative).
- Gaining command over scarce resources.
- Purchasing of inputs.
- Marketing of the product and responding effectively to competition.
- Dealing with public bureaucracy as regards concessions, licences, taxes, etc. provided through the various fiscal policies of the government.
- Management of the human relations within the enterprise.
- Management of customer and supplier relations.
- Financial management

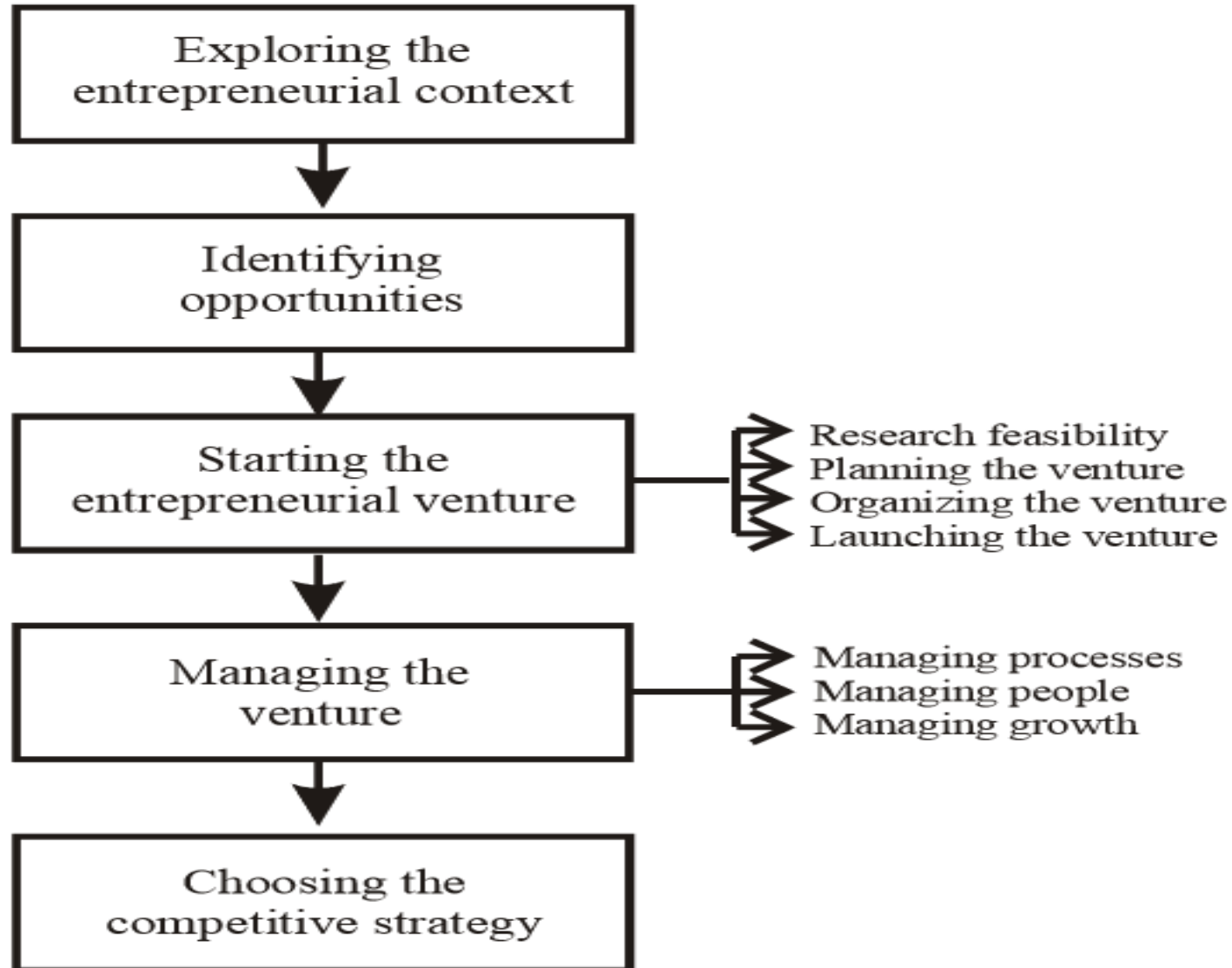
The Entrepreneurial Decision Process

Like all processes, the entrepreneurial decision process entails a movement, from something to something - a movement from a present lifestyle to forming a new enterprise.

Entrepreneurs take strategic, operational, transactional, intelligent, and Situational decision but before taking any decision an entrepreneur must consider the following factors:

- Priority of decision
- Inquiring about all possibilities
- Looking at immediate repercussions
- Taking the decision at the right time
- Examining the motivations of people suggesting something
- Circumstances under which the decision is taken
- The opinions of others
- Maintaining a balance between optimization in a particular circumstance
- Facts and feelings of people
- Advocating the decision

The Entrepreneurial Process



: Components of Entrepreneurial Process

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Exploring the Entrepreneurial Context: Because the context determines the “rule” of the game and what decisions are likely to be successful. The context includes the realities of the new economy, society’s laws and regulations that compose the legal environment, and the realities of the changing world of work.

Identifying Opportunities: These opportunities are positive external trends or changes that provide unique and distinct possibilities for innovating and creating value. There are thousand of opportunities available to an entrepreneur. Some of them are not real opportunities with high potentials. Entrepreneurs make search for profitable ones and then selects an attractive business opportunity.

Starting the Venture: Once entrepreneurs have explored the external context and identified possible opportunities and competitive advantage(s), they must look at the issues involved with actually starting up their entrepreneurial venture. Included in this phase of the entrepreneurial process are the following activities; researching the feasibility of the venture, planning the venture, organizing the venture and launching the venture. Financial, physical and managerial resources must be collected to launch the venture

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Managing the Venture: Once the entrepreneurial venture is up and running the next step in the entrepreneurial process is managing the venture. An entrepreneur also must effectively manage the venture by managing processes, managing people and managing growth. This requires the talents of leading, decision making, executing, controlling and various managerial skill.

Choosing the Competitive Strategy: Once the entrepreneurial venture is up and running, the last step is to choose competitive strategy. Peter Drucker mentions following specific entrepreneurial strategies. These are:

- Being fastest with the most.
- Creative imitation.
- Entrepreneurial judo.
- Finding and occupying a specialized ecological niche.
- Changing values and characteristics by creating utility, by delivering what represents true value to the customer, by adoption to the customer's social and economical reality, by appropriate pricing.