

03/10/2017

## MODULE 3

## ENTREPRENEURSHIP

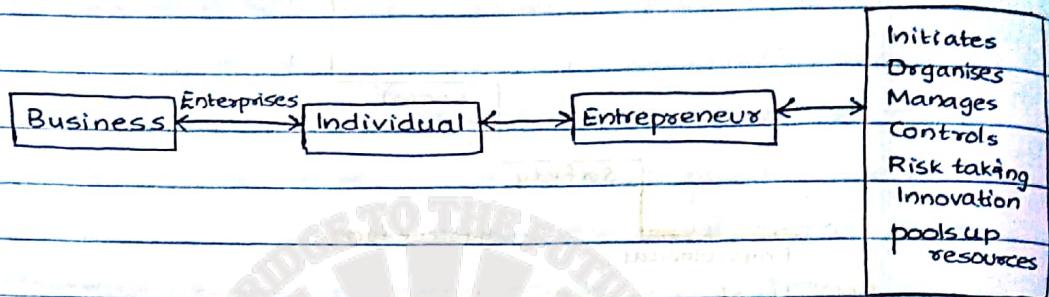
Introduction:

Fig: Model of Entrepreneurship

"An entrepreneur is one who always searches for changes, respond to it and exploits it as an opportunity"

- Peter

[An entrepreneur is one who runs his own business]

An entrepreneur is an economic agent who plays an important role in an ~~importan~~<sup>economic</sup> development of country.

Entrepreneur posses required knowledge, skills, initiative drive and spirit of innovation and aims to achieve goal.

Entrepreneur is a dynamic activity which helps to bring changes in process, innovation in business, new ideas and usage of resources etc.

Meaning and Evolution of Concept

Entrepreneur is developed from French word "entreprendre".

According to Joseph,

\* An Entrepreneur is an advanced economy where an individual introduces Method of production in the branch of manufacture, a product with which consumers

are not yet familiar, new raw materials or new markets and the like."

According to him, entrepreneurship are:

=> Introduction of New Product

=> Introduction of New Method of Production

=> Development of new Markets

=> Making changes

To summarise, "An entrepreneur is the person who bears risk, unites various factors of production, to explore the opportunities in order to evoke demand well than employment".

### Characteristics of Entrepreneur [Explanation by your own]

- 1) Action Oriented
- 2) Determination and Commitment
- 3) Creativeness
- 4) Accept responsibilities
- 5) Self confident
- 6) Both thinker, planner, worker
- 7) Future vision, Intelligent

### Qualities of Entrepreneur [Explanation by your own]

- 1) Success and Achievement
- 2) Risk Bearer
- 3) Opportunity Explorer
- 4) Planner
- 5) Stress taker
- 6) Facing uncertainties
- 7) Independent
- 8) Flexible
- 9) Self Confident
- 10) Motivator

## Functions of Entrepreneurship

Primary function	Other function	Function Important for developing countries
* Planning	* Diversion of production	* Management of resources
* Organising	* Expansion of the enterprise	* Dealing with public
* Decision making	* Maintaining employer and employee relationship	* Engineering
* Management	* Solving labour problems	* New product development
* Innovation	* Coordination with outside agencies	* Parallel opportunities
* Risk Bearing		* Marketing
* Leading		* Management
* Controlling		* Customer relation

\*\*\*

### Types of Entrepreneurs

The Entrepreneur has been broadly classified according to Business, Professional, Skills, Motivation, Growth and stages of Development.

(a) According to the type of business

a.1 Business Entrepreneur

a.2 Trading Entrepreneur

a.3 Industrial Entrepreneur

a.4 Co-operate Entrepreneurship

a.5 Agriculture Entrepreneurship

a.6 Retail Entrepreneurship

a.7 Service Entrepreneurship etc

(b) According to Use of Technology

b.1 Technical Entrepreneur or Non Technical Entrepreneur

b.2 Professional Entrepreneur

b.3 Lowtech or HighTech Entrepreneur

(c) According to Motivation

c.1 Pure Entrepreneur

c.2 Induced Entrepreneur

c.3 Motivated Entrepreneur

c.4 Spontaneous Entrepreneur

(d) According to the Growth

d.1 Growth Entrepreneur

d.2 Super Growth Entrepreneur

(e) According to the stages of development

e.1 First Generation Entrepreneur

e.2 Modern Entrepreneur

e.3 Classical Entrepreneur

(f) According to the Area

f.1 Urban Entrepreneur

f.2 Rural Entrepreneur

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(g) According to Age and Gender

g.1 Young Entrepreneur

g.2 Old Entrepreneur

g.3 Male Entrepreneur

g.4 Female Entrepreneur

(h) According to scale of Operation

h.1 Small Scale Entrepreneur

h.2 Medium Scale Entrepreneur

h.3 Large Scale Entrepreneur

(i) Other type

i.1 Professional and NonProfessional Entrepreneur

i.2 Modern Entrepreneur

i.3 Traditional Entrepreneur

i.4 Skilled and Nonskilled Entrepreneur

i.5 Forced Entrepreneur

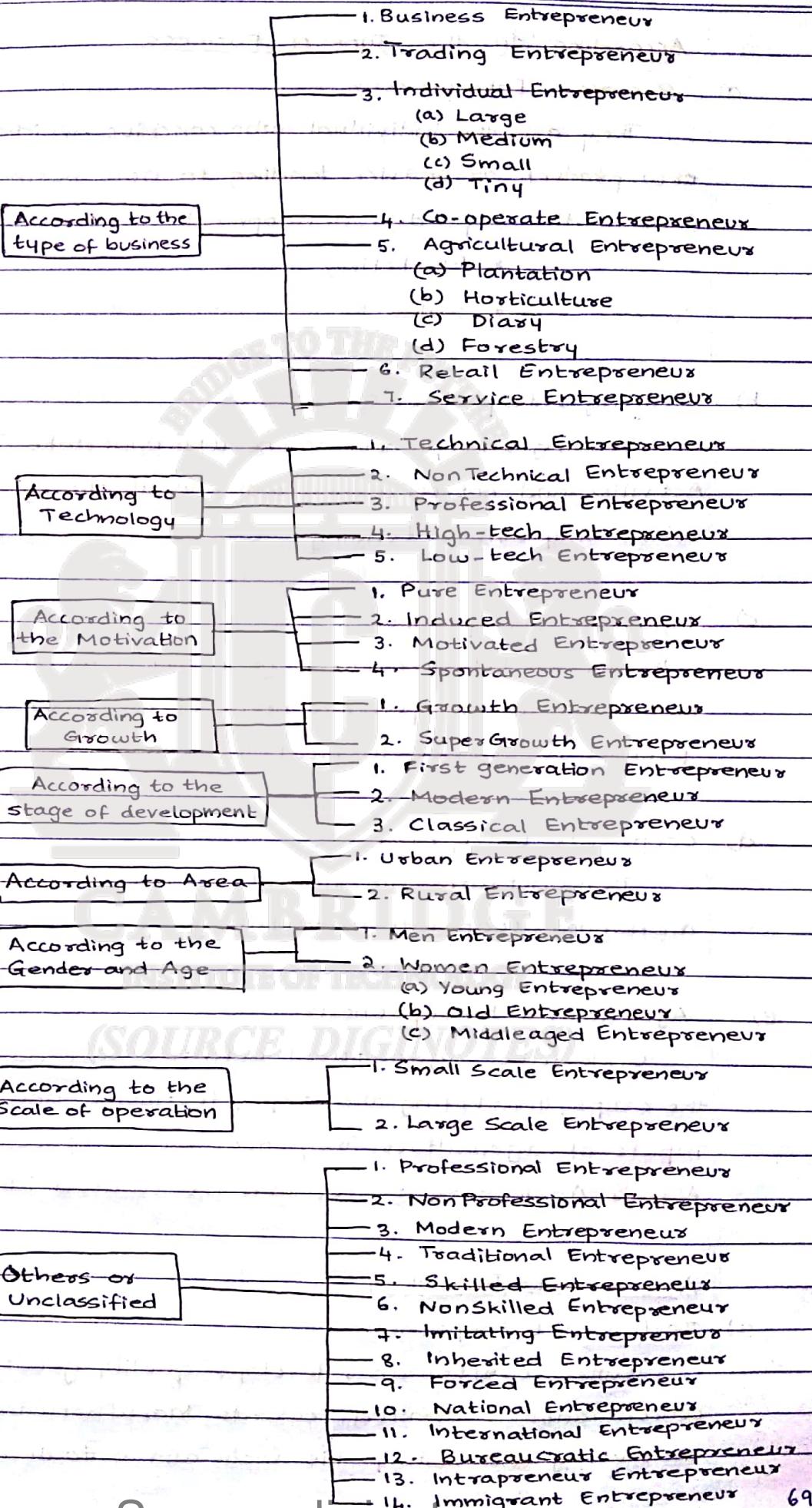
i.6 Inherited Entrepreneur

i.7 National and International Entrepreneur

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### According to the Type of Business

#### a) Business Entrepreneurs

They are the individual who conceives an idea for a new product or service leading to new business. He deals with

- \* product development
- \* Marketing
- \* Sales

#### b) Trading Entrepreneurs

Trading Entrepreneur is one who undertake Trading Activities and not concerned with Manufacturing work whose only aim is trading.

#### c) Industrial Entrepreneurs

Industrial Entrepreneur is generally a manufacturer who identifies the potential needs of customer and a product or service to meet the marketing needs

#### d) Cooporate Entrepreneurs

Demonstrates his innovative skills in organising and managing Cooporate undertakings.

#### e) Agricultural Entrepreneurs

Undertake agricultural activities such as raising the crops, marketing the crops, fertilising and other inputs of agriculture. They cover broad spectrum of Agriculture sector and its related ideas

### According to Technology

#### a) Technical Entrepreneurs

Called Craftsman, develops quality goods. His concentration is oriented towards Manufacturing, marketing and selling. His main aim is to develop

quality goods with the technical ideas

### b) Non Technical Entrepreneurs

He is not concerned with technical aspects of product. Their main concentration is to develop an alternative marketing and distributing strategies to promote their business.

### c) Professional Entrepreneurs

Is a person whose interest is to establish a business but does not deal with management and organising it. Generally speaking, Professional Entrepreneurs sells out the established business and starts an other venture.

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#### a) Pure Entrepreneur

Is a person who gets motivated by psychological and not by economic rewards.

He works for his own satisfaction and for his own status.

#### b) Induced Entrepreneur

Is the person who is induced to take up the task due to policy measures that provides assistance, incentives etc, to start up the enterprise. Many small scale industries are started by people because of government, institutions are giving support.

#### c) Motivated Entrepreneur

New Entrepreneurs are motivated by desire of self fullfillment. They come in existence because of the possibility of making and marketing some new product.

d) Spontaneous Entrepreneur

This type of Entrepreneur start their business by natural talents in them. They take their initiatives, their boldness and self confidence motivate them to be an Entrepreneur.

According to Growth

Growth of Enterprise may be termed as low, medium, high and supergrowth. The development of a new venture leads to a chance of growth. Growth Entrepreneur are those who take up industry with substantial growth prospects. On the other hand, growth entrepreneur shows enormous performance in any venture they take up.

According to the Stages of development

a) First Generation Entrepreneur

A first Generation Entrepreneur is one who starts industrial units by his own innovative ideas and skills.

b) Modern Entrepreneur

Is one who undertakes those projects that are well needed and suited for changing the demands.

c) Classical Entrepreneur

A Classical Entrepreneur is one who is concerned with the customer and marketing needs by developing new venture.

Others

i) a) Innovative Entrepreneur

Is one who sees opportunity for introducing a new technique of production process or a new product or

a new market or a new service using his innovative ideas.

### b) Initiative Entrepreneur

Are revolutionary and take a lot of initiative in any work. He can set in motion the chain reaction which leads to cumulative progress. He is more an organiser or factor of production than a creator.

### \*\*\* Stages in Entrepreneurial Process

- 1) Identification of an opportunity
- 2) Evaluation of the opportunity
- 3) Preparation of the business plan
- 4) Determination and organizing the resources
- 5) Management of Enterprise

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#### 1) Identification of an opportunity

The first step in Entrepreneurial Process is identifying the opportunities. This may be from own idea or from external sources like consumers, business associates, members of distribution system, independent technical organisation, consultant etc.

Consumers are the best source of idea for a new venture who tells the need of a product or service. Due to close contact with end users, members of distribution system, one can identify new business opportunities through a discussion with a retailer, wholesalers, trade representatives.

Some individuals are highly technical oriented who are not interested in any Entrepreneurship.

Example :

#### 2) Evaluation of opportunities

The opportunities identified by using either input

from customers, business associates, channel members, technical peoples must be carefully screened and evaluated.

This evaluation perhaps the most critical element of the entrepreneur process. The Evaluation process involves looking at the length of the opportunity, its real and perceived value. Its risk and returns. The length of the opportunity, market size decides risk and gains or profits. SWOT (Strength, Weakness, Opportunities and Threats) is one of the useful analysis tool. Strength and weakness are Internal factors. Opportunities and Threats are External related factors. The risk reflects markets, competition, technology and capital involved. It is very important for an entrepreneur to put forward time and effort to succeed.

- Usually planning involves
- (a) Description about product
  - (b) Agreement of opportunity
  - (c) Assessment of Entrepreneur
  - (d) Resources needed
  - (e) Amount & Source of capital needs
  - (f) Rewards & profits expected

### 3) Development of business plan

It includes the following:

- a) Title of project, Table of contents and summary
- b) Description of business and industry
- c) Technology plan
- d) Financial plan
- e) Organisational plan
- f) Production and operation plan
- g) Marketing and distribution plan
- h) Summary of the plan

#### 4) Determination and organizing the resources

This process begins with the assessment of present resources. Enough care must be taken not to underestimate the amount and nature of resources required.

The risk involved with insufficient or incorrect resources should be calculated. Alternate source of supply, process of manufacture are to be planned.

#### 5) Management of Enterprise

After the resources are acquired, the entrepreneur must use them to implement business plan.

#### Role of Entrepreneur in Economic development

The role of Entrepreneur in Economic development involves just increasing the output of product and income of the product. It involves in initiating and change in the structure of business or society.

This change gives way to growth and higher output that leads to profit. Innovation plays major role in economic growth of both product and service. The new capital created expands the capacity of growth and increase the output of man's side.

Entrepreneur bridges the gap between science and market. It brings new product and services in the market. Entrepreneur plays a vital role in economic growth and creating employment in people.

#### Barriers of Entrepreneurship

- 1) Lack of capital
- 2) Lack of technical knowledge
- 3) Economic business cycles

- 4) Non availability of raw materials and resources
- 5) Government regulations
- 6) No idea about technology
- 7) Unstable and unpredictable material
- 8) Globalisation and entry of foreign Goods
- 9) Risks

### Entrepreneurship in India

The Evolution of Entrepreneurship in India is the effort of great people as well as professionals.

It started as a family business in 1850 as the Cotton Mill Industry in Bombay.

#### Past:

In the past, business community was involved in trade and commerce. The community was known as Vaishas or Vanias.

The following points are not worthy with respect to Entrepreneurship:

- a) Manufacture supply product based on demand

All the members of family were involved in business

The industrial activity was controlled by Caste System

Skills were inherited from ancestors

Trade activities were dependent on Caste System

#### Present:

There is a tremendous growth of industry and services over last 60 years. Some of the most worthy highly talented Entrepreneurs in India are Tata, Aditya Birla,

### Identification of Business

Business opportunities can be obtained from different sources. For this one has to evaluate following areas and understand the gap between demand and

Supply

- Study of government rules and regulations
- Extensive and indepth study of opportunities
- SWOT analysis
- Market Feasibility Study
- Technical Feasibility Study
- Financial Feasibility Study
- Social Feasibility Study

Sources of business idea

- Unfulfilled demands provided on to new product
- Our own creative idea
- Social and economic trends
- Magazine, Journals, Research etc
- Emerging new Technology
- Changes in Customer needs
- Trade, faxes and exhibitions
- Bank and government agencies

Market Feasibility Study

Includes the following:

(i) Nature of market

A perfect computation is to be studied

(ii) Cost of production

It is essential to study and control cost of production to decide selling price

(iii) Selling price and profit

Selling price plays a vital role in profit

(iv) Demand

Demand will decide the facility planning

(v) Market share

Estimated Market share is to be made in order to compare with other products

### (vi) Target Market

Study is made with regard to Target Market

### Technical Feasibility Study

Includes the following:

#### i) Location of the project

Location of the project is very important. It may be located in rural, urban or semi-urban area

#### ii) Construction of factory, building and its size

Construction details <sup>depending</sup> on size are analysed

#### iii) Availability of raw materials

Availability of raw materials are studied

#### iv) Selection of machinery

Selection of machinery is required for production

#### v) Utilities

The detailed availability of utilities like water, gas, electricity etc are studied

#### vi) Production capacity

Establishment of production capacity are analysed

#### vii) Staff requirement

Study of staff requirement is analysed

#### viii) Technical Viability

Technical Viability is studied

### Financial Feasibility Study [Write <sup>detailed</sup> explanation for subheadings]

Includes the following:

#### (i) Total capital cost of project

#### (ii) Source of capital

#### (iii) Subsidiary sources for additional finance

#### (iv) Financing for future development of business

#### (v) Break even analysis

#### (vi) Estimation of cash and fund flow

#### (vii) Return of investment

(viii) Proposed balance sheet

(ix) Cost of labour and technology

Social Feasibility Study [Write detailed explanation for each]

It includes the following:

- i) Location
- ii) Social Problem
- iii) Pollution
- iv) Other Problems

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