

## UNIT 1 (ENTREPRENEURSHIP )

Entrepreneurship as a discipline does not have any real definition. An entrepreneur is an **individual who creates a new business**, bearing most of the risks and enjoying most of the rewards. The process of setting up a business is known as entrepreneurship. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

**“Entrepreneurship** is the activity performed by an entrepreneur to organize and run an enterprise (Business).

ENTREPRENEURSHIP=Entrepreneur + Enterprise

**“Entrepreneur** is generally to be the owner, manager of an enterprise.

**“Entrepreneurship** is the activity of an entrepreneur which includes all the activities performed from the inception stage of an enterprise till its death.

**“Entrepreneurship** is a person-oriented task where the entrepreneur creates a small world of his own and becomes the master of his own business universe.

**“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.

### Definition....

**“ According to J.A Schumpeter,**

**“Entrepreneurship** is a creative activity , the entrepreneur being an innovator who introduces something new into the economy , a new method of production not yet tested by experience in the branch of manufacture concerned ,a product with which customers are not familiar , a new source of raw materials and other similar innovation”.

### **“ 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.’

### **“ According to A.H Cole**

“Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit oriented business unit for the production for distribution of economic goods and services.”

**Entrepreneurship and Management are closely related terms in business, there is a definite difference between both these processes. In this class you will learn more about these two terms.**

### **Entrepreneurship & Management**

Entrepreneurship is a **process of creating an enterprise by taking a financial risk in order to get a profit**, whereas management is the art of getting things done through proper planning, organizing, directing, and controlling. ... An entrepreneur is a risk-taker where management doesn't take any risk.

### **Need or Importance of Entrepreneurship**

Entrepreneurship is the effective process of creating wealth and innovating things of value that develop the welfare of an entrepreneur.

Here is some importance of entrepreneurship:

#### **1. Innovation**

Entrepreneurship is the field of innovation. It reaches beyond discovery and does the commercialization of innovations.

Therefore, entrepreneurship takes care of innovation that provides new ventures, commodities, technology, market, condition & quality of good, etc. to the economy that increases Gross Domestic Products (GDP) and standard of living of the communities.

## **2. Creation of Job Opportunities**

The entrepreneur gives employment opportunities to the people by setting up new industries, also increases per capita income and cost of capital investment, uses innovations in different fields, provides efficient coordination between sources, and manages economic affairs. Thus, entrepreneurship contributes to creating employment opportunities.

## **3. Improves Standard of Living**

As entrepreneurs see an issue associated with the lives of the people, they use their innovative thinking to find a solution.

They start a new industry and generate employment. When new employees are hired and get paid, this income is used in the local economy. This creates incremental wealth for the people and results in improving the standard of living for all involved.

When an enterprise introduces a better product or service, opponents or competitors need to improve or withdraw themselves from the industry. Increasing competition causes everyone to improve their performance and become the best at their jobs. They don't have an alternative rather than to be more productive and live a higher standard of living.

## **4. Introduce Changes in the Community**

Some business organizations demand highly skilled people. This makes a demand for schools, colleges, workshops, and training institutes that can provide skill training. The community reacts to the demand by setting up training institutes and everyone in the community benefits. The company employs the individuals it requires, and the community gets highly qualified and trained people.

Entrepreneurs make preparations for organizing food drives, making houses, support cleanups, and giving to charities. Some may also help the improvement of infrastructure in society. This undoubtedly helps in the advancement and progress of the community.

## **5. Leads to Economic Growth**

Entrepreneurship is a process that appears with new businesses generating capital for civilization. New industries contribute economic wealth as entrepreneurs invest funds to make new products and services. Venture capitalists and angel investors also provide more investment, raising the number of funds that involve the growth and progress of the organization.

Businesses make profit and give taxes also, employees associated with the business pay income tax. The government uses this revenue to stimulate the economy and make better facilities.

## **Entrepreneurship and its Scope**

### **Scopes of Entrepreneurship**

The small-scale business gives good scope for the growth of entrepreneurial activities. An entrepreneur has excellent opportunities and great scope in selling services rather than producing a product. The entrepreneur can get better results if the size of the small business is small and limited. For this reason, that small enterprises have higher productivity, greater performance, and low labor turnover.

### **Scopes in Industrial Sector**

Small-scale businesses involve a prominent place in the industrial part. They have turned over 40% of the overall industrial production in 1998. The basic intentions underlying the development of small-scale are the increment in the supply of produced goods, promotion of capital report, the development of domestic entrepreneurial capacities and skills, and the creation of more employment opportunities.

This sector gives a broader scope for the potential entrepreneur to expand his or her own business. There is an excellent opportunity and enormous potential to use technology-based products in the small-scale enterprise or sector. An entrepreneur can exploit a profitable venture in any of the industries reserved for exclusive department under the small-scale sector. There are as many as 384 items for exclusive purchase from the small-scale industries.

Small-scale industries play an important role in increasing the national income, in meeting the shortage of consumer's goods, in promoting balanced regional development, in reducing inequalities in the distribution of income and wealth and in relieving the economic pressure on land and over crowding in urban areas. Outdated technology, shortage of finance, shortage of raw material and inadequate marketing facilities are some of the problems faced by small entrepreneurs.

### **Agricultural and Associated Industrial Sector**

There is a huge scope for entrepreneurial movements in the agricultural sector. By creating a link between agriculture and associated industries, the rural entrepreneur can capitalize on opportunities in areas of agriculture, processing, and marketing.

The government has given preference to the IRDP program and ensured the sufficient flow of credit to small and marginal farmers through re-financing facilities and by setting up national banks for agriculture and small development.

## **Service Sector**

The service sector has gained attention for entrepreneurs because of its fast expansion. The service sector comprises all kinds of business and provides opportunities to the entrepreneurs in business such as hotels, transport, tourist services, personal care, home services, food services, photography services, repairing services, electrical support, and many others.

## **The Rural Economy**

Nowadays, the rural economy has an excellent opportunity for an entrepreneur to start a business. They can exploit opportunities for a venture in some shops or services. Entrepreneurship does well in the small business sector as they have tremendous opportunities for manufacturing and non-manufacturing activities.

## **Entrepreneurial Competencies & Traits**

There are several characteristics that make entrepreneurs successful. Here are some of them.

- **Must Have the Ability to Take Risk:**

Setting up any new business or enterprise involves a significant amount of failure risk. Thus, an entrepreneur needs to be fearless and able to figure out and take risks, which is a fundamental side of being an entrepreneur.

- **Innovative Mindset:**

It includes discovering new ideas and implementing them in business. The entrepreneur must evaluate current modes of running a business and identify new methods and approaches for operating the business more effectively.

- **Passion:**

Passion calls for you to perform even when you do not hope for payment at the end. This is true if you are starting a small business. Your entrepreneurial activity will involve establishing your small business. Entrepreneurs should always be passionate about their objectives and ready to sacrifice everything for their dreams to be achieved.

- **Confidence:**

If success is a recipe, then confidence is the principal ingredient. If you're an entrepreneur, you should be confident in both yourself and your services. While undertaking a business activity, you will encounter many obstacles and difficulties. At that time, you shouldn't lose your confidence and face the situation with courage.

- **Visionary and Leadership Qualities:**

To become successful, the entrepreneur should have a sharp and distinct vision of his new enterprise. However, to transform the concept into reality, a lot of resources and employees

are needed. Also, leadership quality is required to motivate and guide your employees towards the right track of success.

- **Decision Making**

You must have good decision-making capabilities to be a successful entrepreneur. You should be ready to make the right decision immediately to bypass any mistakes. This is a must-needed skill that every entrepreneur with an entrepreneurial mindset should seek to

## **Factors Affecting Entrepreneurial Growth**

### **ECONOMIC FACTORS:**

#### **1. Capital:**

Capital in finance and accounting, refers to the funds provided by lenders (and investors) to businesses to purchase real capital equipment for producing goods/services. Real Capital or Economic Capital comprises physical goods that assist in the production of other goods and services, e.g. shovels for gravediggers, sewing machines for tailors, or machinery and tooling for factories. Capital is one of the most important prerequisites to establish an enterprise and is regarded as lubricant to the process of production.

#### **2. Labour:**

The quality rather quantity of labour is another factor which influences the emergence of entrepreneurship. It is observed that cheap labour is often less mobile or immobile. To a certain extent problems of labour shortage can be done away with the use of capital extensive technologies as done by some of the developed economies like Japan, Germany etc.

#### **3. Raw materials:**

Raw material is the basic material from which a product is manufactured or made, frequently used with an extended meaning. For example, the term is used to denote material that came from nature and is in an unprocessed or minimally processed state. The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and, therefore, its influence on the emergence of entrepreneurship.

#### **4. Markets:**

The potential of the market constitutes the major determinant of probable rewards from entrepreneurial function. The size and composition of market both influence entrepreneurship. Whether or not the market is expanding and the rate at which it is expanding are the most significant characteristics of the market for entrepreneurship emergence.

## **NON ECONOMIC FACTORS:**

### **1. Social Conditions:**

The norms and values within a socio-cultural setting have relevance for the emergence of entrepreneurship in a particular society.

### **2. Legitimacy of Entrepreneurship:**

Such system is referred to as 'legitimacy of entrepreneurship' in which the degree of approval or disapproval granted by the social milieu influences the entrepreneurial behavior of individuals. Like in India, if you fail in your business, it used to bring a kind of social stigma and of course loss of capital. But that was the situation in past, now the stigma related to the failure of the enterprise is not taken as the failure of the individual. Entrepreneurship will be more likely to emerge in setting in which legitimacy is high. The government actions towards the development of the entrepreneurial culture can turnaround the negative or low legitimacy of entrepreneurship.

### **3. Social Mobility:**

Social mobility involves the degree of mobility, both social and geographical, and the nature of mobility channels within a system. The opinion that the social mobility is crucial for entrepreneurial emergence is not unanimous. Some hold the view that a high degree of mobility is conducive to entrepreneurship. It is also pointed out that the degree and nature of social mobility alone is not likely to influence entrepreneurship but its influence is largely determined by other non economic factors.

## **Entrepreneurial motivation**

It is the process of transforming an ordinary individual to a powerful businessman, who can create opportunities and helps in maximizing wealth and economic development. It is defined as various factors stimulate desires and activates enthusiasm in entrepreneurs which make them attain a particular goal. Entrepreneurship is the process of identifying strengths and opportunities which help in the realization of one's dreams for designing, developing and running a new business by facing threats and risks effectively.

To become an entrepreneur one should identify their strengths and opportunities from the external environment. Here motivation plays a major role in identifying their own strengths to become strong leaders or powerful entrepreneurs which make them to accepting risks and face uncertainty for the purpose of reaching pre-described goals.

Motivation makes entrepreneur by fulfilling higher level needs such as recognition, esteem, and self-actualization. Various theories explained motivation as an influencing concept, it can bring out hidden talents and creativity, and it contributes to the individual goals and society development. **Maslow's need hierarchy theory, Herzberg's two-factor theory, and David MC Clelland's acquired needs theory** proved that motivation can bring energy, enthusiasm, creativity and efficiencies in fulfilling the desired objectives.

Motivation activates innate strengths to achieve a particular goal, many questions arise during knowing this concept such as why can't all the human beings become leader or entrepreneurs even though they face same motivation during his/her lifetime? Who can become effective motivators? What type of motivation can influence one's behavior? Is the extent of motivation decides the power of externalized behavior? Etc, entrepreneurial motivation is a psychological process in which all the motives may not influence with the same intensity, it varies with the perception levels of the individuals and factors responsible for the motivation. Sometimes a single motive can influence to become strong and powerful entrepreneurs, these motives may come from various factors as follows.

### **Internal factors**

### **External factors**

#### **Internal factors**

- **Need for self-actualization**

It is explained by Maslow and it is the top level need refers to the desire for self-fulfillment. Need for freedom and self-fulfillment makes the individuals or employees of the organization make them become powerful leaders or entrepreneurs.

- **Optimism**



Individuals having positive mindset get motivated by finding opportunities during critical situations also. Positive attitude and perception motivate an individual to work out for the best even during unfavorable and tough situations also.

- **Positive attitude**

The positive attitude is the most important factor which motivates the individuals to become successful entrepreneurs. Habituating positive attitude can lead an individual to develop constructive thinking; it motivates them to become powerful entrepreneurs, finally, the positive attitude can prove that how valuable they are.

- **Self-motivation**

Most of the successful and powerful entrepreneurs are self-motivated; here they fulfill the desired objectives by motivating themselves. Though many individuals have ideas but they cannot put those for business development; however self-motivated people can take decisions to implement ideas.

- **Enthusiasm**

Enthusiasm motivates in finding better solutions, finally, it stabilizes the ideas and makes them become creators and innovators which result in successful entrepreneurs.

- **Commitment**

Commitment towards a goal can make to achieve success. It motivates entrepreneurs by inspiring and developing emotional attachment towards an objective.

- **Education**

Education is the most important factor it motivates a person to innovate and create new products, this result in establishing an organization or a new business venture. The knowledge acquired during the course of time and innate skills highly motivates a person to become a successful entrepreneur.

- **Background**

Family background, occupational background and a person's own experience in a job motivates him/her to become an entrepreneur. Having entrepreneurial background acts as a clear path to becoming a successful and powerful entrepreneur.

- **Financial background**

Finance is the scarce resource which motivates and enables a person to become an entrepreneur. Money can make many things it is the major thing in deciding one's status and development, strong financial background facilitates to start a business.

## **External factors**

- **Influence**

Influence of family members, friends, and society motivates the individuals to become entrepreneurs. The extent of influence shows an effect on the character, behavior, and development, it comes from the external environment. Here people get influenced by seeing successful entrepreneurs or by the words of others.

- **Availability of resources**

Resource availability motivates at a high extent to become entrepreneurs, availability of land, labor, money, machinery, and materials make individual to start a new business. Though there is creativity, intelligence, commitment and enthusiasm in the individuals, but the unavailability of resources becomes an obstacle for new entrants or entrepreneurs.

- **Product's demand**

Higher demand for a particular product motivate entrepreneurs to produce innovative and value added products, here product's demand motivates the individuals to become entrepreneurs. The hope of success makes them produce innovative products or substitute products, some entrepreneurs fulfill the market demand by producing complementary goods also. So the increase in products demand highly motivates to become entrepreneurs.

- **Government policies**

Subsidies and benefits given by the government motivate entrepreneurs to produce new products or motivates individual to become entrepreneurs. Government policies show higher influence on establishing new firms and it leads to economic development. In the case of small scale industries, rural people are encouraged by the various training programs, financial support, and subsidies; it is one of the main reasons for the establishment of new firms and arrival of new entrants.

- **Information availability**

Market knowledge and information motivate individuals to enter into the markets and to become entrepreneurs. If there is abundant information then it automatically creates interest in the minds of enthusiastic people to become entrepreneurs. Availability of information facilitates research and producing innovative and value added products, and it creates a scope to become entrepreneurs.

- **Technological advancement**

Technological advancement acts as a path to transform ideas into products, feasibility in production and expected success rate highly motivates to become entrepreneurs. It reduces errors and cost of production and maximizes success rate, this is the reason why people are interested in becoming entrepreneurs with the increase in technology.

### Applications of McClelland's Theory



### INTRODUCTION

So, at your monthly staff meeting, you stood up in front of the group, and congratulated her on her achievement, and for the good impression she made for the team. However, instead of smiling and appreciating the attention, she looked embarrassed. She lowered her head, and as soon as she could, she left and went to her office.

What did you do wrong?

Managing a group of people with different personalities is never easy. But if you're managing or leading a team, it's essential to know what motivates your people, how they respond to feedback and praise, and what tasks fit them well. David McClelland's Human Motivation Theory gives you a way of identifying people's motivating drivers. This can then help you to give praise and feedback effectively, assign them suitable tasks, and keep them motivated.

Using McClelland's theory in the example above would have helped you structure your feedback for the person. You would have known that your team member's main motivational driver is affiliation, which means that she never wants to stand out in a crowd. So, your feedback would have been far more effective, and appreciated, if you had praised her in private.

In this article, we'll explore McClelland's Human Motivation Theory, and look at how you can use it to manage and lead your team more effectively.

McClelland's Human Motivation Theory is also known as Three Needs Theory, Acquired Needs Theory, Motivational Needs Theory, and Learned Needs Theory.

### **Understanding McClelland's Theory**

In the early 1940s, Abraham Maslow created his theory of needs. This identified the basic needs that human beings have, in order of their importance: physiological needs, safety needs, and the needs for belonging, self-esteem and "self-actualization".

Later, David McClelland built on this work in his 1961 book, "The Achieving Society." He identified three motivators that he believed we all have: a need for achievement, a need for affiliation, and a need for power.

People will have different characteristics depending on their dominant motivator.

According to McClelland, these motivators are learned (which is why this theory is sometimes called the **Learned Needs Theory**).

McClelland says that, regardless of our gender, culture, or age, we all have three motivating drivers, and one of these will be our dominant motivating driver. This dominant motivator is largely dependent on our culture and life experiences.

These characteristics are as follows:

### **Dominant Motivator**

### **Characteristics of This Person**

#### **Achievement**

- Has a strong need to set and accomplish challenging goals.
- Takes calculated risks to accomplish their goals.
- Likes to receive regular feedback on their progress and achievements.
- Often likes to work alone.

#### **Affiliation**

- Wants to belong to the group.
- Wants to be liked, and will often go along with whatever the rest of the group wants to do.
- Favors collaboration over competition.
- Doesn't like high risk or uncertainty.

#### **Power**

- Wants to control and influence others.
- Likes to win arguments.
- Enjoys competition and winning.
- Enjoys status and recognition.

**USING THE THEORY :**

McClelland's theory can help you to identify the dominant motivators of people on your team. You can then use this information to influence how you set goals and provide feedback , and how you motivate and reward team members.

You can also use these motivators to craft, or design, the job around your team members, ensuring a better fit.

- Let's look at the steps for using McClelland's theory:

### **Step 1: Identify Drivers**

Examine your team to determine which of the three motivators is dominant for each person. You can probably identify drivers based on personality and past actions.

For instance, perhaps one of your team members always takes charge of the group when you assign a project. He speaks up in meetings to persuade people, and he delegates responsibilities to others to meet the goals of the group. He likes to be in control of the final deliverables. This team member is likely primarily driven by the power.

You might have another team member who never speaks during meetings. She always agrees with the group, works hard to manage conflict when it occurs, and visibly becomes uncomfortable when you talk about doing high-risk, high-reward projects. This person is likely to have a strong need for affiliation.

### **Step 2: Structure Your Approach**

Based on the driving motivators of your workers, structure your leadership style and project assignments around each individual team member. This will help ensure that they all stay engaged , motivated, and happy with the work they're doing.

### **Examples of Using the Theory**

Let's take a closer look at how to manage team members who are driven by each of McClelland's three motivators:

#### **Achievement**

People motivated by achievement need challenging, but not impossible, projects. They thrive on overcoming difficult problems or situations, so make sure you keep them engaged this way.

People motivated by achievement work very effectively either alone or with other high achievers.

When providing feedback, give achievers a fair and balanced appraisal. They want to know what they're doing right – and wrong – so that they can improve.

## **Affiliation**

People motivated by affiliation work best in a group environment, so try to integrate them with a team (versus working alone) whenever possible. They also don't like uncertainty and risk. Therefore, when assigning projects or tasks, save the risky ones for other people.

When providing feedback to these people, be personal. It's still important to give balanced feedback, but if you start your appraisal by emphasizing their good working relationship and your trust in them, they'll likely be more open to what you say.

Remember that these people often don't want to stand out, so it might be best to praise them in private rather than in front of others.

## **Power**

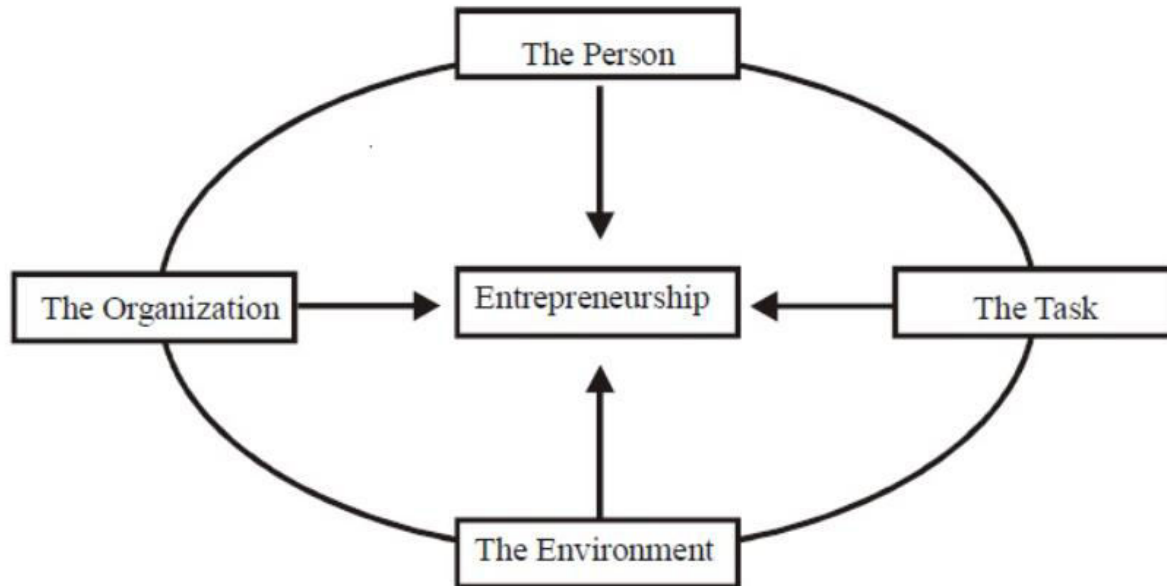
Those with a high need for power work best when they're in charge. Because they enjoy competition, they do well with goal-oriented projects or tasks. They may also be very effective in negotiations or in situations in which another party must be convinced of an idea or goal. When providing feedback, be direct with these team members. And keep them motivated by helping them further their career goals

## **Limitations of Achievement Theory**

- The theory does not deal fully with the process of motivation and how it really takes place.
- Persons with high need for achievement expect similar results from others. As a result, they may lack human skills and patience for being effective managers.
- The use of protective techniques for developing achievement motive is objectionable.

- The research evidence in support of the achievement motivation theory is fragmentary and doubtful.

### Conceptual Model of Entrepreneurship :



John Kao has developed a conceptual model of entrepreneurship in his article: **Entrepreneurship, creativity and organisation in 1989**. This model has four main aspects:

- 1. Entrepreneurial Personality:** The overall success of a new venture largely depends upon the skill, qualities, traits and determination of the entrepreneur.
- 2. Entrepreneurial Task:** It is a role played by entrepreneur in an enterprise. The major task of the entrepreneur is to recognize and exploit opportunities.
- 3. Entrepreneurial Environment:** It involves the availability of resources, infrastructure, competitive pressures, social values, rules and regulations, stage of technology etc.
- 4. Organisational Context:** It is the immediate setting in which creative and entrepreneurial work takes place. It involves the structure, rules, policies, culture, human resource system, communication system.



**According to Kao, the most successful entrepreneur is one who adapts himself to the changing needs of the environment and makes it hospitable for the growth of his business enterprise. This ECO (Entrepreneurship, creativity and organization) analysis framework developed and conceptualized by John J. Kao contributes a great deal to the emergence as well as sustenance of entrepreneurship and entrepreneurial talent in the prevailing business environment.**

## **Entrepreneur Vs Intrapreneur**

### **What is an Entrepreneur?**

An **entrepreneur** is an individual who designs, launches, and manages a new business, which almost always starts out as a small business. Individuals who create and launch a business take on the majority of the risks associated with developing a business. However, they will also reap most of the rewards. Entrepreneurs who can successfully bring a business to the market are considered to be innovators. These individuals will regularly develop new ideas, services, goods, and businesses.

Entrepreneurs are a key component of the greater economy because their skills are necessary for anticipating the needs of customers and bringing their new ideas onto the market. While it can be very risky to be an entrepreneur when one of your ideas fail, the rewards that entrepreneurs have access to include possible fame, high profits, and numerous growth opportunities throughout their careers.

### **What is an Intrapreneur?**

An intrapreneur is an individual who works on developing new ideas and products within the confines of the business that they already work at. Intrapreneurs include any person within the company that applies entrepreneurial skills, vision, and forward thinking into the role that they have in the company. One of the more appealing reasons to be an intrapreneur is that it allows you to form new ideas, products, and business goals without taking on the risks that come with starting a new business as an entrepreneur.

An intrapreneur can be anyone from an intern to the vice president of the company in question. Successful intrapreneurs will foster innovation in the company that they work for. In most cases, an intrapreneur will be given full control over the project that they are working on even though the project is usually designed to have a significant impact on the company itself.

#### **4 Important Classification of Entrepreneurs**

#### **CLASSIFICATION OF ENTREPRENEURS ACCORDING TO THE TYPE OF BUSINESS**

##### **1. BUSINESS ENTREPRENEURS**

Business entrepreneurs are those who conceive an idea for a new product or service and then create a business to convert their ideas into reality. These entrepreneurs may be found in small business units or big enterprises. They concentrate both on production and marketing activities. Example: A Printing Press, bakery or a textile unit.

##### **2. TRADING ENTREPRENEURS**

Trading Entrepreneurs are those who undertake trading activities. These entrepreneurs do not concentrate on manufacturing activities. They give more emphasis on distribution and marketing of goods. They identify potential markets, create demand for the product and influence people to buy the product. Example: Agents and Wholesalers.

##### **3. INDUSTRIAL ENTREPRENEURS**

Industrial Entrepreneurs are those who concentrate in industrial and production activities. They identify the needs of the customers and manufacture a product according to their needs. They are generally a product-Oriented entrepreneur. Example: A manufacturer of Automobile spare parts, computer accessories.

##### **4. CORPORATE ENTREPRENEUR**

Corporate entrepreneurs are those who exhibit innovative skills in organizing and managing corporate undertaking. Example: A Trust registered under the Trust Act.

## **5. AGRICULTURAL ENTREPRENEUR**

An agricultural entrepreneur is one who concentrates on agricultural activities. These entrepreneurs concentrate on activities like raising agricultural production, marketing of fertilizers etc.

## **6. RETAIL ENTREPRENEURS**

Retail entrepreneurs are those who undertake trading activities. They have direct contact with customers and hence they are customer oriented. Example: An entrepreneur running a departmental store

## **7. SERVICE ENTREPRENEUR**

A service entrepreneur is one who provides services to customers. They make profit by rendering services. Example: An entrepreneur running a hotel or dry cleaning unit.

## **8. SOCIAL ENTREPRENEUR**

A social entrepreneur is one who provides importance to the society by serving them. He concentrates on social issues and does not aim to make profit. Example: A person running an orphanage.

## **CLASSIFICATION OF ENTREPRENEUR ACCORDING TO THE STAGES OF DEVELOPMENT**

According to the Stages of development, entrepreneurs shall be classified as First Generation Entrepreneurs, Modern or Innovative Entrepreneurs, Classical Entrepreneurs and Inherited Entrepreneurs

### **1. FIRST GENERATION ENTREPRENEUR**

A first generation entrepreneur is one who sets up an enterprise by his innovative skill. He combines various factors of production and provides marketable product or services by adopting innovative ideas. He is the first person to start an enterprise on his own. Though such a person may have the family background of some business, such entrepreneurs may also establish a certain business which may be unrelated to their family business.

### **2. MODERN ENTREPRENEURS OR INNOVATIVE ENTREPRENEURS**

A modern entrepreneur is a dynamic entrepreneur. He always looks for changes and responds to the changing demand of the market. His business ventures suits the current marketing needs.

### **3. CLASSICAL ENTREPRENEUR**

Classical entrepreneur is a stereo type entrepreneur. He aims at maximizing profits at a consistent level. There may or may not be an element of growth. Survival of the firm is given more importance by these entrepreneurs.

### **4. INHERITED ENTREPRENEURS**

These entrepreneurs have inherited family business or possess experience from their family business. These entrepreneurs may like to diversify a little from their family business.

## **CLASSIFICATION OF ENTREPRENEURS ACCORDING TO MOTIVATIONAL ASPECTS**

According to motivational aspects, entrepreneurs shall be classified as Pure Entrepreneurs, Induced Entrepreneurs, Motivated Entrepreneurs and Spontaneous Entrepreneurs.

### **1. PURE ENTREPRENEUR**

A pure entrepreneur is a person who is motivated by psychological and economic factors. Entrepreneurial task is undertaken by them due to certain reasons. Ability to handle risk, desire to enjoy better status, desire to get recognition in the society, thirst for making money motivates a person to take up entrepreneurial activities.

## **2. INDUCED ENTREPRENEUR**

Induced entrepreneur are those who takes up entrepreneurial task due to the incentives and subsidies granted by the government. Financial and technical assistance provided by the government motivates a person to start new ventures.

## **3. MOTIVATED ENTREPRENEUR**

They are motivated by the desire for their self-fulfillment. They emerge because of the possibility of producing and, selling new products. They are also motivated by economic factors.

## **4. SPONTANEOUS ENTREPRENEUR**

A person, turns out to be an entrepreneur, because of the natural talent vested in him. These entrepreneurs have self confidence and emerge as challengers. They take up entrepreneurial activity in order to tap their talents. They have great self confidence in their talent and are highly resourceful.

## **CLASSIFICATION OF ENTREPRENEURS ACCORDING TO TECHNOLOGICAL ASPECTS**

According to Technical Aspects, Entrepreneurs shall be classified as Technical Entrepreneurs, Non-Technical Entrepreneurs and Professional Entrepreneurs.

### **1. TECHNICAL ENTREPRENEUR**

A technical entrepreneur is one who concentrates more on production activities. He has got sound technical knowledge. He utilizes his technical knowledge and demonstrates his innovative capabilities. He is also known as technocrat.

### **2. NON-TECHNICAL ENTREPRENEUR**

A non-technical entrepreneur concentrates more on marketing activities. He tries to find out new strategies for marketing goods. He also promotes his business by employing various marketing methods.

### **3. PROFESSIONAL ENTREPRENEUR**

Professional entrepreneur is a person who applies innovative ideas in setting up of a business. He is interested in establishing the enterprises rather than managing it. Once the business is established, the entrepreneur will sell the business to some one else.

### **CLASSIFICATION OF ENTREPRENEURS ACCORDING TO CLARENCE DANHOF**

Clarence Danhof had classified entrepreneurs based on his study on American agriculture. He classified entrepreneurs into four categories.

#### **1. INNOVATIVE ENTREPRENEUR**

An innovative entrepreneur is one who introduces new product, new service or new market. An innovative entrepreneur is also known as modern entrepreneur. An innovative entrepreneur can work only when a certain level of development is reached. These entrepreneurs introduce new changes and develop the business after a certain level of development is reached. They invent new products. Such kind of entrepreneurs can be seen in developed countries, as large sum of money can be diverted towards research and development purposes.

#### **2. ADAPTIVE ENTREPRENEUR**

Adaptive entrepreneur is one who adopts the successful innovations of innovative entrepreneur. These entrepreneurs imitate the techniques and technologies innovated by others. These entrepreneurs can be seen both in underdeveloped and developing countries. They also make small changes in relevance to their market environment.

#### **3. FABIAN ENTREPRENEUR**

A fabian entrepreneur is one who responds to changes only when he is very clear that failure to respond to changes would result in losses. Such entrepreneurs do not introduce new changes. They also do not desire to adopt new methods. They are very shy and stick to old customs. They are very cautious.

#### **4. DRONE ENTREPRENEURS**

These entrepreneurs do not make any changes. They refuse to utilize the opportunities and may also suffer losses. They are very conventional. They refuse to introduce changes. They even make losses but avoid changes. Sometimes they may be pushed out of the market.

### **ENTREPRENEURIAL DEVELOPMENT PROGRAMMES**

Entrepreneurial development is an act of encouraging people for entrepreneurial career and making them capable of exploiting business opportunities. It is not simply a training task. It is the act of motivating and developing skills of potential entrepreneur and helping them in developing their own ventures. Entrepreneurial development is thus an organised and systematic development. It is regarded as a tool of industrialization and a solution to unemployment problem. The objective of entrepreneurial development is to motivate a person for entrepreneurial career and to make him capable of perceiving and exploiting successfully opportunities for enterprises. The trained entrepreneur can guide others on how to start their own enterprise and approach various institutions for finance. In fact, trained entrepreneurs become catalysts of developing industry and economic progress.

” Entrepreneurial Development Programme (EDP) may be defined as “a programme designed to help an individual in strengthening his entrepreneurial motive and in acquiring skill and capabilities necessary for playing his entrepreneurial role effectively.”

### **OBJECTIVES OF ENTREPRENEURIAL DEVELOPMENT PROGRAMS**

Following are the main objectives of entrepreneurial development programmes :

(1) **Promotion of Cottage and Small Scale Industries** : The main objective of EDP is to provide, in the rural areas, special programmes designed to stimulate new ventures and encourage expansion of existing activities of small and medium scale industries.

(2) **Generation of Employment Opportunities** : EDP aims to encourage self-employment among potential entrepreneurs. It generates employment and self-employment opportunities in the processing of indigenous raw materials for local consumption and for exports.

(3) **Promotion of First-Generation Businessmen** : One of the main objective of EDP is to encourage first generation entrepreneurs who do not have any business background.

(4) **TO Create Awareness about Availability of the Resources** : It aims to bring awareness about the available resources, such as raw material, technology etc. in the prospective entrepreneurs.

(5) **To impart Training** : The main objective of EDP is to in train potential entrepreneurs. It impart training in managerial understanding and skills. It also provide post training assistance and monitoring facilities.

(6) **To Develop a Broad Vision** : One of the objective of EDP is to dovelop n broad vision to see the business as a whole and to integrate his functions with it.

(7) **To Remove Doubts of Entrepreneurs and to give solution to their Problems** : New entrepreneurs have to face many problems in the establishment and operation of business. To remove doubts of entrepreneurs and to give solution to their problem is one of the main aim of EDP. It helps the entrepreneurs to set or reset the objectives of their business and work individually and along with his group for their realisation.

(8) **To create a successful entrepreneur** : One of the main aim of EDP is to create the successful entrepreneurs. It provides constructive direction for those who choose a career path different from traditional roles.

(9) **Creation of Conductive and healthy environment for the growth of entrepreneurs** : The process of entrepreneurial development focuses on training, education, reorientation and creation of conducive and healthy environment for the growth of enterprises.

### **ROLE/IMPORTANCE OF ENTREPRENEURIAL DEVELOPMENT PROGRAMMES**



EDPs have great role and relevance in increasing the supply Of new entrepreneurs to accelerate the process of industrialization. It is widely accepted that persons interested to become entrepreneur will be greatly helped if appropriate training and development programmes are made available to them. Need/Importance of EDPs can be judged on the basis of following points .

(1) **Eliminating Poverty and Unemployment** : Most of the under developed countries are confronted with the chronic problem of unemployment. EDPs can help these unemployed people in getting self employment and at the same time generating employment opportunities for others. Various programs initiated by the government like NREP (National Rural Employment Programme, IRDP (Integrated Rural Development Programme etc. are aimed at tackling unemployment problem.

(2) **Balanced Regional Development** : Successful EDPs help in accelerating the pace of industrialisation resulting in the reduction of concentration of economic power. Small scale units can be set up in remote areas with little financial resources and it helps in achieving balanced regional development. EDPs aimed at promoting small scale units are more useful for balanced regional development than medium and large scale units.

(3) **Economic Growth** : The relevance of EDPs can be clearly understood by their role in the economic development of developing countries like India. Such programmes create many entrepreneurs who are able to establish small and micro enterprises which require less investment in funds. It increases new investment and bring innovations. All these activities in turn stimulate the economic growth.

(4) **Optimum use of Locally Available Resources** : The EDPs can help in harnessing locally available resources by training and educating the entrepreneurs. Since abundant resources are available locally, proper use of these resources will help in creating a healthy base for sound economic growth and rapid industrialisation. EDPB also help in minimising excessive scraps, defective output and wastage in the production process.

(5) **Promote Innovations** : Entrepreneurial Development Programmes initiate the people for innovations and creativity. EDPs have become a vital strategy for harnessing the vast untapped human skills, to channelise them into accelerating industrialisation.

(6) **Defuses Social Tension** : Every youth feels frustrated if he does not get employment after completing his education. The surplus young energies can be diverted to self-employment careers to help the country. This may defuse social tension and unrest among youth.

(7) **Development of Entrepreneurship Qualities** : Thus the EDPs are needed to induce achievement motivation and develop entrepreneurial characteristics or competencies among young persons through training with a view to making them successful future entrepreneurs.

(8) **Preventing Industrial Slums** : More industrial units are located in highly congested areas and it leads to creation of industrial slums. EDPs help in removal of these slums as entrepreneurs are provided with various schemes, incentives, subsidies and infrastructural facilities to set up their own enterprises in all the places. It will help in controlling industrial slums and also reduces pollution, traffic congestion and over crowding in developed areas.

(9) **Fulfilment of Dreams** : EDP is necessary to motivate the potential entrepreneurs to convert their dreams into action.

(10) **Successful Launching of New Units** : EDP develops motivation, competence and skills necessary for successful launching, management and growth of the enterprise.

(11) **Development of Rural and Backward Areas** : If new enterprises are set up in backward and rural areas of a developing country like India, they are sure to mitigate poverty in, such areas and also to remove lopsided economic development that is, concentration of business enterprises in urban areas only.

## **ROLE OF GOVERNMENT IN ORGANISING ENTREPRENEURIAL DEVELOPMENT PROGRAMMES**

After independence of our country the Government of India decided to promote entrepreneurial activity through various incentives in both industrially backward and rural areas, The thrust of these programmes was to provide, technological, financial, market and morale support to the potential entrepreneurs, who can act as a catalytic agents of change and development. There are vari0US agencies and institutions engaged in entrepreneurial development activity and these are as under.

### **INSTITUTE ESTABLISHED BY CENTRAL GOVERNMENT**

(1) **National Institute For Entrepreneurship and Small Business Development (NIESBD)** : The Delhi-based National Institute for Entrepreneurship and Small Business Development (NIESBD) was established by the Government of India, as an apex body for coordinating and overseeing the activities of various institutions and agencies engaged in entrepreneurship development

particularly in the area of small industry and small business. The Institute aims at creating an environment which is conducive to emergence of entrepreneurship and in developing favourable response from the people •to support potential entrepreneurs. The major activities of the Institute include (i) evolving model syllabi for training various target group, (ii) providing effective training strategies, (iii) methodology, manuals and tools, (iv) facilitating and supporting Centre/State Governments and other agencies in executing programmes of entrepreneurship and small business development, (v) maximizing benefit and accelerating the process of entrepreneurship development, (vi) conducting programmes for motivators, trainers and entrepreneurs which are commonly not undertaken by other agencies and (vii) organizing those activities that help in developing entrepreneurial culture in the society.

**(2) Entrepreneurship Development Institute of India It is a national institute set up by Public Financial (EDII) :** Institutions and Government of Gujarat, in 1983. The EDII has been engaged in training people for self-employment for the last twenty four years and has done pioneering work in this field. The EDP Department conducts regular training courses with the objective of enabling people to become self employed. The courses are of 3-4 months duration and cater mostly to the needs of village youth and school dropouts. The department imparts not only training but also enables the trainees to become self-employed and endeavour to make their business venture a success. To achieve this PUrpose, the Dept. is engaged in various activities such as establishing contacts with the banks for obtaining loan, helping trainees to draw up a project proposal, and monitoring the programmes of extrainees trainees.

**(3) Small Industries Development Organisation (SIDO) :** This organisation was established in 1954 by the Central Government. SIDO has designed EDPs to identify persons with entrepreneurial abilities. The training programmes are designed for various groups like educated unemployed, women, weaker sections, rural artisans, physically handicapped, technocrats, entrepreneurs under self-employment scheme, etc. At present SIDO has 16 specialised institutes responsible for training, research and development of product design and processes. It has designed programmes for various types of training. It offers following courses :

(i) Appreciation course in industrial management.

(ii) Specialised courses in such areas as production, marketing, materials, finance and export management.

(iii) Ad hoc incentive courses on subjects like inspection and quality control, work study, salesmanship etc.

**(4) National Entrepreneurship Development Board :** The Department has constituted the National (NEDB) . Entrepreneurship Development Board under the Chairmanship of the Union Minister of State which acts as an apex body for entrepreneurship development. It devises and recommends to the Government schemes for promotion of entrepreneurship for encouraging self-employment in small scale industries and small business. The Board also recommends suitable facilities and incentives for entrepreneurship training.

**(5) Indian Investment Centre (IIC) :** This organisation is set up by the Government of India to promote joint ventures and to conduct EDPs. For this purpose, it has set up an Entrepreneurial Guidance Bureau to guide entrepreneurs in establishment of new ventures. IIC performs the following functions :

(i) identification and selection of potential entrepreneurs; to perform skills

(ii) developing entrepreneurial entrepreneurial job;

(iii) increasing their managerial knowledge; and

(iv) helping them to start their own projects.

**(6) Technical Consultancy Organisations (TCOS) :-** Access to high quality consultancy services improves the operational efficiency of entrepreneurs. All India financial institutions have set up 17 technical consultancy organizations to provide industrial consultancy and training to entrepreneurs. These organizations provide a comprehensive package of services to small entrepreneurs.

The main functions of TCOs are as follows :

(i) Identification of industrial potentials;

(ii) Conduct pre-investment studies and prepare project reports and feasibility studies;

(iii) Undertake techno-economic surveys;

(iv) Undertake market research; and

(v) Identify potential entrepreneurs and provide them with technical and managerial assistance.

(7) **National Institute for Small Industry Extension and Training (NISIET)** : It was established in 1960 under the direction of SIDO to provide extension and training services. It imparts training to entrepreneurs, managers, various departments of State Governments, financial institutions and other agencies. It organises about 45 national and 15 international level programmes every year. It is a nodal agency. It is resource and information center for small units. It undertakes research and consultancy for small industry development.

(8) **Xavier Institute of Social Services, Ranchi** : This institute provides training to rural entrepreneurs. It functions in close cooperation with social organisation. It assists the trainees in drafting project proposals and on obtaining the required finance. It offers a six month programme to tribals for developing the entrepreneurial skills. The programme consists of :

- (i) identification and selection of candidates.
- (ii) motivation and managerial training.
- (iii) training of practical skills.
- (iv) market survey and preparation of project report.