

A stylized illustration of a person in a blue suit and black pants running towards the right. They are holding a large, blue key in their right hand, and their left arm is raised in a fist. The background consists of light blue rays emanating from behind the figure. The text "Unit 1" and "Entrepreneurship" is overlaid on the image.

Unit 1

Entrepreneurship

What is Entrepreneurship?

- Someone who creates and runs a business is called an entrepreneur
- Entrepreneurship comes from a French word- 'ENTREPENDRE' and German word- UNTERNEHMEN' both meaning individuals who are “undertaker” i.e. those who takes the risk of a new enterprise

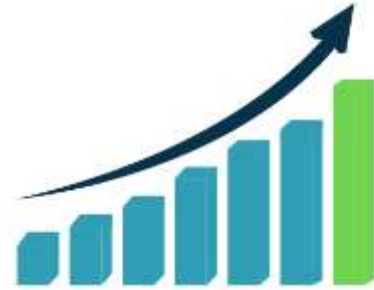
What is Entrepreneurship?

- Entrepreneurship is a dynamic activity which helps the entrepreneur to bring changes in the process of production, innovation in production, new usage of materials, creator of market etc.
- An entrepreneur is an economic change agent with knowledge, skills, initiative, drive and spirit of innovation to achieve goals.
- He identifies and seizes opportunity for economic benefits
- He is a risk bearer, an organizer and innovators

Major Contributions



Job creation



Economic
Growth



New
Technologies



Serving small
markets

Functions of an Entrepreneur

- Identification of opportunities
- Introduction of a new product / service
- Gathering resources or Introducing new methods of production
- Developing new markets



Role of an Entrepreneur

- An individual who assumes uncertainty associated risk
- An individual who supplies initial financial capital
- An individual who starts up a new venture
- A person who owns an enterprise
- An individual who allocates resources among alternative uses.
- A person who employs factors of production
- An individual who is a decision maker
- A person who has leadership qualities
- A person who manages
- An individual who is an organizer and coordinator of economic resources.
- An innovative person



Characteristics of an Entrepreneur

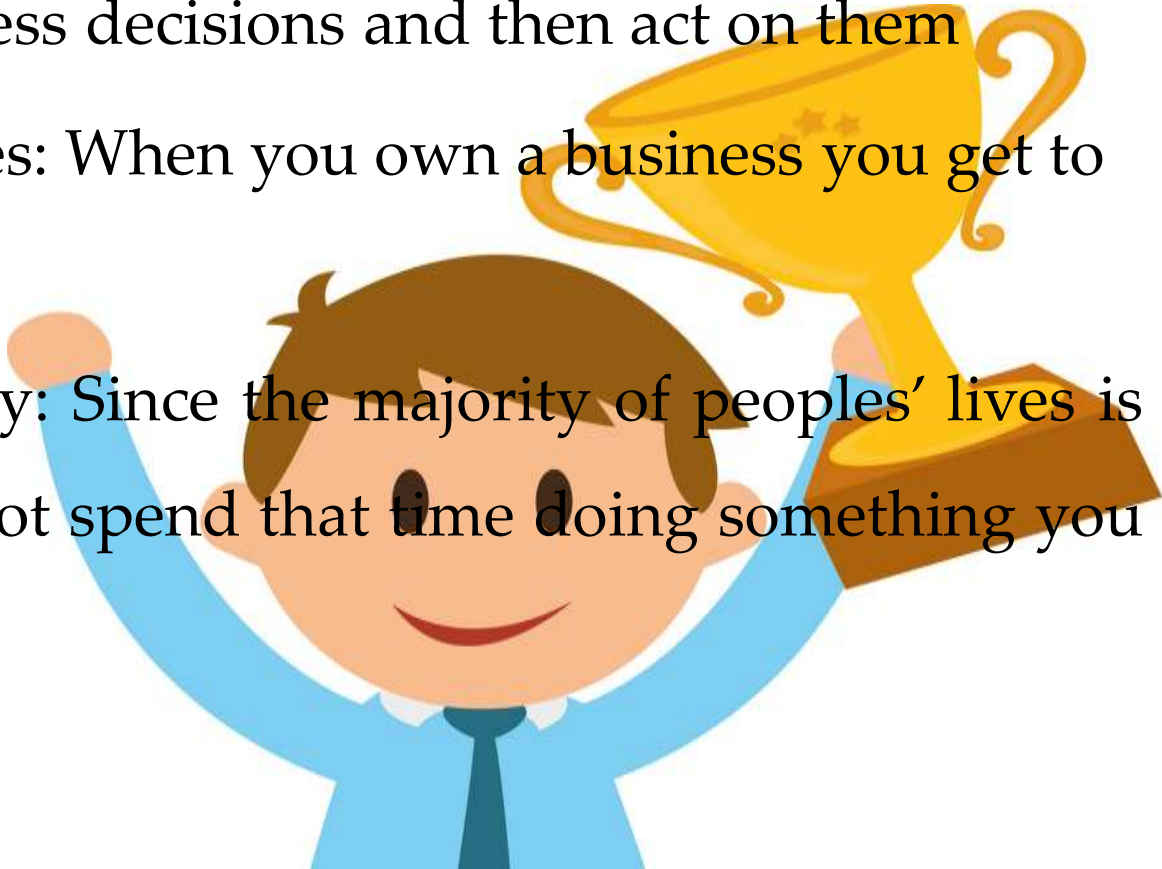
- **Vision:** - He is able to visualize market demand, socio-economic environment and the future of business venture.
- **Knowledge:** - He has sound conceptual knowledge about all the technicalities of his business
- **Desire to succeed:** - He has multiple goals and seeks opportunities to be productive
- **Independence:** - He is independent in work and decision making
- **Optimism:** - He knows how to exploit opportunities

Characteristics of an Entrepreneur

- **Value addition:** - He does not follow the conventional rule of thumb, he has a desire to create, innovate and add value
- **Initiative:** He takes the initiative to make an action plan from limited resources
- **Goal setting:** - He sets realistic goal
- **Problem solver:** He is creative in problem solving
- **Good human relations:** - He is a good leader, motivator and team builder
- **Communication skills:** - He has the ability to persuade others

Rewards

- The biggest reward of becoming an entrepreneur is the personal satisfaction that comes from having the freedom to make your own business decisions and then act on them
- Making your own rules: When you own a business you get to be your own boss
- Doing work, you enjoy: Since the majority of peoples' lives is spent working, why not spend that time doing something you enjoy?



Rewards

- **Creating greater wealth:** There is no limit to what an entrepreneur can make.
- **Helping your community:** Being an entrepreneur lets you make your community and world a better place.



Risk of Being an Entrepreneur

- **Potential Business Failure:** Being fully responsible means the success or failure of your business rests on you
- **Unexpected Obstacles:** Problems can happen that you don't expect.
- **Financial Insecurity:** Many new businesses don't make much money in the beginning, so you may not always be able to pay yourself.
- **Long Hour and Hard Work:** It's not unusual for entrepreneurs to work a lot of extra hours to make their business successful. This is especially true during the initial start-up process.

Advantages and Disadvantages

Advantages	Disadvantages
You are the boss.	You are alone
All profits are yours	All decisions are yours
Increases self-confidence	All losses are yours
Work can be very satisfying	Work may not be satisfying
Success will give you immense satisfaction	You will need to put in long hours
There will be great variety in roles and tasks.	Pressures will affect social and family life
	Existing the business in difficult
	Lack of success will effect self-esteem

Entrepreneurial Skills

- Creativity and opportunity evaluation
- Real-time strategy and decision making
- Comfort with change
- Teamwork
- Enthusiasm, selling, negotiation and motivation through influence and persuasion
- Oral and written communication
- Basics of start-up finance, accounting and law



Successful Entrepreneurs

- Are comfortable stretching the rules
- Are prepared to make powerful enemies
- Have the patience to start small
- Are willing to change strategy quickly
- Know how to close a deal quickly
- Have good negotiation skills
- Have good technical skills
- The ability to sell their vision to others (employees / creditors)
- The ability to motivate employees and delegate work to them
- A knack for turning plans into action i.e. the ability to execute
- A passion for what they are doing



Entrepreneurial Failures

- Lack of Experienced Management
- Few Trained or Experienced Manpower
- Poor Financial Management
- Lack of Business Linkages
- Weak Marketing Efforts
- Lack of Information
- Incorrect Pricing
- Improper Inventory Control
- Short-term outlook



Factors that tend to influence entrepreneurship

- The emergence and development of entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political, psychological factors often nomenclatured as supporting conditions to entrepreneurship development

Factors that tend to influence Entrepreneurship

Various Economists agree that the lack of entrepreneurs is not caused by economic conditions alone. It is also due to the whole set of socio-cultural and institutional environment prevailing in the less developed countries. Various environmental factors influencing the entrepreneurship are as follows.

- (1) Economic factors
- (2) Socio-culture factors
- (3) Political factors

Economic Environment

Economic environment exercises the most direct and immediate influence on entrepreneurship. The economic factors that affect the growth of entrepreneurship are the following:

- **Capital**
- **Labor**
- **Raw materials**
- **Market**
- **Infrastructure**

Capital :-

Capital is one of the most important perquisites to establish an enterprise. Availability of capital facilitates for the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. Capital is therefore, regarded as lubricant to the process of production.

Labor:-

The quality rather quantity of labor is another factor which influences the emergence of entrepreneurship. Entrepreneurship is encouraged if there is a mobile and flexible labor force

Raw materials: -

The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and its influence in the emergence of entrepreneurship.

Market: -

The potential of the market constitutes the major determinant of probable rewards from entrepreneurial function.

Infrastructure: -

Expansion of entrepreneurship presupposes properly developed communication and transportation facilities. It not only helps to enlarge the market, but expand the horizons of business too.

Socio-cultural Environment

The main components of socio-cultural environment are as follows:



Cast factor



Family
background



Education



Cultural value

Cast factor

There are certain cultural practices and values in every society which influence the actions of individuals and encourages entrepreneurship. These practices and value have evolved over hundreds of years.

Family background

This factor includes size of family, type of family and economic status of family. Background of a family in manufacturing provided a source of industrial entrepreneurship. Occupational and social status of the family influenced mobility.

Education :

Education enables one to understand the outside world and equips him with the basic knowledge and skills to deal with day-to-day problems. In any society, the system of education has a significant role to play in inculcating entrepreneurial values.

Cultural Value :

Motives impel men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society.

Political Factor

An entrepreneur, however creative he/she may be, cannot function without the supportive actions of the Government. It is for the government/society to ensure the availability of required resources for the entrepreneurs and also the accessibility to them.

Policies relating to various-economic aspects like prices, availability of capital labor and other inputs demand structure, taxation, income distribution, etc. affect growth of entrepreneurship to a large extent. All above policies are made on the basis strong political will.

Types of Entrepreneurs

Entrepreneurs are classified as under different heads as given below. This helps the potential entrepreneurs to choose his own nature and style of entrepreneurship.

- According to the type of business
- According to the stage of development

According to the Type of Business

Entrepreneurs are found in various types of business occupations of Varying size. We may broadly classify them as follows

- Business Entrepreneurs
- Industrial Entrepreneurs
- Agricultural Entrepreneurs

Business Entrepreneur

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

Industrial Entrepreneur

Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailors' product or service to meet the market need.

Agricultural Entrepreneur

Agricultural entrepreneurs are those entrepreneurs who undertake such agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture.

According to Stages of Development

- First Generation Entrepreneurs
- Classical Entrepreneurs
- Fabian Entrepreneurs
- Drone Entrepreneurs
- Forced Entrepreneurs

First-Generation Entrepreneur

A first generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

Classical Entrepreneur

A classical entrepreneur is one who is concerned with the customers and marketing needs through the development of a self supporting venture.

Fabian Entrepreneurs

These categories of entrepreneurs are basically running their venture on the basis of conventions and customary practices. They don't want to introduce change.

Drone Entrepreneurs

Entrepreneurs who are reluctant to introduce any changes in their production methods, processes and follow their own traditional style of operations.

Forced Entrepreneurs

Sometimes, circumstances make many persons to become entrepreneurs. They do not have any plan, forward looking and business aptitude. To mitigate the situational problem, they are forced to plunge into entrepreneurial venture.