**DEFINITION OF ENTREPRENEUR AND ENTREPRENEURSHIP**

**ENTREPRENEUR**

An entrepreneur is a person who starts an enterprise. He searches for change and responds to it. A number of definitions have been given of an entrepreneur.

The economists view him as a fourth factor of production along with land labour and capital.

Others feel that entrepreneurs are innovators who come up with new ideas for products, markets or techniques.

Simply put, an entrepreneur is someone who perceives opportunity, organizes resources needed for exploiting that opportunity and exploits it.

Some definitions of an entrepreneur are listed below:

**Entrepreneur** stems from the French word ‘entrependre’ meaning one who undertakes or one who is a ‘go-between’.

**1725**: Richard Cantillon: An entrepreneur is a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of enterprise.

**1803**: J.B. Say: An entrepreneur is an economic agent who unites all means of production- land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.

**1934:** Schumpeter: Entrepreneurs are innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new services.

**1961:** David McClleland: An entrepreneur is a person with a high need for achievement [N-Ach]. He is energetic and a moderate risk taker.

**1964**: Peter Drucker: An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.

**1975**: Albert Shapero: Entrepreneurs take initiative, accept risk of failure and have an internal locus of control.

**1983:** G. Pinchot: Intrapreneur is an entrepreneur within an already established organization.

**ENTREPRENEURSHIP**

Entrepreneurship can be described as a process of action an entrepreneur undertakes to establish his enterprise.

Entrepreneurship is a creative activity. It is the ability to create and build something from practically nothing. It is a knack of sensing opportunity where others see chaos, contradiction and confusion. Entrepreneurship is the attitude of mind to seek opportunities, take calculated risks and derive benefits by setting up a venture. It comprises of numerous activities involved in conception, creation and running an enterprise.

According to Peter Drucker Entrepreneurship is defined as ‘a systematic innovation, which consists in the purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation.’

Entrepreneurship is a discipline with a knowledge base theory. It is an outcome of complex socio-economic, psychological, technological, legal and other factors. It is a dynamic and risky process. It involves a fusion of capital, technology and human talent. Entrepreneurship is equally applicable to big and small businesses, to economic and non-economic activities. Different entrepreneurs might have some common traits but all of them will have some different and unique features.

If we just concentrate on the entrepreneurs then there will be as many models as there are ventures and we will not be able to predict or plan, how and where, and when these entrepreneurs will start their ventures.

Entrepreneurship is a process. It is not a combination of some stray incidents. It is the purposeful and organized search for change, conducted after systematic analysis of opportunities in the environment. Entrepreneurship is a philosophy- it is the way one thinks, one acts and therefore it can exist in any situation be it business or government or in the field of education, science and technology or poverty alleviation or any others.

**DIFFERENCE BETWEEN ENTREPRENEUR AND ENTREPRENEURSHIP**

* The term entrepreneur is used to describe men and women who establish and manage their own business. The process involved is called entrepreneurship.
* Entrepreneurship is an abstraction whereas entrepreneurs are tangible people.
* Entrepreneurship is a process and an entrepreneur is a person. Entrepreneurship is the outcome of complex socio-economic, psychological and other factors.
* Entrepreneur is the key individual central to entrepreneurship who makes things happen. Entrepreneur is the actor, entrepreneurship is the act.
* Entrepreneurship is the most effective way of bridging the gap between science and the market place by creating new enterprises. An entrepreneur is the catalyst who brings about this change.

**ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

.The industrial health of a society depends on the level of entrepreneurship existing in it. A country might remain backward not because of lack of natural resources or dearth of capital [as it is many times believed] but because of lack of entrepreneurial talents or it inability to tap the latent entrepreneurial talents existing in that society. Entrepreneurs historically have altered the direction of national economies, industry or markets- Japan, Singapore, Korea, Taiwan to name a few.

1. **ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT**

Entrepreneurship is basically concerned with creating wealth through production of goods and services. This results in a process of upward change whereby the real per capita income of a country rises overtime or in other words economic development takes place. Thus entrepreneurial development is the key to economic development. In fact it is one of the most critical inputs in the economic development of a region. It speeds up the process of activating factors of production leading to a higher rate of economic growth, dispersal of economic activities and development of backward regions. If a region is unable to throw up a sufficient number of entrepreneurs then alien entrepreneurs usually step in to provide goods and services needed by the people. However the profits earned by these entrepreneurs are usually not ploughed back but repatriated to their place of origin. As a result development in that region cannot take place.

1. **ENTREPRENEURSHIP AND EDUCATION**

There is a growing realization that presence of resources and favourable government policies cannot automatically manufacture economic development. It is the entrepreneurial spirit of the people, which can transform the economy of that region. Both the quantity and quality of entrepreneurs are of utmost significance for achieving the goal of economic development. The myth that entrepreneurs are born with some innate traits is fortunately no longer held. Many research studies have brought out that entrepreneurship can be taught and learned. Entrepreneurship is a discipline and like all disciplines, it has models, processes and case studies, which can help an individual to study this subject. The necessary competencies required of a successful entrepreneur can be acquired through training and development.

Numerous courses in entrepreneurship are being taught all over the world in schools and colleges, seminars and conferences are being organized and Entrepreneurial Development Programmes (EDPs) are being conducted. The thinking today is why just create managers why not create people who can absorb managers. One can acquire the traits and learn the skills for becoming an entrepreneur e.g. a person can learn to be achievement oriented, self- confident, perseverant etc. which are all part of the characteristics of a successful entrepreneur.

Usually the model used for entrepreneurial education has three phases:

**Stimulatory Phase**- This phase involves planned publicity for opportunities, motivation training and help and guidance in selection of product or service.

**Support Phase-** This provides help in registration of units, arrangement of finance as well as land, sheds, power, water, common facility centres etc. Help is also provided in marketing of products.

**Sustenance Phase-** Once the enterprise is set up then help is provided for modernization, diversification, additional finance etc.

**FUNCTIONS OF AN ENTREPRENEUR**

An entrepreneur frequently has to wear many hats. He has to perceive opportunity, plan, organize resources, and oversee production, marketing, and liaison with officials. Most importantly, he has to innovate and bear risk. The main functions of an entrepreneur are as follows:

1. Innovation: Innovation is one of the most important functions of an entrepreneur according to Schumpeter. An entrepreneur uses information, knowledge and intuition to come up with new products, new methods of reducing costs of a product, improvement in design or function of a product, discovering new markets or new ways of organization of industry. Through innovation, an entrepreneur converts a material into a resource or combines existing resources into new and more productive configurations. It is the creativity of an entrepreneur that results in invention [creation of new knowledge] and innovation [application of knowledge to create new products, services or processes.]

Systematic innovation means monitoring the following for innovative opportunity:

i. The unexpected success or failure or any unexpected outside event, (e.g. when the IT bubble burst the ITES sector started growing.)

ii. Innovation based on process need [e.g. plate based cameras, film based cameras, digital cameras]

iii. Changes in industry and market structure [e.g. video cassette VCD, DVD, Blue ray disc]

iv. Demographics changes (e.g. increasing number of working women and nuclear families in most metropolitan cities)

v. New knowledge (e.g. Pentium chip)

2. Risk and uncertainty bearing: According to Hozelist an entrepreneur performs the function of risk and uncertainty bearing. Every decision pertaining to development of new products, adapting new technologies, opening up new markets involves risk. Decision-making in an environment of uncertainty requires anticipation of risk. Profit is said to be the reward for anticipating and taking such risks. However it is pertinent to mention that the entrepreneur is not a gambler, he only takes calculated risks. An entrepreneur develops the art of decision-making under conditions of uncertainty as a matter of survival.

3. Organization building: An entrepreneur has to organize men, material and other resources. He has to perform the functions of planning, co-ordination and control. He has to use his leadership qualities to build a team, generate resources and solve problems. With his organizational skills an entrepreneur builds an enterprise from scratch, nurtures it and makes it grow. His vision sows the seeds for a sound and vibrant organization and synergies are built in the enterprise.

According to Kilby in a developing country even the imitator entrepreneurs are very important and the entrepreneurial role encompasses the following:

i. Perception of market opportunities

ii. Gaining command over scarce resources

iii. Purchasing inputs

iv. Marketing the products

v. Dealing with bureaucrats

vi. Managing human relations within the firm

vii. Managing customer and supplier relations

viii. Managing finance

ix. Managing production

x. Acquiring and overseeing assembly of the factory

xi. Industrial engineering

xii. Upgrading process and product

xiii. Introducing new production techniques and products

**ENTREPRENEUR vs. MANAGER RELATIONSHIP**

Are all small entrepreneurs managers? Are all small business managers entrepreneurs? The terms entrepreneur and manager are many times used interchangeably yet they are different. An entrepreneur starts a venture then a manager takes over to organize and co-ordinate continuous production. An entrepreneur is being enterprising as long as he starts something new then the routine day-to-day management of the business is passed on to the manager. The main differences between the two are summed up below:

|  |  |
| --- | --- |
| **Entrepreneur** | **Manager** |
| An entrepreneur is involved with the  start-up process | A manager with running the business  over a long period of time |
| An entrepreneur assumes financial,  material and psychological risks | A manager does not have to bear risks |
| An entrepreneur is driven by perception  of opportunity | A manager by the resources he  currently possesses |
| An entrepreneur initiates change | A manager follows rules & procedures |
| An entrepreneur is his own boss | A manager is a hired employee |
| An entrepreneur gets uncertain rewards | A manager gets fixed rewards and salary  Salary |