

# 1 Entrepreneurship

This chapter discusses the following facts.

- 1.1 The Concept of Entrepreneurship
- 1.2 Entrepreneur
- 1.3 Specific Importance of Entrepreneurship
- 1.4 Characteristics of Entrepreneurship

## 1.1 Concept of Entrepreneurship

Entrepreneurship can be explained as the manner in which people see, think, and act rationally about different incidents in the environment. Entrepreneurship is a practical concept. Therefore, it is somewhat difficult to describe in words. It has a long history similar to the origin of mankind.

**Read the following story well to understand the concept of entrepreneurship.**

### *The Story of Sunimal*

*My dear sons and daughters, Earlier I have related the stories of the heroes who lived in the past. But today I'm going to relate you a story of a hero who still lives. His name is Sunimal. He was one of my students in this school and a good child like you. He was very talented in his studies. But he always thought differently to that of others. He always questioned about what he saw and about things that took place.*

*One day I questioned all the children about their ambition. Even though other children mentioned several lucrative jobs, Sunimal said something different. "I can't say that exactly now, teacher. I will do something different to that of others" said Sunimal. In one particular year, each class made vesak lanterns. Sunimal made a beautiful lantern using coconut husks. Next year, he made a small vesak pandal which consumes less electricity using electric bulbs. Another day, he made a rotating machine to remove cobwebs using batteries, wire, pipes and a motor.*

*One day his mother said " Sunimal is very lazy to do home work. But his room is fully loaded with wires and parts of old radios and T.Vs. He assembles and re fixes them" I told his mother" he got sufficient marks for the subjects at school and he would come to a good position."*

*Later, he made a machine using a motor for digging the earth and a machine to mow grass. Later on,he left this school and joined another to do his Advanced Level Examination. Do you know his present position? He is non other than the owner of " Shakthi Builders" over there. Now he is 30 years old. Above fifty employees work under him in his business. He has already won the local market. He leads a decent life serving his school and the society. He who tried to create different things at school, has gained an advanced technological competency even to produce backhoe machines, mowers and tree cutting machines. He has made his teachers and parents proud. Isn't he a hero of our time? "*

You might have heard similar stories like this through print media. Furthermore,you might have seen or heard about such personalities on electronic media like television.

**Let's try to understand the following characteristics of entrepreneurship from the character of Sunimal.**

- ✓ Try to make a change while being vigilant on the current things
- ✓ Possess a hopeful future dream
- ✓ Try to initiate new ideas and concepts
- ✓ Continue to work on such initiatives
- ✓ Lay a firm foundation for a successful business
- ✓ Lead a decent life while contributing positively for the betterment of the society

If we summarize the above characteristics, Sunimal can be identified as an exemplary entrepreneur.

Experts and researchers have expressed various ideas and concepts on entrepreneurship.

Accordingly, entrepreneurship is,

- A mentality that motivates people to change the future
- It is a way of logical thinking and acting

- It is a collection of attitudes, behaviors and skills of persons
- It is related to human mind (A mentality)
- It can be an inborn thing and something that can be made and developed through education and experience as well.

**Entrepreneurship is a collection of feelings related to human mind (mentality) and act or behave accordingly. It is to think differently. It is to create innovations identifying the opportunities in the environment. It is to take risks.**



Do the following activity to confirm what you have learnt so far about entrepreneurship.

**Let's focus more on the concept of entrepreneurship in a business point of view.**

Entrepreneurship is the ability to identify a suitable business idea and convert it into a practicable business enterprise. Creativity, innovation and ability to take risks are important factors in the course of changing a business idea into a business. In this process, there may be success or failure in the business. Simply it can be identified as a risk. When an idea is put into practice, it is important to act according to a plan with objectives. What ever challenges or pitfalls there are in achieving objectives, the efforts should not be given up. You may confront obstacles and difficulties in achieving objectives, but the effort should never be given up.

## 1.2 Entrepreneur

The person who is engaged in entrepreneurial activities is an entrepreneur. He is a person who makes considerable changes to bring about an economic and social transformation by planning to transform ideas into actions and taking correct decisions. He produces new goods and services, new processes and businesses as a result of processing resources required to start and develop a new business.

## 1.3 Specific Importance of Entrepreneurship

You have collected a lot of information on entrepreneurship by now. You have learnt that the ability of a person to convert ideas into activities is known as entrepreneurship. Such ideas are developed as innovations by entrepreneurs. Their ideas are creative. Innovations refer to the activity of producing new goods and services. Various resources are required to produce goods and services.

**These resources are divided into 4 main factors of production as follows.**

- Y Land
- Y Labour
- Y Capital
- Y Entrepreneurship

Let's study each factor of production in brief.

All the natural resources including the raw materials required for production are known as land.

***Example :-***

Raw materials, land,  
forests and soil

The physical and psychological energy used for production is known as labor.

***Example :-***

The labor of an engineer  
  
The labor of a carpenter  
engaged in the production  
of furniture

All the man made resources required for the production are called capital.

***Example :-***

Buildings  
Machines  
Equipment

A production does not take place only with the factors like land, labor and capital. Therefore, the entrepreneurship is required to produce goods and services and to

market them by blending these factors according to the requirement. The decision maker is the entrepreneur. He makes the decisions, on the type of goods and services to be produced, the amount and how the production factors are to be blended etc.

Thus, when compared with other factors of production, you can understand the specific importance of entrepreneurship.

Entrepreneurs are essential to convert resources into goods and services that are required to fulfill human needs.

## **1.4 Characteristics of entrepreneurship**

Think of nests built by creative weaver birds. They build them with utmost care as talented entrepreneurs.

An entrepreneur displays various characteristics when he converts his ideas into actions.

Some of their characteristics are mentioned below.

01. Creativity
02. Innovations
03. Taking risks
04. Future vision
05. Sensitivity towards the environment and identifying opportunities
06. Being optimistic
07. Possesses the confidence that success depends on his own ability
08. Tendency towards achieving difficult objectives
09. Independence
10. Flexibility

### **01. Creativity**

Although every one possesses thinking power, a very few would use it. Every one is creative.

Let's see what creativity means

Creativity can be defined as the ability to develop new ideas and discover new ways to solve problems and issues using available opportunities.

Look at your environment carefully. How many issues and opportunities are there for you?

***Example :-***

There are issues such as heaviness of the school bag,uncomfortable chairs, taking the breakfast, rain, mosquitoes. There is a solution too, for every issue. They are solutions which come to your mind. If you put those ideas into practice, you can create new products.

## **Factors that obstruct creativity**

You will have to face various barriers when finding solutions in a creative manner. Several such barriers are shown below.

- i. Relying firmly on beliefs and attitudes
- ii. Thinking that there is only one solution for a particular issue
- iii. Anticipating instant results
- iv. Not acting on logical basis
- v. Thinking that there are barriers to be practical
- vi. Following rules, regulations and traditions ignorantly
- vii. Fear of mistakes and criticisms

Let us examine the barriers mentioned above in brief.

### **i. Relying firmly on beliefs and attitudes**

Most of the people rely too much on their beliefs and try to take decisions on what they say and do. They think negatively before doing something and fear that it is impossible to complete the task.

#### ***Example :-***

Believing that it is impossible for women to do certain jobs.

### **ii. Thinking that there is only one solution.**

Some people have the habit of thinking that there is only one solution for any issue. Actually, it is difficult to find an issue which has only one solution.

#### ***Example :-***

There are various solutions for preventing the inconveniences caused by mosquitoes.

### **iii. Anticipating instant results.**

Some anticipate instant results for what they do. But the result of creativity may take a long time than expected. The seed of ideas originates in the minds of people and takes time to grow in to a strong tree.

#### ***Example :-***

It took a long time to succeed the journey to the moon<sup>10</sup>

### **iv. Not acting on logical basis**

It is a barrier to creativity when people try to find solution on traditions. A lot of new products can be created with logical thinking.

#### ***Example :-***

In the past, it was assumed that going to the bank for transactions was compulsory but it is not so today.

### **v. Thinking that there are barriers to be practical**

Some people tend to think that certain things are not practical and they are discouraged to proceed, because of this.

#### ***Example :-***

Airplanes were invented by abandoning the concept that it was not possible to fly any object which is heavier than the wind.

## **vi. Following rules, regulations and traditions ignorantly**

There are various norms and traditions in the society. Some people misunderstand such norms and traditions and form their own limits. This is a barrier to the creativity of people.

### ***Example :-***

Take three meals a day

Sleep at night

Keep the shops open only during the day time

## **vii. Fear of mistakes and criticism**

The creative ideas of the entrepreneurs have succeeded not by implementing them in haste.

There are lots of mistakes, failures and criticisms behind the success of the entrepreneurs. The entrepreneurs consider failures as experiences.

### ***Example :-***

If Thomas Alva Edison had feared the mistakes and criticisms, we will not be able to see the electric bulb which had failed 999 times.

## **Improving the creativity**

We can improve creativity by minimizing the effects if we can identify the barriers. Furthermore, some ways to improve the creativity of people are given below.

### **i. Absorbing diversity**

Showing an interest to think, see and act differently. Diversity occurs due to the changes in the environment.

### **ii. Accepting failures**

The result of creativity may be a success or a failure. But you must have the ability to accept the failures. Furthermore you must not be in a hurry to achieve the results.



### **iii. Encouraging curiosity**

Curiosity is the main cause of new discoveries. People make new inventions and creations based on curiosity.

### **iv. Perceiving issues as challenges**

Every issue provides an opportunity for an innovation. Therefore, you must be strong to confront the issues and consider them as challenges.

### **v. Creative training opportunities**

Education and training help to improve creativity of people.

### **vi. Appreciation of creativity**

Creativity of people can be encouraged through financial rewards, appreciation and felicitations.

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### **vii. Creative behaviours as a model**

Creative behaviour and activities of successful entrepreneurs can be taken as examples to develop which an interest on creativity.

## **02. Innovation**

All the goods and services we consume other than those provided by nature are innovations produced by a person or an organization. The ability to produce or develop a new product or a service is simply known as innovation. A creative idea is the origin of innovation. Thus, the transformation of creative ideas into useful purpose is done by innovation.

Innovation is a very special characteristic of an entrepreneur. The creative ideas of an entrepreneur are converted into a marketable good or a service as a solution to problems and opportunities.

## **Methods of innovation**

### **i. A new invention**

Creating a new product or a service which did not exist before.

- Y Aeroplane Y Electric bulb
- Y Telephone Y E - Business
- Y Digital Camera

### **ii. Extension of a core product**

This is to add a new usage to an existing product , service or process.

- Y Electric train Y Cooked food
- Y Smart phones Y Self service marketing
- Y Non fat milk Y E - pay system

### **iii. Duplicating**

Creating a new product which is similar to an existing concept. Y

Distribution of bakery items like the mobile distribution of ice - cream. **iv.**

## **Combination**

Using a new combination or mixture of existing concepts or factors to produce a new item.

- Y Make a vesak pandal using LED electric bulbs.
- Y Bakery items produced using rice flour.

## **Basic sources of innovation**

Basic sources of innovation and related examples are mentioned

below. **i. Unexpected events**

Goods and services, produced unexpectedly without a prior

plan.

Y Gramophone Y Penicillin

## **ii. Process requirements**

Changing the existing process to meet the demand arisen due to some necessity.

Y Assembly line production due to large scale demand Y Formation of bakeries with electric equipment due to fall in supply of firewood

## **iii. Changes in the market**

Change of goods, services and processes due to changes in the attitude of the consumers, technology and increase of income.

Y Visiting home to treat patients

Y E banking

Y Sugarless and non fat food

## **iv. Changes in the demography and lifestyle**

Change of age, job, education and domicile.

Y Day care center Y Elders home

Y Distant degree programmes through internet.

## **v. Change of perception or understanding**

Change of interpretation of things, detail and concepts by persons

Y Health care centers

Y Preference towards beauty culture productions

## **vi. Concepts based on knowledge**

Creation of new goods and services through experiments and testings

Y Mobile phones with various facilities

Y Computer hardware

Y Robot machines

### 03. Taking risks

There is a risk when an entrepreneur creates a new product. The new product may succeed or fail in the market. There is a similar risk when a new business is started. There is a probability of success or failure of the business. It is a financial risk. We can't exactly say whether we would get a sufficient profit for the money invested in the business. The main reason for the risk is uncertainty.

*Example :-*

You will get the money and the interest for the cash deposited in a bank which is approved by the Central Bank. But if you invest your money in a place which cannot be trusted, you may not even get the money that you have invested.

The relationship between the risk and the profit can be shown as follows.

*High risks High profit*

*Low risks low profit*

Entrepreneurs do not like to take high risks expecting a high profit as the gamblers do. At the same time entrepreneurs would not like to get a low profit by not taking a risk. Here the entrepreneurs evaluate the risk and take only the bearable risk.

### 04. Future vision

Future vision is the dream that is expected to be realized in the future. It is important that we all have a vision. As a student you should have a vision too. Try to remember the story of Sunimal which you have already studied. His vision was to do something different. Accordingly, by forming different objectives and goals, you

can achieve success in the future.

An entrepreneur is a person who always tries to make a change with a creative mind. At present, he would see his future position and the nature of the business. His vision is to make a positive change in the society through his own success and the success of his business.

All the activities are directed on the basis of the vision of the individual and the business.

## **05. Sensitivity towards the environment and identifying opportunities.**

Entrepreneurs are always mindful of their environment. Therefore they are aware of the changes in the environment and able to respond to them, appropriately.

### ***Example :-***

Women are employed in various jobs. Identifying the business opportunities that have been created due to their busy life.

## **06. Being optimistic**

unsuccessful failures and challenges in a positive way. Many people would see this as half empty but the one who thinks positively sees it as half full.

An entrepreneur thinks and does everything with a positive attitude. He always thinks positively. He is not backward and does not have a negative mind at all. He sees a pleasant dream about the future. He accepts

## **07. Possess the confidence that success depends on his own ability.**

An entrepreneur works with self confidence. He would not wait until luck comes to him but believes thoroughly that his hardwork brings him success. He has the prior preparation to face any type of challenge. He believes that his successes and

failures entirely depend on his amount of commitment. He believes that his destiny rests on him. He would not assign his success and failures to any unseen power.

Air pilot Jessica Cock can be sighted as a recent example. She says,

*" I was born handless. But  
having no regret about that,  
I concentrated to learn what  
I could do with my two legs. I  
involved with commitment in  
training of piloting aeroplanes.  
At the end, I was successful in  
achieving my aim of becoming  
a pilot "*

## **08. Tendency towards achieving difficult objectives**

An entrepreneur would work realistically to achieve his objectives. His objectives are clear. He would act directly to achieve his objectives. He wouldn't be disappointed on his failures or shortcomings. He would not be sad. There may be failures, pitfalls, drawbacks and sadness behind the success of any entrepreneur. It is a special quality of an entrepreneur because he accepts it as normal and takes as experience and acts with interest to achieve any difficult objective.

Read the statement of the famous scientist Thomas Alva Edison. Realize how entrepreneurs act to achieve difficult objectives.

*" I have not failed. But I've found 999 ways that a light bulb will not work  
" Thomas A. Edison*

*"I have not failed, I 've just found 999 ways that a light bulb will not work"*

Thomas A. Edison.

## **09. Independent**

An entrepreneur is a person with self control. He always likes to have an independent opinion. He prefers to be his own master. An entrepreneur expects to work on his own and takes decisions. He respects the opinions of others but when it comes to taking decisions, he does not rely on others. He has the ability to decide and control his own destination.

## **10. Flexibility**

This means the ability to adapt to the environmental changes. Entrepreneurs are ready to adapt to the environmental changes. He adjusts his path according to the changes in the environment.

You may have seen some people who follow strict policies. They don't like to change their decisions, manners, opinions and perceptions. Some still live in the past. They fail to face the upcoming challenges forgetting what had happened in the past.

If entrepreneurs act strictly in this manner, they would not be able to accomplish the success in an environment which changes every minute.

Introduction of innovations such as self service sales outlets, internet business, E-payment systems to facilitate the customers who want to fulfil their tasks efficiently without wasting time in queues.

Earlier you studied the basic characteristics of the entrepreneurs. There are common characteristics in entrepreneurs. Some of them are stated below.

Y Dedication Y Self confidence  
Y Common sense Y Seeking information  
Y Self motivation Y Strong desire

## **Dedication**

Entrepreneurs do their work with utmost dedication. He has the ability to work to achieve their objectives by putting their personal need aside.

## **Common sense**

Common sense is the ability to understand instantly the effects of the environmental changes. He uses this ability to make his business a success.

## **Self motivated**

Entrepreneurs do not need others to persuade them to fulfill their tasks. He is a self motivated person and achieves his objectives through his successes and failures.

## **Self confidence**

Entrepreneur has a great confidence regarding what he does. He carries out his tasks realizing the distance he could go and the capabilities he possesses. Therefore, he performs his duties with confidence selecting the correct path to turn his actions towards achieving the required goals. He believes in himself. He considers himself as his own master and identifies his strengths and weaknesses.

## **Seeking information**

Entrepreneur is always vigilant about the new trends and changes in his own business as well in the industry. He uses such information for the improvement of his business. He needs a good network for this purpose.



## **Strong desire**

Every entrepreneur has a strong desire to achieve his objectives. He works very hard to achieve this desire.