

# DAYANANDA SAGAR COLLEGE OF ENGINEERING

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**Shavige Malleshwara Hills, Kumaraswamy Layout, Bengaluru-560078**

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## **DEPARTMENT OF TELECOMMUNICATION ENGINEERING**

**Accredited by National Board of Accreditation (NBA)**

### **MODULE 4**

### **ENTREPRENEUR**

**COURSE CODE: 18HS5ICMEP**

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### **CONTENTS:**

**ENTREPRENEUR:** Meaning of Entrepreneur, Evolution of the Concept, Functions of an Entrepreneur, Types of Entrepreneur, and Entrepreneur – an emerging Class, Stages in entrepreneurial process, Role of entrepreneurs in Economic Development, Entrepreneurship – its Barriers, EDP and its objectives (Case studies discussion, role play / group discussion).

## MODULE 4: ENTREPRENEUR

### 4.1 MEANING OF ENTREPRENEUR:

Entrepreneurship is a trait possessed by an entrepreneur. Entrepreneur is an innovator, who carries out new combinations in ever-changing environment to initiate and accelerate the process of economics, social and technological developments.

An entrepreneur is an economic agent who plays an important role in the economic development of a country. He identifies opportunities and grabs them for economic benefits. Entrepreneurship is a dynamic process which helps the entrepreneur to bring changes in the process of production, innovation in business, new ideas and usage of resources, creating new markets.

**Peter Drucker:** “An entrepreneur is one who always searches for changes, responds to it and exploits it as an opportunity”.

### 4.2 EVOLUTION OF THE CONCEPT:

The term entrepreneur is defined in variety of ways. The term “entrepreneur” is derived from the French verb “Entreprendre” which means “to undertake”.

**Early age:** Marco polo who tried to trade routes to the far East. He used to sign a contract with a venture capitalist to sell his goods. The capitalist was a risk bearer; the merchant took the role of trading, bearing all physical and other risks. After his successful selling of goods and completing his trip, the profits were shared by the capitalist and merchant. The very beginning of entrepreneur concept.

**In 16<sup>th</sup> century:** The Frenchmen who organised and led military expeditions were referred to as “entrepreneurs”.

**In 17<sup>th</sup> century:** An amalgamation of risk with entrepreneurship had evolved during 17<sup>th</sup> century. A person used to enter into a contractual agreement with government to perform a service or to supply some goods. This involved some risk since the contract price was fixed and the profit or loss was borne by the entrepreneur. Ex: Merchants, Farmers, Craftsmen etc.

**In 18<sup>th</sup> century:** French economist Richard Cantillon used the word entrepreneur to business. Since then the word entrepreneur is used to one who takes the risk of starting new organization or business or introducing a new idea, production service to society.

**Richard Cantillon:** “The agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future”.

**In 20<sup>th</sup> century:** The entrepreneurs were not distinguished from managers and were viewed from the view of economy. The notion of an entrepreneur as an innovator was established.

### 4.3 FUNCTIONS OF AN ENTREPRENEUR:

An entrepreneur performs all the necessary functions that are essential from the point of establishing and developing the enterprise.

They are classified in to three groups

1. Primary.
2. Other functions.
3. Functions importance for developing countries.

#### Functions of Entrepreneur:

Primary	Other functions.	Functions importance for developing countries.
Planning	Diversification of production	Management of scarce resources
Organising	Expansion of the enterprise	Dealing with public
Decision making	Maintaining cordial employer and employee relations	Engineering
Management	Talking labour problems	New product development
Innovation	Coordination	Parallel opportunities
Risk bearing		Marketing
Leading		Management
Controlling		Customer reallion

#### 1. PRIMARY FUNCTIONS:

a) **Planning:** Planning is a first step of entrepreneur. He presents his plan of proposed project or business in a systematic way. Planning involves

- Study of various ideas.
- Scanning & selecting the best idea.
- Selection of product line & location of plant.
- Deciding the type of business organization.
- Preparation of budget & identify capital resource.
- Studying the government rules, regulations & policies.
- Study & selection of work force.
- Study & selection of marketing strategies.

b) **Organisation:** An entrepreneur coordinates & supervises the various tasks of organizing for optional utilization of resources.

- c) **Decision making:** He has to take affective decisions with regard to business objectives of the enterprise, arrangement of resources & facilities like men, material, machines, money, methods, technology etc., and development of a market for the product & maintain good relationship with others.
  - d) **Management:** Refers to managing of the day to day problems. These include future expansion & policies in long run.
  - e) **Innovation:** He should be launch a new product, introduction of new technology in production line, creation of new markets new or better source of raw material.
  - f) **Risk bearing:** He should under take responsibility of risk due to unforeseen situations.
- 2. THE OTHER FUNCTIONS ARE:** Diversification of production, expansion of the enterprise, maintaining cordial relations with employer and employees, attending to and resolving the labour problems and coordination with outside agencies for the well-being of the enterprise.
- 3. THE FUNCTIONS WITH REFERENCE TO THE UNDERDEVELOPED COUNTRIES:** Management of scarce resources, dealing with public, engineering, new product development, marketing, management of customers and supplier relations etc.

#### 4.4 TYPES OF ENTREPRENEUR:

The entrepreneurs have been broadly classified according to the type of business, use of professional skill, growth and stages of development are as follows:

**1. According to the type of business:**

- a) Business entrepreneur
- b) Trading entrepreneur
- c) Industrial entrepreneur
- d) Corporate entrepreneur
- e) Agricultural entrepreneur
- f) Retail entrepreneur
- g) Service entrepreneur.

**2. According to the use of technology:**

- a) Technical entrepreneur or non-technical entrepreneur
- b) Professional entrepreneur
- c) Low technology or high technology entrepreneurs

**3. According to the growth:**

- a) Growth entrepreneur

- b) Super growth entrepreneur

**4. According to motivation:**

- a) Pure entrepreneur
- b) Induced entrepreneur
- c) Motivated entrepreneur
- d) Spontaneous entrepreneur

**5. According to the area:**

- a) Urban entrepreneur
- b) Rural entrepreneur

**6. According to the stages of development:**

- a) First generation entrepreneur
- b) Produce entrepreneur
- c) Classical entrepreneur

**7. According to the scale of operation:**

- a) Small scale entrepreneur
- b) Medium scale entrepreneur
- c) Large scale entrepreneur

**8. According to age & gender:**

- a) Young entrepreneur
- b) Old entrepreneur
- c) Male entrepreneur
- d) 7. Female entrepreneur

**9. Other types:**

- a) Professional & won professional
- b) Modern entrepreneur
- c) Traditional entrepreneur
- d) Skilled & non- skilled entrepreneur
- e) Forced entrepreneur
- f) Inherited entrepreneur
- g) National & international entrepreneur

#### 4.5 ENTREPRENEUR – An Emerging Class:

“Entrepreneur is defined as an indivisible process flourishes, when the interlinked dimensions of individual psychological entrepreneurship, entrepreneur traits, social encouragement, business opportunities government policies, availability of resources, opportunities coverage towards the common good, development of society & economy”.

It is also a process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities & inverting the resources to exploit the opportunities for better gains.

**Cole’s** defines the entrepreneur as “The purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain or organize profit by production or distributing of economic goods & services.

All the above explanations highlight the “risk bearing, innovating & resource organizing, achieving goal through production of goods or services”.

#### CHARACTERISTICS OF ENTREPRENEURSHIP:

##### 1. Innovation:

Entrepreneurship involves innovation of new things to effect dynamic changes & good success in economy. It should create conditions for growth of economy.

##### 2. Risk – taking:

Risk is an inbuilt element of any business. Entrepreneurship should be risk bearing to cater uncertainty of future.

##### 3. Skilful management:

Entrepreneurship hinges together various functions of the management- planning organizing staffing directing controlling & leading.

##### 4. Organization:

It brings together various facilities of production for an efficient & economical use.

##### 5. Decision making:

Decision making is very vital. Taking decision at all levels & stages of entrepreneurship is a routine task.

##### 6. Making the enterprise a success:

It is mainly an economic activity as it deals with creating & operating an enterprise. It involves in satisfying the needs of customers with the help of production and distribution of goods & services. This makes the enterprise a success.

#### 4.6 STAGES IN ENTREPRENEURIAL PROCESS:

The process of starting new venture is the main theme of entrepreneurial process which involves more than just problem solving in any typical management position. An entrepreneur must find, evaluate and develop an opportunity by overcoming the problem that arises in developing something new.

**This process has 5 important stages:**

1. Identification of opportunity.
2. Evaluation of opportunity.
3. Development of business plan.
4. Determination & organizing the resources.
5. Management of enterprise.

##### **1. Identification of opportunity:**

The first step in the entrepreneurial process is the identification of opportunity. This may be his own idea or from external sources. Ex: Technical organisation, Consumer ideas etc.

Some individuals are technically oriented and are not interested in any entrepreneurship. Some government organisation and R&D centers also provide new ideas.

##### **2. Evaluation of opportunity:**

The opportunity identified from above step must be carefully screened and evaluated. This is very important step to evaluate whether the product or service finalised provides sufficient return or investment. It involves looking at the length of opportunity; it's real perceived value its risks & returns, & its uniqueness or differential advantages in its competitive environment. SWOT analysis is one of the useful analysis tools. This plan includes:

1. Description of product or service
2. Agreement of opportunity
3. Assessment of the entrepreneur and his team
4. Resources needed
5. Amount & sources of capital needed
6. Rewards and Profit expected.

##### **3. Development of a business plan:**

To achieve the proposed business opportunity, a well-defined business plan needs to be developed. This is a time consuming activity. The business plan should contain the following in order.

1. Title of project, table of contents & executive summary
2. Description of business & industry.
3. Technology plan

4. Financial plan
5. Organization plan
6. Production & operation plan
7. Marketing & distribution plan
8. Summary of plan.

#### **4. Determination & organizing the resources:**

This process begins with the assessment of present resources. Enough care must be taken not to underestimate the amount and nature of resources required. The risk involved with insufficient or incorrect resources should be calculated.

Organising the required resources at the appropriate time is another important aspect of entrepreneurial process.

#### **5. Management of enterprise:**

After resources are acquired, the entrepreneur must use them to implement the business plan. The operational problems of the growing enterprise must also be examined. This calls for a management with all the functions.

### **4.7 ROLE OF ENTREPRENEURS IN ECONOMIC DEVELOPMENT:**

The role of entrepreneurs in economic development involves more than just increasing the output and income; it involves in initiating and effecting the change in the structure of business or society.

Innovation plays very important role in economic growth both in developing new products or services and stimulating idea of investment in new ventures. The new investment works on both the demand and supply sides of growth. This results in new spending, that brings new capacity and increased output on demand side.

Still there is little awareness of the product development process. This is the process through which innovation develops and commercialises through the entrepreneur's activity which in turn results in economic growth.

Entrepreneur bridges the gap between science and market place, creating new enterprise and brings new products and services into the market. That intern effect the economy of an area by building the base and creating jobs.

Thus entrepreneur thrusts impact and plays vital role both in economic development and creating employment to people of that area.



#### 4.8 ENTREPRENEURSHIP – Its Barriers:

The following are some of the barriers of entrepreneurship.

1. Lack of capital
2. Lack of technical knowledge
3. Economic business cycle
4. Non availability of raw materials & resources
5. Government regulations
6. Obsolescence of technology
7. Unstable & unpredictable markets
8. Globalization & entry of foreign goods
9. Risk.

#### 4.9 ENTREPRENEURSHIP DEVELOPMENT PROGRAMME (EDP):

Entrepreneurship has become a matter of great concern in India. In India rapid growth of small-scale industries is mainly due to the entrepreneurship development.

EDP focuses on identifying entrepreneurship qualities of an individual, providing required training, preparing related project reports, preparing the entrepreneurs to manage finance, Production, technology marketing & infrastructure facilities. EDP also provides knowledge to solve problems & difficulties of entrepreneur by showing remedial measures.

##### **Need for EDP'S**

1. Builds confidence in people
2. Gives guidelines to the young entrepreneurs
3. Gives technical assistance, management, training consultancy etc.
4. Channelizes entrepreneurs to accelerate industrialization
5. It is helpful in growth of small scale section.

#### 4.10 OBJECTIVES of ENTREPRENEURSHIP:

Important objective of EDP are:

1. To develop and strengthen their entrepreneurial quality.
2. To analyse environmental set up relating to small industry and small business.
3. To select product.
4. To formulate project report for a product.
5. To know the good and bad in becoming entrepreneurship.
6. To appreciate the need of entrepreneurship.

7. To understand the process and procedures and formalities involved in setting up enterprise.
8. To give the knowledge of source of help, help available for starting a small-scale industry.
9. To acquire the basic skills.
10. To let the entrepreneur to set or reset the objectives of his business.
11. To prepare him to accept risk and uncertainty involved in running a business.
12. To enable him to take decisions.
13. Enable him to communicate clearly and effectively.
14. Develop broad vision of business, passion for integrity and honesty.
15. Make him understand and cope up with statutory obligations.

**References:**

1. Management & Entrepreneurship-N V R Naidu, IK International, 2008