

ENTREPRENEUR

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Outline

- ▶ Meaning of Entrepreneur
- ▶ Characteristics of Entrepreneur
- ▶ Classification & Types of Entrepreneur
- ▶ Stages In Entrepreneurial Process
- ▶ Role of Entrepreneurs in Economic Development
- ▶ Entrepreneur –an Emerging Class.
- ▶ Entrepreneurship in India
- ▶ Entrepreneurship – its Barriers.
- ▶ Identification of Business Opportunities
- ▶ Market Feasibility Study
- ▶ Technical Feasibility Study
- ▶ Financial Feasibility Study
- ▶ Social Feasibility Study.

Entrepreneur Defination

- ▶ Entrepreneur is a person who undertakes an enterprise. The process of creation is called entrepreneurship.
- ▶ An entrepreneur can be considered as a person who bears the risk of operating a business in the face of uncertainty about the future conditions.
- ▶ Entrepreneur as One Who Always searches for Change, Responds to it & Exploits it as an Opportunity.

- ▶ Entrepreneur is one
 - Who innovates and introduces something new in the economy.
 - Who shifts resources out of an area of lower and into an area of productivity and greater yield.
 - Who plays a critical role in economic development and an integral part of economic transformation.
- ▶ Entrepreneur is an agent who buys the four factors of production at certain prices in order to combine them into product with a view to selling it at uncertain prices in future.

Why should You Become an Entrepreneur?

- ▶ You are your own boss, boss to other
- ▶ Chance to put your ideas into practice
- ▶ Make money for yourself
- ▶ Chance to work directly with your customer
- ▶ Personal satisfaction of creating & running business
- ▶ Work in a field of your interest
- ▶ Get experienced in various discipline

Characteristics of a successful Entrepreneurship

1. Creativity
 - Germination, Preparation, Incubation, Illumination, Verification
2. Innovation
3. Dynamism
4. Leadership
5. Teambuilding
6. Achievement motivation
7. Problem solving
8. Goal Orientation
9. Risk taking & Decision making ability
10. Commitment

Evolution of the Concept of Entrepreneurship

- ▶ He is a Person who creates Enterprise. The Process Creation is called as “Entrepreneurship”.
- ▶ This evolved from the French Word “Entreprendre” in the 12th Century.
- ▶ In the early 16th Century, it was applied to those who were engaged in Military Expeditions.
- ▶ In the 17th Century, it was extended to cover Civil Engg Services.
- ▶ In the 18th Century, Richard Centillon described Entrepreneur as **“One Who Bears Risk by buying at Certain Prices & selling at Uncertain Prices”** which is closer to the Terms as Applied Today.

Functions of an Entrepreneur:

1. **Planning of the project:** idea of launching the project and Program structure of the business
2. **Management:** responsible for the management of business
3. **To Face Risks:** faces uncertainly & bears risks
4. **Distribution of Rewards:** pays the reward in the shape of rent, wage, & interest and bears the risk of profit or loss himself

Functions of an Entrepreneur:

- 5. **Sale of Products:** responsible of marketing, advertising
- 6. **Scale of Production:** decided the scale of business, takes the decision of what where and how to produce goods.
- 7. **Joint stock Organization:** In a partnership, the entrepreneurial functions are divided between the partners. But in public limited company the entrepreneurial decisions are left to the government or a body to which government has delegated its powers.

Myths of Entrepreneurship

- ◆ Entrepreneurs are born not made
- ◆ Entrepreneurs are academic and social misfits
- ◆ Entrepreneurs fit an ideal profile.
- ◆ All you need is money to be an entrepreneur
- ◆ All you need is luck to be an entrepreneur
- ◆ A great idea is the only ingredient in a recipe for business
- ◆ My best friend will be a great business partner
- ◆ Having no boss is great fun
- ◆ I can make lots of money
- ◆ I will definitely become successful
- ◆ Life will be much simpler if I work for myself

Types of Entrepreneur

I) **Classification of Entrepreneurs based on Functional Characteristics**

- a. **Innovative Entrepreneur:** *Introduces New Goods / Products / Services or New Methods of Production or discovers New Markets or Reorganizes his Enterprise.*
- b. **Imitative or Adoptive Entrepreneur:** *Imitate or Copy Techniques & Technology*
- c. **Fabian Entrepreneur:** *display great caution & skepticism in experimenting with any change in their Enterprise.*
- d. **Drone Entrepreneur:** *Die – Hard Conservative Attitude, do not easily seize opportunities to make changes in their production techniques or the Technology employed*

II) *Classification of Entrepreneurs on the Development Angle :*

- a. Prime Mover: sets into Motion a Powerful Sequence of Development, Expansion & Diversification of Business
- b. Manager: does not initiate Expansion & is content just Staying in Business
- c. Minor Innovator: contributes to Economic Progress by finding better use for Existing Resources
- d. Satellite: assumes a Supplier's Role & slowly moves towards a Productive Enterprise
- e. Local Trading: limits his enterprise to the Local Market.

III) Classification of Entrepreneurs based on Types of Business :

- a. Manufacturing: Entrepreneur is involved in Production of Value Added Goods by using Various Inputs
- b. Wholesaling: An Entrepreneur with such a Business sells Products to the Middle Men or Retailers
- c. Retailing: An Entrepreneur with such a Business sells Products directly to the Consumer's or End Users.
- d. Service: An Entrepreneur in this Business sells Services & not the Products.

IV) Classification of Entrepreneurs as per the Behavioral Scientists :

- a. Solo Operators: work alone, introduce their own capital
- b. Active Partners: jointly put their efforts and resources
- c. Inventors: interest lies in research and innovative activities
- d. Challengers : entrepreneurs plunge into industry /business because of the challenge it presents.
- e. Buyers : Purchase the existing one and by using their experience and expertise try to run the enterprise successfully.
- f. Life Timers: integral point of their life
- g. Industrial entrepreneurs: Such entrepreneurs engage in manufacturing and selling products.

V) According to growth

- a. growth
- b. super growth

VI) According to stages of development

- a. modern
- b. classical

VII) According to the area

- a. urban
- b. rural

VIII) According to the gender and age

- a. men
- b. women

IX) According to the sale of operation

- a. small
- b. large

Factors influencing women entrepreneur

- ▶ Economic independence
- ▶ Establishing their own creativity
- ▶ Establishing their own identity
- ▶ Achievement of excellence
- ▶ Building confidence
- ▶ Developing risk taking ability
- ▶ Motivation
- ▶ Equal status in society
- ▶ Greater freedom and mobility

Functions of women entrepreneur

- Exploration of the prospects of starting a new business
- Pool up the resources
- Establish the industrial enterprise
- Manage the business
- Development of strategies.
- To assume risk & uncertainty
- To develop business & business decision
- Motivation
- Supervision & leadership

Challenges in the path of women entrepreneurs

1. Lack confidence
2. Problem of finance & working capital
3. Socio- cultural barriers
4. Production problem
5. Inefficient Marketing Arrangements
6. Male dominations

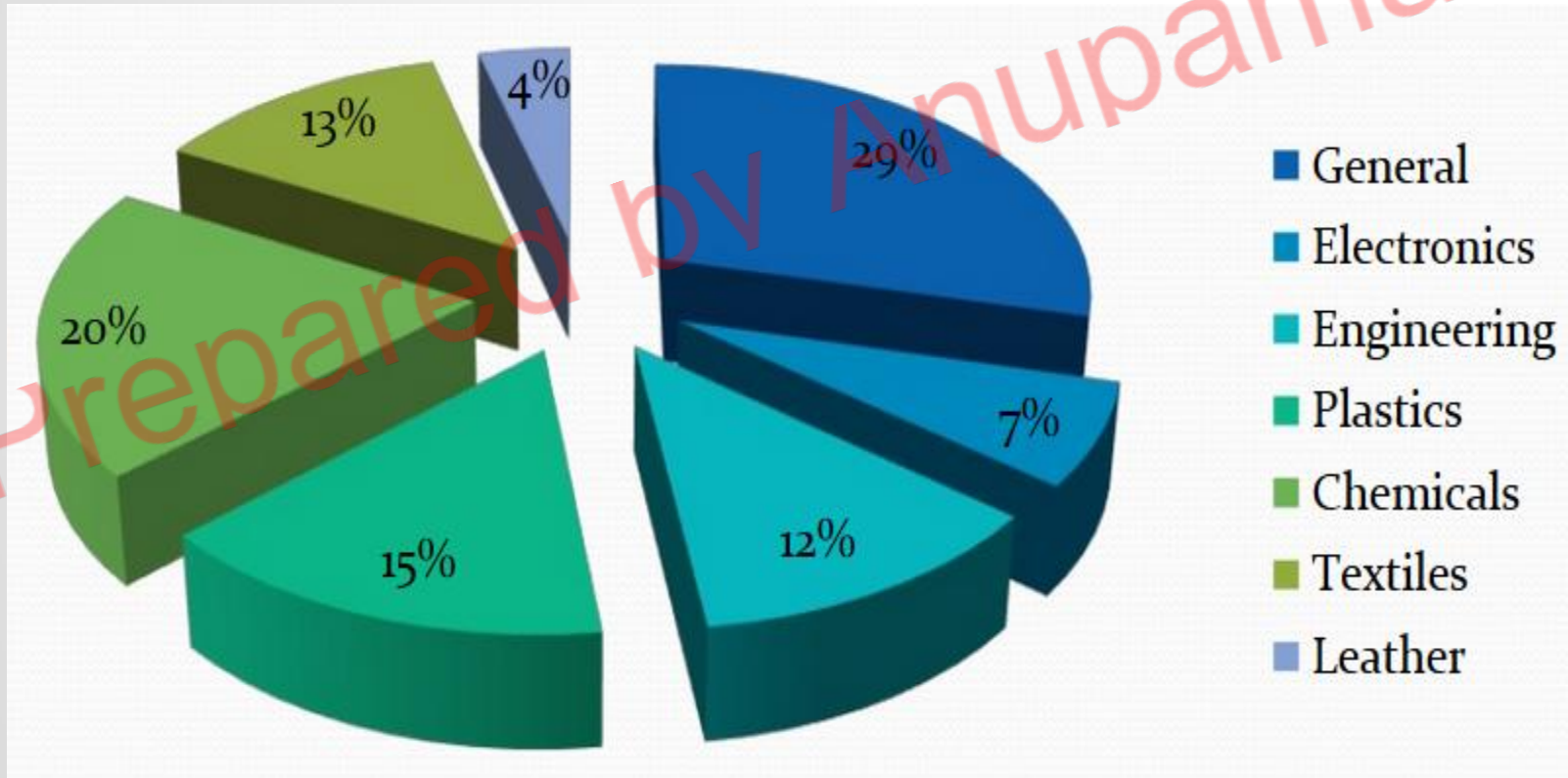
Steps to be taken to develop women entrepreneurship

1. Provide basic education & establish special institutions to train women entrepreneurs.
2. Conduct especial workshops to women for better awareness.
3. Liberal financial support to motivate women entrepreneurs
4. Favourable credit policies to women
5. Provide better marketing help to women entrepreneurs

Steps to be taken to develop women entrepreneurship

6. Provide need- based training for development of skills & entrepreneurship.
7. Establish self-help groups, Voluntary agencies & social welfare organization for women entrepreneurs
8. Provide concessions to women entrepreneurs.
9. Provide a common platform to all the concerned agencies & R & D organization to achieve an interacted approach for promoting women entrepreneurs.

Overall Product Selection By women entrepreneurs in India



Indian women Entrepreneurs

- ▶ **Suchi Mukherjee**

CEO of the online social discovery platform for women, [LimeRoad](#)

<http://techstory.in/suchimukherjee/>

- ▶ **Anu Sridharan**

Founder of [NextDrop](#), a company which allows Indian residents in the urban areas to track the availability of piped water through SMS.

Intrapreneurs

- ▶ Is an emerging class found in large industrial organizations who emerge from within the confines of the large industrial organizations.
- ▶ Top executives are encouraged to catch hold of new ideas and convert them into products through research and development activities within the framework of the organization.
- ▶ Dependent, does not bear risk in business, does not raise funds, operates from inside.

Entrepreneurs Vs Intrapreneurs

Entrepreneurs	Intrapreneurs
He is independent in his operation.	He is dependent on the entrepreneurs i.e. owner.
He himself raises funds required for the organization.	He does not raise funds for the organization.
Entrepreneurs bears the risk involved in the business.	He does not fully bear the risk involved in the organization.
An entrepreneur operates from outside.	An intrapreneur operates from inside.
Entrepreneurs converts the ideas into viable opportunities.	Intrapreneurs takes the responsibility of creating innovation.
Entrepreneurs takes the profit of the business.	He is provided with a variety of perquisite for his innovation.

Entrepreneur Vs Manager

Entrepreneur	Manager
The main motive of an entrepreneur is to start a venture for his personal gratification.	Main motive of a manager is to render services in an enterprise already set by someone else.
Owner	Servant
Assumes risk and uncertainty	Manager does not bear any risk involved in enterprise.
Profits, which are highly uncertain and not fixed.	Salary which is certain and fixed.
Entrepreneur himself thinks over what and how to produce goods to meet the changing needs of the customers. Hence he acts as innovator / change agent.	A manager simply executes plans prepared by the entrepreneur.
An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability etc.	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

Stages in the development of the entrepreneurial process:

- 1) Perceiving ,identifying opportunity
- 2) Evaluating opportunity
 - Description of product
 - Agreement of opportunity
 - Assessment of the entrepreneur
 - Resources needed
 - Amount & sources of capital
 - Profit expected

3) Drawing up a business plan

- Title of project, table of contents
- Description of business & industry.
- Technology plan
- Financial plan
- Organization plan
- Production & operation plan
- Marketing & distribution plan
- Summary

4) Marshalling resources

5) Creating the enterprise

6) Consolidation and management

Role of entrepreneurship economic development:

- 1) Promotes capital formation by mobilizing the idle saving of the public.
- 2) Provides immediate large scale employment thereby reducing the unemployment problem in the country.
- 3) Promotes balanced regional development.
- 4) Helps reduce the concentration of the economic power.

- 5) Stimulates equitable redistribution of wealth, income and even political power in the interests of the country.
- 6) Encourages effective resource mobilization of capital and skill which otherwise would remain unutilized and idle.
- 7) Induces backward and forward linkages which stimulate the process of economic development in the country.
- 8) Promotes export trade which is an important ingredient for economic development

Barriers to Entrepreneurship

- 1) Lack of a viable concept
- 2) Lack of market knowledge
- 3) Lack of technical skills
- 4) Lack of seed capital
- 5) Lack of business know how
- 6) Complacency—lack of motivation
- 7) Social stigma
- 8) Time pressure and distractions
- 9) Legal constraints and regulations
- 10) Monopoly and protectionism
- 11) Inhibitions due to patents

Entrepreneurship development programme (EDP)

- ▶ It focuses on indentifying entrepreneurship qualifies of an individual, providing required training, preparing related project reports, preparing the entrepreneurs to manage finance, Production, technology marketing & infrastructure facilities.
- ▶ EDP also provides knowledge to solve problems & difficulties of entrepreneur.

Need for EDPS

- ▶ Builds confidence in people
- ▶ Gives guidelines to the young
- ▶ Gives technical assistance, management, training consultancy.
- ▶ Channelizes them to accelerate industrialization
- ▶ It is helpful in growth of small scale section.

Entrepreneurship in India :

Entrepreneurship is regarded as closely associated with the Economic History of India. This is traced way back to even as early as Rig Veda, when Metal Handicrafts manufacturing cottage & small enterprises existed in the Country.

It has passed thro several Ups & Downs. The important ones include the Decline of Indian Handicrafts Industry towards the end of the 18th Century, entry of the East India Company of the British's in India's Business Activities. The Swadeshi Campaign for Indian Manufactured Goods, the First World War, Emergence of the Indian Managing Agency Systems by promoting Joint Stock Companies, the Second World War, Partition of Undivided India & undertaking planned development of Entrepreneurship in the Country by Govt of India after Independence in 1947.

For the purpose of encouraging Entrepreneurship, the Govt of India brought out the First Industrial Policy Resolutions in 1948 which was subsequently revised from Time to Time.

The Govt of India in order to promote , assist & develop industries in the National Interest has taken the following Three Important Resolutions in the Industrial Resolutions :

- i. To maintain a proper distribution of economic power between Private & Public Sector.
- ii. To encourage Rapid Industrialization by moving the concept of Entrepreneurship from existing centers to other cities, towns & rural areas.
- iii. To disseminate the Entrepreneurship acumen concentrated in a few dominant communities to a large number of Industrially Potential People of varied Social Background.

- ▶ To achieve these Objectives the Govt accorded emphasis on the Development of Small Scale Industries in the Country.
- ▶ Since the 3rd Five Year Plan, the Govt announced various Incentives & Concessions in the form of Capital, Technical Know How, Reservation of Certain Items for Exclusive Manufacture in Small Scale Sector Tax Concessions, Provision of Infrastructural Facilities like Developed Land, Sheds, Roads, Communication etc for Promotion of Enterprises in the Country etc.
- ▶ This has helped in Speedy Economic Development in all the States in the Country & to a great extent has minimized regional imbalances.

▶ National Common Minimum Programme (NCMP) describes ***Small Scale Enterprises as the Most Employment Intensive Segment***. At the beginning of the 10th Plan, (2002 – 2003), the Segment provided gainful employment to 24.9 Million People in the Rural & Urban Areas of the Country thro 10.5 Million Units, engaged in Manufacturing & providing a Wide Range of Goods & Services. If the Units in Khadi Village Industries are also taken into account, the Employment would rise to 332 Million.

▶ ***Thus this is rightly called as the segment which provides employment next only to Agriculture. The Contribution of Small Enterprises Segment to the Economic Development of the Country is very significant.*** Nearly 39% of the Gross Manufacturing Output & 34% of the Exports of India arise from these Enterprises.

- ▶ Yet a large number of Entrepreneurs are facing lots of Challenges. In order to assist them to fully harness their potential by availing of the **increasing opportunities generated by Trade Liberalization**, it is necessary to not only build an enabling Policy Environment but also supplement the former with a specific set of measures to address the continuing challenges.
- ▶ Therefore Ministry of Micro, Small & Medium Enterprises, Govt of India has announced a package for Promoting such enterprises in Feb 07 to provide full support in the Areas of Credit, Technological Up gradation, Marketing & Infrastructural Up gradation in Major Industrial Infrastructure etc.

IDENTIFICATION OF OPPORTUNITY

- ▶ The opportunity to be your own boss, to implement your own ideas, to earn for himself or herself is reason to think of starting an SSI unit.
- ▶ Entrepreneur who starts their own business can be grouped into two broad categories.
 - People who know exactly what they want to do and are merely looking for the opportunity or resources to do it.
 - People who want to start their own business, but do not have definite ideas about what they would like to do.

IDENTIFICATION OF OPPORTUNITY

- ▶ Project identification is concerned with the collection, complication and analysis of data for the eventual purpose of locating possible opportunities for investment and with the development of the characteristics of such opportunities.
- ▶ Opportunities, according to Drucker, are of three kinds:
 - Additive
 - Complimentary
 - break-through.

IDENTIFICATION OF OPPORTUNITY

- ▶ Additive opportunities are those opportunities which enable the decision maker to better utilize the existing resources without in any way involving a change in the character of business.
- ▶ Additive opportunities involve the least amount of disturbance to the existing state of affairs and hence the least amount of risk.
- ▶ Complementary opportunities involve the introduction of new ideas and as such do lead to certain amount of change in the existing structure.
- ▶ Breakthrough opportunities on the other hand, involve fundamental changes in both the structure and character of business.

IDENTIFICATION OF OPPORTUNITY

- ▶ The output characteristics of a project define what the project will generate in the form of goods and services, employment revenue etc.
- ▶ The quantity and quality of all these output should be clearly specified.
- ▶ In addition every project will have impact on society. It inevitably affects the current equilibriums of demand and supply in the economy.
- ▶ It is necessary to evaluate carefully the sacrifice which the society will be required to make and the benefits will not accrue to the society from a given project.

IDENTIFICATION OF OPPORTUNITY

- ▶ Project identification cannot be complete without identifying the characteristics of the project.
- ▶ Every project has three elements—inputs, outputs and social costs and benefits.
- ▶ The input characteristics define what the project will consume in terms of raw material, energy, manpower, finance and organizational setup.
- ▶ The nature and magnitude of these inputs must be determined in order to make the input characteristics explicit.

PROJECT FEASIBILITY STUDY

Project feasibility analysis is carried out to ensure viability of project.

The important project feasibility study is

1. Market feasibility
2. Technical feasibility
3. Financial feasibility
4. Economic feasibility
5. Ecological feasibility

Market feasibility

Market feasibility is concerned with two aspects the aggregate demand for the proposed product/service, the market share of the project under consideration. For this market analysis requires variety of information and appropriate forecasting methods.

The kind of information required is

- Consumption trends in the past and the present consumption level
- Past and present supply position
- Production possibilities and constraints
- Imports and exports
- Structure of competition
- Cost structure
- Elasticity of demand
- Consumer behavior, intentions, motivations, attitudes, preferences and requirements
- Distribution channels
- Administrative, technical and legal constraints

Technical Analysis

Technical analysis seeks to determine whether prerequisites for successful commissioning of the project have been considered and reasonably good choices have been made with respect to location, size, and so on.

The important questions raised in technical analysis are:

- ☐ Has the availability of raw material, power, and other inputs been established?
- ☐ Is the selected scale of operation optimal?
- ☐ Is the production process chosen suitable?
- ☐ Are the equipment and machines chosen appropriate?
- ☐ Have the auxiliary equipment and supplementary engineering works been provided for?
- ☐ Has provision been made for treatment of effluents?
- ☐ Is the proposed layout of the site, buildings and plant sound?
- ☐ Have work schedules been drawn up realistically?
- ☐ Is the technology proposed to be employed appropriate from the social point of view?

Technical Feasibility Study

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Economic/Social Cost-benefit Feasibility Study

This is concerned with judging a project from the larger social point of view, where in the focus is on social costs and benefits of a project, which may often be different from its monetary costs and benefits.

The questions to be answered in social cost-benefit analysis are as follows:

- ▶ What are the direct economic benefits and costs of the project measured in terms of shadow (efficiency) prices and not in terms of market prices?
- ▶ What would be the impact of the project on the distribution of income in the society?
- ▶ What would be the impact of the project on the level of savings & investment in the society?
- ▶ What would be the contribution of the project towards the fulfillment of certain like self-sufficiency, employment and social order?