

Chapter 1

Introduction to Entrepreneurship

1.1. ENTREPRENEURSHIP

1.1.1. Concept of Entrepreneurship

Entrepreneurship is more than simply "starting a business". The definition of entrepreneurship is a process through which individuals identify opportunities, allocate resources, and create value. This creation of value is often through the identification of unmet needs or through the identification of opportunities for change.

Entrepreneurs see "problems" as "opportunities", and then take action to identify the solutions to those problems and the customers who will pay to have those problems solved. Entrepreneurial success is simply a function of the ability of an entrepreneur to see these opportunities in the marketplace, initiate change (or take advantage of change) and creates value through solutions.

It has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and creates wealth in country. It is hope and dreams of millions of individuals around the world. It reduces unemployment and poverty and it is a pathway to prosper.

Entrepreneurship is the process of searching out opportunities in the marketplace and arranging resources required to exploit these opportunities for long-term gains. It is the process of planning, organising, opportunities and assuming. Thus it is a risk of business enterprise. It may be distinguished as an ability to take risk independently to make utmost earnings in the market. It is a creative and innovative skill and adapting response to environment of what is real.

1.1.2. Meaning and Definition of Entrepreneurship

Performing the activities of an entrepreneur is called as entrepreneurship. It is a French word, which means "to undertake". In this, all the available resources like innovative ideas, capital, labour, and business intelligence are utilised in effective manner to produce innovative products and services. It may also involve creation of new enterprises or diversifications in established enterprises due to available opportunities in the market.

Entrepreneurship is an ability of an entrepreneur to develop and establish a business enterprise and perform all the functions involved the particular activity. Just like managers perform management, entrepreneurs perform entrepreneurship. It is a process involving different activities to set-up an enterprise. It starts with discovering of opportunities, designing a business plan, applying resources and techniques, and finally implementing the ideas. Not only this, it also involves managing and controlling of various risks and uncertainties, and turning it into a successful business venture.

In a Conference on Entrepreneurship held in United States, the term 'entrepreneurship' was defined as, "Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilise human, financial and material resources necessary to bring a project to fruition".

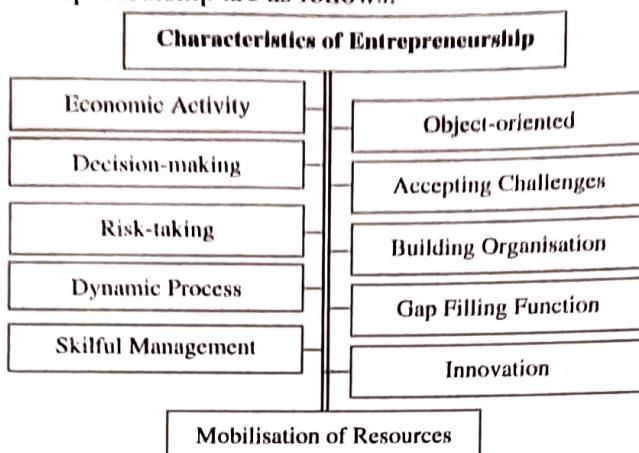
According to Joseph Schumpeter, "Entrepreneurship as defined essentially consists in doing things that are not generally gone in the ordinary course of business routine".

According to Peter F. Drucker, "Entrepreneurship occurs when resources are redirected to progressive opportunities not used to ensure administrative efficiency". He further states that entrepreneurship is not natural, it is not creative. It is work. Entrepreneurship requires entrepreneurial management.

Entrepreneurship is generally regarded as setting-up new enterprises, but, in recent times, social as well as political entrepreneurial approaches have also developed. When an entrepreneurial approach is implied within an enterprise, it is called intrapreneurship. This intrapreneurship may be utilised for enabling the enterprise for corporate venturing and developing spin-off organisations.

1.1.3. Characteristics of Entrepreneurship

The main characteristics of entrepreneurship are as follows:



- 1) **Economic Activity:** Entrepreneurship is an economic activity which encompasses start-up and management of a business enterprise. This process is totally value-oriented as well as profit-oriented.
- 2) **Object-oriented:** Entrepreneurship is an object-oriented process where a person or a group of persons works under an objective to earn profit by producing and selling different innovative products and services.
- 3) **Decision-making:** Decision-making is a thought process of selecting a logical choice from the available options. It is a tough task as every business enterprise comprises of risks and uncertainties which affect the decision-making process. It is the most essential characteristics of entrepreneurs to effectively start and manage the entrepreneurial enterprise.
- 4) **Accepting Challenges:** In entrepreneurship, entrepreneurs already know that they will be facing several challenges in regard with the business. It is not a bed of roses but a bed of thorns in the form of challenges which may be related to finance, raw material, labour, distribution, salary, market competition or arrival of a new and better product in the market. They accept the challenges and put in their best efforts to overcome them in favour of the enterprise. They utilise the available resources to make the complex situations favourable for the enterprise.
- 5) **Risk-taking:** Entrepreneurs are whole sole responsible for the business loss arising out of unpredicted incidents of the future. Whenever an enterprise is set-up there are always uncertainties of market. The product may or may not be liked by the public, or a new competitive product may also arrive in the market, or labour employed may be lured away by the competing entrepreneurs, or sudden depletion of funds may take place due to unseen circumstances. These are a few very common risks. Therefore, entrepreneurs are ready to take risks. Risk taking is an inevitable feature of entrepreneurship. In this, entrepreneurs analyse the situation with the help of their unique insight and scientific attitude, and develop innovative products and services to reduce risks and gain profit.
- 6) **Building Organisation:** It is most obvious role of entrepreneurship to build an organisation efficiently. Effective leadership and delegation of authorities are required for building organisation. This feature of entrepreneurship utilises the innovations in economic manner and thus regarded as crucial for entrepreneurial spirit.
- 7) **Dynamic Process:** Entrepreneurship is dynamic in nature, as it analyses the changing environment on regular basis and adapts the favourable opportunities. This enables the entrepreneurs to keep pace with the current trends and helps in the growth of the business.

- 8) **Gap Filling Function:** Entrepreneurship acts as gap filler. The basis of entrepreneurship is to cater for the needs of the society. It generates suitable products and services for the use of the consumers and the society at large. It provides information about the availability of desired products and services.
- 9) **Skilful Management:** It is crucial for entrepreneurs to be efficient and creative while managing the business enterprise. They should scan and administer all the on-going projects and prevailing opportunities so as to exploit them successfully.
- 10) **Innovation:** The most influential feature of entrepreneurship is 'innovation'. Entrepreneurs always try to find out new and better ways. They know it very well that the one who does not improve, depending upon the changing times, perishes very fast.
- 11) **Mobilisation of Resources:** In order to accomplish the desired goal, entrepreneurs must recognise, collect and allocate resources, dispersed in the environment. The mobilisation of resources is a crucial task which must be done properly so that it can be fully utilised. This quality of entrepreneurs differentiates them from others.

1.1.4. Forms of Entrepreneurship

Entrepreneurship can be of two types:

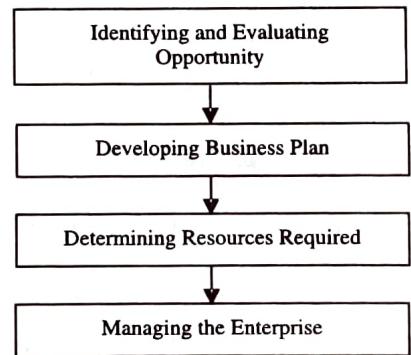
- 1) **Small Business Entrepreneurship:** Small business entrepreneurship acts as the fuel for private enterprises. It provides competitive zeal, creates job, sets up new ventures and opportunities are others. It also improves economic growth and social fibre. It is a start-up process for new enterprises.
- 2) **Corporate Entrepreneurship/ Intrapreneurship:** Corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses, directly leading to the improvement of organisational profitability and an enhancement of competitive position or the strategic renewal of an existing business.

1.1.5. Entrepreneurship Process

Entrepreneurial process is a defined sequence of ideas, techniques, plans and programmes essential for establishing a new venture. The entrepreneur is responsible for identifying, evaluating, developing and managing different resources. Entrepreneurs must also overcome the restraints involved in the process. Mainly, the process comprises of four stages, they are:

- 1) **Identifying and Evaluating Opportunity:** The first stage of entrepreneurial process is to identify the potential opportunities and evaluate them effectively. It is a crucial task for all entrepreneurs to find out feasible opportunities.

It is very essential for entrepreneur to remain attentive and conscious while searching options. These opportunities should match the skill and expectations of the entrepreneur. Every entrepreneur must devote required time and determination to exploit opportunities efficiently.



Although, for majority of entrepreneurs, this determination and focus develops alongwith the growth of the enterprise. A strong belief is developed for the evaluated opportunity, and the entrepreneur is ready to utilise the opportunity alongwith making all the necessary sacrifices.

- 2) **Developing Business Plan:** A well-defined business plan is essential for starting a new venture. A business plan is a detailed layout of entrepreneurial activities in the form of a document based on detailed assessments and significant facts and figures. Alongwith describing the business proposal, a business plan also explains the technical viability and success chances of the business idea. It also suggests different actions to be performed in different sections to realise the business opportunity.

It is an extensive stage, but it must be done properly to make best use of all resources and opportunities efficiently. As the entrepreneur is going to develop the business plan for the first time and he does not have required resources, this business plan development stage is very time-consuming. This business plan enables the entrepreneurs to be familiar with the venture related issues.

- 3) **Determining Resources Required:** After designing the business plan, entrepreneurs must carefully determine the required business resources. The first step towards organising and determining the resources is to identify and evaluate the available resources. Entrepreneurs are required to identify essential, critical and desirable resources for the actualisation of the business plan. The importance of variety and quantity of resources should not be ignored. The entrepreneur is also required to deal with improper resources. The issues related to shortage of resources must be dealt beforehand and managed properly. All the estimated amount of resources must be readily available with the entrepreneur on time. Entrepreneur is also engaged in identifying alternative dealers of required resources along with observing their terms and conditions. Observing terms and conditions of these dealers enable the entrepreneur to make a reasonable deal in order to procure the resources at least probable price with minimum loss of control. The resources may be as follows:
- Technical resources needed for production purpose in order to develop quality products.
 - Financial resources like cash-in-hand, equity and borrowing authorities.
 - Physical resources in the form of assets such as buildings, machinery equipment, and vehicles.
 - Human resources, including skilled and experienced employees and workers with emotional and intellectual abilities.
 - Intangible resources such as information, networks, protected patents, latest technology, and brand recognition.
- 4) **Managing the Enterprise:** In the last stage of entrepreneurship, procured resources are utilised for effective implementation of business plan. Along with implementing business plan, management of the enterprise is also crucial. For effective management of the enterprise, entrepreneur develops an appropriate organisational structure and style. Key success factors are also determined in this stage. An effective control mechanism is developed for handling functional issues related to the enterprise. In addition to this, different strategies and policies are designed by the entrepreneur for the growth of the enterprise. This is the most challenging stage of entrepreneurship as some entrepreneurs fail to manage and grow the enterprise.

1.1.6. Myths of Entrepreneurship

Time and again, several myths about entrepreneurship have emerged. Insufficient research on entrepreneurship is the cause behind such myths. As noted by several eminent researchers in this field, entrepreneurship is an emerging phenomenon, and therefore myths will persist until enough research is carried on. Below mentioned are the ten most prominent myths along with justifications to eliminate each of them:

Myth 1: Entrepreneurs Do Not Think, They Act: Entrepreneurs are believed to be inclined towards taking actions, but they undertake thinking activities too. Entrepreneurs are indeed, extremely disciplined and plan every step in a wise and sensible manner. Their stress on establishing a flawless and detailed business plan specifies that 'thinking' is as crucial as 'doing' in entrepreneurship.

Myth 2: Entrepreneurs are Born, not Made: It is a general old age belief that entrepreneurial skills are inborn and cannot be learned or taught. Some of these traits are taking initiatives and risks, aggressiveness, drive, analytical ability, sociability, etc. But now that entrepreneurship has become a subject of study, this myth has been shattered. Just like any other discipline, a topic in entrepreneurship can be studied and related knowledge can be gained about it with the help of case studies, processes and models.

Myth 3: Entrepreneurs are Always Inventors: Due to tunnel vision and misunderstandings, people have always thought of entrepreneurs as inventors. Although several inventors are entrepreneurs too, entrepreneurs take up every kind of innovative activity. **For example**, McDonald was not thought up by Ray Kroc, but the inventive ideas that cropped up in his brain made this franchise the largest selling fast food chain in the world. Modern entrepreneurship theories include a lot more than innovation only. It needs a full-fledged understanding of every kind of innovative behaviour.

Myth 4: Entrepreneurs do not Fit in Academia and Society: The myth that entrepreneurs are a misfit in academics and society rose when some individuals quit their jobs or dropped out of schools to establish their own businesses. In several cases, such events were unnecessarily hyped to define a classic 'entrepreneur'. History also suggests that entrepreneurs are not recognised by social organisations and educational institutes. In a world ruled by large corporations, they are abandoned and stamped as misfits. **For example**, studying corporate activity was the main aim behind the development of business education discipline. In the current scenario, entrepreneurs are regarded as heroes economically, academically and socially. They are now considered as professionals and not misfits anymore.

Myth 5: Entrepreneurs Must Fit the “Profile”: Successful entrepreneurs have several traits. The list is based on research findings and case studies on people who were goal oriented and is neither complete nor validated. Now people have understood that it is not easy to put together a profile of a standard entrepreneur. Several different types of profiles have come up as a result of the interactive effects of the entrepreneurs, the venture and the environment. More in-depth knowledge about the profiles of successful entrepreneurs can be gained through researches and studies.

Myth 6: Entrepreneurs are Always in Need of Money: Capital is an important resource which is required by entrepreneurs to survive in the business arena. Another truth is that insufficient funds may cause businesses to fail. However, safety against future uncertainties cannot be guaranteed by money. Several other challenges, like managerial incompetence, poor planning, poor investments, less financial understanding, etc., might be the reason behind the business failure. Some successful entrepreneurs have risen above the monetary problems while setting up their enterprises. For such entrepreneurs, money is not the end but only a resource.

Myth 7: Every Entrepreneur Needs Luck: It is always good to be present at the correct place and at the correct time. The most practical thing about luck is that “Luck happens when preparation meets opportunity.” Those entrepreneurs are considered “lucky” who are prepared and manage to grab the opportunity as soon as it arises. Such entrepreneurs just keep themselves better equipped to handle any situation and convert them to their favour. What we perceive as luck is just determination, preparation, knowledge, innovativeness, and desire.

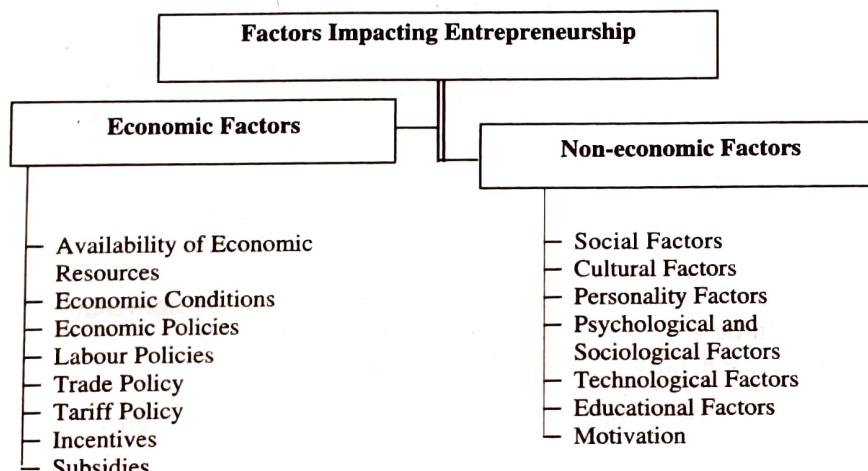
Myth 8: For Entrepreneurs, Ignorance is Bliss: There is a myth that excessive planning, evaluation, and analysis intensify the problems. This is not valid in the current market situation where detailed and careful preparation and planning is required. The main factors that determine the success of an entrepreneur are classification of strengths and weaknesses of a venture, establishment of appropriate schedules for problem handling and eliminating them by formulating strategies with care. Hence, a successful entrepreneur is the one who plans carefully and not the one who is ignorant of it.

Myth 9: Entrepreneurs Aim for Success But Experience High Rate of Failure: It is undeniable that a large number of entrepreneurs get a taste of success after experiencing a lot of failures. They believe that continuous and meticulous trying can help them achieve success. Failure can prove to be the stepping stone to success and also teaches extraordinary lessons to those who are willing to learn. The corridor principle clearly depicts that when a venture is launched, it brings with itself fresh and unintentional opportunities. Post-it Notes were invented by the 3M Corporation using an adhesive which was too weak for its intentional usage. The corporation did not throw away the adhesive. They instead looked for a different use for it, and this way earned millions of dollars.

Myth 10: Entrepreneurs take Extreme Risks (Gamble): Risk is a significant factor in the life of an entrepreneur. Though, public has a very twisted image of the risks that entrepreneurs take. Entrepreneurs take planned or computed risk which might appear to be gambling on a certain chance. Entrepreneurs who are successful strive to plan and prepare to reduce the risk involved so that they can have better control over the future of their dream.

1.1.7. Factors Impacting Entrepreneurship

The various factors influencing the emergence of entrepreneurship are as follows:



- 1) **Economic Factors:** It is of multi-dimensional nature. It includes all those actions which make the economic activities possible in the country.
 - i) **Availability of Economic Resources:** Availability of adequate quantity of natural and physical resources encourages entrepreneurs to undertake more entrepreneurial activities. It helped the entrepreneurs to earn more profit and retain the profit for further expansion program.
 - ii) **Economic Conditions:** Economic conditions govern the enterprise ability to remain viable. Inflation, interest rates, unemployment, per capita income, consumer purchasing power, and exchange rates are some of the important factors which provide sufficient symptoms about the conditions prevailing in the economy as a whole.
 - iii) **Economic Policies:** Economic policies determine the direction and volume of the business. For example, in socialist economies decisions with regard to what to produce, how to produce, for whom to produce, and how much to produce are to be taken by the government or central planning system like Indian Planning Commission.
 - iv) **Labour Policies:** Labour is an important and active factor for production or service process. Volume of production and costs are governed by the productivity of labour to a large extent. If entrepreneurs think that labour policy is favourable then they will be motivated to undertake entrepreneurial activity.
 - v) **Trade Policy:** The major objectives of trade policy are to ensure sufficient supply of goods and services in the country and controlling the adverse balance of payments. Entrepreneurs are motivated to install new plant or initiate action for expansion, if trade policy formulated by the government, is going to increase the supply as per the demand available in the market.
 - vi) **Tariff Policy:** Effective tariff policy provides a base for entrepreneurs to undertake more entrepreneurial activities. High tariff rates affect demand level as well as margin available to the entrepreneurs.
 - vii) **Incentives:** Incentives are necessary to encourage entrepreneurial activities in the country. It ensures a high margin at low risk. Interest free loan, exemption from wealth tax, rebate to NRI's, rebate to women entrepreneurs, tax holiday.
 - viii) **Subsidies:** Under this scheme, government creates favourable environment by participating in terms of economic assistance in economic activities already undertaken by the entrepreneurs.
- 2) **Non-economic Factors:** Non-economic factors include social factors, technological factors and so on. Psychological and sociological factors view that the influence of economic factors on entrepreneurial emergence largely depends upon the existence of non-economic factors which are as follows:
 - i) **Social Factors:** Social factors play a vital role in encouraging Entrepreneurship. A society, which is rational, in decision-making would be favourable to entrepreneurial growth. In rational society, decisions regarding the uses of resources and the process of production would be taken based on critical assessment of facts and on scientific standards.
 - ii) **Cultural Factors:** Entrepreneurial levels are highly influenced by culture. Religion is also highly influential, with Protestant countries being more prone to entrepreneurial growth than other nations. This is due to the Protestant "work ethic," which emphasises the value of working. Entrepreneurship would be appreciated and praised in a country with economically or monetarily oriented culture and accumulation of wealth would be treated as a way of life.
 - iii) **Personality Factors:** In the less developed/developing countries entrepreneur is viewed as an exploiter. This greatly affects the personality of the entrepreneur. It is difficult for an entrepreneur to work in a planned economy, as he has to adjust his attitudes and activities within the socio-economic framework set by the state.
 - iv) **Psychological and Sociological Factors:** Psychological and sociological factors are not easily distinguishable and can be analysed together. Many entrepreneurial theorists have put forward theories of entrepreneurship that specially concentrate psychological factors.
 - v) **Technological Factors:** Countries with high levels of technological growth also tend to have high levels of entrepreneurial growth. This is because new technology offers people the opportunity to exploit these opportunities for commercial benefit.

- vi) **Educational Factors:** There are high levels of entrepreneurship in highly educated societies, as well as under-educated countries. The distinct difference is the level of growth and success that entrepreneurs experience.
- vii) **Motivation:** Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get the desired results.

1.1.8. Importance of Entrepreneurship

The importance of entrepreneurship is described below:

- 1) **Development of Managerial Capabilities:** The most important aspect of entrepreneurship is its capability to recognise and develop the managerial qualities in entrepreneurs. Entrepreneurs analyse a problem, look for its alternatives, make a comparison between identified alternatives by performing a cost-benefit analysis and select the alternative which is most suitable. With the help of this activity, the decision-making capabilities of an entrepreneur are enhanced. In addition to this, entrepreneurs use these managerial qualities to create new products and technologies replacing the older ones thereby ensuring an improved level of performance.
- 2) **Creating Organisations:** Entrepreneurs come together and coordinate human, financial and physical resources, and thus, setup organisations. Using their managerial skills, entrepreneurs utilise these resources to achieve their goals.
- 3) **Improving Living Standards:** Entrepreneurship creates dynamic organisations that enrich the society with an array of products which in turn help in improving the living standards of the society. The rise in living standards can be witnessed when more and more people own luxury cars, mobile phones, computers, increasing shopping malls, etc., all because of the efforts that entrepreneurs put in.
- 4) **Means of Economic Development:** Creation and implementation of innovative ideas, managerial skill development, getting maximum output from a given resource, etc., form the basis of entrepreneurship, and all these factors are crucial for a country's economic development.
- 5) **Tapping New Markets:** Tapping new markets is one thing entrepreneurs give serious thought to. **For example**, considering a new market in a growing economy where a company can get millions of customers if they manage to fulfil their requirements. With the growth of a new business venture, there is an increase in employment and new businesses emerge with the aim to cater to the needs of those who are employed. Hence, overall growth is initiated when a new market emerges.

1.1.9. Innovation and Entrepreneurship

Entrepreneurs not only develop new ideas and convert them into products or services, but they also innovate. Innovation is an activity where new capabilities of available resources are identified to generate wealth. Thus, innovation produces a resource. In reality, a resource only finds its existence when it has a use for something in nature with an economic value.

In case of businesses, innovation is often connected with the performance and growth which can be attained by improved efficiency, quality, market share, productivity, competitive position, etc. Innovation is not bound to single category of business. It can be practiced by all types of organisations such as private institutions, hospitals, universities, local government, etc. As per the traditional approaches to entrepreneurship, it is assumed that the business concepts and ideas have already been recognised and the main work of an entrepreneur is to draft a business plan and utilise the available resources, in order to implement them. However, in reality, the entire process of problem-solving includes identifying, evaluating and filtering a business idea and then transforming it into a business concept.

(Discussed in detail in next chapter, i.e., Chapter 2)

1.1.10. Contributions of Entrepreneurs to the Society

This section discusses about the connection between the entrepreneurship and the economic development of the country, how the entrepreneurship is beneficial for the nation and which role does it play in the development of the country. All this is explained through following points:

- 1) **Creates Large-Scale Employment Opportunities:** The most crucial problem of any underdeveloped economy is unemployment. Entrepreneurs play an important role in providing job opportunities to large

portion of the population. As more and more entrepreneurial enterprises are developed, both small and large scale job offerings are provided. The units of employed persons keep on increasing with the growth of the business. With the passage of time and success of the business, entrepreneurs set up more industries which offers more employment opportunities to the economy. In this way, entrepreneurs contribute efficiently towards the economic development of the country.

- 2) **Balanced Regional Development:** The social benefits like transport facilities, education, health, entertainment, etc., take place with the growth and expansion of the business. But these economic developments are limited to the specific areas where the industries are situated. With the changing time and increasing competition, large industries are enforced to start-up their industries in less developed as well as rural areas. This leads to the development of such areas.
- 3) **New Products, New Services, and New Business:** Economic development is encouraged through new products, services and technology introduced by the entrepreneurs. Entrepreneurs through their innovations try to bring always new products in the market to fascinate the customers. They focus on increasing varieties and volumes of new and innovative products.
- 4) **Better Standards of Living:** Entrepreneurs are essential for improved economic growth. This economic growth also improves the living standards of the society. Entrepreneurs usually aim to produce quality goods at reasonable prices and satisfy the customers according to their tastes and preferences. This increases the purchasing power of the consumers and ultimately generates higher standard of living.
- 5) **Creating Innovation:** Through innovation, entrepreneurs bring in new ideas, products and techniques for the enhancement of the society at large. They explore the world and introduce new concepts and philosophies to become more competent and upgraded. In this way, they share their part in economic development.
- 6) **Enhancing Welfare Amenities:** Entrepreneurs develop products and services capable of serving the society. Different welfare services are provided by entrepreneurial enterprises like insurance, healthcare, and comfort facilities, etc. Personal needs and problems enable the entrepreneurs to identify the required products and services in the market. This condition works as a stimulator for generating new products and services, and finally provides platform for practicing entrepreneurship.
- 7) **Entrepreneurs Change the Community:** A business started by an entrepreneur impacts the local community. The new company reduces unemployment by hiring employees who spend their income in local stores, generating more business for those owners. The success of one business drives the progress of other organisations. Suppose the new business needs highly educated employees with specific skills. A community might respond by creating technical training schools and intern programs that provide these workers. Everyone gains. The company gets the workers it needs, and the community gets a more educated population with higher incomes.

1.2. ENTREPRENEUR

1.2.1. Meaning and Definition of Entrepreneur

An entrepreneur is a rare person who can visualise and materialise water in the desert. His foresightedness, vision, motivation, persistent efforts, the ability to presume the risks involved and their outcomes, and the thrust to achieve the desired goal, facilitate him to convert his ideas into reality. The water in the desert here refers to a scarce commodity, hence an entrepreneur visualises this need or the need arising in near future and grabs this opportunity or challenge, before others can think about it.

Entrepreneur refers to an individual who has the ability to organise and manage a business idea or a new enterprise, considering the in-built risks and consequences. They also act as leaders assuming their responsibility towards the success and failure of the enterprise. An entrepreneur has the ability to identify the needs of consumers and the society at large, and the ambition to set up an enterprise for fulfilling these needs through producing and marketing the new products and services by bringing together the available land, wealth, and labour.

According to Richard Cantillon, "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain price".

According to International Labour Organisation (ILO), "Entrepreneurs are those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success".

According to McClelland, "An entrepreneur is someone who exercises some control over the means of production and produces more than what he can consume in order to sell (or exchange) it for individual (or household) income".

In other words, an entrepreneur is one who discovers innovative ideas, advances them into products and services, and follows its feat persistently with untiring spirit. In this way, they taste the success and show the real meaning of the word 'entrepreneur'. These entrepreneurs, having the initiating and action-taking ability, are responsible for the existence of different successful ventures. There is a misconception about entrepreneurs that they are opportunity-seekers and selfish people, but in reality they are highly driven people trying to find solutions to the "needs of the people".

1.2.2. Types of Entrepreneur

The types of entrepreneurs can be classified on different grounds, which are as follows:

- 1) **According to Functional Characteristics:** According to functional characteristics entrepreneurs are as follows:
 - i) **Innovative Entrepreneur:** These types of entrepreneurs are individuals who have the desire and ability to create and implement something new for the enterprise. Such entrepreneurs are visionaries who can think much earlier and much beyond than others. They try to bring new products, new production technologies, identify new market, and restructure their organisation by introducing several changes. These entrepreneurs are involved in collecting plenty of information and ideas for generating innovative products and services. This can only be done when entrepreneurs have acquired a certain level of growth in their business and are ready to invest for innovative activities.
 - ii) **Imitative or Adoptive Entrepreneur:** These entrepreneurs are not directly involved in innovation, but imitate successful innovations of other people by using their ideas, methods and technology. They are also known as 'adoptive entrepreneurs', who are highly enthusiastic in adopting innovations of successful entrepreneurs. Since helpful in reducing the cost of trial and error, they may be appropriate for underdeveloped economies.
 - iii) **Fabian Entrepreneur:** These types of entrepreneurs have no desire for innovations. Such entrepreneurs show a high level of uncertainty during any modification in their enterprise. They have no interest to bring-in changes to the business enterprise until there is an urgent need to do so for the sake of survival of the enterprise.
 - iv) **Drone Entrepreneur:** Such entrepreneurs do not believe in making any changes in their production system. They can even bear losses but refuse to change their prevailing methods and techniques.
- 2) **According to the Types of Business:** Entrepreneurs vary based on their nature of business, which are as follows:
 - i) **Business Entrepreneur:** These are the individuals who dream about a completely different product or service and try to convert that notion into reality by establishing a business enterprise.
 - ii) **Trading Entrepreneur:** Such entrepreneurs do not manufacture but purchase the product from the manufacturer and sell it straight to customers or use retailers.
 - iii) **Industrial Entrepreneur:** These entrepreneurs are manufacturers or producers who analyse the current market demands and needs of the consumers, and produce goods and services to satisfy them in an efficient manner.
 - iv) **Corporate Entrepreneur:** These are the entrepreneurs who have the capabilities to organise and manage a corporate enterprise.
 - v) **Agricultural Entrepreneur:** Such entrepreneurs are skilled and experienced to manage all related activities of agriculture such as acquiring land, crops cultivation, arranging fertilisers, technologies used, etc.
 - vi) **Retail Entrepreneur:** These entrepreneurs directly sell all kinds of products to the consumers or retail buyers. They do not manufacture these items. A large number of retail entrepreneurs are prevalent in India. They are like owners of shops of medicine, fruits, vegetables, house hold utility items.

- vii) **Service Entrepreneur:** Entrepreneurs belonging to the service sector are known as service entrepreneurs. They are engaged in delivering all types of services to the customers. **For example,** restaurants, hotels, hospitals, beauty parlours, etc.
- 3) **According to Technology Used:** Today the world is growing with much faster pace than earlier. The new technologies developed and adopted by the people are bringing miraculous changes and growth to the business. The people like Narayan Moorthy and Stephen Joe, who use modern technology, stay ahead of others. On the basis of level of technology used, the entrepreneurs can be classified as:
- Technical Entrepreneur:** These entrepreneurs are similar to craftsman. They possess craftsmanship ability to create new and improved products in all technical aspects. The technical entrepreneurs usually apply all their innovative abilities for production of goods and services. Designing new and technical production methods is the major talent of these entrepreneurs. They are more inclined towards production than marketing. The objective of using promotion strategies for increasing the organisational sales is not preferred by these entrepreneurs.
 - Non-Technical Entrepreneur:** Unlike technical entrepreneurs, they are not related with the technical activities of production. Such entrepreneurs concentrate on designing marketing strategies for the effective distribution and promotion to boost up the sales of the products or services.
 - Professional Entrepreneur:** Professional entrepreneurs are those people who start new business enterprises but do not run or manage it. They sell their enterprise and proceed with establishment of another such business enterprise. They are also known as 'managing agents'. In modern time, these types of entrepreneurs are rarely available. These are imaginative and energetic individuals who regularly develop new ideas and convert them into entrepreneurial ventures.
- 4) **According to Growth:** Growth refers to the process of positive changes towards success. The growth of business provides various opportunities to entrepreneurs to expand widely. A significant level of profit and psychological satisfaction is achieved by entrepreneurs, when their products and services are accepted and approved by target customers. The entrepreneurial enterprises are categorised as high, medium, and low growth enterprises. Therefore, entrepreneur may be categorised as:
- Growth Entrepreneur:** Such entrepreneurs certainly choose the business enterprise with high growth prospects. This enables the entrepreneurs to sustain and expand their business in future.
 - Super-Growth Entrepreneur:** Those entrepreneurs who have experienced extensive growth in the business are known as super-growth entrepreneurs. High rate of profitability, capital gearing and liquidity of funds determine the status and growth of the enterprise.
- 5) **According to Area:** Entrepreneurs are also categorised in accordance with their area of performance. These are as follows:
- Urban Entrepreneur:** They belong to urban areas and establish their business in the same location to avail the regional advantages. These types of entrepreneurs are mostly corporate or industrial entrepreneurs.
 - Rural Entrepreneur:** Rural entrepreneurs are usually involved in trading or agricultural activities. They belong to rural areas and establish their business in the same location. Various government assistances are provided to the rural entrepreneurs to encourage and accelerate such activities. These government schemes are targeted to remove the differences between rural and urban areas.
- 6) **According to Gender:** According to gender, entrepreneurs may be of two types:
- Men Entrepreneur:** The male individuals involved in establishing and managing entrepreneurial enterprises are called men entrepreneurs. Mostly, new business enterprises are run by males.
 - Women Entrepreneur:** The female individuals involved in establishing and managing entrepreneurial enterprises are called women entrepreneurs. Women entrepreneurs were an exception few years back, but in present time their numbers are increasing day by day with success. Like any general entrepreneur, all the women entrepreneurs have to face a tough competition from already established businesses.
- 7) **According to Level of Motivation:** Level of motivation defines two types of entrepreneurs:
- Pure Entrepreneur:** Pure entrepreneurs are those individuals who are attracted to establish a business enterprise because they are really interested in doing so. So, they choose this path only for their self-satisfaction. They have a strong desire to become entrepreneurs, like Aditya Birla, Dhirubai Ambani, etc.

- ii) **Induced Entrepreneur:** Induced entrepreneurs are those people who get attracted to the incentives and assistances provided by the Government for entrepreneurship. All the aspects related to business enterprise such as financial, managerial and technical activities are supported by various schemes and policies of the Government. A number of entrepreneurs get induced by Government rules and assistance, that have been introduced after the economic reforms and liberalisation of India.
- 8) **According to the Capital Ownership:** According to capital ownership, entrepreneurs are of following types:
- i) **Private Entrepreneur:** Private entrepreneur is a person or a group of persons, engaged in starting a new venture, arranging the sources of finance, implementing the modern technologies in it, and taking risks to gain profit. Here, all the venture establishment related activities are performed by these persons on their own.
 - ii) **State Entrepreneur:** When the Government or state undertakes any entrepreneurial project, then they are known as 'state entrepreneurs'. All the capital and production technologies are arranged by the Government.
 - iii) **Joint Entrepreneur:** When private and state entrepreneurs combine together to form a business enterprise, then they are referred to as 'joint entrepreneurs'.
- 9) **According to the Entrepreneurial Activity:** On the basis of the entrepreneurial activity, entrepreneurs can be categorised into three:
- i) **Novice Entrepreneur:** The one who starts his enterprise for the first time is called a novice entrepreneur. They should not be mixed up with young starters. The novice entrepreneur can be an aged man having enormous experience in industry.
 - ii) **Serial Entrepreneur:** The entrepreneur, who starts with one enterprise but in course of time heads many enterprises producing different products, is known as 'serial entrepreneur'. Such entrepreneurs are interested only in the start-up activities of the venture. As soon as the venture is established, they may find it unattractive, therefore shifting the ownership to others. Now, they focus on some other entrepreneurial venture and this process keeps on going.
 - iii) **Portfolio Entrepreneur:** Such entrepreneurs own as well as run several entities. They enjoy diversity in their business and are eager to grab new opportunities as well. This can also be a keen approach towards risk-sharing and maintaining equilibrium between profit and loss. A significant level of coordination can be observed between these establishments.

1.2.3. Traits of Entrepreneur

Following are some important desirable and acquirable traits and behaviours of entrepreneurs:

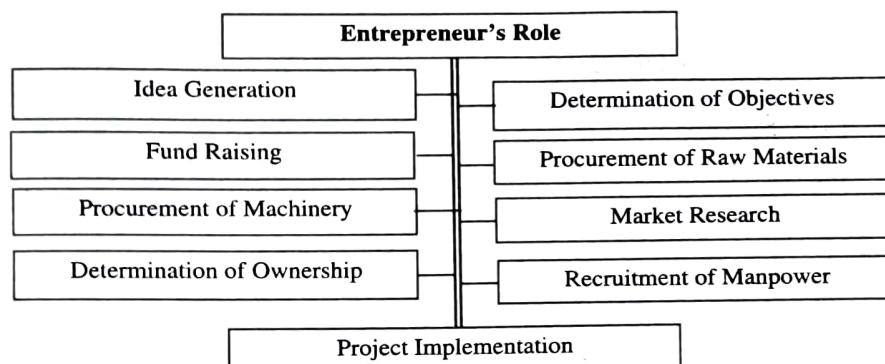
- 1) **Self-motivation:** An entrepreneur always enjoys autonomy and rewards that are due to his sincere and sustained efforts. This ultimately leads to his self-motivation. However, monetary gains achieved are also significant. Thus, it is another important motivational factor. The joy of commanding position and executive powers, also acts as the stimulant for their efforts. This motivation keeps on growing with growth of the organisation. Some entrepreneurs are also driven by passion for their work. Sometimes some negative factors experienced in early life of a person also act as a motivating factor. Such persons make sustained efforts to change those factors which were responsible for the negativity.
- 2) **Self-confidence:** Entrepreneurs must have self-belief and be confident towards their business, their product and their decisions. This can be achieved when one knows that they are providing quality products at reasonable prices.
- 3) **Ethics and Morals:** For being a good entrepreneur, ethics and morals act as a source or basis. In the entrepreneurial life, it is very necessary for an individual to determine the cause for the existence of him and his venture, and also the prohibiting areas. Majority of the entrepreneurs ruin their future because at times monetary attraction overshadows their ethics and morals. The goodwill of the business gets affected, if an entrepreneur ignores his own morals.
- 4) **Time Management:** As it is said "time is money" the same applies to all successful entrepreneurs. Entrepreneur has to systematically distribute his activities and judiciously allot time for each activity. This will enable him to devote more and more time to his activities. He must understand that every minute is precious for him. He should not give unreasonable long time for his leisure. Instead he should concentrate on designing new promotion techniques, dealing with prospective customers, or should be learning desired business skills.

- 5) **Sales:** A business survives on sales only. Entrepreneur has to take necessary measure to promote sales of his product. This may be quality, advertisement, after sales service, communication skills, market requirement etc. The entrepreneur has to carefully handle these factors. Prior experiences may be advantageous, but seminars, reading materials on related subject or internet information can also be useful.
- 6) **Administration Skills:** Usually, entrepreneurs appoint office assistant for administrative work. But, it is uneconomical for new entrepreneurs. Therefore, all entrepreneurs must possess administrative skills alongwith the management of the business. They need to be capable of handling all the activities such as billing, payment collection, managing receivables, invoices printing, etc.
- 7) **Financial Knowhow:** Basic knowledge about finance is essential for every entrepreneur. One must know to manage check-books and invoices related to business. Keeping track of cheques issued, pending dues against the services or goods supplied with schedules of receipts enables to know the cashflow and cash ready in hand.
It is also important to recognise and manage time with finance. Having sufficient knowledge of accountancy is enough to handle finance. There is no compulsion that an entrepreneur must be highly qualified to handle financial matters.
- 8) **Vision and Leadership Skills:** Focusing on vision is the important requisite for successful entrepreneurs. Instead of caring about tasks and operations of the enterprise, successful entrepreneurs focus on vision. Vision implies the status that a particular organisation wishes to achieve in future. In order to effectively communicate this vision to entire workforce, leadership skill is required. The entrepreneur would be able to share his vision with his team, and it would assist in the development of the new venture. Through effectively communicating the vision, the entrepreneur makes the process of achievement of shared vision very simple.
- 9) **Conflict and Consensus Management Skills:** Conflict is state of disagreement between persons, interests or ideas. The conflict can be in two forms, that is:
 - i) **Emotional/Affective Conflict:** This type of conflict directly affects person or object. The state of annoyance and hatred is comparatively higher than normal. This kind of conflict ends up giving adverse outcomes.
 - ii) **Cognitive Conflict:** Contrary to the above type of conflict, no one is directly involved as a person. They just have disagreement towards one's ideas or plans. This kind of conflict ends up finding appropriate solutions which is mutually agreed by both the parties. Consequently, an entrepreneur must be capable of handling all types of conflicting situation taking place in the business.
- 10) **Interpersonal Skills:** In every business, entrepreneurs have to deal with different people present in the organisational hierarchy. Therefore, it is important for entrepreneurs to own interpersonal skills in order to communicate with them effectively.
- 11) **Communication Skills:** Generally, entrepreneurs use basic means to communicate with their customers, employees, suppliers, bankers, etc. This includes telephone calls, e-mails, memos, letters, meetings, seminars, etc. Thus, entrepreneurs must have good writing, speaking and listening skills, all at the same time. These are as follows:
 - i) **Writing Skills:** Entrepreneurs need to have good writing skills so as to effectively communicate with their employees, customers and suppliers. A good writing skill leads to better understanding of thoughts and ideas. Readers should be able to understand what the writer is trying to convey.
 - ii) **Speaking Skills:** Mostly business people communicate verbally over telephone or face-to-face. The speaking skills greatly influence the person the entrepreneur is dealing with.
 - iii) **Listening Skills:** One of the biggest reasons of misunderstandings between persons or a group is the lack of listening skills.
- 12) **Problem-Solving Skills:** Every business faces number of problems. Thus, entrepreneurs must have an ability to tackle and solve every problem by suitable decision-making. Usually, entrepreneurs are unable to make decisions and fail to solve problems. One must use formal techniques to problem-solving and also consider alternatives to evaluate decisions. Entrepreneurs may also face situations where they have to make decisions on their own. Sometimes they may have to involve employees to discuss a certain problem, where brainstorming and consensus-building methods may be appropriate to make decisions.

- 13) **Technical Skills:** The entrepreneur should have a reasonable level of technical knowledge to understand the technical terms spoken by the staff during the discussion to enable him to understand the problem. Entrepreneurs need not be masters in technical skills but must possess basic technical knowledge. This helps the entrepreneur to appreciate and discuss the efforts of the technical staff. These skills are very crucial for the successful journey of entrepreneurship.

1.2.4. Entrepreneur's Role

An entrepreneur performs all the necessary functions which are essential from the point-of-view of establishment and expansion of the enterprise.



- 1) **Idea Generation:** Idea-generation is the process of building new ideas, bringing out the idea into an innovative way, developing the process and converting the idea into reality. Broadly, it refers to the selection of a product and identification of project. Ideas can be generated by following the entrepreneur's vision, perception, experience, observation, education, exposure and training. Generally, market study and environmental analysis tools are used for idea generation. The major function of the entrepreneur is to select the best out of the many alternative ideas such that it is most appropriate idea to be applied for the organisation.
- 2) **Determination of Objectives:** One of the main functions of the entrepreneur is to define the objectives of the business. The business objectives should be laid-down clearly. Most appropriately, the entrepreneur must specify few things in a clear manner:
 - i) The business nature, and
 - ii) The business type.
 The nature and type of business identifies the industry it belongs to i.e., manufacturing, trading or service. This helps the entrepreneur to focus on the business more effectively keeping in view the objectives.
- 3) **Fund Raising:** Finance is the life-blood of any business. It is the function of the entrepreneur to arrange the sources of funds for the business. There are two sources to raise funds, that is, internal and external sources. Entrepreneur must be aware of formalities and guidelines to be followed for raising funds.

Governmental assistance can be provided in form of seed capital, fixed capital and working capital. There are several government schemes also which are provided to the entrepreneurs such as Swarnajayanti Gram Swarozgar Yojana (SGSY), Prime Minister's Rozgar Yojana (PMRY), Rural Employment Generation Programme (REGP), etc. There are also various financial assistances provided by banks and financial institutions.
- 4) **Procurement of Raw Materials:** The acquisition of quality raw materials is also one of the functions of the entrepreneur. Entrepreneur must recognise and allocate economical and constant supply of raw materials. This helps the business to reduce their production cost and increase their profit-margins against competitors.
- 5) **Procurement of Machinery:** Another function of entrepreneurs is to obtain the machinery and equipment required for the production of goods and services. Before the procurement of machineries, entrepreneur must consider following specifications:
 - i) Technology description,
 - ii) Installed capacity of the machines,

- iii) Description of manufacturers and suppliers,
 - iv) Origin of machines, whether indigenously made or foreign made,
 - v) After-sales service facilities, and
 - vi) Warranty period.
- 6) **Market Research:** Market research refers to process of gathering relevant information about products, customers and target markets. Intensive research is to be made to ascertain the demand of the product which the entrepreneur intends to manufacture, the estimated rate of consumption and also the existing suppliers if any. If an entrepreneur has to manufacture a product, he must have a detailed market analysis of the product. The information about a product must include demand and supply of a product, price, size of the target market, etc.
- 7) **Determination of Ownership:** There are mainly four forms of ownership, i.e., sole proprietorship, partnership, joint stock company, and cooperative society. It is the role of an entrepreneur to find out the suitable form of business depending upon the product (characteristics, types, quality), size of capital investment, types of operations, human resources quality, etc. The legal title of assets is obtained on the basis of ownership by the entrepreneurs.
- 8) **Recruitment of Manpower:** An entrepreneur is also responsible for the manpower planning of the organisation. During the recruitment procedure, an entrepreneur has to function the following activities:
- i) Manpower forecasting.
 - ii) Outlining of selection process.
 - iii) Formulating scheme of compensation.
 - iv) Defining the rules of training and development.
- 9) **Project Implementation:** Entrepreneur has to prepare a detailed plan for execution of the project. It is a time bound process. It is the function of the entrepreneur to execute the process from conception to commissioning stage based on prepared agenda so as to evade extra cost, time and competition.

1.2.5. Advantages of Being an Entrepreneur

Advantages of being an entrepreneur are as follows:

- 1) **Self-confidence:** The trust that the entrepreneur has in his abilities facilitates the birth of entrepreneurial spirit within him/her. The entrepreneur strongly hopes for success because of the presence of combination of this entrepreneurial spirit and his efforts engaged towards establishment and maintenance of the enterprise. This success generates more success, which in return inculcates greater faith in himself/herself. As a result, this imparts self-confidence in entrepreneurs.
- 2) **Flexibility:** Entrepreneurs are independent enough to take their decisions in regard with the working schedule. They themselves manage their duration of work and same way plan their business goals. In contrast, corporate businesses, do not consider employees while make their own rules and regulations for the work schedule.
- 3) **Tax Benefits:** Being an entrepreneur, one can avail various tax benefits which are applicable for business managers or owners-suppliers or for office area utilities. Hence, costs incurred on travel, rent paid, electricity, phone bills etc. for the office space and other activities that are involved in expansions and furthering of business interests are directly deductible from the income. This provides significant tax benefits to such entrepreneurs. All these benefits can be availed by the entrepreneur by hiring a tax advisor or consultant.
- 4) **Monetary Freedom:** The monetary freedom of an entrepreneur and his co-workers largely depends upon their hard work and sincerity towards the business. The salary varies according to the success of the business rather than being fixed amount. There are many entrepreneurs who have proved themselves as most secure business organisations. And if there are certain issues which are complicated, then entrepreneurs can sell their business at high price and once again start-up with a new business.
- 5) **Personal Growth:** All management and administrative work is handled by the entrepreneur himself/herself. This helps him to directly deal with different people and develop interpersonal skills. Consequently, there is a personality built-up due to which entrepreneur feels more independent and confident than before.
- 6) **Giving Back to Society:** Entrepreneurs have the opportunity to do something for the society. They do this by creating wealth and offering job opportunities to people in the society. This way an entrepreneur is able to contribute much for the betterment of the society. Therefore, they feel a sense of responsibility and motive in life, which cannot be sensed by wealth-centric individuals.

1.2.6. Problems Faced by Entrepreneurs

Some of the problems faced by entrepreneurs are as follows:

- 1) **Unethical and Unsupportive Business Environment:** There are many countries worldwide where there is no rule of law, poorly defined property and contract laws, widespread corruption, inconsistent enforcement of regulations, etc. All these unethical practices hamper the growth and smooth functioning of the entrepreneurial venture.
- 2) **Lack of Business Opportunities:** For start-up of a business enterprise, the entrepreneur must be aware of the business opportunities in the prevailing marketplace. But, due to unstable and adverse market conditions, it is not possible to create business opportunities constantly.
- 3) **Lack of Entrepreneurial Capacity:** Becoming an entrepreneur is not a cup of tea for everyone. Along with the opportunity, a person also needs to have the required entrepreneurial qualities, motivation and willingness to commence a new business enterprise. Often, a business opportunity remains unutilised due to lack of entrepreneurial capacity.
- 4) **Inadequate Entrepreneurship Training:** Proper education and training is a must for new ventures. An entrepreneurial training covers up various areas which help to develop entrepreneurial skills, managerial skills and technical skills.
- 5) **Lack of Business Experience:** The education and work experience of a person drive him to start a business. An entrepreneur can become a leader only when he is a good learner. Setting up a new business only because it looks rewarding and attractive can prove to be disastrous, if one does not have a proper knowledge and experience of it.
- 6) **Fear of Failure:** The fear of failure is the biggest fear of any entrepreneur or businessman. This act as a major barrier to entrepreneurship. Many entrepreneurs lose several opportunities due to this fear.
- 7) **Risk Aversion:** One of the major qualities of an entrepreneur is risk taking. Entrepreneurs must have the capability to take initiative, build a structure applying appropriate mechanism and accept the risk of failure. But, there are many individuals who create a psychological barrier towards risks, which restricts them to become successful entrepreneurs.

1.2.7. Entrepreneur *versus* Entrepreneurship

The term entrepreneurship and entrepreneur are almost identical. Hence, they can be used interchangeably. Entrepreneurship can be understood as an intangible concept whereas entrepreneurs are regarded as a tangible person. It is difficult to differentiate the two terms. But, some of the fundamental differences between entrepreneur and entrepreneurship are as follows:

Basis of Distinction	Entrepreneur	Entrepreneurship
Meaning	Entrepreneur is a person who combines all the inputs into marketable products so as to establish a profit-oriented venture bearing all associated risks. Therefore, entrepreneur is considered to be a person.	Entrepreneurship is a process of transforming the business idea into an enterprise. Therefore, entrepreneurship is considered as a process.
Definite Qualities	Entrepreneur must possess qualities such as creativity, efficiency, flexibility, decision-making ability, leadership, management, etc.	Entrepreneurship is an inherent quality in a successful entrepreneur which makes him to establish his enterprise. This is a driving force to all the qualities of entrepreneur.
Role	The main role of an entrepreneur is to set-up an enterprise. He is considered as the initiator of the process.	The main role of entrepreneurship is to encourage the entrepreneur. The process starts with the objectives and plans laid down by the entrepreneur.
Economic Point of View	From economic point of view, entrepreneur is an initiator, planner, innovator, leader, risk-taker, organiser, manager, etc.	From economic point of view, entrepreneurship means creativity, innovation, initiative, risk-taking, planning, management, etc.

Thus, it makes clear that entrepreneur and entrepreneurship together run an industry and are inseparable.

1.3. INTRAPRENEURSHIP: CORPORATE ENTREPRENEURSHIP

1.3.1. Introduction

The entrepreneurial activity which takes place within the enterprises (especially in mid-sized and large organisations) is called **intrapreneurship**. Corporate entrepreneurship, organisational entrepreneurship, and intra-corporate venturing are the different terms which are used by different scholars to describe the same phenomenon. The individuals engaged in intrapreneurship are known as '**intrapreneurs**'.

According to Pinchot, "Intrapreneurs are dreamers who do those who take hands-on responsibility for creating innovation of any kind within an organisation".

According to Burgelman, "Intrapreneurship refers to the process whereby the firms engage in diversification through internal development. Such diversification requires new resources combinations to extent the firm's activities in areas unrelated, or marginally related to its current domain of competence and corresponding opportunity set".

The doctrine of intrapreneurship has become very well regarded in developed countries like America. It has been seen that many intrapreneurs have left highly successful careers in the corporate world and have started their own enterprises. Many times, these ventures have also emerged as competition to the original corporate. These intrapreneurs thus give birth to successful entrepreneurs who lead to the development of new products and services and bring with them fresh and innovative ideas.

1.3.2. Characteristics of Intrapreneurship

In the globalised arena following characteristics can be associated with intrapreneurship:

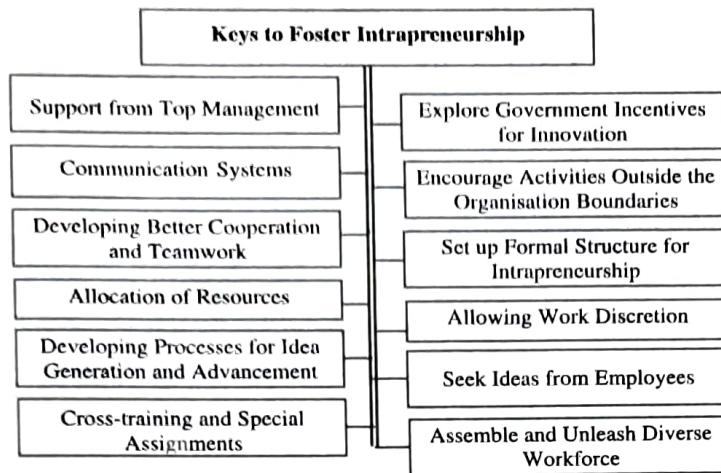
- 1) **Credible Communicator:** Corporate entrepreneurs or intrapreneurs are credible communicators who have the ability to quickly identify social styles and communication of others. They are also flexible in terms of tuning their style with other communicators as per the needs to build a strong relationship. They can easily leverage rapport to develop trust and influential networks in the organisation.
- 2) **Skilled Negotiator:** Corporate entrepreneurs are skilled negotiators. They know the importance of boundaries in their negotiating philosophy as well as in their personal style. The psychology, methods, and strategies of the negotiation are well known to these intrapreneurs. They wisely apply their knowledge and skills while addressing the formal and informal needs of negotiators.
- 3) **Accountable Business Owner:** Corporate entrepreneurs also have working knowledge related with financial models and techniques of managing finances that are applicable in business. They are good at selling across the firm, self-marketing and strategic goal setting. Thus, they are accountable business owner.
- 4) **Entrepreneurial Leader:** In corporate entrepreneurship, the intrapreneurs learn self-leadership skills to lead others. The strong communication and negotiation skills are the base for such leadership. Such leadership needs credibility, courage, maturity, emotional balance, ability to model personal and professional accountability towards risks while moving towards the path of innovation.
- 5) **Savvy Relationship Manager:** Corporate entrepreneurs own the ability to efficiently manage the relationship with customers and associates. Collaborative strategies need to be formulated for managing the Internal and external alliances and partnerships. Managing relationships is important for business growth which is a part of firm's long-term commitment. These entrepreneurs do not limit themselves to the organisation but reach towards establishing cross-cultural relationships with business-related communities.

1.3.3. Keys to Foster Intrapreneurship

The keys to inculcate an intrapreneurial environment in the business include the following:

- 1) **Support from Top Management:** Not only an approval but complete support of the top management is essential for the development of intrapreneurship in the organisation. The top management can play a big role by mentoring and guiding the employees so that they can become intrapreneurs. If it is a small business then the personal experience of the owner goes a long way in motivating the employees of the concern.
- 2) **Explore Government Incentives for Innovation:** The government also encourages the companies to spend on innovation and creativity. Many governments give tax exemptions for organisations which set up R&D cells. This method of incentivising differs across the world and the bigger economies normally prefer

this mode of operation. The income which accrues to corporate is also taxed at lower levels. Companies which are innovative carefully examine the tax exemption policies of the government and also other incentives that are being provided.



- 3) **Communication Systems:** It is also important that the organisation has strong communication channels so that the ideas and concepts of the intrapreneurs are communicated and given the necessary support.
- 4) **Encourage Activities Outside the Organisation Boundaries:** Sometimes it can be a matter of risk for the organisation to encourage activities outside the organisation. However, the organisation needs to be cautious and keep a watchful eye on technological developments which are happening outside and how this may impact its business. It needs to analyse this in the light of its current operations and also look at technologies which do not fit the current scenario. The organisation, therefore, needs to invest in teams who watch the environment for such technologies which can impact the current operations of the organisation and also those which may be of relevance in the future.
- 5) **Developing Better Cooperation and Teamwork:** For intrapreneurship to succeed it is very important that teams and teamwork be encouraged. The sum is always larger than the parts and the team increases the overall productivity by utilising the individual competencies effectively. Successful organisations tend to make effective use of teamwork and co-operation. When people are encouraged and enjoy working in the organisation then the spirit of intrapreneurship automatically increases. This also reduces barriers in the organisation and creates a sense of harmony.
- 6) **Set up Formal Structure for Intrapreneurship:** Organisations need to set up a formal structure which can guide and encourage the process of intrapreneurship in the organisation. A very good way of doing this is to allow employees free time for intrapreneurship and new ideas. The organisation may demarcate a time schedule every day when the employees can focus on the non-core activities pertaining to them. This enables them to think on other aspects of the organisation.
- 7) **Allocation of Resources:** The organisation needs to pay attention to the allocation of resources in the best possible manner for the intrapreneurial process.
- 8) **Allowing Work Discretion:** This practice has been adopted by companies like 3M and Hewlett-Packard. Most organisations do not have a policy or culture which favours creativity and innovation. Organisations like 3M have shown how a culture of innovation can be created. In recent times Google has also successfully done this.
- 9) **Developing Processes for Idea Generation and Advancement:** Intrapreneurial environment in an organisation can be established through the development of processes which encourage, identify, evaluate and support the ideas from the employees. If employees know that their ideas would be recognised and supported by the organisation, they would extensively take part in such intrapreneurial initiatives.
- 10) **Seek Ideas from Employees:** Organisations need to tap the ideas of its employees. People who are working in the organisations have many ideas on new products, new processes, new distribution channels, etc. Organisations can try many methods like making small teams or having online groups. Many organisations like IBM have successfully practiced this policy and became a global giant in their field.

- 11) Cross-training and Special Assignments:** Intrapreneurship also gets encouraged when individuals understand the cross-linkages in the organisation and get to know how their job is linked to what others are doing. This is done by encouraging cross-training in the organisation and also giving special assignments to employees.
- 12) Assemble and Unleash Diverse Workforce:** It has been shown that if the workforce of the organisation is diverse then the organisation gains from their diverse experiences and opinions. This has grown more recently because nowadays many organisations, e.g., Unilever have global workforces and it leverages this cross global workforce to the maximum. This helps the organisations to discover new ideas, products, etc.

1.3.4. Importance of Intrapreneurship

Intrapreneurship is important because of the following reasons:

- 1) **Starts Something Completely New:** Intrapreneurs have a big role to play in bringing about improvements and positive developments in the organisations. Large companies can make improvements in existing products and processes, whereas, start-ups can create something which is absolutely new. This also helps in bringing about innovation in the economy and the overall growth of the economy.
- 2) **Finds and Keeps Talent within the Company:** Encouraging intrapreneurs also helps Indian organisations to encourage and retain talent. By motivating these employees the organisations also ensure that these people do not branch off on their own, and thus, become competition to the organisation. It also offers the employees to follow a parallel career path in the organisation as opposed to a traditional corporate career. It also helps the Indian industry from losing the talented individuals (brain drain).
- 3) **Closes Gaps Quickly with Less Risk to Reputation:** As the Indian organisations are growing at breakneck speed, they often create voids or gaps between their solutions and what the customer needs. Intrapreneurship helps to fill these gaps by creating new products and businesses. Fulfilling these gaps using the internal resources of the organisation is faster and easier to implement. This also increases the range of products and scope of Indian industry.
- 4) **Re-captures the Magic:** Intrapreneurship also recreates the start-up like culture in established organisations. In their initial days, organisations start with a new product, great innovation, new technology, etc. However, they become cautious with success and later focus on just control. Intrapreneurship helps to recreate the same start-up like excitement in an established organisation.
- 5) **Helps in Communicating Effectively:** By encouraging intrapreneurship organisations will also communicate the importance of entrepreneurship to their employees.
- 6) **Innovates with Less Risk:** Intrapreneurship enables an organisation to introduce new ideas and offers to the society without having the risk of loss or failure. The existing businesses fear of losing the market but due to intrapreneurship they are able to overcome such fear.
- 7) **Breaks-up Corporate-Silos:** Intrapreneurial environment breaks the corporate silos and assists in implementing the intrapreneurship in different segments of the industry, thus, helps in expanding the scope of the business.

1.3.5. Entrepreneurship versus Intrapreneurship

The difference between an entrepreneurship and intrapreneurship is given below:

Basis of Comparison	Entrepreneurship	Intrapreneurship
1) Meaning	An entrepreneur is a person who has the requisite mix of talent, thought process and finance to build a new business and is ready to face its success or failure.	An intrapreneur is an individual in an organisation who manages its operations as per the requirement of the shareholders but with entrepreneurial spirit.
2) Focus	They have an inclination towards consumer sales.	Their focus is on business to business products as well as operations.
3) Trait	They have a natural trait of getting involved in start-ups.	These are people who generally don't have the mindset to start business operations from scratch but do so for certain reasons.
4) Area of Interest	After identifying the opportunity in the market, an entrepreneur through his/her will power, passion and networks instantly gets involved in venture set-up.	An intrapreneur uses his/her ambition and passion in utilising a promising idea to improve business operations.

5) Need in a Business	An entrepreneur may not be welcomed in all businesses.	An intrapreneur is essential for any type of business.
6) Scope	The whole business is under control of the entrepreneur.	Intrapreneur controls a particular project or business operation.
7) Support	The whole business runs under the supervision of the entrepreneur. No support is required.	Intrapreneurs are dependent on top management support.
8) Nature of Employment	Self-employed.	Employed in an organisation.

1.4. ENTREPRENEURIAL RISKS AND ITS MITIGATION

1.4.1. Introduction

When there is a possibility of more future outcomes or incidences concerning a particular decision or action than the outcomes that will actually occur, it is called 'risk'. Risk is expressed in terms of possibility of damage or loss due to a particular decision or action. Every business is conducted within a dynamic business environment. Such environment is the resultant of interaction of various micro and macro-economic, non-economic, national and international factors. Different types of minor and major risks are associated with such factors which affect the business operations. Without understanding the dynamic business environment it is not possible for the business managers to exactly forecast the risks available.

These risks can be identified easily but it becomes difficult to assess the extent of these risks in a particular business environment. Due to dynamic nature of the business environment these risks keep changing and businesses manage it based on their own perceptions. All organisations do not have same exposure to risk. For every firm, the environmental risk may differ on the basis of technology used, operational activities, product mix, financial structure, internal working, market position, etc.

According to Milton H. Spencer, "Risk has been defined as a state of knowledge in which each alternative leads to one of a set of specific outcomes, each occurring with a probability that is known to the decision-maker".

According to Haynes, Mote and Paul, "Risk refers to relatively objective probabilities which can be computed on the basis of past experience or some prior principle".

Risk can be defined as, "The chance that the actual outcome from an investment differs from the expected outcome".

It is known to the business owners that risk is always involved in managing businesses. Despite this fact, risk is an area which is neglected and ignored in the new business ventures. Although, it is fun to take risks and overcoming it, but risk minimisation is always on the top of the heads of wise entrepreneurs. An on-going activity of communication and analysis gives rise to an effective risk management mechanism.

Both the entrepreneur and the enterprise face a substantial amount of risk during the new entry. In this case, risk is treated as the possibility and extent of facing probable losses that might lead to insolvency. The contingencies related to the market demand, technological advancements and the initiatives taken by other market players may result in the risk of losses.

1.4.2. Types of Risks to Entrepreneur

The following risks that an entrepreneur may encounter are as follows:

- 1) **Time Risk:** This risk entails the time implication of taking a new idea through the product development phase until it could be considered right for the market.
- 2) **Investment Risk:** This includes the cost of the establishment of a new venture, in other words, does the entrepreneur have access to enough capital to enable the venture to survive to the point of being an entrepreneurial institute? Other costs are those related to the total product development process, as well as those concerned with the physical manufacturing of the total product that will, e.g., satisfy the qualitative description.

- 3) **Technical Risk:** All the technical aspects associated with the product development process are considered, and the final product has to satisfy the set technical quality standards.
- 4) **Competitive Risk:** The possibility exists that competitors could be offering the same or comparable products in the market, while the success rate of competitors in comparable markets is also an indication of risk. The financial strength and depth of a competitor should not be omitted, as a 'follower' strategy by the competitor could pose further risk. The existing market advantage of a competitor as well as its existing distribution system, selling power and established relationships within the marketplace must be researched.

1.4.3. Sources of Risks

- 1) **Market Interest and Growth Potential:** The biggest risk any new venture faces is that once the product is developed, no one will buy it. Although there are a number of things that can be done to minimize this risk, such as market research, focus groups, beta sites, and so on, it is difficult to gauge overall demand and growth of that demand until our product hits the market. This risk must be stated, but countered with the tactics and contingencies the company will undertake. **For example**, sales risk can be reduced by an effective advertising and marketing plan or identifying not only a primary target customer but secondary and tertiary target customers that the company will seek if the primary customer proves less interested.
- 2) **Competitor Actions and Retaliation:** Most entrepreneurs passionately believe that they are offering something new and wonderful that is clearly different from what is currently being offered. They go-on to state that existing competition will not attack their niche in the near future. The risk that this assessment is wrong should be acknowledged. One counter to this threat is that the venture has room in their gross margins and cash available to withstand and fight back against such attacks. We should also identify some strategies to protect and re-position our self should an attack occur.
- 3) **Time and Cost to Development:** As mentioned in the development plan section, many factors can delay and add to the expense of developing our product. The business plan should identify the factors that may hinder development. **For example**, during the extended high-tech boom of the late 1990s and into the new century, there has been an acute shortage of skilled software engineers. That leads to the risk of hiring and retaining the most qualified professionals. One way to counter the problem might be to outsource some development to the under employed engineers in India. Compensation, equity participation, flexible hours, and other benefits that the firm could offer might also minimize the risk.
- 4) **Operating Expenses:** Operating expenses have a way of growing beyond expectations. Sales and administration, marketing, and interest expenses are some of the areas that the entrepreneur needs to monitor and manage.
- 5) **Availability and Timing of Financing:** Cash flow is critical to the survival and flourishing of a new venture. One major risk that most new ventures face is that they will have difficulty obtaining needed financing, both equity and debt. If the current business plan is meant to attract investors and is successful, that is not a near-term milestone, it may not be able to secure additional rounds of financing on favourable terms. A contingency to this risk is to identify alternative sources that are viable or strategies to slow the "burn rate".

1.4.4. Risk-Opportunities Perspective

Risk and opportunity are different but intimately related concepts. A decision that minimises risk in isolation may on the surface appear to be a good decision, but may in fact be a very bad decision when opportunity is factored in. The aim in fact is to maximise value delivered by the project, not to minimise risk per se. In addition to identifying threats to the organisation, it is also critical to identify opportunities, both as they relate to risk and beyond. Opportunities can emerge not only from within the organisation, but also from outside the narrow focus of day-to-day business. The risk and opportunity framework helps companies across the corporate spectrum reorient their approach to sustainability risks, and in so doing, find new business opportunities that proactively engage the market for social good.

Risk and opportunity is a multi-disciplinary exercise. Core stakeholders (vendors, capital providers, customers and where appropriate, other industry leaders and policymakers) should be engaged in the identification of potential vulnerabilities to the business and encouraged to discuss individual and sector-wide strategies to mitigate them. Internal and key external stakeholders should then be engaged to develop strategies that can turn

them into revenue generating opportunities. More broadly, independent experts who understand the interconnected nature of various risks can help identify market opportunities collaboratively. To focus on potential risks and opportunities, managers should return to the list of key risks and opportunity subjects applicable to their company. Organisations can use a variety of methods to identify risks and opportunities, and to overcome barriers to pursuing opportunities that had been neglected due to perceived but unexamined risk.

Often when risks are well managed, opportunities that formerly appeared too risky will be seen as more attractive. In addition, an organisation may come to see that developing a greater capacity to identify and mitigate risk allows it to capture opportunities that the competition cannot. Even without an apparent opportunity to seize, risk mitigation practices bring risks back within the tolerance boundary of the organisation's risk appetite and are still important to undertake.

1.4.5. Strategies for Risk Management

It is not enough to identify and quantify risk. The idea is to manage them. It may be done in following ways:

- 1) **Mitigating Risk:** Reducing risk is usually the first alternative considered. There are basically two strategies for mitigating risk:
 - i) Reduce the likelihood that the event will occur and/or,
 - ii) Reduce the impact that the adverse event would have on the project.
- 2) **Avoiding Risk:** Risk avoidance is changing the project plan to eliminate the risk or condition. Although it is impossible to eliminate all risk events, some specific risks may be avoided before we launch the project. **For example**, adopting proven technology instead of experimental technology can eliminate technical failure. Choosing an Australian supplier as opposed to an Indonesian supplier would virtually eliminate the chance that political unrest would disrupt the supply of critical materials.
- 3) **Transferring Risk:** Passing risk to another party is common; this transfer does not change risk. Passing risk to another party almost always results in paying a premium for this exemption. Fixed-price contracts are the classic example of transferring risk from an owner to a contractor. Before deciding to transfer risk, the owner should decide which party can best control activities that would lead to the risk occurring. Another more obvious way to transfer risk is insurance. However, in most cases this is impractical because defining the project risk event and conditions to an insurance broker who is unfamiliar with the project is difficult and usually expensive. Of course, low-probability and high-consequence risk events such as acts of God are more easily defined and insured. Performance bonds, warranties, and guarantees are other financial instruments used to transfer risk.
- 4) **Sharing Risk:** Risk sharing allocates proportions of risk to different parties.

Sharing risk has drawn more attention in recent years as a motivation for reducing risk and, in some cases, cutting project cost. Partnering between an owner and contractors has prompted the development of continuous improvement procedures to encourage contractors to suggest innovative ways for project implementation. The new method will probably include additional start-up costs and the risk that the new process may not work. Usually the risk costs and benefits of the improved process are shared on a 50/50 basis between the owner and contracting firms.

- 5) **Retaining Risk:** In some cases a conscious decision is made to accept the risk of an event occurring. Some risks are so large that it is not feasible to consider transferring or reducing the event (e.g., an earthquake or flood). The project owner assumes the risk because the chance of such an event occurring is slim. In other cases risks identified in the budget reserve can simply be absorbed if they materialize. The risk is retained by developing a contingency plan to implement if the risk materializes. In a few cases a risk event can be ignored and a cost overrun accepted should the risk event occur.

1.4.6. Mitigation of Risks

Risk mitigation is the act of decreasing the riskiness of a project. Risk mitigation, within the context of a project, can be defined as a measure or set of measures taken by a project manager to reduce or eliminate the risks associated with a project. Risks can be of various types such as technical risks, monetary risks and scheduling-based risks. The project manager takes complete authority of reducing the probability of occurrence of risks while executing a project.

Risk mitigation techniques include:

- 1) **Risk Avoidance:** The risk of one alternative approach can be avoided by choosing another with lower risk. This conscious choice avoids the potentially higher risk. However, it really results in risk reduction, not complete risk elimination. While a conscious decision to ignore (or assume) a high risk may be a creditable option, an unconscious decision to avoid risk is not. Managers must assess, rate, and decide on the possible consequences of inaction. Managers must also decide if the benefits of acting on a risk merit the expense in time and money expended. Managers and developers should document all risk handling actions with supporting rationale. Managers should also employ risk management in concert with metrics and process improvement used to measure, track, and improve the project's progress and process.
- 2) **Risk Control:** Managers can control risk (the most common form of risk handling) by continually monitoring and correcting risky conditions. This involves the use of reviews, inspections, risk reduction milestones, development of fallback positions, and similar management techniques. Controlling risk involves developing a risk reduction plan, then tracking to that plan.
- 3) **Risk Assumption:** Managers can assume risk by making a conscious decision to accept the consequences should the event occur. Some amount of risk assumption always occurs in acquisition projects. It is up to the manager to determine the appropriate level of risk that can be assumed in each situation as it presents itself.
- 4) **Risk Transference:** Managers can transfer risk when there is an opportunity to reduce risk by sharing it. This concept is frequently used with contractors where, for instance, contract type, performance incentives, and warranties are risk sharing contractual mechanisms. Although many of these techniques only share cost risk, risk transfer is often beneficial to the government and the developer.

1.5. EXERCISE

1.5.1. Multiple Choice Questions

- 1) The quote "Innovation is a new idea applied to initiating or improving a product, process or services", was given by:
 - a) Peter Drucker
 - b) Stephen Robbins
 - c) Joseph Schumpeter
 - d) None of the above
- 2) What is the next step in entrepreneurship process after developing a business plan?
 - a) Managing the resources
 - b) Evaluating risk and opportunity
 - c) Determining the resources required
 - d) Managing the enterprise
- 3) Who is an entrepreneur?
 - a) Someone who invests time and money to start a business.
 - b) Someone who is a billionaire.
 - c) Someone who takes a risk to make a profit.
 - d) Both a) & c)
- 4) All of the following are characteristics shared by successful entrepreneurs EXCEPT:
 - a) Accepting challenges
 - b) Risk averse
 - c) Innovative
 - d) Adaptive
- 5) Which of the following is NOT a common myth about entrepreneurs?
 - a) Everyone has the potential to be an entrepreneur.
 - b) Entrepreneurs are born, not made.
 - c) Entrepreneurs are never in need of money
 - d) Entrepreneurs do not think, they act.
- 6) In which of the following ways entrepreneurs contribute to the society?
 - a) They change the community
 - b) They provide better standard of living
 - c) They provide job opportunities
 - d) All of the above
- 7) Which of the following is NOT considered as an opportunity for an entrepreneur?
 - a) Crowdsourcing
 - b) Underestimating competitors
 - c) Angel investors
 - d) Foreign markets
- 8) Which of the following is not a strategy of imitation?
 - a) Re-positioning
 - b) Re-branding
 - c) Re-conceptualising
 - d) None of these

- 9) **Entrepreneurship is _____.**
- A process of evaluating the product.
 - A process of transforming the business idea into an enterprise.
 - A person who combines all the inputs into marketable products so as to establish a profit.
 - A process of determining objectives of an organisation.
- 10) **All of the following are factors impacting the entrepreneurship EXCEPT:**
- Labour policy
 - Indian planning commission
 - Subsidies
 - Leadership
- 11) _____ shows the process of creating something new.
- Innovation
 - Business model
 - Entrepreneurship
 - Invention
- 12) **What are the strategies for mitigation of risks?**
- Market scope strategy
 - Imitation strategy
 - Pricing strategy
 - Both a) and b)
- 13) **The forms of entrepreneurship does not include:**
- Small business entrepreneur
 - Large business entrepreneur
 - Intrapreneurship
 - None of the above
- 14) **The main objective of innovation is:**
- To maintain the operations of existing business enterprise,
 - To make something better, and
 - To bring positive and desirable changes
 - All of the above

Answers:

- | | | | | | | |
|------|------|-------|-------|-------|-------|-------|
| 1) b | 2) c | 3) d | 4) b | 5) c | 6) d | 7) b |
| 8) b | 9) b | 10) d | 11) a | 12) d | 13) b | 14) d |

1.5.2. Short Answer Type Questions

- Define entrepreneur. And explain forms of entrepreneurship.
- Elucidate the importance of entrepreneurship.
- Explain the economic factors impacting entrepreneurship.
- Write a note on entrepreneurial mind-set.
- Compare entrepreneur and entrepreneurship.
- Discuss innovation and entrepreneurship.
- Write a short note on imitation strategy.
- What are the risks perspectives of an entrepreneur?
- How managing newness can be a strategy of mitigating risks?

1.5.3. Long Answer Type Questions

- Explain entrepreneurship. State its important characteristics.
- Discuss the contributions of entrepreneurship to the society alongwith their importance.
- Comment on the various myths associated with entrepreneurship.
- What are factors affecting emergence of entrepreneurship?
- Elaborate entrepreneurship process in detail.
- Describe the risk-opportunity perspective of entrepreneurs in detail.
- What are the various strategies for mitigation of risks? Explain each of them with examples.