A Quick Revision of “Entrepreneurship”

Important Points

The concept of Entrepreneurship

Entrepreneur	Entrepreneurship	Enterprise
Person	Process or Action	Outcome

The word 'Entrepreneur'

- Derived from the French word ‘entreprendre’, which means ‘to undertake’

  i.e. individuals who undertake the risk of a new enterprise.
- It first appeared in the French language in the beginning of the 16th century.
- The word was coined by Richard Cantillon, an Irishman, living in France

Concept of Entrepreneur

- An Entrepreneur is a person responsible for setting up a business or an enterprise.
- An Entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them.

ENTREPRENEUR is a person who:

- Develops and owns his own enterprise
- Is a moderate risk taker and works under uncertainty for achievement of the goals
- Is innovative
- Is a persuader of deviant pursuits
- Reflects a strong urge to be independent
- Persistently tries to do something better
- Is dissatisfied with routine activities

ENTREPRENEUR is a person who:

- Is prepared to withstand the hard life
- Is determined, but patient
- Exhibits a sense of leadership
- Exhibits a sense of competitiveness
- Takes personal responsibility
- Is oriented towards the future
- Tends to persist in the face of adversity

Entrepreneurship

- Entrepreneurship is the ability of a person to minimise the use of resources and to put them into the process and get the maximum benefit of out it.
- He or she should take into consideration quality, excellence and consumer awareness for the sustainability of the business.
- Therefore, entrepreneurship is the product of teamwork and ability of an entrepreneur to create build and work as a team.

Characteristics of Entrepreneurship

- Innovation the essence of entrepreneurship
- Economic activity
- Creation of value
- Risk bearing
- Dynamic process
- Special skills and leadership
- Human relations

Need For Entrepreneurship

- Life-line of a nation
- Provides innovation
- Change of growth /Inclusive growth
- Increased profits
- Employment opportunities
- Social Benefits

Process of Entrepreneurship

- Self-Discovery
- Identifying opportunities
- Generating and evaluating ideas
- Planning

Process of Entrepreneurship Contd..

Raising Start-up capital

Start-Up

Growth

Harvest

Why Entrepreneurship is important?

- Plays an important role in the creation and growth of businesses, also in the growth and prosperity of regions and nations.
- Opportunity to Create Your Own Destiny
- Opportunity to Make a Difference
- Opportunity to Reach Your Full Potential
- Opportunity to Reap Impressive Profits
- Opportunity to Contribute to Society and Be Recognized for Your Efforts
- Opportunity to Do What You Enjoy and Have Fun at It

Intrapreneurship

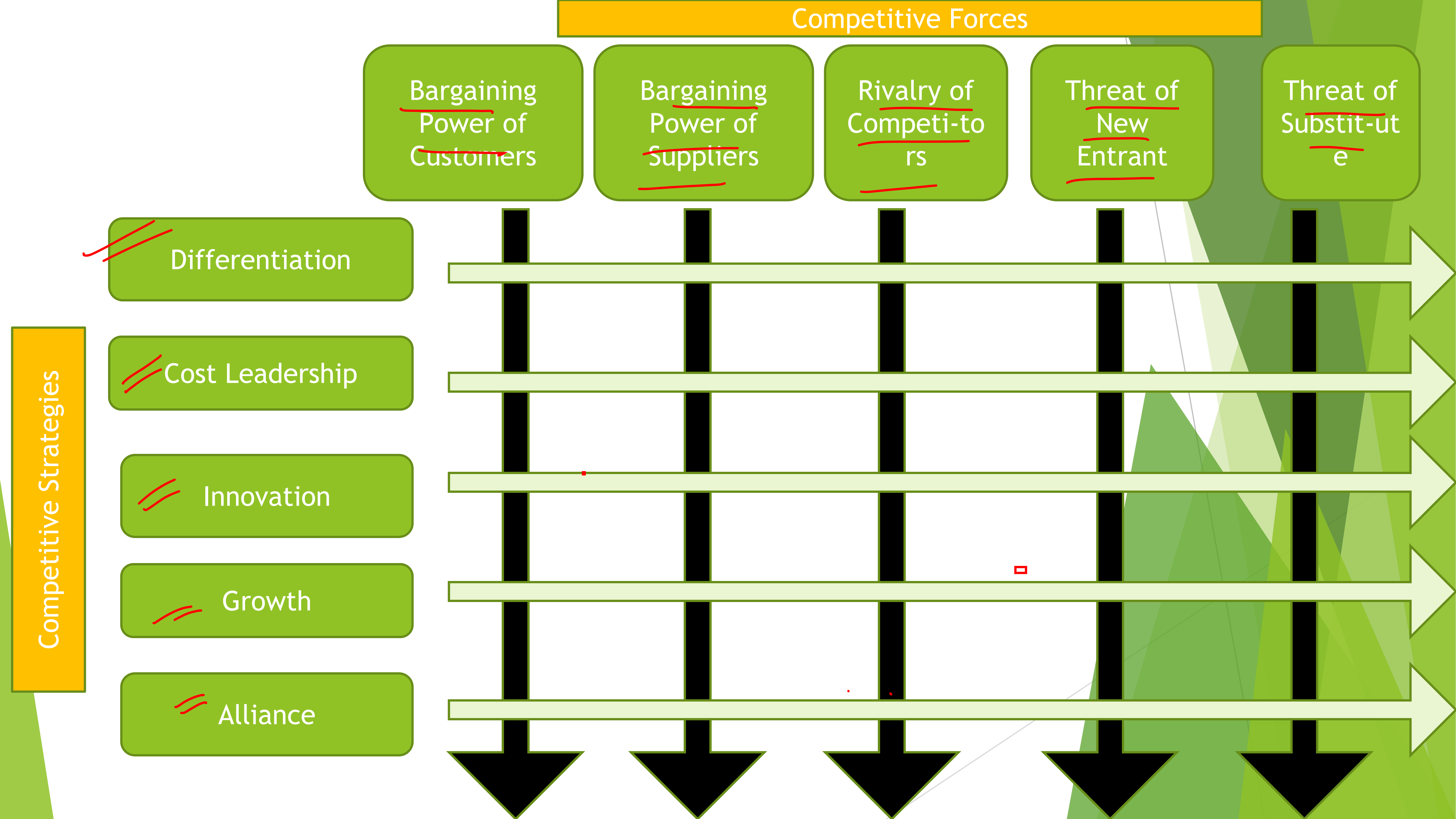
- An inside entrepreneur, or an entrepreneur within a large firm, who uses entrepreneurial skills without incurring the risks associated with those activities.
- Intrapreneurs are usually employees within a company who are assigned a special idea or project, and are instructed to develop the project like an entrepreneur would.
- Intrapreneurs usually have the resources and capabilities of the firm at their disposal.
- The intrapreneur's main job is to turn that special idea or project ~~into a~~ profitable venture for the company.

Why is Intrapreneurship necessary?

- It is the best way to retain talented staff. Otherwise, most of them will just quit and develop these ideas on their own.
- It will be a win-win situation for both the organisation and the talented employee.

Business

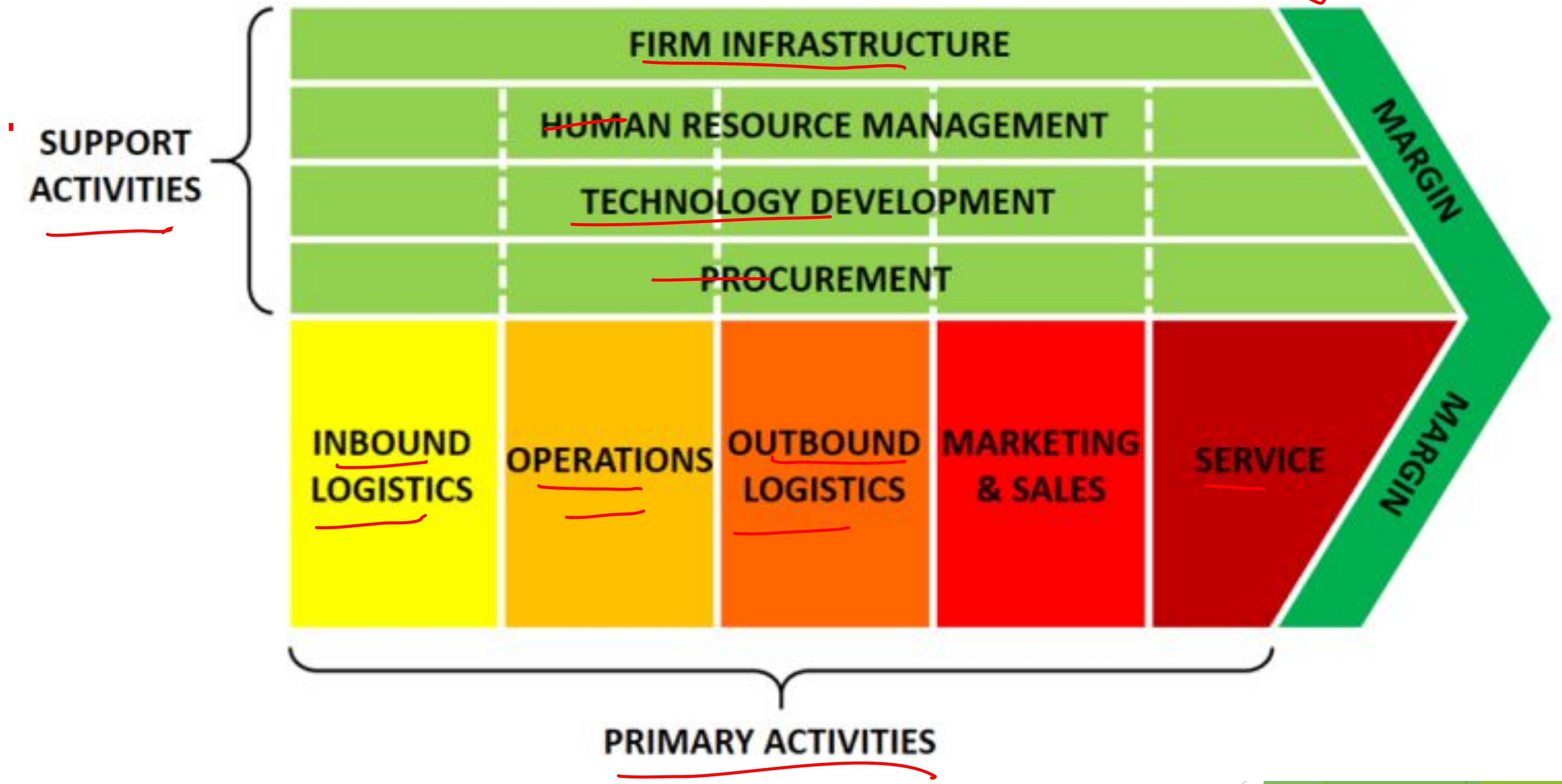
- A business is an example of an organizational system where economic resources (input) are transformed by various business processes (processing) into goods and services (output).



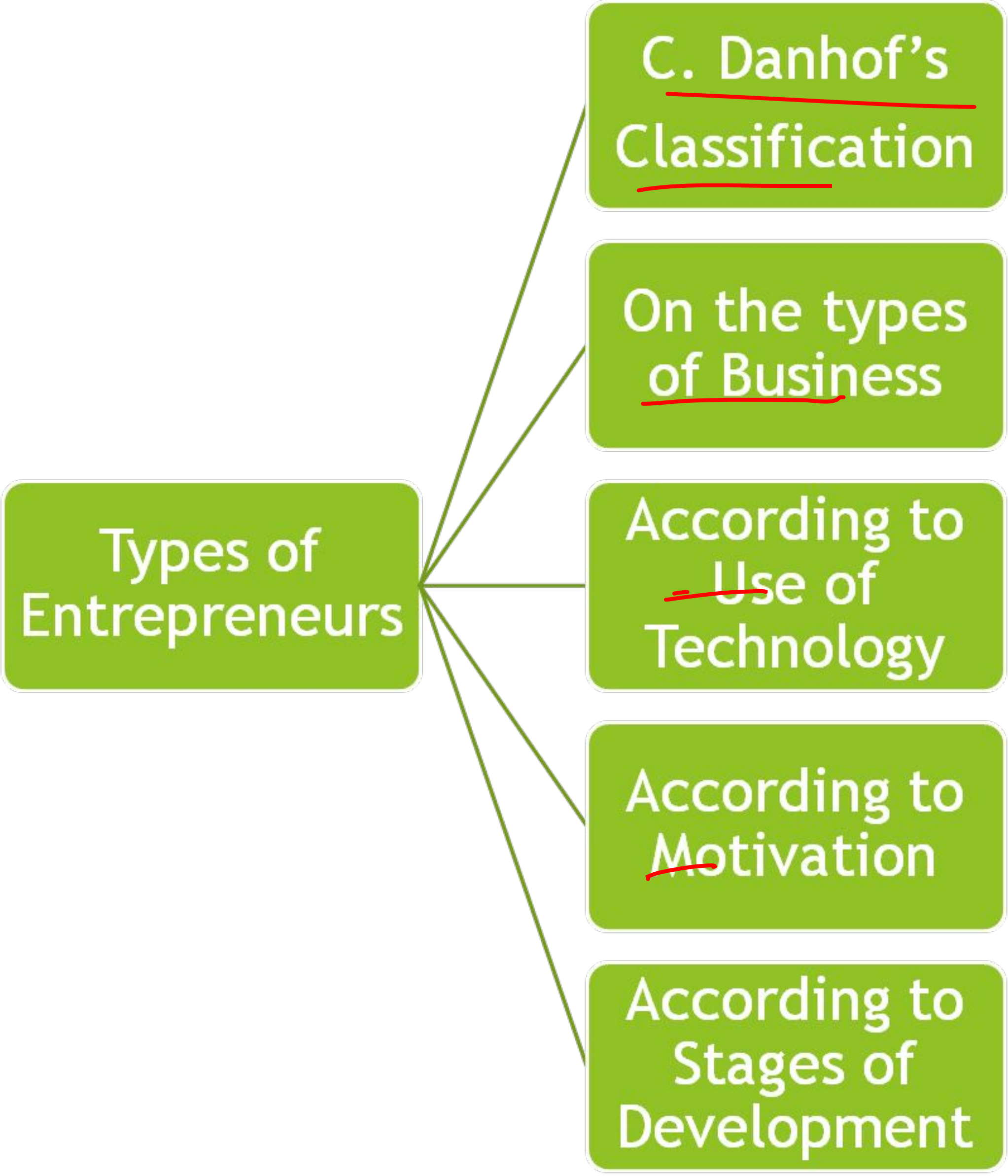
Competitive Forces
Bargaining Power of Customers
Bargaining Power of Suppliers
Rivalry of Competi-tors
Threat of New Entrant
Threat of Substit-ute
Competitive Strategies
Differentiation
Cost Leadership
Innovation
Growth
Alliance

Value Chain

- A value chain is a set of activities that an organization carries out to create value for its customers.
- Porter proposed a general-purpose value chain that companies can use to examine all of their activities, and see how they're connected.



Source- https://www.business-to-you.com/value-chain/


Types of Entrepreneurs
C. Danhof's Classification
On the types of Business
According to Use of Technology
According to Motivation
According to Stages of Development

C. Danhof's Classification

- Innovative Entrepreneur
- Adoptive or Imitative Entrepreneurs
- Fabian Entrepreneurs
- Drone Entrepreneurs

On the types of Business

- Business Entrepreneur
- Trading Entrepreneur
- Industrial Entrepreneur
- Corporate Entrepreneur
- Agricultural Entrepreneur

According to Use of Technology

- Technical Entrepreneur
- Non-technical Entrepreneur

According to Motivation

- Spontaneous Entrepreneurs
- Induced Entrepreneurs
- Motivated Entrepreneurs

According to Stages of Development

- First-Generation Entrepreneurs
- Inherited Entrepreneurs/ Second Generation Entrepreneurs
- Third Generation Entrepreneurs

Feasibility Study

- *"a feasibility study can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes, and assessing the range of costs and benefits associated with several alternatives for solving a problem."*

  -Centre for Entrepreneurship at University of Rochester

Feasibility study will help entrepreneurs to

- List in detail all the things they need to make the business work;
- Identify logistical and other business-related problems and solutions;
- Develop marketing strategies to convince a bank or investor that their business is worth considering as an investment; and
- Serve as a solid foundation for developing their business plans.

Elements of a Business Plan

- The objectives
- Strategies
- Customer scenario
- Market segments
- Products and services to be offered
- Sales forecast
- Steps required to attain the objectives
- Distribution systems
- Promotional activities
- Pricing decisions

A Business Plan

- A Business Plan is a written summary of various elements involved in starting a new enterprise of how the business will organize its resources to meet its goals and how it will measure progress.

A business plan serves the following purposes

- Provides a blueprint of actions to be taken in future
- Guides the entrepreneur in raising the factors of production
- Serves as a guide to organizing and directing the activities of the business venture
- Helps in measuring the progress of the venture at successive stages
- Communicates to investors, lenders, suppliers etc., initiating the programmes of the business

Capital

- Capital is a crucial element in the process of creating new ventures
- Yet raising the money to launch a new business venture has always been a challenge for entrepreneurs
- Entrepreneurs, especially those in less glamorous industries or those just starting out, face difficulty finding outside sources of financing
- lack of capital is an impediment to the growth of the companies
- The key is learning to manage capital carefully and knowing the right kind of capital to raise for the right needs in your business.

Equity Capital versus Debt Capital

- **Equity capital** represents the personal investment of the owner (or owners) in a business and is sometimes called **risk capital** because these investors assume the primary risk of losing their funds if the business fails.
- **Debt capital** is the financing an entrepreneur borrows and must repay with interest.

Advantages of EQUITY Capital

- It does not have to be repaid like a loan does.
- Equity investors are entitled to share in the company's earnings (if there are any) and usually to have a voice in the company's future direction.

Sources of Equity Financing

- Personal Savings
- Friends and Family Members
- Crowd Funding
- Accelerators
- Angels
- Venture Capital Companies
- Corporate Venture Capital
- Public Stock Sale ("Going Public")

Personal Savings

- The first place entrepreneurs should look for start-up money is in their own pockets.
- It's the least expensive source of funds available! A start-up has very little if any financial history, and investors view investments in early-stage companies as high risk.
- Therefore, the earlier in the life of the company that an entrepreneur must raise capital, the more he or she will likely have to give up in ownership to secure that financing.
- Entrepreneurs apparently see the benefits of self-sufficiency; tapping their personal savings and using creative, low-cost start-up methods, a technique known as **bootstrapping**, is one of the most common sources of funds used to start a business

Friends and Family Members

- The second place most entrepreneurs look is to friends and family members who might be willing to invest in (or lend to) a business venture.
- Because of their relationships with the founder, these people are most likely to invest.
- Often they are more patient than other outside investors and are less meddlesome in a business's affairs (but not always!) than many other types of investors.

Crowd Funding

group

- Crowdfunding taps the power of the Internet and social networking and allows entrepreneurs to post their elevator pitches and proposed investment terms on specialized Web sites and raise money from ordinary people who invest as little as $100.
- Crowdfunding primarily has been used to help raise money to support social causes, help fund aspiring artists, or support local small business start-ups. The money received from crowdfunding had to be considered a contribution or a donation, rather than an investment

Accelerators

- Programs, often sponsored by communities and universities, that provide a small amount of seed capital and a wealth of additional support for start-up companies.
- Accelerators offer a structured program that lasts from three months to one year.
- A select group of entrepreneurs, typically 10 to 20, are invited to participate as a group in an accelerator program.
- It provides entrepreneurs with about $15,000 to $25,000 in seed capital, gives them temporary space to work on their business and their elevator pitch, and connects them with a team of mentors who each get a small share of equity in the business in return for their guidance.

Angels

- After dipping into their own pockets and convincing friends and relatives to invest in their business ventures, many entrepreneurs still find themselves short of the seed capital they need.
- Frequently, the next stop on the road to business financing is private investors.
- These **private investors (angels) are wealthy individuals, often entrepreneurs themselves, who are accredited** investors and choose to invest their own money in business start-ups in exchange for equity stakes in the companies.
- Angel investors have provided much-needed capital to entrepreneurs for many years.

Venture Capital Companies

- **Venture capital companies are private, for-profit organizations that assemble pools of capital** and then use them to purchase equity positions in young businesses they believe have high growth and high-profit potential, producing annual returns of 300 to 500 percent within five to seven years.

The Business Funnel PlAN

Corporate Venture Capital

- Large corporations have gotten into the business of financing small companies and invest in businesses for both strategic and financial reasons.
- More than 300 large corporations across the globe, including Google, BMW, Comcast, Amazon, Qualcomm, Intel, General Electric, Dow Chemical, Cisco Systems, UPS, Wal-Mart, Unilever, and Johnson & Johnson, invest in small companies, usually companies that are in the later stage of growth and because of their maturity are less risky.

Public Stock Sale ("Going Public")

- In some cases, companies can "go public" by selling shares of stock to outside investors.
- In an **initial public offering (IPO), a company raises capital by selling shares of its stock to the general** public for the first time.
- An IPO is an effective method of raising large amounts of capital, but it can be an expensive and time-consuming process filled with regulatory nightmares.
- Once a company makes an IPO, *nothing will ever be the same again. Managers must consider the impact* of their decisions not only on the company and its employees but also on shareholders and the value of their stock.

Lease Financing

- A lease is a contractual agreement whereby one party i.e., the owner of an asset grants the other party the right to use the asset in return for a periodic payment.
- In other words it is a renting of an asset for some specified period. The owner of the assets is called the 'lessor' while the party that uses the assets is known as the 'lessee'.
- The lessee pays a fixed periodic amount called lease rental to the lessor for the use of the asset.

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Ownership

- It determines the authority and responsibility of the owners
- The legal form of business ownership is called the form of business ownership.
- The other parties recognize an enterprise and its existence through its form.
- Choosing the appropriate form for any entrepreneurial activity is very crucial as the success of enterprise depend on the selection of form of business ownership.
- The form of business ownership defines the rights and liabilities of entrepreneur(s), control, life span, and financial structure, etc.

Determinants of choice of form of business ownership

- i) Nature of entrepreneurial activity
- ii) Size of business
- iii) Degree of control expected by entrepreneur
- iv) Requirement of finance or capital
- v) Legal formalities
- vi) Ease of formation
- vii) Extent of liability of entrepreneur
- viii) Stability of business
- ix) Secrecy of business information
- x) Winding-up formalities

Business Ownership

- Non-corporate forms
- Corporate Forms

Forms of Business Ownerships

I) Sole Proprietorship or Sole Trade

ii) Joint Hindu Family Business/Firm

iii) Partnership Firm

iv) Limited Liability Partnership (LLP)

v) Joint Stock Company (Public and Private)

vi) One Person Company

vii) Cooperative Society/Enterprises

Business Ownership

Non-corporate forms

- Sole Trade
- Joint Hindu Family Business
- Partnership Firm

Corporate Forms

- LLP
- Joint Stock Company
- One Person Company
- Cooperative Society

Intellectual Property Rights(IPRs)

- **Intellectual Property Rights (IPRs)** are legal rights that protect creations and/or inventions resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

Why Is IPR Important for Entrepreneurs?

- It encourages creation of new, path-breaking inventions
- It incentivises inventors, authors, creators, etc., for their work
- It allows the work created by a person to be distributed and communicated to the public only with his/her permission
- Therefore, it helps in the prevention of loss of income.
- It helps authors, creators, developers and owners to get recognition for their works

Important legislations for the protection of intellectual property rights in India

- Trade Mark Act 1999
- The Geographical Indications of Goods (Registration and Protection) Act 1999
- Designs Act 2000
- The Patents Act 2005
- The Copyright (Amendment) Act 2012.
- Protection of Plant Varieties and Farmers' Rights Act 2001

Important Contributions of MSME

- The contribution of these industries to the balanced regional development of our country is noteworthy. Small industries in India account for 95 per cent of the industrial units in the country.
- MSME are the second largest employers of human resources, after agriculture.
- MSME in our country supply an enormous variety of products which include mass consumption goods, readymade garments, hosiery goods, stationery items, soaps and detergents, domestic utensils, leather, plastic and rubber goods, processed foods and vegetables, wood and steel furniture, paints, varnishes, safety matches, etc.
- MSME which produce simple products using simple technologies and depend on locally available resources both material and labour can be set up anywhere in the country.

Important Contributions of MSME

- MSME provide ample opportunity for entrepreneurship
- MSME also enjoy the advantage of low cost of production.
- Due to the small size of the organisations, quick and timely decisions can be taken without consulting many people as it happens in large sized organisations.

Summary

- Entrepreneurship may be defined as a systematic innovation which consists of the purposeful and organised search for changes, and a systematic analysis of the opportunities that such change might offer for economic and social transformation.

Suggested Books & References

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Thank you