

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/301659818>

Introduction to Entrepreneurship

Chapter · March 2015

CITATION

1

READS

291,806

1 author:



[Dr. Anurag Pahuja](#)

IMS Ghaziabad

46 PUBLICATIONS 48 CITATIONS

SEE PROFILE

Some of the authors of this publication are also working on these related projects:



Impact of SHGs on Social, Economic and Political Empowerment of Women: A Case of Ghaziabad District [View project](#)

Introduction to Entrepreneurship

Anurag Pahuja
Associate Professor
IMS, Ghaziabad

Rinku Sanjeev
Associate Professor
IMS, Ghaziabad

Chapter 1: Introduction to Entrepreneurship

- 1.1 Objectives
- 1.2 Introduction
- 1.3 Development of the Concept of Entrepreneurship
- 1.4 Current Scenario of Entrepreneurship in India
- 1.5 Entrepreneur and Entrepreneurship: Conceptual Framework
- 1.6 The Intrapreneur (Corporate Entrepreneur)
- 1.7 Entrepreneurial Decision making process
- 1.8 Types of Start ups
- 1.9 Ethics and Social responsibility for Entrepreneurs
- 1.10 Role of Entrepreneurs in Economic Development
- 1.11 Chapter Summary
- 1.12 Key Terms
- 1.13 Discussion Questions & Exercises
- 1.14 References

1.1 Objectives

After going through this Chapter, the readers will be able to-

- Know the historical landmarks in the development of the concept of Entrepreneurship
- Know about the current scenario of Entrepreneurship in India
- Understand the concepts of Entrepreneur and Entrepreneurship
- Understand the characteristics, functions and various types of Entrepreneurs
- Understand the concept of Corporate Entrepreneur (Intrapreneur)
- Understand various types of Entrepreneurial start-ups
- Identify the role of ethics and social responsibility for Entrepreneurs

- Comprehend various steps involved in the Entrepreneurial Decision making process
- Know the role of Entrepreneurs in the economic development of a country

1.2 Introduction

With the advent and swift developments in field of technology and the forces of globalization, world has become a global village, characterized by an explosive growth in international business and competition. Being a part of the global economy is posing innumerable and substantial challenges for organizations and industries throughout the world. On the one hand, to survive, keep pace with speed of advancements and lead in the challenging world is hard, at the same time, this opens up various new and unexplored doors of opportunities. Entrepreneurship, which is one the most powerful economic force known to humankind, is empowering individuals to seek opportunity where others find intractable problems. Entrepreneurship is the symbol of business tenacity and achievement; it is a vital source of change in all facets of society.

Entrepreneurs, with their inherent intelligence, drive and hard work, have made best use of the opportunities available to them. They have historically altered the direction of national economies, industries, or markets. They have invented new products, developed organizations, and pioneered outburst in new technologies. They have forced the relocation of resources away from existing users to new and more productive users. Many entrepreneurial innovations have transformed the society, in which we live and enjoy the outcomes.

1.3 Development of the Concept of Entrepreneurship

The term entrepreneur, in French, if literally translated, means “go-between” and has been used since the 12th Century. An earliest example of an entrepreneur as go-between is Marco Polo, who attempted to establish trade routes to Far East. As a go –between, Marco Polo would sign a common contract with a capital provider (capitalist) to sell his goods, which provided loan to the merchant–adventurer at a high interest rate, including insurance. The capitalist, being the passive risk bearer, and the merchant, bearing the physical and emotional risk used to trade the goods. After the merchant completely sold off the good, the profits were divided between both with capitalist taking around 70-75 percent, while the merchant-adventurer getting the remaining 25-30 percent. In the Middle ages, the feudal system dominating in Europe hampered the development of and entrepreneurship.

During seventeenth century, the term entrepreneur was used for a person who entered into a contractual arrangement with the government to perform a services or supply stipulated products since the contract price was fixed , any resulting profits or losses belonged to the entrepreneurs, thereby assuming the risk arising out of his expedition. Richard Cantillon, a noted French economist during 17th century, developed one the early theories of entrepreneur and is credited as the founder of the term. He viewed the entrepreneur as a risk taker, observing the discrepancies between supply and demand and options for buying cheaply and selling at a higher price. He defined an entrepreneur as a merchant or farmer “who buys at certain price and sells at an uncertain price, and bears the operating risk”.

By the eighteenth century feudalism was eliminated and legal and institutional conditions had changed with the emergence of the joint stock company. During this period, the person with capital was differentiated from the one who needed capital. In other words, entrepreneur was distinguished from the capital provider. One of the reasons for this differentiation was the industrialization occurring throughout the world. Many of the inventions developed during this time were reactions to the changing world.

It was only during nineteenth century, entrepreneurs were viewed from an economic perspective. The entrepreneur organizes and operates enterprise for personal gain. He pays current prices for the materials consumed in the business, for the use of land, for personal services he employs and for the capital he requires. He contributes his own initiative, skills and ingenuity in planning, organizing, and administering the enterprises. He also assumes the chance of loss and gain consequent to unforeseen and uncontrollable circumstances. The net residue of the annual receipts of the enterprises after all costs have been paid, he retains for himself (Ely and Hess, 1937).

In the middle of twentieth Century, the first economist, to focus on the role of entrepreneurship in economic development through innovations was Joseph A. Schumpeter. In his words, “The function of the entrepreneur is to reform or revolutionize the patten on of production by exploiting an invention or, more generally, an untried technological method of producing a new commodity or producing an old one in a new way, opening a new source of supply of materials or new outlet for products, by organizing a new industry (Schumpeter, 1972).

1.4 Current Scenario of Entrepreneurship in India

The growth and success of entrepreneurship, which denotes a merger of ideas, initiatives and opportunities depends, upon the facilitating and encouraging environment. The success of entrepreneurial endeavors has a significant impact on the economy of any country. It helps in fulfilling individual aspirations and achieving objectives like financial gains, self-fulfillment and social identification. We, at

India, are living in an epoch of entrepreneurial development, where the entrepreneurship is being promoted by education Institutions, government, society and other corporate bodies. The entrepreneurship development scenario in India has intensified in recent times, particularly with the rise in knowledge-intensive services. The number of budding young entrepreneurs, who do not have prior entrepreneurial experience, has been rising constantly. Easy access to finance and other institutional support to ‘technopreneurs’ have helped improve the climate for entrepreneurship in India.

In the Indian context, the more entrepreneurial developmental activities are confined to Micro, Small and Medium Enterprises (MSME) sector, which is often termed as the ‘engine of growth’. It is considered as the most dynamic and vibrant sector of Indian economy as it provides large number of employment to rural as well as urban segment. The MSME sector, which is growing exponentially, contributes 37.54 percent to National GDP, 45 percent to total industrial production and 40 percent to total exports. Manufacturing segment within the MSME contributes to 7.09 percent of GDP. MSMEs also contribute to 30.50 percent of services (MSME Report, 2012). The MSMEs of India are being referred to as the cradle for the “Make in India” vision. These are compared with a nursery where existing small businesses, properly nurtured, have the potential to become world renowned tomorrow. The larger players amongst the MSMEs would also be in a unique position to become global players attracting allies with technology and funds from abroad. The contribution of MSMEs in generating employment can be summed up in the **Table 1**.

Table 1: Performance of MSMEs

Sr. No.	Year	Total Working Enterprises (in Lacs)	Employment (in Lacs)
1	2001-02	105.21	249.33
2	2002-03	109.49	260.21
3	2003-04	113.95	271.42
4	2004-05	118.59	282.57
5	2005-06	123.42	294.91
6	2006-07	361.76	805.23
7	2007-08	377.36	842.00
8	2008-09	393.70	880.84
9	2009-10	410.80	921.79
10	2010-11	428.73	965.15

11	2011-12	447.66	1,011.80
12	2012-13	467.56	1,061.52

Source: MSME Annual Report, 2013-14, retrived from <http://msme.gov.in/WriteReadData>

/Document File/ANNUALREPORT-MSME-2013-14P.pdf, accessed date March 31, 2015

A few recent surveys, undertaken by Goldman Sachs and Price Waterhouse Coopers (PWC), estimated that India has the potential to be among the world's leading economies by 2050. Further, they pointed out that India's economy has potential to gain extensively from the country's distinguishing characteristics i.e. a democratic open society and a strong technological base (with capacity for leapfrogging), unique diversity, vibrant capital markets, an increasingly young population (50 percent of the population in India is 25 years and younger), a sizeable market of a large number of customers with vast unmet needs as well as an environment of full and free competition in the private sector. All these distinguished characteristics of India together make India a unique and fertile ground for the creation of wealth through the application of knowledge. Entrepreneurship and Innovation are the major tools for creating wealth through knowledge, supported primarily by the availability of skilled human resources, access to easy finance and the ability of the State to provide an enabling and encouraging environment.

A recent survey report by Amway India and Indices Analytics (2014), which aimed to showcase about the future readiness of India in context of entrepreneurial development to facilitate the growth of self-employment in the country, has ranked various states of the country on a uniquely designed Future Entrepreneurial Readiness Index (**Table 2**).

Table 2 Future Entrepreneurial Readiness Index

State	Indices of Sub-Parameters			Future Entrepreneurial Readiness Index
	Enabling Environment	Growth-oriented Economy	Forward-looking Governance	
Gujarat	1	1	3	1
Delhi	2	2	2	2
Punjab	4	6	8	3
Himachal Pradesh	3	7	1	4
Karnataka	5	3	7	5
Kerala	6	5	10	6
Maharashtra	7	4	4	7

Tamil Nadu	8	8	6	8
Andhra Pradesh	10	12	12	9
Rajasthan	15	9	11	10
Madhya Pradesh	9	16	18	11
West Bengal	13	10	9	12
Haryana	12	13	13	13
Jharkhand	11	18	15	14
Uttar Pradesh	14	17	17	15
Uttarakhand	16	14	16	16
Bihar	17	11	14	17
Chhattisgarh	18	15	5	18
Assam	19	20	20	19
Odisha	20	19	19	20

Source: India Entrepreneurship Report, 2014 (by Amway and Indicus Analytics), retrieved from www.amwayentrepreneurshipreport.com

Various states in India have been ranked based on three parameters; enabling environment, a growth oriented economy and forward-looking governance. Key findings suggest that most of the economically-developed states figure at the top of the list, based on providing an enabling environment and a growth oriented economy. Himachal Pradesh and Chhattisgarh, along with Gujarat and Delhi, are at the top in terms of forward-looking governance. States like Assam, Odisha, Bihar, Jharkhand, Chhattisgarh, along with Uttar Pradesh and Uttarakhand, again lag behind and figure at the bottom of the list.

1.5 Entrepreneur and Entrepreneurship: Conceptual Framework

An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity.
Peter F. Drucker

1.5.1 Definition of Entrepreneur and Entrepreneurship

Entrepreneur: The word *entrepreneur* finds its origin in a French word “entreprendre”, which means "to undertake." During early 16th century, the term was used for the persons engaged in military expeditions. In the 17th century, it was extended to cover construction and civil engineering works. The term was used in context of business and economic activities only in the 18th century. Richard Cantillon, a French Banker, is credited for the use of the word ‘Entrepreneur’ for the first time to mean a person who bears uncertainty and risk. According to Richard Cantillon, “An agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at an uncertain price in future”.

That means the entrepreneur makes a decision about obtaining and using resources while assuming the risk of enterprise.

There is no single way of defining an Entrepreneur. Different scholars have defined an Entrepreneur differently. A look at various definitions will help understand the concept in depth.

According to Oxford Dictionary, “An entrepreneur is someone “who sets up a business or businesses, taking on financial risks in the hope of profit”.

Jean Baptise Say (1767-1832) expanded the ideas of Cantillon and conceptualized an entrepreneur as “an economic agent who unites all means of production, - land of one, labour of another and capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit” (Say, 1827).

Innovation is a key tool of entrepreneurs, by which they exploit an opportunity for a different business or different service and Joseph Schumpeter defined an entrepreneur as an innovator. In his words, “The entrepreneur in an advanced economy is an individual who introduces something new in the economy-a method of production not yet tested by experience in the branch of manufacturing, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like”.

The innovation, creativity and risk bearing are an integral part of being an entrepreneur. It involves the ability to create and conceptualize something new, which can consist of anything from a new product to a new distribution system to method for developing a new organizational structure.

Entrepreneurship: Although there is no official definition of entrepreneurship, the following one has evolved from work done at Harvard Business School and is now generally accepted by authors: "Entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled" (Timmons, 1994).

Drucker says “Entrepreneurship is "risky" mainly because so few of the so-called entrepreneurs know what they are doing.” He further proposed that ‘entrepreneurship’ is a practice. What this means is that entrepreneurship is not a state of being nor is it characterized by making plans that are not acted upon. Entrepreneurship begins with action and creation of new organization. This organization may or may not

become self-sustaining and in fact, may never earn significant revenues. But, when individuals create a new organization, they have entered the entrepreneurship paradigm.

Entrepreneurship, according to Onuoha (2007) is “the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities.”

To an economist, an entrepreneur is one who brings resources, labor, materials, and other assets in to combinations that make their value greater than before, and also one who introduces changes, innovations, and new order. To a psychologist, such a person is typically driven by certain forces- the need to obtain or attain something, to experiment, an entrepreneur appears as a threat, an aggressive competitor. Whereas to another businessman, the same entrepreneur may be an ally, a source of supply, a customer, or someone who creates wealth for others, as well as finds better ways to utilize resources, reduce waste, and produce jobs, others are likely to get (Vesper, 1980).

Entrepreneurship is the dynamic process of creating ceremonial wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and/ or career commitment or provide value for some product or services. The product or services may or may not be new unique, but value must somehow be infused by the entrepreneur by receiving and locating necessary skills and resources (Ronstadt, 1984).

From the above definitions, Entrepreneurship can be summed up as nothing but the process of creating something new with a value, particularly responding to the opportunities available. It involves time, efforts and assumption of risk, with the expectation of receiving the rewards at the end. The rewards can take any form- monetary or non-monetary (personal contentment).

Success Story

Anil Agarwal – Vedanta Group

Agarwal has travelled a long way, from the Patna lad who left school at 15 to the founder, Chairman of the \$10 billion conglomerate Vedanta Resources. “One of the most thrilling moments of my life was the day I got my first cycle,” reminisces Anil Agarwal, founder Chairman of the London Stock Exchange-listed mining and metals conglomerate with a market cap of \$10 billion. The cycle, a gift from his father, a fabricator of grills and gates in small town Patna in the 1960s, meant the youngster could ride to his municipal school in style, instead of making the daily 10 km hike on foot. Much later, Agarwal graduated to a VESPA Scooter, but never made it to college. Agarwal came to Mumbai as a scrap-metal dealer in

1976, going on to build an empire in copper, zinc, aluminum and iron ore, recently venturing into power generation. Vedanta Resources was the only Indian group to go for a primary listing on the London Stock Exchange in 2003 and its subsidiary, Sterlite Industries, was listed on NYSE in 2007 in the largest IPO in the US by an Indian company. The tipping point came in 2003. Frustrated with the license raj regime and the constraints of raising capital in India, Agarwal had earlier moved to London. From a British newspaper he learnt that Brian Gilbertson, the South African dealmaker who engineered the \$57 billion takeover of BHP by Billiton in 2001 to create the world's largest mining group, had fallen out with the merged leadership. So Agarwal made a cold call, just like that: "I always take a chance. I told Gilbertson that I would like him to help me list my company." In turn, Gilbertson asked about his hobbies, and Agarwal recalls, "I told him that my hobbies are whatever the other man wants. Gilbertson said, 'I do cycling.' I replied, 'I do cycling too'." The pair biked 60 km from Oxford to London, with Agarwal trailing. Agarwal reflects, "Some strength helped me cover that distance. Gilbertson came to India, checked out all our assets and was impressed. I offered him a good package and he became Chairman." Vedanta subsequently attracted others on the board—P. Chidambaram, the late Sir David Gore-Booth and Michael Fowle, Chairman, KPMG—and the company successfully listed on the London Stock Exchange. With this, Agarwal became a global player in mining and metals in less than a decade.

When Agarwal came to Mumbai for the first time as a 20-year-old, he was fascinated by Narendra Desai, Chairman, Apar Group, the doyen of the aluminum industry at that time. Thirty years later, the two still meet over a cup of tea every week and share a bond that transcends business. Agarwal says, "He is a follower of the Hare Krishna movement. From him I learnt that you can be an industrialist and also be a *bhakt*." In 1993, Ranjit Pandit, now Managing Director, General Atlantic, had just moved back to Mumbai from New York, to open McKinsey and Co.'s India practice, which he chaired. In inimitable Agarwal style, Pandit got a call out of the blue, with Agarwal describing Sterlite as a small company which had a lot to learn. From then on, Pandit has been a regular sounding board. He says: "Look at the power generation company he's going to list. It has just 1,000MW, but he's growing it to 10,000MW, and his valuation is based on that". The person who has perhaps most influenced Agarwal's recent thinking is an American, Steve Elbaum, Chairman, Superior Cables, inspired Agarwal's 2006 \$1 billion pledge to set up the Vedanta University, a world-class university, on a 3,200 ha site in Orissa. Says Agarwal: "I want to spend 20% of my time on philanthropy, building lasting institutions the way American industrialists have done. That's my passion now". His critics say the real motivation is Vedanta's interests in Orissa, which holds the world's fourth largest bauxite deposits—the mining of these has been opposed by some environmentalists and tribals, resulting in Norway's Government Pension Fund divesting its small holding in Vedanta.

Source: Mallya, L.S. (2011) Successful Entrepreneurs: A Case Study of Indian Origin, PhD Thesis, Dr.

1.5.2 Characteristics/Traits of Entrepreneurs

Several research studies have been carried out to identify the characteristics/traits of a true entrepreneur. Although there are no specific, universally accepted characteristics that have been found to be possessed by all entrepreneurs, yet there are few traits that most successful entrepreneurs possess. These include:

Motivation

Entrepreneurs are passionate, buoyant and highly self-motivated. They have high energy levels and are always willing to take initiatives. They always keep thinking about their business and how to increase the market share, how to improve their existing processes.

Risk Tolerance

Establishment of any entrepreneurial venture is risky and the entrepreneur has to assume risk. As risk and rewards are inseparable, in order to grow, the entrepreneur should have large appetite for assuming risk.

Vision

One of the major responsibilities of an entrepreneur, as founder and head of the company, is deciding where the business should go. That requires a strong vision on the part of an entrepreneur.

Mental ability and Creativity

The entrepreneur should anticipate changes and must be able to study the various situations under which decisions have to be made. Successful entrepreneurs have the creative ability to recognize and pursue opportunities. They are always on a look out for new ways of doing things, launching new products, providing new services etc.

Traits of Successful Entrepreneurs

- **Ability to plan:** Entrepreneurs must be able to develop business plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel.
- **Communication skills:** Entrepreneurs should be able to explain, discuss, sell and market their goods or services.
- **Marketing skills:** Good marketing skills, which result in people wanting to buy goods or services, are critical to entrepreneurial success.

- **Interpersonal skills:** The ability to establish and maintain positive relationships with customers and clients, employees, financial lenders, investors, lawyers and accountants, among others, is crucial to the success of the entrepreneur's business venture.
- **Basic management skills:** Even if entrepreneurs hire others to deal with the day-to-day tasks of the business, entrepreneurs need to know whether their company has the correct resources.
- **Leadership skills:** The ability to develop a vision for the company and to inspire employees to pursue it is imperative for success.

Source: University of Illinois Center for Economic and Financial Education, retrieved from <http://www.businessnewsdaily.com/2642-entrepreneurship.html>

Clear Objectives

An entrepreneur has clarity about the objectives to be achieved in the business, the nature of goods to be produced and subsidiary activities to be undertaken. This clarity in objectives helps them to translate their business idea into reality.

Good Communication Skills

This basically pertains to communicate effectively. An entrepreneur who can effectively communicate with customers, employees, suppliers and creditors will be more likely to succeed than the entrepreneur who does not.

Human Skills

The most important personality factors contributing to the success of any entrepreneur include emotional stability, good inter- personal relations, consideration and tactfulness. An entrepreneur has to maintain good relations with his customers so as to encourage them to continue to patronize his business. He must also maintain good relations with his employees so as to motivate them to perform their jobs with a high level of efficiency

1.5.3 Functions of an Entrepreneur

There are various functions an entrepreneur performs. Few of the most important are discussed below: (Fig. 1.1)

Innovation

Innovation and creativity are at the heart of the functions of an entrepreneur. According to Schumpeter (1934), the key ingredient of entrepreneurship is innovativeness of the individual. Innovation implies doing new things or doing the same things in a new manner. It may be: Introduction of a new product or service, new methods of production, discovering new markets or finding new source of material etc.

Risk measurement and risk taking

Palmer (1971) suggested that the entrepreneurial function primarily involves risk measurement and risk taking. The risks are not only in relation to the uncertainty to the success of the new business venture, but also on the personal and professional front like career opportunities foregone for the sake of starting the new venture family relation and psychic well being .

Though risk taking is unavoidable, yet entrepreneurs prefer to take moderate risks in those situations, where they have some degree of control. They do not prefer situations which involve either extremes of risk or certainty.

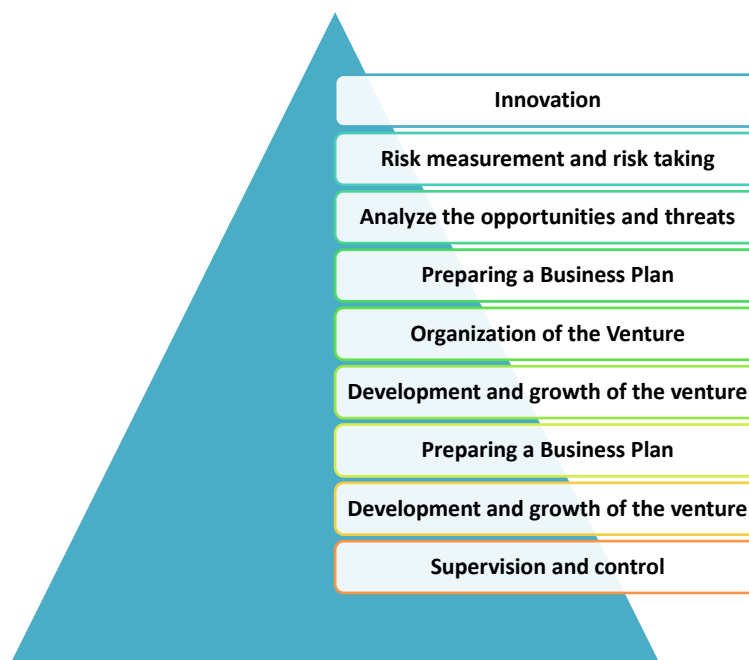


Fig. 1.1 Functions of Entrepreneur

Analyze the opportunities and threats

An entrepreneur has to be seeker of opportunities. The environment may present a number of opportunities before an entrepreneur. He needs to analyze such opportunities from time to time and choose the most appealing one at the right time for creating a new venture. He should possess the capability and skills to formulate strategies for the new business venture, keeping in mind the threats being posed to the venture

Preparing a Business Plan

A business plan is a written document containing the details about every aspect of the proposed business venture. It is a tedious task drafting a convincing and viable business plan. Preparation of the Business plan is necessary to convince the potential investors and financial institutions about the viability of the venture so as to get it funded and to provide a road map for the people internal to the organization.

Organization of the Venture

The entrepreneur brings together various factors of production like capital, manpower, machinery, land and building etc. to start a venture. He needs to have suitable skills to deploy suitable resource in the right activities at the right time in order to avoid wastage and to optimally utilize the resource in starting up the new venture.

Development and growth of the venture

Many of the newly established ventures are not able to survive for long. They require active involvement of the entrepreneur during the development and growth stage as well. During the growth stage of a new venture, when it starts growing in size, entrepreneur needs to delegate the routine activities to other colleagues/subordinates in the organization while providing strategic vision and direction to the firm as a leader.

Supervision and control

When routine matters are delegated to the subordinates, it becomes imperative to have suitable control mechanisms in place so that the entrepreneur may track the overall wellbeing of the enterprise. Personal observation, reporting and more sophisticated techniques of control may have to be employed.

1.5.4 Types of Entrepreneur

There are a number of ways through which Entrepreneurs can be classified. They can be classified on the basis of the type of business, use of technology, gender, motivation, organization and many more. But here we will discuss two most important classification based on prior researches.

Clarence Danhof, on the basis of his study of American agriculture, classified entrepreneurs in the manner that at the initial stage of economic development entrepreneurs have less initiative and drive and as

economic development proceeds, they become more innovating and enthusiastic (Gupta and Khanka, 2010). Based on this, he classified entrepreneurs into four categories:

Innovating Entrepreneurs: Prevalent in developed countries, an innovating entrepreneur is the one who introduces new goods and services, inducts new methods of production, experiments with new processes, discovers new market and restructures the enterprise. It is important to note that such entrepreneurs can work only when certain level of development is already achieved, and people look forward to change and improvement.

Imitative Entrepreneurs: Mostly found in developing/underdeveloped countries, this class of entrepreneurs is characterized by their readiness to adopt successful innovations already inaugurated. They enjoy the existing innovations originated by innovating entrepreneurs, may be in developed economies. Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others.

Fabian Entrepreneurs: Fabian entrepreneurs are ones who lack the will to adopt to new methods of productions. They exhibit great vigilance and apprehensions in experimenting any change in their enterprise. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position of their enterprise. They are sluggish and diffident in adopting even the successful innovations.

Drone Entrepreneurs: Drone entrepreneurs are referred to the ones who refuse to adopt opportunities to make changes in the existing methods of production, despite the fact that they are earning extremely reduced returns compared to other producers, who have adopted new and technologically advanced methods. Sometimes such entrepreneurs may even suffer losses but they are not ready to make changes in their existing production methods. They struggle to exist, not to grow. Thus they are dawdlers as they choose to continue working in their conventional way and resist changes.

Naidu and Rao (2008) have very comprehensively classified the entrepreneurs on the basis of majorly four parameters (**Fig.1.2**).

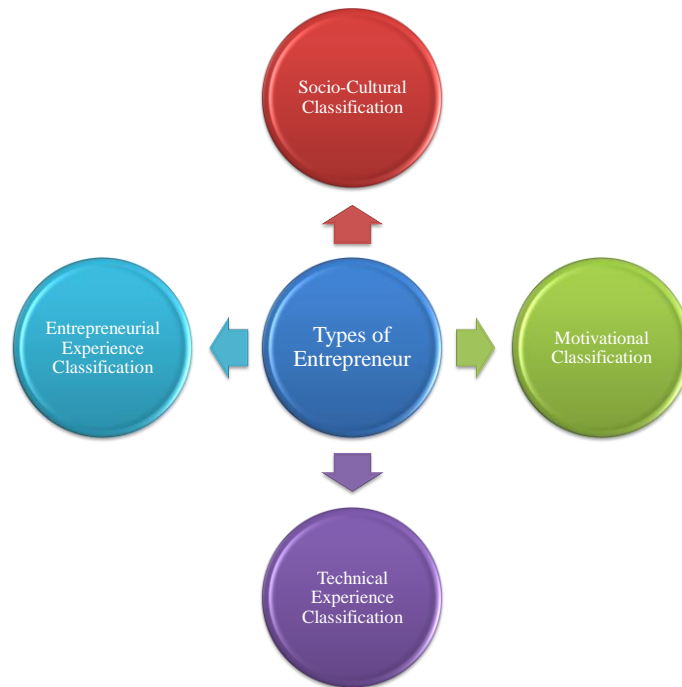


Fig. 1.2 Types of Entrepreneur

Socio Cultural Classification: On the basis of Socio Cultural Classification, the entrepreneurs can be put into four categories. **Immigrant Entrepreneur** is an individual who has a recent arrival in a country and starts a business as a means of his survival in the country. For example, Sabeer Bhatia of Hotmail who migrated to US from Bangalore and created his venture there, which was later, sold to Microsoft. **Ethnic entrepreneurs** have a set of common connections and regular patterns of interaction among people sharing common national backgrounds or migration experiences e.g. Parsis, Sindhis and Marwaris. **Minority entrepreneurs** are the ones who don't belong to majority population. e.g any entrepreneur of Indian origin in US would fall into this category e.g. Amar Gopal Bose (founder of Bose Corporation) nad Sabeer Bhatia of Hotmail. **Women Entrepreneurs**, as the name suggests, would include Shahnaz Hussain, Kiran Majumdar Shaw etc. (Fig. 1.3)

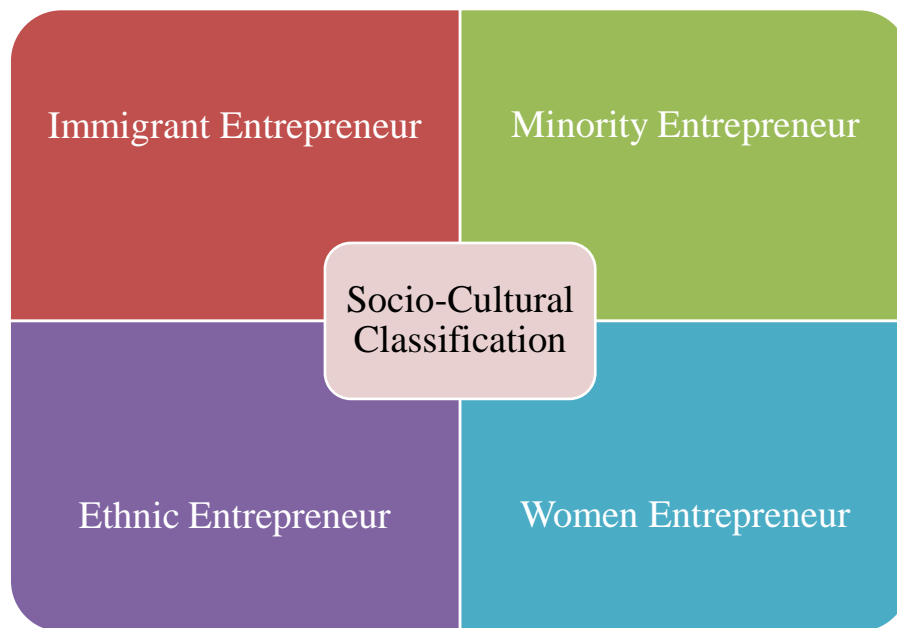


Fig. 1.3 Classification of Socio Cultural

Success Story Shahnaz Husain

Shahnaz Husain, India's pioneer in Herbal Cosmetics is credited with single handedly placing Indian herbals on the world cosmetic map. Her success story from a young girl from a conservative Muslim family to an international vanguard in the field of herbals is worth sharing.

President of CIDESCO, the first Asian to enter Selfridges in London and break a forty year old sales record, GQM Commitment to Quality Award, FICCI's Outstanding Women Entrepreneur and US Magazine Success's "World Greatest Women Entrepreneur" title and many more to her laurels.

An entrepreneur in the true spirit, the lady has a huge share of the domestic herbal market, and sales counters in the best stores internationally, be it the Seibu chain in Japan, Bloomingdales in the US, Galleries Lafayette in Paris, Harrods and Selfridges in London ...the list is never ending.

She was married at a very young age and became mother the age of sixteen, but she always had confidence that she was made for something more. She didn't chose to sit back as a housewife, the young Shahnaz started writing articles for magazines. She utilized the money so earned to fund her education.

Staying with husband Nasir in Tehran, Shahnaz found the ideal opportunity in the international beauty schools there. After studying cosmetic chemistry in international beauty schools in certain centres including London, Paris and Denmark for close to eight years, Husain hit upon the idea of exploring the 4000 year old Indian Ayurvedic system, so that she could research and develop herbal cures and treatments.

“I had seen the debilitating effect of synthetic cosmetics abroad; there was no doubt in my mind that the herbal system would work,” recalls Shahnaz.

She returned to India to set up her business in one room, with a borrowed investment of Rs.35, 000 from her father. “I began with just one product – Shalife, a massage cream. My facial were priced at Rs.100, while you get one the market for a trifling Rs.6,” she recollects. Despite the hefty amount, Shahnaz soon started having more clients than she could handle.

She invented a unique marketing style of her own. Shahnaz has never advertised her products, a fact that had Harvard in the US wanting to use her marketing system as a case study. “I would go to a place for one day, offer free prescriptions and advice, inaugurate the salon, and go back,” says Shahnaz and it worked. Today, The Shahnaz group of companies has acquired a global presence, with exports to 132 countries including those in the Middle East, South East Asia, Australia and all over Europe, 17 herbal lines, with many more in R&D.

Having completed more than 30 years in the business, Husain is busy expanding her empire by adding health resorts, signature garments, accessory lines and more to her portfolio.

Motivational Classification: On the basis of motivation to start a new venture, entrepreneurs can be put into four categories. **First-generation entrepreneur** is the one who starts afresh, does not have any family business prior to establishing his new venture. N.R. Narayanmurthy (Infosys), Kiran Majumdar Shaw, Dhirubhai Ambani, Shahanaz Hussain etc. will fall in this category. **Self-actualizer entrepreneurs** are the ones who want to self actualize themselves, want to they achieve something are capable of, just for the sake of independence and autonomy. e.g. Sunil Bharti Mittal (Airtel). **Discontented entrepreneur** are the one who are unhappy with the organization, they worked with and decide to start a new venture. Ajit Kerkar, the ex MD of Taj Hotels, started with Tulip Star hotels in 1997, after he was unceremoniously ousted by Ratan Tata. **Family business entrepreneurs** are the ones who inherit their family business and expand it further. e.g. Aditya Birla, Anil Ambani, Mukesh Ambani, Azim Premji etc. (**Fig. 1.4**)

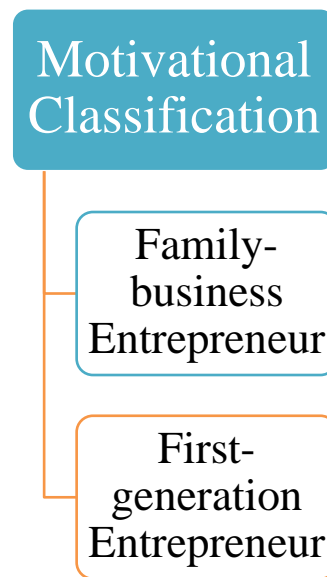


Fig. 1.4 Types of Motivational Classification

Entrepreneurial Experience Classification: On the basis of Entrepreneurial Experience Classification, the entrepreneurs can be put into two broad categories, Novice and Habitual Entrepreneurs. **Novice entrepreneurs** are the individuals who don't have any business ownership experience in past (neither as a founder nor as inheritor) but now they own an independent business. For example, N. R. Narayanmurthy. **Habitual Entrepreneurs** are the ones who have the experience of owning at least two or more different firms, one at a time (Serial Entrepreneurs e.g Sunial Bharti Mittal of Airtel) or simultaneously (Portfolio entrepreneur, e.g. Kishore Biyani of Big Bazaar and Pantaloons) (**Fig. 1.5**)

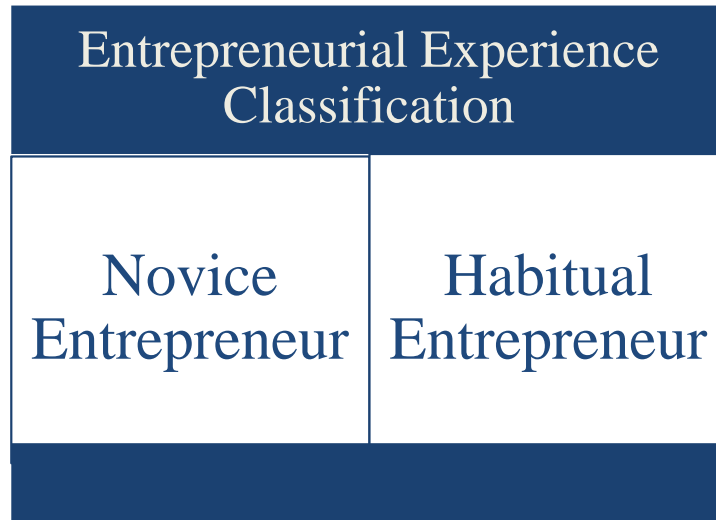


Fig. 1.5 Types of Entrepreneurial Experience Classification

Technical experience Classification: A technical experience entrepreneur is defined as the founder and current owner manager of technology based business. They can be the **“Research” Technical entrepreneur** with a prior experience of technological research, prior to starting his own technical venture (e.g. Amar Gopal Bose of Bose Corporation). The **“producer” technical entrepreneur**, is the one who has a history of involvement in direct commercial production, prior to starting his own venture (Subroto Bagchi of MindTree Ltd.). The **“User” technical entrepreneur** is the one who had been involved as an end user of the specific product/technology (Tulsi Tanti of Suzlon). The **“Opportunist” technical entrepreneur**, who has identified and visualized a technology based opportunity and grabbed it to set up his technology based venture (Azim Premji of Wipro ventured into IT from his oil based business). (Fig. 1.6)

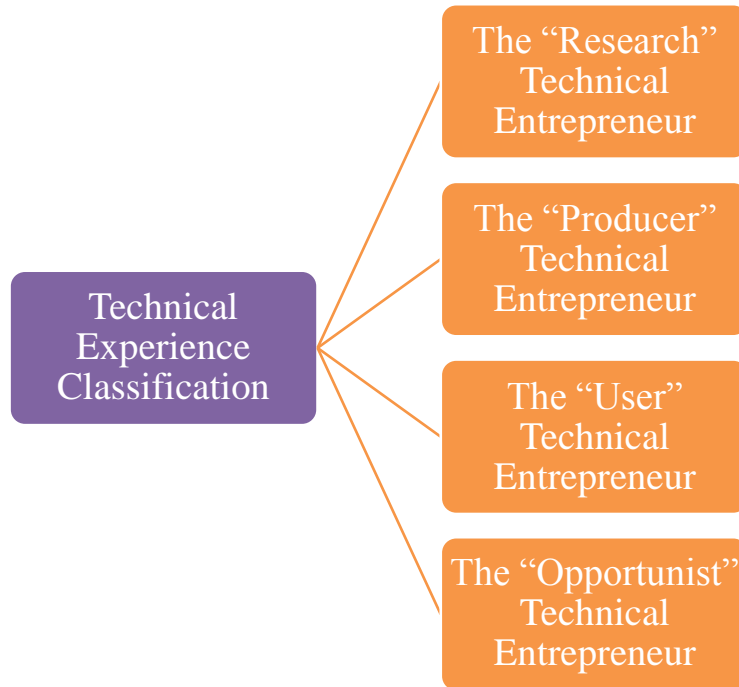


Fig. 1.6 Types of Technical Experience Classification

1.6 The Intrapreneur (Corporate Entrepreneur)

Unlike the entrepreneur who creates a new organization, an ‘Intrapreneur; acts as an entrepreneur within an existing organization, also referred to as corporate entrepreneur. The term is derived from a combination of "intra" which means internal, and "entrepreneur." The Intrapreneurs are highly innovative, self-motivated, proactive and action-oriented people who take the initiatives within the confines of an organization, in the pursuit of a novel product or service.

An Intrapreneur may be defined as “a person within a large organization who takes direct responsibility for turning an idea into a profitable finished product through assertive risk taking and innovation”. Intrapreneurs possess entrepreneurial skills blended with managerial skills but operate within the boundaries of an organization.

Intrapreneur: Ken Kutaragi**Company: Sony Computer Entertainment Inc.**

Year Launched: 1994

Ken Kutaragi was working in Sony's sound labs when he bought his daughter a Nintendo game console. Watching her play, he was dismayed by the system's primitive sound effects. He realized that a digital chip dedicated solely to sound would improve the quality of the games — and the product itself. Keeping his job at Sony, Kutaragi developed the SPC7000 for the next generation of Nintendo machines. Sony execs nearly fired him after discovering his sideline project, but then-CEO Norio Ohga realized the value of his innovation and encouraged Kutaragi's efforts. With Sony's blessing, Kutaragi worked with Nintendo to develop a CD-ROM-based Nintendo. But Nintendo decided not to go forward with it, so Kutaragi helped Sony develop its own gaming system, which became the PlayStation. The first PlayStation made Sony a major player in the games market, but the Play Station 2 did even better, becoming the best-selling game console of all time. Kutaragi founded Sony Computer Entertainment, one of the Sony's most profitable divisions.

Source: Great Intrapreneurs in Business History, retrieved from <http://www.cbsnews.com/news/great-intrapreneurs-in-business-history/>

Some of the differences between entrepreneur and intrapreneur can be summed up as given below:

- An entrepreneur is an independent person who starts his own venture and bears full risk of its failure, at the same time enjoys the success as owner whereas intrapreneur is a partially independent person who applies innovative practices to the processes but is not liable to bear the losses in case of any failures.
- An entrepreneur himself raises the finance from various sources and also guarantees the return to investors and creditors. On the other hand, the Intrapreneur neither raises the capital nor guarantee any returns to the suppliers of capital.
- An entrepreneur operates from outside whereas an Intrapreneur operates within the organization, where he is working.

One of typical example of Intrapreneurship is Dr. Pawan Goenka, Executive Director & President – Automotive & Farm Equipment Sectors at Mahindra and Mahindra (M&M). He is often referred to as the father of the Scorpio as he designed and developed the immensely successful Scorpio model for M& M, which brought laurels for the company.

1.7 The Entrepreneurial Decision Process for Start-Ups

The Entrepreneurial Decision Process is a natural and logical approach which helps individuals to achieve success in new ventures. Most of the individuals have innovative and creative ideas. Some of them recognize the opportunity to bring their ideas in the market and start a new venture. Starting a venture takes a lot of courage. To become successful and be in business, the combination of three skills i.e. hard work, skill and perseverance is required. When entrepreneurs identify prospects, they decide whether to start new ventures. The entry decision to become an entrepreneur is by leaving present activity. Due to the recession, inflation and economic uncertainty formed millions of ventures. These ventures are formed through personal human process, may common in some characteristics and differ in some. The entrepreneurial decision process is a movement from a present lifestyle to forming a new enterprise, as indicated in **Fig. 1.7**.

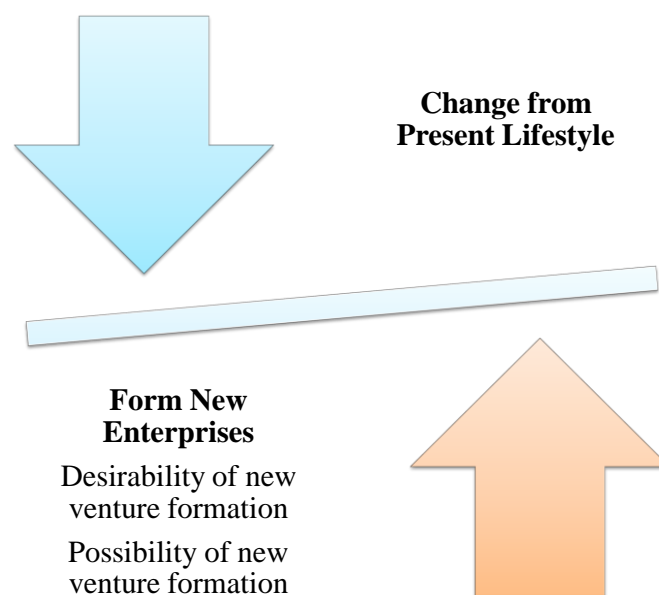


Fig.1. 7 Decision Process for Potential Entrepreneurs

Change from Present Lifestyle

Switching from present work environment to start a new venture is not an easy task. It requires a lot of courage and high energy. The persons who interested to start a new venture try to start business in their familiar area. This definitely helps them. Despite of this, two work environments – research and

development and marketing help the individuals to initiate the new enterprises. Some of the ventures are formed by retired people and who have been fired.

Desirability of New Venture Formation

An individual's culture, subculture, family, teachers, and peers have an important role to build one's perception in starting a new company. Culture and subculture support an individual to create a new business successfully. Individuals plan enthusiastically new enterprises in these supportive environments. It was observed that a high percentage of the founders of companies had fathers and/or mothers, who valued independence permeates their entire family life, giving support and encouragement to their children's company-formation activities. Simultaneously teacher stimulate individual and play significant role to form a company by influencing them in regard to entrepreneurship, as a viable career path. Similarly, university education base is an important factor for entrepreneurial activity and company formation. At last, peers are also very significant role in the decision to form a company. An environment which supports entrepreneurs and potential entrepreneurs for discuss ideas, problems, and solutions produces more new ventures than an area where these are not available.

Possibility of New Venture Formation

Even though the desirability of new venture formation is based on individual's culture, subculture, family, teachers, and peers, the second feature of decision process has talk about the possibility of new venture formation. Factors like government, background, marketing, role models, and finances contribute significantly to the creation of a new venture. Government contributes by providing the infrastructural support to a new venture. Entrepreneurial necessary background like formal education and previous business experience help them to manage with the social, psychological, and financial risks. An understanding of marketing like total package of product, price, distribution, and promotion also plays an important role in beginning a new company. Having a role model can be one of the most powerful influences in starting a new venture. At last, financial resources must be accessible. If the risk capital is readily available, it encourages the individual to form a new venture.

1.8 Types of Start-Ups

Let's have a look on different types of start-ups resulting from the entrepreneurial decision process. These are: Cottage Company, Lifestyle Firms, Foundation Companies, and High-Potential Ventures. **(Fig. 1.8)**

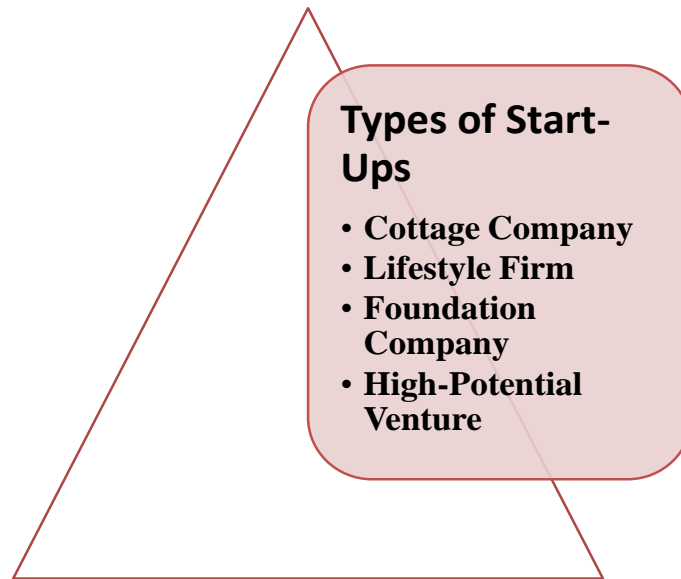


Fig. 1.8 Types of Start-Ups

1.8.1 A Cottage Company

A cottage company is a privately held business that normally employs less than ten people. Turnover of this company is less than \$1 million. This type of firm generally may or may not be operated as a home business, started by retiring individual to supplement their retirement income. It often experiences very little growth.

1.8.2 A Lifestyle Firm

A lifestyle firm is a small venture that supports the owners and enjoys modest growth. The entrepreneur devoted limited money for research and development. This type of firm may grow after a long period to 30 or 40 employees and have annual turnover of about \$2 million.

1.8.3 The Foundation Company

The foundation company is formed after research and development and bases the foundation for a new business area. This firm can earn annual revenue from \$10 million to \$20 million in 5 to 10 years and employs 40 to 400 workforces. It generally draws the interest of private investors only not the venture capital community, because this type of start-up not often goes public.

1.8.4 The High-Potential Venture

The high-potential business enterprises may start like a foundation company, receives the great investment interest and publicity because of its rapid growth. The company can earn annual revenue \$20 million to \$30 million after 5 to 10 years. The company could employ around 500 workforces. These firms are also called gazelles and are integral part to the economic development.

1.9 Ethics and Social Responsibility for Entrepreneurs

Ethics are playing a very significant role today for entrepreneurs. The pathway of success is not easy for entrepreneurs. They take risks with their personal capitals in order to establish their product and services. So, It's required that the entrepreneurs, that they have to create a balance between ethical necessity, economic feasibility, and social responsibility for managing day-to-day challenges, stressful situations and difficulties and conduct business appropriately. An unethical practice by businesses has focused public attention and government involvement to encourage more acceptable business conduct. Business decision may judged as right or wrong, ethical or unethical, legal or illegal. In this section, we will focus the importance of ethics and social responsibility in business decision making.

Ethics, a discipline dealing with what is good or bad what is right or wrong, and appropriate human conduct. Thus ethical dimensions cannot be separated from the moral society and values of business. Ethics operates between law and morality. Ethics appears in one's personal attributes that is honest, trustworthy, and accountable for any decision (Stanwick & Stanwick, 2009; Velasquez, 2006; Weiss, 2006). Thus, we can say, ethics is the intersection of these four following dimensions i.e. Law, Morality, Self and Society (**Fig.1.9**).

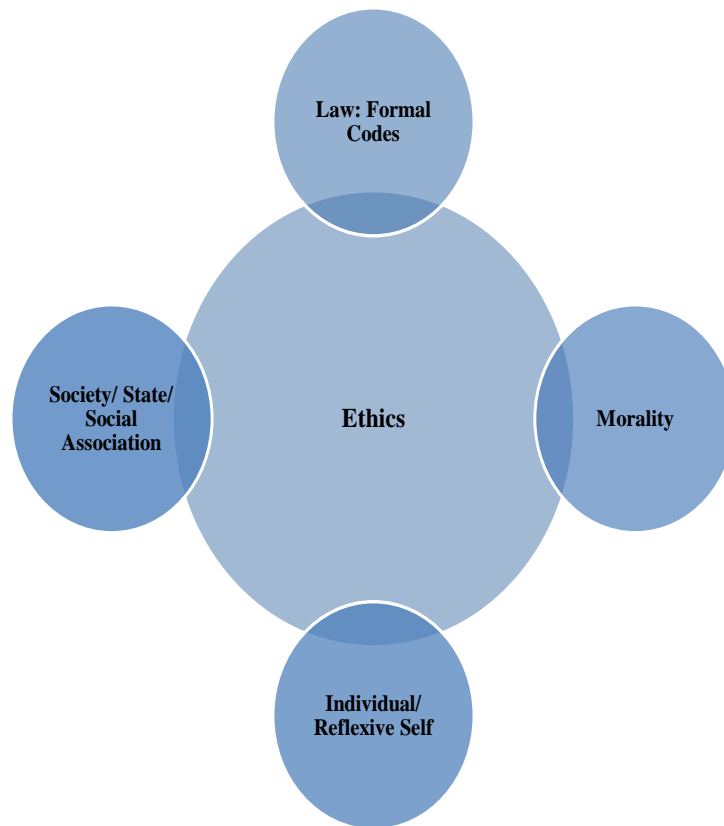


Fig.1.9 Ethical Dimensions

In Short, Ethics, a subject of philosophy, is a set of moral principles, which guides the code of conduct and behaviour of human being in his life and in society. It refers to the standards on which the person decides what is right or wrong, good or bad, ethical or unethical.

1.9.1 Business Ethics

As we discussed above ethics are based on both individual beliefs and standards in society. It may differ from person to person, situation to situation, and culture to culture. Societal ethics are usually minimum standards for decency and respect of others. Individual ethics are personal beliefs about what is good and bad. Business ethics are together both societal ethics and Individual ethics, who work for, and buy products and services from, the company.

Business Ethics is the application of general ethical ideas for business behaviour. It is the moral principles to govern the conduct of business at the individual or collective level. Business Ethics can be defined as written and unwritten codes of principles and values that govern business decisions and actions. The corporate world demands that every organization's has to set standards for shaping their business

accordingly between good and bad decision making and behaviour. In a nutshell, 'Business Ethics is the art and discipline of applying ethical principles to examine and solve complex moral dilemmas'.

Entrepreneurs have significant influence on their company's ethics. It is based on the principle of integrity and fairness and concentrates on the benefits to the stakeholders, both internal and external. It includes shareholders, creditors, employees, customers, dealers, vendors, government and the society. The principles and standards establish acceptable conduct in business organizations. The acceptability of business behaviour is guided by customers, competitors, government regulators, interest groups, and the society, in addition to each individual's personal moral principles and values.

1.9.2 An Ethical Behaviour

Ethical behaviour is the behaviour that led by ethics i.e. individual beliefs and societal standards about right, legal and good. Ethics help individual for getting along with others, be with yourself, and having a good character. The ethical behaviour is derived from certain values such as responsibility, respect, trustworthiness and caring and on execution to moral rule regulation. When we make decisions that are opposing to our values and morals, and do things that are not as per our individual beliefs and social standards, being wrong, illegal and bad, we are practicing unethical behaviour.

Ethical business behaviour, facilitate and promote good to society, develops prosperity, maintains business relations, increases employee productivity, minimizes penalties from public regulators, accumulates business against dishonest employees and competitors, protects employees from employer's harmful actions, and allows entrepreneurs to act consistently with their personal ethical beliefs. The three key factors: individual moral standards, the influence of managers and co-workers, and the opportunity to engage in misconduct influenced Ethical business behaviour in an organization. **(Fig.1.10)**

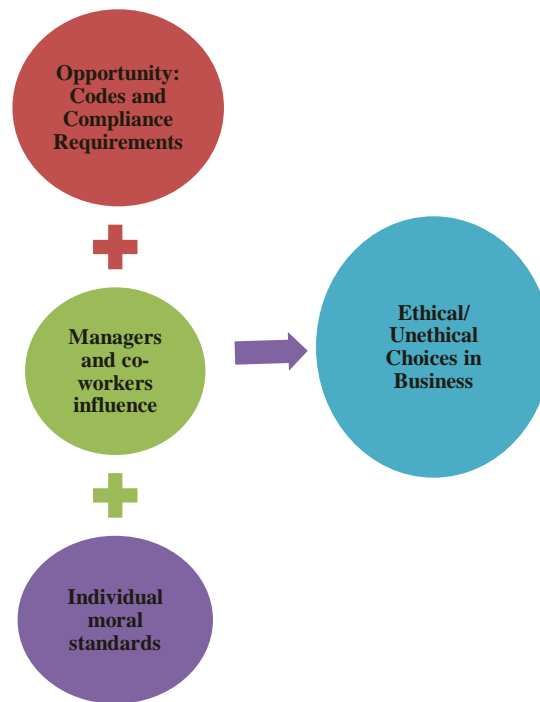


Fig.1.10 Three Factors that Influence Business Ethics

1.9.3 Why Business Ethics?

Ethics is important for business and also in all aspects of life. The business or society that lacks ethics is likely to not succeed in the end. The main reason for behaving ethically, in business is basically that “it’s the right thing to do”.

Three key reasons to practice business ethics:

- Business ethics is helping to achieve customers confidence when they purchasing goods and services from an ethical company.
- Ethical workplace motivates workforce and increase productivity.
- An ethical behavior saves organization from legal problems.

An ethical workplace helps entrepreneurs;

- To build a strong and good foundation for society for running one’s company.
- To create transparency, or openness and accountability in business decisions and actions to prevent unethical behavior practices.

1.9.4 A Code of Ethics

An ethical questions faced by entrepreneurs regarding their products or services they put on the market and the approach they deal with persons inside and outside the business. Many companies work within a code of ethics that describes particularly about the way employees should respond in different situations. In short, a code of ethics is a document that explains specifically about business's moral philosophy and gives concrete guidelines for moving it out.

It helps the entrepreneurs in:

- **Clarify own values and principles.**
 - **Check and resolve ethical problems.**
 - **Provides some protection against claims of unfairness.**
-

1.9.5 Ethical Issues for Entrepreneurs

An ethical issue is a specific crisis, situation, or prospect that involved a person to choose from among several actions that may be judged as right or wrong, ethical or unethical. In business, such an option often involves to judge monetary profit against what a person considers suitable behaviour.

When entrepreneurs countenanced with an ethical assessment, they have to trust on their strong personal values to help them to guide. Codes of conduct have been known to support the businesses in identifying and addressing their ethical problems. Traits like honesty, kindness, and justice, in addition to the individual's sense of right and wrong, will play an important part. The five-step framework for solving ethics issues are:

1. Identify a moral issue.
2. Obtain the truth or facts.
3. Assess the other alternative course of actions from different moral views.
4. Take a choice.
5. Perform, then replicate on the decision afterwards.

1.9.6 Corporate Social Responsibility for Entrepreneurs

As earlier stated that the entrepreneur have to maintain a balance between ethical necessity, economic suitability, and social responsibility, entrepreneurs comprise a supportive approach's towards laws and professional codes of ethics concerning with corporate responsibility. Entrepreneurs seem to refer their role models, during development of internal ethical codes.

In other words we can say that enterprises show corporate social responsibility through with its values, ethics, and the contributions that they contribute to its society. A socially responsible corporate provides goods and services according to the societal values. A socially responsible business is also concerned about their customers, employees and shareholders' interest. It is important for entrepreneurs to be ethical and socially responsible to their employees, customers, and communities. CSR is about how businesses manage the business process to produce an overall positive impact on society.

Corporate social responsibility means that businesses act in such a ways that it balances profit and growth with the good of society. The four dimensions of social responsibility i.e. economic, legal, ethical, and voluntary guides a business that concerned about society in addition to earning profits and is likely to invest voluntarily in socially responsible activities. Such enterprises earn the trust and respect from their customers, employees, and society by implementing socially responsible activities and, finally, increase profits. **(Fig.1.11)**

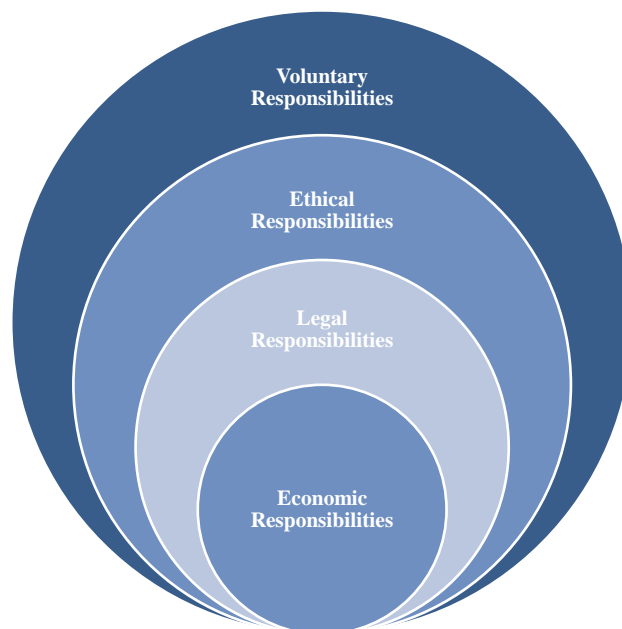


Fig.1.11 Dimensions of Corporate Social Responsibility

Source: Adapted from Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders." Reprinted from *Business Horizons* 34 (July/August 1991), p. 42.

1.8.7 Ethics and Corporate Social responsibility for Entrepreneurs

Ethics and social responsibility are very important principles in entrepreneurship ventures. It plays an essential role in decision making process. Ethical principles guided entrepreneurs to take honest and profitable entrepreneurship decisions. Similarly, the social responsibility component reminds entrepreneurs to make entrepreneurial decisions that can enhance benefits and protecting to the stakeholders.

It is significant that entrepreneurs have to create a set of ethics and social responsibility as people want to do business with an organization they trust. This shows the organizational way to respond to the needs of the customers and stakeholders which can reveal the nature and moral system that manage their behavior. Wicks & Freeman (2010) expressed that the unsuccessful link between ethics to the core of a business enterprise and also to the decision making process from the leaders and managerial staff, is dysfunctional and a detrimental approach to business. The ethical and identical social responsibility benefits an enterprise incorporates are essential to build an organizational image and create an impact on employee morale. Entrepreneurs who make their employees feel valued with benefits that include medical insurance, day care centers for working parents, and so on, can encourage employees, and create a magnificent environment for the organization. The ethical and social behavior of the enterprises is essential for the profit generation and building the image of the corporation.

Some core key basis for entrepreneurs to follow business ethics and involve in corporate social responsibility:

- It ensure to satisfy the expectations of shareholder
- It builds the image and protects the reputation of the business.
- It makes trust among the groups with which they work.
- It act as a guard against unethical employees and competitors.
- It helps in the establishment of a working environment that are according to their core values.
- It ensures that the business is an equal opportunity employer.
- It maintains a safe working environment for employees.
- It facilitates an entrepreneur to engage actively with local communities as a partner.
- It makes possible business to maintain high standards of integrity.
- It remains to the transparency on practice of full disclosure on the quality of goods and services.

Ethics and social responsibilities of an entrepreneur is definitely an important matter after taking into consideration the role of social responsibility in society and ethics in business. Social responsibility is not only important for business community but also for global community. Social responsibility is

considerable at the time of globalization. We are in the global platform where people of the universe are becoming interconnected through technology, transportation and communication. This impact not only services and goods but also values and ideas. As an entrepreneur, behaviors which damage the community and the globe will also destroy the scope for your profits.

Economy involves innovators and entrepreneurs to progress and maintain global community. The expansion of business organization encourages corporate social responsibility and entrepreneurship to improve the system for its potential growth. Through ethics and social responsibilities, an entrepreneur has to develop in a responsive manner about his role and responsibility and try to follow them in perfect manner, which would be not only positive to him but the community also.

Case Study: Wake Up and Smell the Coffee

Every day Canadians consume over 3.5 million cups of coffee. Many people couldn't imagine starting the day without it. Canadians can be found drinking coffee at home, at work, and while they commute. For many, the coffee shop fulfils an important social need as we meet friends and acquaintances for conversation over coffee. So pervasive is our thirst for coffee, cup holders have even featured prominently as a sales point in the advertisements for new cars.

Coffee consumption is a part of our culture. Worldwide coffee represents a US\$55 billion a year industry, employing 25 million people. Of those employed in the industry, over 20 million are small farmers, typically producing less than 1,500 kilograms of beans per year on one- to two-hectare properties. These growers, who struggle to survive on incomes averaging less than US\$1.00 per day, receive less than 10 percent of the retail value of their product. The low prices, lower now than during the 1930s depression, are only part of what many perceive as the unfair treatment of these farmers. As with many North American farmers, their income is received only after harvest; therefore, they must often borrow to acquire inputs such as fertilizer. For the small producers in the less developed economies, the only source of credit is often the intermediary who purchases their crop, and interest rates are often as high as 20 percent per annum. Such costs further reduce the incomes of these poorest members of society, who face the prospect of losing their land if they default on the loans. One group attempting to improve the situation for the small growers of coffee and other commodities such as tea, cocoa, and sugar is Trans Fair Canada (TFC), the Canadian affiliate of Fair trade Labelling Organization (FLO). Through its procedures, Trans- Fair ensures that coffee bearing its Fair Trade certification has met the requirements of the FLO. Fair Trade-certified coffee is purchased from over 300 cooperatives representing 550,000 small growers. The cooperative receives a minimum of US\$1.26 per pound, more than double the current world price of less than US\$0.60 per pound. A premium is paid if the beans are certified as organically grown. Since the members of the cooperatives are small growers who follow traditional methods of growing coffee, few

chemical inputs are used. The price of chemical fertilizers is also prohibitive. Therefore, almost 40 percent of the cooperatives on the FLO register were either certified organic or in the process of becoming certified as of February 2001. Only about 22 percent of the 78.7 million kilograms of coffee produced by the FLO-registered cooperatives in 1999 was sold through Fair Trade. However, the small growers also benefit from the direct access to world markets that the cooperatives provide. This marginal increase in income when combined with the more profitable Fair Trade sales has a disproportionate economic impact on the growers. The cooperative also lowers production costs by recycling wastes into low-cost organic fertilizers, which in turn produces higher incomes for the growers and at the same time improves environmental stewardship. Higher incomes allow the small growers to reinvest in their farms, to provide better nutrition and housing for their families, and through cooperative funded schools, to provide more educational opportunities for their children. These benefits accrue even though Fair Trade certified sales in Canada, as in other countries, represent only a small but growing proportion of the total coffee market.

Questions

1. Is it the responsibility of coffee consumers to ensure that the small producers receive a fair price for their product? Why or why not?
2. If the price paid to the grower represents only 10 percent of the retail price of coffee, why is the retail price of Fair Trade coffee approximately double the regular price?
3. Who benefits the most from the higher price paid by consumers for Fair Trade labelled coffee?
4. What alternative approach to the problem of poverty among small producers can you suggest?

Source: *Marketplace*, show number 612–2185–9077, “Coffee,” March 29, 2015.

1.10 Role of Entrepreneurs in Economic Development

Entrepreneurial development is the most important input in the economic development of any country. The objectives of industrial development, balanced regional growth, and generation of employment opportunities are achievable through entrepreneurial development. Entrepreneurs are at the core of industrial development which results in greater employment opportunities to the unemployed youth, increase in per capita income, higher standard of living and increased revenue to the government in the form of income, sales tax, export duties, import duties etc.

The entrepreneurs serve as a key to the creation of new enterprises, thereby rejuvenating economy and sustaining the process of economic development in the following ways:

1. **Improvement in per capita income/wealth generation:** Entrepreneurs play a vital in the economic development of a region. From the fall of Rome (AD 476) to the eighteenth century, there was virtually no Increase in per capita wealth generation in the West. With the advent of entrepreneurship, however, per capita wealth generation and income in the west grew exponentially by 20 Percent in the 1700s, 200 percent in the 1800s, 740 percent in the 1900 (Drayton, 2004).
2. **Generation of employment opportunities:** By creating a new business enterprise, entrepreneurs generate employment opportunities for others. Unemployment is a major issue, especially in the context of developing economies like India. Educated youth often are unable to get to get a suitable employment themselves. Thus, entrepreneurs not only self employ themselves, but also create jobs for others.
3. **Inspire others towards entrepreneurship:** The team created by an entrepreneur for his new undertaking often provides the opportunity for the employees to have a first-hand experience of getting involved in an entrepreneurial Venture. An existing venture provides a number of entrepreneurial opportunities through forward and backward linkages, to these employees even to become entrepreneurs themselves. Thus, this process helps in forming a chain reaction of entrepreneurial activity which directly contributes to the health of the economy.
4. **Balanced Regional Development:** Entrepreneurs help to remove regional disparities in economic development. They set up the industries in the backward areas to avail various subsidies and incentives offered by the Central and State Governments, thereby balancing the economic growth in different regions in the country.
5. **Enhance the number of enterprise:** When new firms are created by entrepreneurs, the number of enterprises based upon new ideas/ concepts/ products in a region increases. Not only does an increase in the number of firms enhance the competition for new ideas, but greater competition across firms also facilitates the entry of new firms specializing in a particular new product or service. This is because the necessary complementary inputs are more likely available from small specialist niche firms than from large vertically integrated products (Jacobs, 1969).
6. **Provide diversity in firms:** Entrepreneurial activity often results into creation of a variety of firms in a region. These firms operate into diverse activities and it has been found that it is this diversity in firms which fosters economic development and growth rather than homogeneity. According to Jacobs (1969), it is the exchange of complementary knowledge across diverse firms and economic agents that yield an important return on new economic knowledge.
7. **Economic Independence:** Entrepreneurship is essential for self-reliance for a country. Entrepreneurs create industries that manufacture indigenous substitutes, thereby reducing the

dependence on imports. Also, the goods are exported to other countries to earn foreign exchange. This import substitution and export promotion results in more economic independence to the country.

1.11 Chapter Summary

The concept of entrepreneurship and definition of an entrepreneur have developed over time as the world's economic structure has changed and become more complex. Since its beginnings in the middle ages, when it was used in relation to specific occupations, the concept of the entrepreneur has been broadened to include the characteristics like risk taking, innovation, and creation of wealth. There are number of virtues like creativity, leadership, team building, motivation, problem solving, commitment and goal orientation etc. that characterize most of the successful entrepreneurs.

The term entrepreneurship has been recognized as the engine for economic development and industrialization. Entrepreneurship is defined as the process of creating something new with value by devoting the necessary time and effort; bearing the associated financial, psychological, and social risks; and receiving the resultant rewards of monetary nature, personal satisfaction and independence of decision making. There are various steps that are followed to set up an entrepreneurial venture, which include: the decision to leave a present career or lifestyle, the desirability of the entrepreneurial venture and lastly, and the decision that both external and internal factors make new venture creation possible. Start ups play the role of seedbed for entrepreneurship and there are various types of start- ups like a cottage company, a lifestyle firm, a foundation company and Gazelles i.e. very high growth ventures. Although the decision-making process is applicable to each of the four types of start-up companies, because of their conflicting natures, foundation companies and high-potential ventures require a more conscious effort to reach a justifiable decision on these points than cottage companies and lifestyle firms.

Keeping in mind that entrepreneurship is challenging and entrepreneurs face various stressful situations, the ethics play a very important role in entrepreneurial ventures. Ethics deal with what is right or wrong, good or bad i.e. they deal with moral values. Through ethics and social responsibilities, an entrepreneur has to develop in a responsive manner about his role and responsibility and try to follow them in perfect manner, which would be not only positive to him but the community also. The relevance of ethical code of conduct and social responsibility aspect of the entrepreneurial ventures has also been dealt with in the chapter. And the end, but most importantly, what role does entrepreneurship play in the much advocated economic development of the country, has been discussed.

1.12 Key Terms

- **Entrepreneur:** An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity
- **Entrepreneurship:** It is a process of creating something new with a value, particularly responding to the opportunities available.
- **Intrapreneur:** a person working within a large organization who takes direct responsibility for turning an idea into a profitable finished product through assertive risk taking and innovation
- **Intrapreneurship:** Entrepreneurship within an existing business structure
- **Drone Entrepreneur:** Drone entrepreneurs are referred to the ones who refuse to adopt opportunities to make changes in the existing methods of production.
- **Fabian Entrepreneur:** Fabian entrepreneurs are ones who lack the will to adopt to new methods of productions.
- **Innovating Entrepreneur:** an innovating entrepreneur is the one who introduces new goods and services, inducts new methods of production, experiments with new processes, discovers new market and restructures the enterprise
- **Novice entrepreneurs** are the individuals who don't have any business ownership experience in past
- **Imitative Entrepreneur:** an imitating entrepreneur is the one who is ready to adopt successful innovations already inaugurated
- **Entrepreneurial Decision Process:** The Entrepreneurial Decision Process is a natural and logical approach which helps individuals to achieve success in new ventures.
- **Foundation Company:** A company formed from research and development and normally does not go to public
- **High Potential Ventures:** A Company with high growth potential and obtains great investor interest.
- **Gazelles:** very high growth business enterprises
- **Ethics:** A set of moral principles, which guides the code of conduct and behaviour of human being in his life and in society.
- **Business Ethics:** Business Ethics is the application of general ethical ideas towards business behaviour.
- **Ethical behaviour** is the behaviour that led by ethics.

- **Code of ethics:** A document that explains specifically business's moral philosophy and gives concrete guidelines for moving it out.
- **Ethical issue** is a specific crisis, situation, or prospect that involved a person to choose from among several actions that may be judged as right or wrong, ethical or unethical.
- **Corporate Social Responsibility** means that businesses act in such a ways that it balances profit and growth with the good of society.

1.13 Discussion Questions

Short Answer Type Questions

1. Do we have entrepreneurs within the organization? What they are called as? Explain their characteristics with examples.
2. Developing countries need imitative entrepreneurs rather than innovative entrepreneurs. Do you agree? Substantiate your answer with reasons and examples.
3. What are the ethical issues that businesses face today? Discuss them with suitable example
4. Development requires resources but resources themselves can't ensure development. Discuss the statement in the light of role of entrepreneur in the economic development of the country.

Long Answer Type Questions

1. Entrepreneurs are born, not made. Critically analyze the statement and provide suitable examples to support your answer.
2. Search around and provide certain examples of various types of start-up companies. How does the entrepreneurs' vision for the future affect the decision to start the company?
3. Define business ethics. How do we determine whether a business activity is ethical? Is unethical conduct always illegal? What factors influence business ethics?

Project Assignments:

1. Collect stories of two entrepreneurs from secondary sources and list out various traits and identify common traits present in both the entrepreneurs.
2. Interview an entrepreneur, study his entrepreneurial start up and prepare the hurdles faced by him/her in establishing the business.

3. Prepare a list of various socially responsible initiatives by the entrepreneurs and identify the reasons for their involvement in social welfare projects.
4. Suppose you want to set up a small scale industry. Which industry would you like to set up and where should it be located? Explain with the help of suitable example.
5. Find out a company in your community that has a socially responsible program. How long has this company's program been in place? What impact has it had on your community?
6. Many people believe that practising ethical behaviour will limit their opportunities and profit. If being unethical means getting ahead, then people are sometimes willing to act unethically. Do you believe that unethical behaviour is ever justified? Divide into two groups, those who support unethical behaviour in some circumstances and those who think that unethical behaviour is always wrong. After sharing information within each group, debate the topic. **(Group Activity)**

1.14 References

- Ely, R. T. and Hess, R. H. (1937). Outlines of Economics, 6th Ed. (New York: Mac Milan), pg. 488
- Fernando A.C. Business Ethics and Corporate Governance", 2nd edition, Pearson education
- Ferrell O.C. , Fraedrich John and Ferrell "Business Ethics: Ethical Decision Making & Cases", 10th edition , Cengage Learning
- Gupta, C. B. and Khanka, S.S. (2010), " Entrepreneurship and Small Business Management, 4th edition, New Delhi: Sultan Chand & Sons
- Hisrich D. Robert and Peters P. Michael, " Entrepreneurship" 6th edition, Tata Mc Graw Hill edition
- India Entrepreneurship Report, 2014 by Amway and Indicus Analytics, www.amwayentrepreneurshipreport.com
- Jacobs, J.(1969), The Economy of Cities, New York: Vintage Books
- MSME Report (2012), MSME Policy, retrieved from <http://msme.gov.in/WriteReadData/DocumentFile/ANNUALREPORT-MSME-2013-14P.pdf>
- Naidu, N.V.R. and Rao, T.K. (2008), Management and Entrepreneurship, New Delhi: I.K International Publishing House, pg. 179
- Onuoha G., (2007) Entrepreneurship, AIST International Journal 10, 20-32.
- Palmer(1971), The application of psychological testing to entrepreneurial potential, California Management Review, 13, pp. 32-38

- Ronstadt, R.C. (1984). Entrepreneurship, Dover, MA: Lord Publishing Co., pg. 28
- Sanjeev Rinku and Khanna Parul (2008), Ethics and Values in Business Management, Ane Books India, New Delhi.
- Say, J.B (1827). “Production, Distribution and Consumption of Wealth, John Grigg, Philadelphia, pp. 28-286.
- Schumpeter, J. (1952) , “ Can Capitalism survive” , New York: Harper and Row, 1952, pg. 72
- Stanwick, P.A. Stanwick, S.D., 2009. Understanding Business Ethics, 1 st Edition, Pearson, 5 New York
- Timmons, J.A. 1994. *New Venture Creation: Entrepreneurship for the 21st Century*. Fourth edition. Irwin Press, Burr Ridge, IL.
- Velasquez, M.G., 2006. Business Ethics Concept and Cases, 6 th Edition, Pearson, New York
- Vesper, K. (1980). New Venture Strategies, Englewood Cliffs, NJ: Prentice Hall, pg. 2
- Weiss, J.W., 2006. Business Ethics: A Stakeholder and Issues Management Approach, 4th Edition, Thomson-South Western, Ohio.
- Wicks A. & Freeman E. (2010). Business ethics. Upper Saddle River, Pearson Education Inc.