

ENTREPRENEURSHIP

- According to Joseph Schumpeter An Entrepreneur is an individual who introduces something new in the economy, a method of production not yet tested by experience in the branch of manufacturing concerned, a product with which the consumers are not yet familiar, a new source of raw materials or of new markets
 1. Introduction of new product.
 2. Introduction of new method of production.
 3. Development of new markets and finding fresh sources of raw materials.
 4. Making changes (new services etc)

Why entrepreneurship?

- Process of creating something different, with value, by devoting necessary time and effort, by assuming the accompanying financial, psychological, and social risks, and receiving the resulting ***rewards of monetary and personal satisfaction*** (Bowen and Hisrich, 1986).

Who is an entrepreneur?

- Person conducting own business
(*Webster*)
- Person who sets up business deals in order to make profits (*Collins Cobuild*)
- Organizer of an economic venture, one who owns, organizes, manages, and assumes the risks of the business
(*Chandrashekhar*)

What is Entrepreneurship?

Capacity to take risks

Ability to own and organize

Desire and capability to innovate and

diversify

(Stepanek,

1962)

Role of the Entrepreneur

- An innovator who combines technical innovations and financial finesse.
- Important role in producing competitive products, processes, and services.
- Generation of new employment
- Local and regional economic development
- Improved allocation of resources and transfer of technologies

Entrepreneurship and Small Businesses

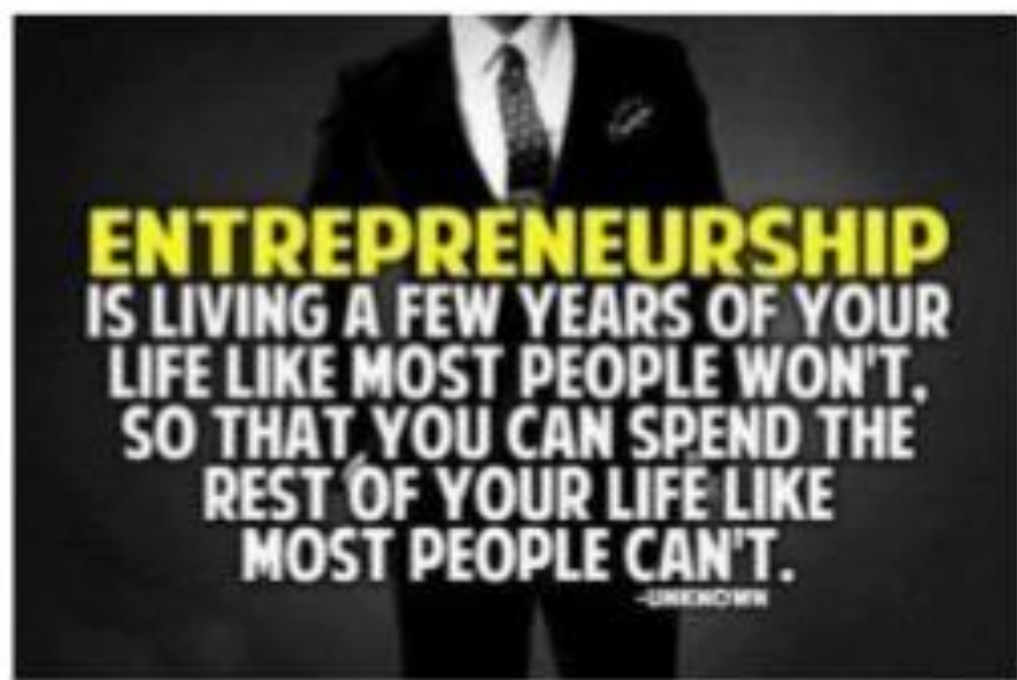
- Entrepreneurship is especially critical in small businesses because:
- Important sources of competition for large firms; challenge their economic power
- Offer a wide range of choice to consumers
- Sources of innovation and creativity
- Good career opportunities to work in an unstructured environment of a small company

Entrepreneurs versus Small Business Owners: A Distinction

- Small Businesses Owners
 - Manage their businesses by expecting stable sales, profits, and growth
- Entrepreneurs
 - Focus their efforts on innovation, profitability and sustainable growth

Definitions of entrepreneurship (contd.)

- The common elements are:
 - Creativity and innovation
 - Resource identification, acquisition, and marshaling
 - Economic organization
 - Opportunity for gain (or increase) under risk and uncertainty



Function of Entrepreneur(Primary)

- Planning.
- Organising.
- Decision making.
- Managing.
- Innovation.
- Risk bearing.
- Leading.
- Controlling.

Other functions

- Diversification of production.
- Expansion of enterprise.
- Maintaining cordial relations between employer and employees.
- Coordination with outside agencies.

Function important for developing countries

- Management of scarce resources.
- Dealing with public.
- New product development.
- Parallel opportunities.
- marketing.
- Management.
- Customer Relations.

Role of entrepreneurship in economic development

- Entrepreneurship plays an important role in the economic growth and development of nation.
- It is a purposeful activity which includes initiation, promotion, and distribution of wealth to the citizens.
- An entrepreneur is a critical factor in the economic development of a country. Contributes for the increase in GDP, per capita income. industrial health of the society depends on the entrepreneurship existing in the country.
- A country may remain backward not because of lack of natural resources or dearth of capital, but because of lack of entrepreneurial talents or its inability to tap the entrepreneurial talents existing in the society..
- Entrepreneurs historically have altered the direction of national economy for ex Japan, south Korea and Taiwan

CLASSIFICATION OF ENTREPRENEURSHIP

1.FUNCTIONS.

2.DEVELOPMENT ANGLE.

3.TYPES OF BUSINESS.

4.BEHVIOR.

5.TYPES OF BUSINESS.

6.ACCORDING TO AREA.

Types of entrepreneurs

- Classification of entrepreneurs based on functional characteristics.

Innovative entrepreneur.

Imitative entrepreneur.

Fabian entrepreneur.

Drone entrepreneur.

Classification of entrepreneur on the development angle.

Prime mover.

Manager.

Minor innovator.

Satellite entrepreneur.

Local trading.

Innovative entrepreneur.

- Introduces New goods/ products/ services/ new method of production or discovers New markets.
- Innovative entrepreneurship is characterized by aggressive collection of information, for trying out novel combination of factors.

Imitative or adoptive entrepreneurs

- They do not innovate themselves, but imitate or copy techniques and technology innovated by others.
- These entrepreneurs are particularly suitable for underdeveloped regions as adoption saves costs of trial and errors.

Fabian entrepreneur.

- They display great caution and skepticism in experimenting with any change in their enterprise. They adopt changes only when there is imminent threat to the very survival of their enterprise.

Drone entrepreneur.

These entrepreneurs are characterized by a die-hard conservative attitude. They do not easily seize opportunities to make changes in their production techniques or technology employed, even at the cost of low returns on their investments compared to other similar enterprises.

Based on the type of business

- Manufacturing. (Business entrepreneurs, industrial entrepreneurs and corporate entrepreneurs)
- Trading.
- Agriculture
- Wholesale.
- Retailing.
- Service.

As per behavior scientist

- Solo operators.
- Active partners.
- Inventors.
- Challengers.
- Life timers.

Development angle

Prime mover

This entrepreneur sets into motion a powerful sequence of development, expansion and diversification of business.

Manager

Does not initiate expansion and is content just staying in business.

Minor innovator

He contributes to economic progress by finding better uses of existing resources.

Satellite

In supplier role, and slowly moves towards a productive enterprise.

Based on type of business

- Manufacturing : entrepreneurs involved in production of value added goods. Business entrepreneurs conceive a new product or services leading to a new business. Industrial entrepreneur is generally identifies the potential needs of the customer and tailors the product or services as per market demands, corporate entrepreneur is skilled in organizing and managing corporate undertaking.
- Wholesaling: an entrepreneur with such business sells products to the middleman and retailers.
- Retailing : an entrepreneur with such business sells products directly to consumers or end users.
- Service : an entrepreneur in this business sells service not products.

According to area

- Urban entrepreneur.
- Rural entrepreneur.

As per behavioral scientists

- Solo operators : such entrepreneurs usually work alone and if needed at all, employ a few employees to assist.
- Active partners: these entrepreneurs start their enterprise in partnership. All the partners actively participate in the operation of the enterprise.
- Inventors: such entrepreneurs with their competence and inventive nature, invent new products. Their basic interest is in R & D.
- Challengers : When one challenge is satisfied, they will be on the look out for new challenges.
- Buyers: in order to reduce risk involved in establishing new business, they wish to buy an ongoing one.

Intrapreneur

- Intrapreneurship is the entrepreneurship within the existing business structure.
- Existing business will have the financial resources, necessary skills, market and distribution system to commercialize basic innovation.
- In bureaucratic structure due to focus on short term profits and highly structured organization, prevents creativity and development of new products. As a result the organisations who have recognized these innovative people and the need for creativity have attempted to establish an intrapreneurial spirit in their organisations.
- In this case the entrepreneurial spirit of small companies is transferred to big companies.
- Such entrepreneurs of big companies are called as “ Intrapreneur”

Differences

- An entrepreneur is independent in his activities, an Intrapreneur is dependent on the organization.
- An entrepreneur raises funds required for the enterprise on his own, for Intrapreneur the funds are provided by the organization.
- Entrepreneur takes the risk involved in the business. An Intrapreneur does not fully the risk involved in the business.

Characteristics of Entrepreneurship

- Action-oriented, highly motivated and ready to take risk at all levels to achieve the goal.
- Should have unwavering determination and commitment.
- Creativeness and result oriented, and hard working.
- Accepts responsibility.
- Self confident, dedicated and self disciplined.
- Both thinker and doer, planner and worker.
- Future vision, intelligent, imaginative, and self-directed.

In short, creativity, innovation, dynamism, leadership, decision taking ability, commitment.

Characteristics of entrepreneurs

- Administrative ability
- Intelligence
- Innovation
- Sound knowledge
- Public relations.
- Technical knowledge.
- Highly motivated.
- Growth oriented.

Organisational skills.

Creativity.

Clear objectives.

Emotional stability.

Effective Communications.

Risk bearer.

Hard working.

Self confidence.

Characteristics of successful entrepreneur

- Creativity : creativity is the ability to bring something new into existence. Ideas usually evolve through a creative process whereby imaginative people bring them into existence, nurture them, and develop them successfully.
- Innovation : entrepreneurs innovate, whatever their individual motivation be it money, power, curiosity, or the desire for fame and recognition. Innovation is the core attribute of an entrepreneur.
- Innovative spirit is fed by knowledge, information, or even by intuition.
- Systematic innovation means monitoring following sources for innovative opportunity.

Systematic innovation

- The unexpected : Unexpected success, unexpected failure, unexpected outside event.
- The incongruity between reality as it is and reality as it is assumed to be or ought to be.
- Innovation is based changes required in the process, industry structure, market structure that catches every one unaware.
- Demographics (population changes)
- Changes in perception , mood
- New knowledge scientific and non scientific.

Characteristics of successful entrepreneur

- Dynamism : dynamism revises the target of the enterprise upwards time and again. The enterprise may open up new vistas better product mix, stimulating steady growth.
- Leadership : this is the basic quality of an entrepreneur. This enables a person to stand apart in whatever profession he is in. the quality of his leadership is clear from personal relations, mode of handling problems, generating resources.
- Team building ; A team is a group of individuals with a common with a common purpose, that is focused and to achieve a specific task or a set of outcomes.

Characteristics of successful entrepreneur

- Achievement and motivation : entrepreneurs have a high need of achievements and are guided by their inner self, motivating behavior towards accomplishments.
- Problem solving : it is important for an entrepreneur should be able to solve problems and not avoid them.
- Goal orientation : goal setting is the achievement of targets and objectives for successful performance of an entrepreneur both long run and short run. It helps to measure how well individual and groups are meeting the performance standards.
- Risk taking and decision making ability : entrepreneurs are persons who take decisions under conditions of uncertainty and are therefore and are therefore are willing to bear risk. Risk taking and decision making calls for absolute clarity in thinking and coordinated actions.

Characteristics of successful entrepreneur

- Commitment : strong determination with sound thinking and will power(hard working, long hour of working)