

READING MATERIAL

Title of the Programme: BBA

Title of the Course: Entrepreneurship Development

Unit I: Entrepreneurial Management

Topic I: Introduction to Entrepreneurship and Its Evolution

Objectives

After going through this Topic, you should be able to understand:

- How to define entrepreneurship?
- How entrepreneurship may affect you?
- Evolution of entrepreneurship
- What John Kao's Model of Entrepreneurship says?
- Entrepreneurship as a Profession now

Structure

- 1.1 Introduction
- 1.2 Concepts of Entrepreneurship
- 1.3 Evolution of Entrepreneurship
- 1.4 Jon Kao's Model of Evolution of entrepreneurship
- 1.5 Entrepreneurship as a profession
- 1.6 Summary
- 1.7 Further Readings

Dear Friends,

I am Prof. W. C. Singh from the Manipur Institute of Management Studies, Manipur University, Imphal. I am here with Dr. Nilam Panchal. Hi, (This is Dr. Nilam Panchal, Associate Professor, B.K. school of Professional and Management Studies, Gujarat. This afternoon we will be discussing on the Subject Entrepreneurial Development. This is one of the subjects offered in the Bachelor of Business Administration Programme). Prof Singh, why do you feel this paper relevant to the Bachelor of Business Administration programme?

Well, Entrepreneurship or Entrepreneurial Development has become one of very important course offered these days in the management programme in the Undergraduate as well

as Post graduate levels. Besides, studying only in the management programmes, this course, Entrepreneurship/Entrepreneurial Development has been taught in the engineering and other streams of studies too. You see, as population is increasing demand for consumption of goods and services are increasing day by day. On the other hand, economic position of the general public is becoming better day by day but yes of course slowly and slowly. This leads to increase the consumption levels. If you look at the other side of the coin, the unemployment level is also quite huge in our country or otherwise. All these factors lead to, as per my understanding, taking up the entrepreneurial activities. Today, large number of educated people, more interesting the young population, are considering entrepreneurship as one of the best career options

Yeah, Prof. Singh, if it is so, then what are the basic areas the students should learn from this course “Entrepreneurial Development”. Well Prof. Nilam, its good things, you have asked me about it. In fact, the course should include at least few key areas:

Firstly, the knowledge of What Entrepreneurship is all about, its evolution, present day relevance of Entrepreneurship Development as a very important subject not only in Management as well as other streams of studies, Types of ownership of the Business, or enterprise, Different ways of entering into entrepreneurship activities, financing such ventures, Importance of team and leadership etc can be very important component of knowledge for the students and readers.

Secondly, issues related to Creativity, Innovation, and their role in the success of entrepreneurial ventures can be identified and discussed.

Thirdly, the emerging issues in the areas of entrepreneurship are all about the Social entrepreneurship where the whole world is talking about it on today’s time. It may include the areas of innovation, start-ups, NGOs, Risk and returns, Strategies, Scale up, survival and qualities and attributes of such entrepreneurs.

Prof. Nilam, I also think that the areas of family business and entrepreneurship will be another very important part of the study of Entrepreneurial Development to the Undergraduate Programme students of Management. This part may include topics like: Culture, Evolution, Conflicts, Leadership, Continuity of family business, and its contribution in the economy at large. These parts will be good addition to the knowledge for the students.

Besides, no enterprise can be in operation on a sustainable manner without MONEY, so, I hope, the subject, should include Financing of the entrepreneurial Businesses; sources and well

management of finance. I hope, this much will be of great input for a student of Undergraduate course.

Prof. Nilam, if you have any other idea besides this then it would be quite interesting. Please.

Well, Prof. Singh, you have highlighted almost in detail. But, in short, the study of this course will provide the students solid introduction of Entrepreneurial process of creating new businesses, role of creativity and innovation in Entrepreneurial start-ups, managing family own businesses. It also will address the context of social entrepreneurship, and yes of course, practices of financing entrepreneurial businesses.

Yeah, Prof. Nilam, that is very right.

Why not we start, as we have time too, discussing on the introductory part of the course now. What do you say, Prof. Nilam? Yeah Prof. Singh, we can do that. Then, I (WCS) request you to explain on the way, entrepreneurship is defined and how important it is.

1.1 INTRODUCTION

As we have begun in the new millennium the ideas, talents, skills, and knowledge to promote the young people all around the world are well evident. The young population today is much more aware of the global perspectives and their knowledge and sense of competition are much higher compare to the past. A change from the olden day concept of confining economic activities only to the mature and established business people has become a reality. Youth today are well suited for taking up entrepreneurial activities. Just to exploit such global change of the economic scenario, entrepreneurship development as a course for study has become essential.

Entrepreneurship development is the process of improving the skills and knowledge of entrepreneurs through various training and classroom programs specially designed to increase the entrepreneurial acumen. In another way, it can be said that the Entrepreneurship Development is the process of enhancing the capacity to develop, manage and organize a business venture while keeping in mind the risks associated with it. In simple terms, the process of entrepreneurship development is nothing but helping the entrepreneurs develop their skills through various means – classroom teaching learning process, training, application of training inputs, imbibing various other

requisite qualities and attributes necessary for making better decisions in the day to day business activities.

1.2 CONCEPTS AND DEFINITION OF ENTREPRENEURSHIP

There have been many definitions of entrepreneurship propounded by different writers, thinkers, and practicing entrepreneurs. But trying to define entrepreneurship may be fruitless because the term is too vague and imprecise to be useful (M. Low, and J. MacMillan, 1988). According to Johnson, Entrepreneurship in its narrowest sense involves capturing ideas, converting them into products or services and then building a venture to take the product to market. The key elements of entrepreneurship include risk taking, pro-activity and innovation. However, Slevin and Covin have argued that these elements are not sufficient to ensure organisational success. They maintained that a successful firm not only engages in entrepreneurial managerial behaviour but also has the appropriate culture and organisational structure to support each behaviour.

According to Kuratko & Hodgetts, “Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks- in terms of time, equity, or career: the ability to formulate an effective venture team; the creative skill to Marshall needed resources: and fundamental skill of building solid business plan: and finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion.”

According to Frank H. Knight and Peter Drucker, “Entrepreneurship is about taking risks and the behaviour of the entrepreneur reflects a kind of person who wishes to put his career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture.”

According to D.C. McClelland, “Entrepreneurship is doing things in a better way and decision-making under the condition of uncertainty.”

In the view of Harvard School, “Entrepreneurship consists of any earnest activity that starts, maintains, or develops a profit-oriented business in interaction with internal situation of the business and with the external situations such as economic, social, and political situations surrounding the business.”

If we examine the common elements of the definitions on entrepreneurship, we might find few characteristics: 1) Risk taking 2) bringing innovation, 3) generating employment, 4) Resource mobilization and gathering. It means entrepreneurship is all about the creation of innovative economic organisation(s) for the purpose of gain or growth under condition of risk and uncertainty.

1.3 SIGNIFICANCE OF ENTREPRENEURSHIP

Entrepreneurship plays significant role in the economic development of a nation. Entrepreneurs set up enterprises and generate employment, produces goods and services, sale good and services to markets, generate revenues and earn profit. Through all these activities the socio-economic position of the country is improved. The significance of entrepreneurship is also be highlighted in details:

- Raises productivity through technical and other forms of innovations
- Generate employment opportunities by establishing new enterprises
- Facilitate the transfer of new technologies
- Plays important role in commercializing new inventions and products
- Facilitate the proper utilization of resources
- Improves standard of living
- Plays a significant role in transforming the economy
- Creates new markets and facilities
- Enhances social and economic progress
- Boost the confidence of the general masses

1.4 Theories of entrepreneurship

There are different theories of entrepreneurship based on the assumptions of various management experts. In the words of Gartner, “we in the field of entrepreneurship are unaware of the assumptions that we make in our theoretical perspectives.” However, different theoretical assumptions of entrepreneurship focus on three major aspects of entrepreneurship. These three aspects are nature of opportunities, the nature of entrepreneurs, and the nature of decision making framework within which an entrepreneur functions. These three aspects give rise to two

logical, consistent theories of entrepreneurship, namely, discovery theory and creative theory, which are explained as follows:

- Discovery theory: it is related to the Individual/Opportunity nexus view, which lays emphasis on the identification, existence, and explanation of opportunities and their influence of individuals. The individuals and opportunities have influence on each other. For example, an opportunity comes into existence only when an individual identifies it, simultaneously an individual takes up the entrepreneurial activity because of the existing opportunity. This is based on three basic assumptions:
 - Assume that opportunities have an objective component and their existence does not depend on whether the individual identifies these opportunities or not.
 - Assume that every individual is different from others. Therefore, different individual has different ability of recognizing opportunities. In addition, according to the discovery theory, individuals are always alert to the existing opportunities and this alertness is not a deliberate search, but the constant scanning of environment by individuals.
 - Assume that risk bearing is an essential part of the entrepreneurial process. The first and second assumptions of the discovery theory also support the risk bearing conditions of entrepreneurship. As per these two assumptions, individuals can only discover and avail opportunities, but cannot create opportunities. They apply a unique combination of resources, means they do things differently to bring innovation. As there is no certainty about the success of discovered opportunity, entrepreneurs bears risks by availing opportunity on the estimated probability of its success.
- Creation theory: It focuses on entrepreneurs and the criteria of enterprises. Similar to Individual/Opportunity nexus, the creation theory also approaches three assumptions in entrepreneurship. These assumptions are:
 - Assume that opportunities are subjective in nature. It says that the opportunities are created through a series of decisions to exploit a

potential opportunity. It means, opportunity do not have any existence without the actions of entrepreneurs.

- Assume that opportunities are not recognized by individuals, but created by them. In the creation theory, entrepreneurship does not require differences in individuals, but differences in their decision making under uncertainty. According to creation theory, an entrepreneur is someone, who organizes resources after evaluating the value of probable outcomes.
- Assume that individuals bear uncertainty not risk. The creation theory suggests that entrepreneurs create opportunities and act on them after estimating the probability of their success. Thus bear uncertainty not risk.

Thus, the creative theory suggests that opportunities are subjective, individuals are ordinary, and entrepreneurs are uncertainty bearer.

1.5 JOHN KAO'S MODEL OF EVOLUTION OF ENTREPRENEURSHIP

John Kao thinks you need to play on the job. "When people use the word *play* in a business context, it sounds kind of frivolous, but being playful is very much the source of new ideas," says Kao, author of *Innovation Nation* and chairman of the global Institute for Large Scale Innovation.

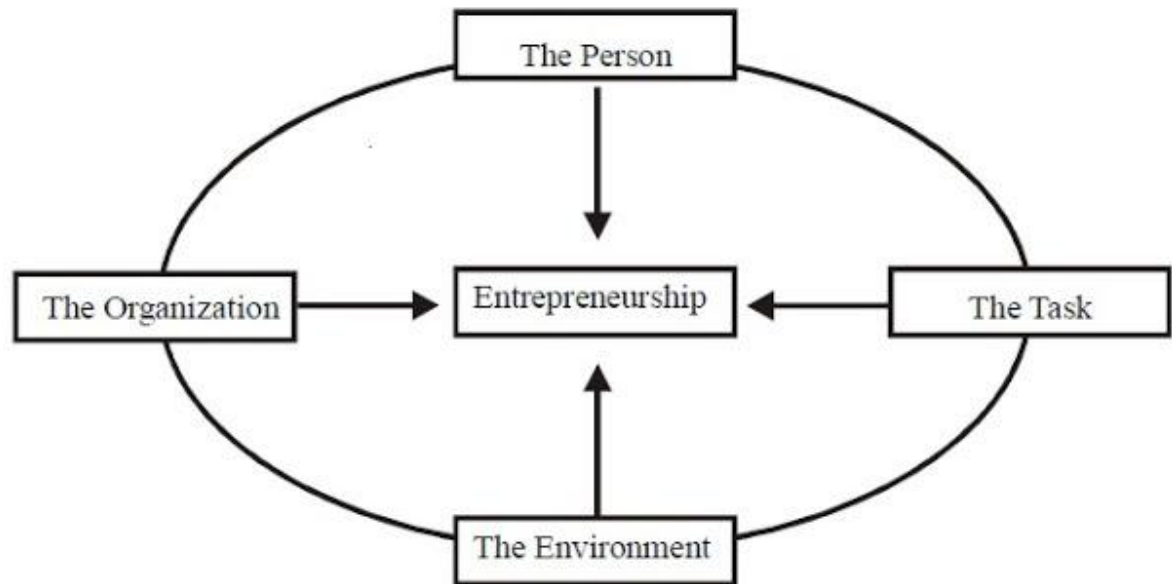


Figure 1.2 : A Conceptual Model of Entrepreneurship

John Kao has developed a conceptual model of entrepreneurship in his article: Entrepreneurship, creativity and organisation in 1989. This model has four main aspects:

- Entrepreneurial Personality: The overall success of a new venture largely depends upon the skill, qualities, traits and determination of the entrepreneur.
- Entrepreneurial Task: It is a role played by entrepreneur in an enterprise. Major task of the entrepreneur is to recognize and exploit opportunities.
- Entrepreneurial Environment: It involves the availability of resources, infrastructure, competitive pressures, social values, rules and regulations, stage of technology etc.
- Organisational Context: It is the immediate setting in which creative and entrepreneurial work takes place. It involves the structure, rules, policies, culture, human resource system, communication system.

According to Kao, the most successful entrepreneur is one who adapts himself to the changing needs of the environment and makes it hospitable for the growth of his business enterprise. This ECO (Entrepreneurship, creativity and organization) analysis framework developed and conceptualized by John J. Kao contributes a great deal to the emergence as well as sustenance of entrepreneurship and entrepreneurial talent in the prevailing business environment.

1.6 MODELS OF ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship helps in generating employment opportunities, earning foreign exchange, increasing the total income of a country. The development of entrepreneurship requires proper attention and supervision by the entrepreneurs. It can be performed efficiently by using various models. Schumpeter was the first who introduced the dynamic model of entrepreneurship. Some of the models suggested by scholars for entrepreneurship development can be shown as follows

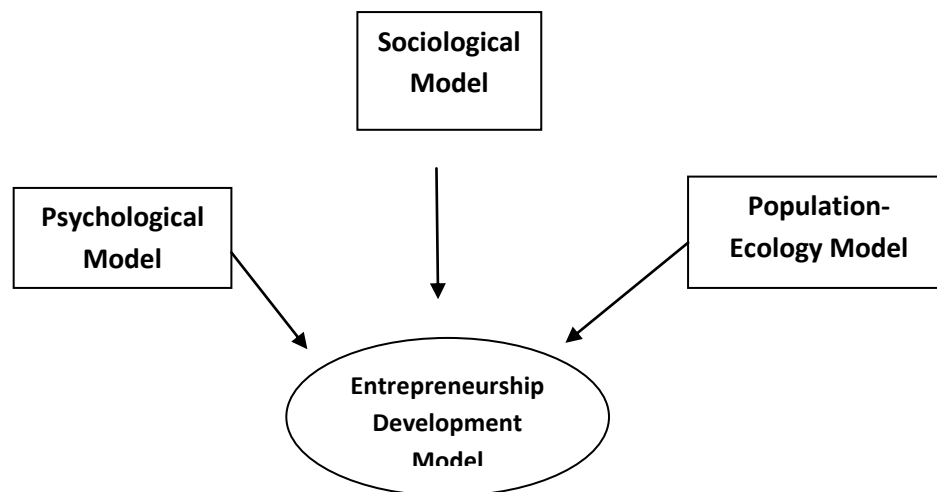


Fig. 1: Entrepreneurship Development Model

The three types of model as shown above are discussed as follows:

- **Psychological Model:** It says that the psychological factors are responsible for the development of entrepreneurial behaviour in an individual. Need for achievement as

propounded by McClelland may be described as the internal stimulus in an individual that incite him/her achieve something. According to McClelland and D.G. Winter, need for achievement is the prime factor for entrepreneurship development. Another psychosocial model was also given by Everett Hagen in 1962. In this model, he referred economic variables to a minor role and put an emphasis on creative personality as an important factor in developing entrepreneurial behaviour. In recent time, several other psychological approaches to entrepreneurship have been suggested. For example, Bird in 1989 examined entrepreneurial behaviour of individuals by observing their work, family background, personal values and motivational level.

- **Sociological Model:** This model talks about the factors responsible for the development of entrepreneurial behaviour in individuals. The scholars in the field of entrepreneurship also emphasized that the Socio cultural history has accounted for the development of entrepreneurship and its performance. Different societies with differing interest, attitudes, and system of arranging people in to different classes are likely to produce different kinds of entrepreneurs and different patterns of entrepreneurial behaviour.
- **Population-Ecology Model:** Hannan and Freeman developed this model in 1977 to analyse the concept of entrepreneurship. The model considers environment as the important determinant for the survival of the enterprise rather than individuals with status and personality traits. It also emphasizes on the presence, characteristics, composition, and change in population or in ecological circumstances in a particular society for developing entrepreneurial activity.

1.7 ENTREPRENEURSHIP AS A PROFESSION

Entrepreneurship is a profession. It is indeed a serious topic of study that takes training and years of experience to perfect. There will, of course, always be gifted individuals who make exceptional entrepreneurs without failing even once. But that is true in any profession. Drucker (1985) claimed that entrepreneurship is a discipline and can be learned. We reason that if

entrepreneurship is a profession or discipline then basic entrepreneurial skills can be learned in school and enhanced with real-world experience as a practicing entrepreneur.

Being an entrepreneur need to possess large of attributes and without those qualities it becomes difficult. Some of the important qualities are: self confidence, locus of control, propensity to take risk, tolerance to ambiguity, innovativeness, ability to see the opportunities etc. In fact, entrepreneurial behaviour is a constellation of functions, activities, and actions involved in the perception of opportunities and creation of enterprises. Building these qualities now-a-day demands a systematic study and practice.

Besides, being an entrepreneur has large number of benefits as well as risks. Entrepreneurs are the people who really contribute in building the nations and economies of the world.

1.8 SUMMARY

From this session we have understood the reasons for studying the subject “Entrepreneurship development”. We have learned in this session, the concept of entrepreneurship and its importance in the economic development of the country. It further explained the theories of entrepreneurship, model of evolution of Entrepreneurship, model of entrepreneurship development, and whether we can termed entrepreneurship as a profession or not.

1.9 FURTHER READINGS

- *Entrepreneurship*, Alpan Trehan, Dreamtech Management Textbooks, New Delhi
- *Essentials of Entrepreneurship and Small Business Management*, Thomas W Z, Norman M S, PHI, New Delhi
- *Role and challenges of Entrepreneurship Development*, (Ed) B Janakiram, PV Raveendra, VK Srirama, Excel Books, New Delhi
- *Entrepreneurship Strategies and Resources*, Marc J. Dollinger, Pearson Education, New Delhi

Script 12 revised

Topic: Roles of an Entrepreneur

Introduction

Hi Friends, I am Professor W C Singh from the Manipur Institute of Management Studies, Manipur University. Today I am going to discuss with you on the topic: **ROLE OF AN ENTREPRENEUR.**

Well, Entrepreneurs play various roles in the socio economic development of a nation. It is a known fact to all. Today, everybody is focussing on entrepreneurship development and of late people realised the roles entrepreneurs play in the society.

After attending this session, you will be able to understand:

- The entrepreneurial eco-system
- Various functions of Entrepreneur
- Roles of entrepreneur in bringing overall development in society
- Challenges of the entrepreneurs in playing various roles

The session is structured to focus on

- 1.1 Entrepreneurial Eco-system
- 1.2 Role and Responsibility of an Entrepreneur in Contemplating and Supplementing Economic Growth
- 1.3 Role of Entrepreneurs in Generation of Employment Opportunities
- 1.4 Role of Entrepreneurs in Infrastructural Development
- 1.5 Role and Responsibility of an Entrepreneur in Bringing about Social Stability and Balanced Regional Development of Industries
- 1.6 Role of Entrepreneur in Export Promotion, Import Substitution and FOREX Earnings
- 1.7 Other roles and responsibility of entrepreneur
- 1.8 Challenges of the Role of Entrepreneurship in Social Development
- 1.9 Summary
- 1.10 Further Reading

Friends, let us not discuss one after another all these points for better understanding. Firstly, the

Entrepreneurial Ecosystem

Well, noticing the importance of entrepreneurs and their roles, most of the western countries maintain a favourable eco-system for entrepreneurial development. In fact, entrepreneurs are prime movers of innovation and this dynamic force must be channelized properly. Indeed, they are people who perceive business opportunities and convert it into a viable business plan culminating into a business venture. The entrepreneurs, ultimately, contribute to employment creation, technological upgradation, improvement in quality of production, import substitution besides supply of goods at a reasonable price to the customers.

Generally, entrepreneurs occupy a central position in a market economy. For it's the entrepreneurs who serve as the spark plug in the economy's engine, activating and stimulating all economic activities. The economic success of nations worldwide is the result of encouraging and rewarding the entrepreneurial instinct. Thus it may be said that a society is prosperous only to the degree to which it rewards and encourages entrepreneurial activities because it is the entrepreneurs and their activities that are the most critical determinant of the level of success, prosperity, growth and opportunity in any economy. The most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities.

Friends, the success of the entrepreneurs largely thus depend on the factors related to the eco-system.



Figure 1: Entrepreneurial Ecosystem as described by World Economic Forum (Mazzarol 2014)

Well, according to Mazzarol, 2014, the entrepreneurial ecosystem consists of Government policies, Regulatory framework & infrastructure, Funding & Finance, Culture, Mentors, Advisors & Support Systems, university as Catalysts, Education & Training, Human Capital & Workforce, and Local & Global Market. The role of entrepreneur is varied towards all these stakeholders. Thus, the role and responsibilities of entrepreneurs in a developing economy like India cannot be undermined.

All these players in the entrepreneurial eco-system decide the success or failure of the entrepreneur in any location. However, the will of the entrepreneur itself is a determining factor largely in the success of any entrepreneurial venture.

So, friends, we shall now discuss roles of the entrepreneurs in detail. At the first place, let us focus on

1.3 Role and Responsibility of an Entrepreneur in Contemplating and Supplementing Economic Growth

Friends, a country can attain economic development only when there is more amounts of investment and production. Entrepreneurs help in channelizing their savings and the savings of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources. By establishing the business entity, entrepreneurs invest their own resources and attract capital from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.

In fact, as investment takes place to and fro the new enterprise, capital is accumulated. This serves as the basis for future entrepreneurship and investment. The capital accumulated in one sector can be re-allocated to capital-deficient areas to kick-start entrepreneurship and development in those areas. Thus, the entrepreneurial process promotes capital accumulation for economic take-off. They aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.

While talking about **Role and Responsibility of an Entrepreneur in Contemplating and Supplementing Economic Growth**, we can identify few key indicators for it. These indicators include

1. Increase in per capita income

Well, economic growth may be measured in terms of a sustained increase in real per capita income over a period of time. Entrepreneur plays a crucial role for the creation of new small enterprises that energize the economic structure. Entrepreneurs help to increase the per capita income of the country in various ways and facilitate development of backward areas and weaker sections of the society by identifying and establishing profitable business ventures.

2. Improvement in physical quality of life

In this case, entrepreneurs supplement the economic growth in enhancing the physical quality of life. This implies increase in life expectancy and literacy level. It means, establishment of enterprise leads to increase in employment avenues both directly and indirectly. Consequently, poverty reduction is achieved and per capita income grows. This results in improving the physical quality of life which is an indicator of economic growth.

3. Economic independence

Friends, entrepreneurship helps the country in achieving economic independence. In other words, national self-reliance can be ensured due to the growth of entrepreneurship. In augmenting the indigenous technologies and their uses in massive way in small scale enterprises, dependence on foreign technologies can be avoided. Entrepreneurs can also export their goods and commodities and thereby earn the scarce foreign exchange for the country. Hence entrepreneurs act as the agents of economic growth.

4. Backward and forward linkages

Again, entrepreneurship seeks to fill the gap in production and or marketing and distribution of goods and services. Thus, the emergence of small and medium scale enterprises to fill the production and marketing gaps helps create backward and forward linkages between the various sectors of the economy. For instance, new enterprises that process agricultural produce into semi-finished goods become effective forward linkages to the agricultural sector. New enterprises that introduce new planting methods and seedlings as well as mechanisation to the agricultural sector will prove to be effective backward linkages to the sector. While the former set of enterprises forms the backward linkage, the latter set of enterprises form the forward linkage to the industrial sector. Strengthening these linkages will ensure rapid development of both sectors with growth implications for the entire economy.

5. Innovation

Besides, the points we discussed now, another key component of being an entrepreneur is innovation. An entrepreneur is basically an innovator seeking new combinations of means of production. As an innovator, an entrepreneur can exploit the potentially profitable business opportunities (Schumpeter...). Without innovation the definition of entrepreneurship feels incomplete. According to J.A. Schumpeter, an entrepreneur is basically an entrepreneur who shows new and better way of doing things. In doing so they take risk, confront the problems and tries to solve them for their benefit and the society at large.

Friends, entrepreneur is the one who initiates the process of creating an enterprise by converting an idea into a reality. He being the owner of the enterprise is the biggest risk taker. He is the one who finds the capital to back up his idea and also the person who is accountable in the face of the failure of that particular idea. It is also one of the most important roles of entrepreneurs to reduce the risk of an enterprise failure by bringing in people that can help the organization grow. These people can be shareholders or investors that have a stake in the company and therefore are motivated to help the company succeed. As an innovator,

entrepreneur bring about new combinations in terms of introduction of new products, introduction of new techniques of production, creation of new market, conquest of new source of supply of raw materials and even creation of monopoly market.

Friends, we have now discussed well on one of the most important aspect of an entrepreneur that is Role and Responsibility of an Entrepreneur in Contemplating and Supplementing Economic Growth.

The second very important aspect on the roles of entrepreneur is with relation to employment opportunities and employment generation. So, lets see on

1.4 Role of entrepreneurs in generation of employment opportunities

Well, entrepreneurs are by nature and also by definition job creators, as opposed to job seekers. One simple translation is that when one becomes an entrepreneur, there is one less job seeker in the economy, and above it the entrepreneurs provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as “StartupIndia” to promote and support new startups, and also others like the “Make in India” initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates lot of job opportunities by establishing micro, small and medium scale enterprises. They are also helping in augmenting our standards to the global level.

Entrepreneurship generates employment opportunities first for the entrepreneur and for others involved in the entrepreneurial business (Mohanty, 2005). In most developing economies where unemployment rate is high, opting to become an entrepreneur could take one out of the jobless category. When the enterprise is established, additional jobless people could also be employed. In this vein, the role of small-scale and rural entrepreneurs in reducing unemployment in both urban and rural communities becomes crucial for socio-economic development. Opening of employment opportunities reduces social vices such as prostitution, armed-robbery, ritual murder, fraud and so on. This therefore helps in maintaining peace in the society. Entrepreneurs employ labours to manage their business activities and provide employment opportunities to a large number of people. They reduce unemployment problem and utilises the surplus labour force in industrial activities.

Friends, the third important role entrepreneur plays is with relation to infrastructure development. So, let us understand now

1.5 Role of Entrepreneurs in Infrastructural Development

Well, to achieve the purpose of the entrepreneurial process, infrastructural facilities are constructed to provide the environment conducive for the attainment of the entrepreneurial goals. Investment decisions are made concerning the development of economic, social, industrial, tourism, and financial infrastructures. These form part of the supply and demand side investments required by the entrepreneurial process. The infrastructural development can be in the form of

- 1. Economic infrastructure:** Entrepreneurship helps in the development of economic infrastructure. Usually, the nature of economic infrastructure necessitates that it is provided by the social entrepreneur. The social entrepreneur may decide to engage in the construction of economic infrastructure in order to facilitate the growth of the economy or by way of removing bottlenecks along the supply and demand chains.
- 2. Industrial infrastructure:** Entrepreneurial process also encourages the development of industrial infrastructure. The product-development process necessitates that industrial organisations are established for mass or commercial production to take place. For profit-making ventures, the corporate and individual entrepreneurship play a significant role in the development of industrial infrastructure. In the case of non-profit-making enterprises, the social and corporate entrepreneurs are the core engagers.
- 3. Tourism infrastructure:** This form of infrastructure is developed through the entrepreneurial process purely to enhance the aesthetic beauty of the environment. The development of tourism infrastructure is carried out by any of the three entrepreneurship personalities.
- 4. Financial infrastructure:** The financial infrastructure is developed through the entrepreneurial process principally in relation to the financial needs of the entrepreneur. Indeed, finding new methods of mobilising resources from surplus-spending units and allocating them to deficit-spending units in the economy is in itself financial entrepreneurship. Thus, a financial entrepreneur who may be social, corporate or individual can construct financial infrastructure which serves as not only as investment conduit but also as an enterprise.
- 5. Social infrastructure:** Social infrastructure such as health and education infrastructure is also developed through the entrepreneurial process. Besides the governments, they are mostly developed by the social entrepreneur because of their public good nature. However, some amount of social infrastructure is provided through corporate and individual entrepreneurship.

Well, all the above five types of infrastructures are vital for entrepreneurial development. Entrepreneurs themselves are basically helping in building it.

Friends, the fourth role, the entrepreneurs play is basically the

1.6 Role of Bringing about Social Stability and Balanced Regional Development of Industries

Well friends, entrepreneurs, by setting up new businesses and locating the industrial units in less developed and backward areas help bring regional development. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Entrepreneurs, as a catalyst of change, try to bring about social stability in the following ways:

1. Economic Integration

Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and helps bring equitable distribution of income. They help in removing the disparity between the rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.

2. Mobilization of Local Resources

Entrepreneurs help to mobilize and utilize local resources like small savings and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.

3. Balanced Regional Development

Government promotes decentralized development of industries as most of the incentives are granted for establishing industries in backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas. They help to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. They also remove regional disparities and bring balanced regional development.

4. Alleviation of poverty

Entrepreneurial process that opens employment opportunities and enhances income generation will help reduce the level of poverty in the society. Generally, poverty-stricken households and communities tend to break the poverty cycle if they engage in entrepreneurial activities. Such households and communities do not only break the shackles of poverty but they quickly position themselves in the class of the wealthy and the famous.

5. Equitable distribution of national wealth

Emergence of entrepreneurial businesses helps in redistribution of national income. Since entrepreneurial process results in new enterprises producing new goods and services, it tends to encourage reallocation of resources from traditional sources to non-traditional sources. In societies where income distribution is skewed towards a few rich people, emergence of small-scale entrepreneurs is likely to result in establishment of small- and medium-scale enterprises that will have a share in national income, hence, redistribution of income.

6. Creating Investment Opportunities:

Entrepreneurship generates investment opportunities both at the demand and supply sides. Product development requires investment just as marketing and product distribution requires investment. The entrepreneurial process therefore necessitates flow of investment funds. This encourages the establishment of investment financial institutions, venture capital, mutual funds, and corporative associations.

7. Community Development

Economic development doesn't always translate into community development. Community development requires various infrastructural facilities like transport, education, healthcare, skill trainings and other public services available at their disposal. An entrepreneur may need highly educated and skilled workers in a community to start its venture and to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers in a much effective manner. That why the CSR activities are encouraged to bring community development.

Friends, you have seen now seven different roles the entrepreneurs play under the main heading that is on Social Stability and balanced regional development.

Now as a continuation of the roles of the entrepreneurs, we can take up another key component that is

1.7 Role of Entrepreneur in Export Promotion, Import Substitution and FOREX Earnings

Well, after liberalisation, privatisation and globalisation policies of the Indian economy in the early 1990's, it has opened up a vista of export opportunities for entrepreneurs in India. Entrepreneurs have evinced their interest in setting up industries which are export-oriented in nature. They also find it more lucrative to establish industrial units which produce import substitutes as is encouraged by the government. As such, the role of entrepreneur is of fundamental importance as far as export promotion and import substitution is concerned.

Friends, entrepreneurs can explore possibilities in order to promote export for a country in many areas. This may benefit in areas like:

- Minimisation of dependence on imports from abroad
- Exploration of new markets
- Foreign exchange earning
- Lessening the burden of debt servicing
- Harnessing the available resources
- Export of handicraft items
- Meeting balance of payment deficits

Again, Import Substitution implies expansion of domestic production and replacement of imports. The role of entrepreneur in import substitution can be viewed mainly to achieve self-reliance in production of as many goods as possible and to save foreign exchange for import of goods.

In fact, **Foreign Exchange Earnings and Augmenting Local Demand have been one of the key roles the entrepreneurs are playing in our country.**

Friends, besides all the points we have discussed so far we can have few other roles. So, let's see here

1.8 Other Roles of an Entrepreneur

Well friends, Entrepreneur needs to manage the operations of the enterprise in an effective and efficient manner. Therefore we can incorporate the roles of managers as described by Henry Mintzberg, a renowned academician, as the roles of an entrepreneur in managing the enterprises.

In fact, Mintzberg identified ten managerial roles under three major heads like Interpersonal Roles, Informational Roles and the third one is

decisional roles. Under these three heads, there are altogether ten managerial roles. In fact, entrepreneurs play all these roles too besides the other roles as has been discussed so far.

Well, the role of a Figure Head Role

Friends, the entrepreneur being the Head in the organization participate in ceremonial duties, such as representing the organization in formal and informal events or even being the public spokesperson whenever there is a press release, functions and so on. Such roles are identified as role of figure head.

Then, the second one is role of a Leader

The entrepreneur should also act as a leader because an entrepreneur needs to bring people with dissenting views and approaches to work together as a team. So, he needs to be good with his people management and leadership skills. He has to lead the people by hiring, firing, training and motivating his resources as and when necessary.

Then it is role of Liaisoning

The entrepreneur should also be the liaison officer for his organization. He should be the source of link with the outside world and business houses, always trying to find an opportunity of working together with other big organizations.

Now friends, entrepreneurs also play the second category of roles what we called as informational role. Here, Mintzberg identified three roles. They are

Role of Monitor

The entrepreneur acts as a regulatory body too; he monitors both the internal and the external environment of the business constantly based on the information that he received.

Role of Information Provider and Receiver

The entrepreneur should also act as the organizational representative and transmit information internally and externally the organization.

Role of Spokesman

The manager should also act as the spokesman of the business and transmit information internally and externally the organization. He needs to be the source of knowledge about his company to potential investors and collaborators.

Then the third category of role includes:

1. Entrepreneurial Role

This is the basic role of the entrepreneur; he/she declares new ideas for the organizations, brainstorms it with the employees and friends and then bears the risk of any unsuccessful implementation.

2. Disturbance Handler Role

The entrepreneur needs to act as the mediator and bring people with dissenting thoughts to the table and get them motivated to work together. He needs to handle all conflicts and get the team to focus constantly on the goal.

3. Resource Allocator's role

The entrepreneur needs to find out how the available resources can be allocated between different departments of the organization to suit their demands and necessities. This helps them achieve the organizational goals and the objectives.

4. Negotiator's Role

The entrepreneur must negotiate on behalf of the organization both internally with the staff as well as with the external investors or collaborators. At such opportunities, the entrepreneurs need to be more focused on their role of being a 'win-win' deal breaker.

Thus, we have now discussed under this session various roles of an entrepreneur. But playing these roles and performing self as a successful entrepreneur is not an easy task. There are many great challenges the entrepreneurs face.

Let me highlight here some such challenges with greater focus on social development. So, friends, you have now

1.10 Challenges of the Role of Entrepreneurship in Social Development

Even though the Government have come up with some good schemes to help the entrepreneurs e.g Make in India Policy, Startup India Scheme and Standup India scheme etc. But Entrepreneurship and the development of entrepreneurial class always faces myriad of challenges, notable among are:

- **Entrepreneurial culture and ability:** Generally, people are risk-averse and would not like to undertake any venture with risks and uncertainties. From the findings of various researches, even the few who

enter the entrepreneurial business lack the entrepreneurial ability to come out with successful enterprises.

- **Lack of quality entrepreneurship** The small-scale entrepreneurs are mostly those who take entrepreneurship as a job of last resort when they could not get employed in either the formal or informal sector. In other words, most of these entrepreneurs are only interested in getting something that keeps the body and soul together. Once that is achieved, they are satisfied and strive further for nothing. And most of the renowned Startup in India is either started by IITians, IIMsians, from other premier B-schools or premier Engineering Colleges.
- **High level of risk associated with entrepreneurial business:** The Indian socio-politico-economic environment has high levels of risk associated with entrepreneurial process or product-evolution process as a result of macroeconomic instability, political interference and mismanagement, inadequate infrastructural facilities, inadequate information and information asymmetry.
- **Lack of incentives and motivation for people to adopt the entrepreneurial culture** The appropriate platform has not been created for people to see the need to engage in entrepreneurship
- **Lack of collaboration among the entrepreneurial agents:** There is no collaboration between social, corporate and individual entrepreneurs to jointly engage in an enterprise. This may be due to lack of quality entrepreneurs across the spectrum of entrepreneurial agents.
- **Non-conducive regulatory environment:** The regulations that govern establishment of an enterprise impose cumbersome procedures on prospective entrepreneurs. But the situation has improved quite a lot with initiatives taken up the New Government.

In fact, for a successful functioning of the enterprise, we all need to understand all these challenges.

1.9 Summary:

Well friends, in this session we have covered in detailed various roles the entrepreneurs as such play. We talked about the roles starting from economic

growth, infrastructure development, balanced growth and regional development, employment, foreign exchange earnings and above all various roles they play from the perspectives of a manager. We also identified few challenges the entrepreneurs face in building the enterprise and in playing the roles we have specified now.

In fact, the entrepreneurs are one of the vital pillars for a developed nation. No country will grow and develop without the core contribution of the entrepreneurs.

With this note, I would like to conclude the session. I hope you enjoyed this session. Thanking you.

Session : IDEA GENERATION , SCREENING , SELECTION AND MANAGING RESOURCES

INTRODUCTION

Launching entrepreneurial venture starts with generation of ideas. The foremost task of an entrepreneur is the generation of ideas that is new and appears to be worthwhile for further use. This involves a lot of creativity on the part of the entrepreneur. The business idea arises from an opportunity in the market. It originates from real demand for any product or service that an entrepreneur should have a keen and open mind to look for opportunities and generate business ideas. Once the ideas are generated, assessing opportunities, screening amongst them and finalizing the best idea is very important task for entrepreneur. Resource management whether it is financial, human , physical or others occupies a great place in starting a venture. This session would focus upon sources of ideas and screening process, critical factors in starting a venture and determining and acquiring required resources.

OBJECTIVES OF STUDY:

The objectives of the sessions are:

1. To make you understand about the methods and process of generating ideas.
2. To understand sources of ideas ,screening and selection process.
3. To explain you the critical factors of new venture
4. To explain you the process of determining and acquiring required resources i.e. financial, physical and human.
5. To determine the entrepreneurial capital and sources of finance for entrepreneurs.

GENERATION OF IDEAS

Generating ideas is an innovative and creative process. Entrepreneurs need ideas to start and grow their entrepreneurial ventures. Coming up with a best business idea is sometimes, the most difficult aspect of starting a business. Even if you have a general business idea in mind, it usually needs to go through fine-tuning processes. Generally Fruitful ideas often occur at points where your skill set, your hobbies and interests, and your social networks and worthiness of your idea intersect. In other words, the best ideas for a new business are likely to come from activities and people that you already know well. Any good

business ideas could be an invention, a new product or service, or an original idea or solution to everyday problems. A good business idea does not necessarily have to be a unique products or services. Majority of the entrepreneurs credited their accomplishment to the exceptional execution of ordinary ideas. The chances of success therefore will be far greater if you can market a product that is similar to existing offerings, while providing greater value to customers.

The existing idea can also be improved upon in different ways:

- By developing ideas as an extension of an existing product
- By creating an improved service
- By marketing a product at a lower price By adding value to an existing product or service Altering their quality or quantity.
- Introducing automation, simplification, convenience Personal interests or hobbies a many people find ways to turn their hobbies into successful businesses.
- Work experiences, skills, abilities as a business, related to the work you do.
- A familiar or unfamiliar product or service.
- Spot the latest trends.
- Changing the delivery method, packaging, unit size or shape.
- Increasing mobility, access, portability or disposability.

- Simplifying repair, maintenance, replacement or cleaning.
- Changing their colour, material or shape.

A survey of entrepreneurs found that most new start-up companies are involved in industries where they had significant work experience. The personal contacts and domain expertise developed on the job have proven to be valuable to many individuals who contemplated launching a business of their own. 2Anybody who intends to start a business in a new industry are therefore encouraged to firstly become an "apprentice" for a suitable period of time. By doing that, you could avoid costly mistakes and at the same time be able to assess whether you enjoy the work before making a serious financial commitment.

TECHNIQUES FOR GENERATING IDEAS

In general, entrepreneurs identify more ideas than opportunities because many ideas are typically generated to find the best way to capitalise on an opportunity. 3 Several techniques can be used to stimulate and facilitate the generation of new ideas for products, services and businesses.

- (a) Brainstorming- 4This is a process in which a small group of people interact with very little structure, with the goal of producing a large quantity of novel and imaginative ideas. The goal is to create an open, uninhibited

atmosphere that allows members of the group to freewheel ideas. Normally, the leader of the group asks the participants to share their ideas. As group members interact, each idea sparks the thinking of others, and the spawning of ideas becomes contagious.

- (b) Focus Groups 5- These are group of individuals who provide information using a structured format. Normally, a moderator will lead a group of people through an open, in depth discussion. The group members will form comments in open-end in-depth discussion for a new product area that can result in market penetration. This technique is an excellent source for screening ideas and concept.
- (c) Observation - A method that can be used to describe a person or group of people's behaviour by probing: (i What do people/organisations buy? (ii What do they want and cannot buy? (iii What do they buy and don't like? (iv Where do they buy, when and how? (v Why do they buy? (vi What are they buying more of? (vii What else might they need but cannot get?
- (d) Surveys - This method is proposed by Zikmund (1994). This process involves the gathering of data based on communication with a representative sample of individuals. This research technique requires asking people who are called respondents for information either

verbally or by using written questions. Questionnaires or interviews are utilised to collect data on the telephone or face-to-face interview.

- (e) Emerging Trends - The example is based on the population within your area may be getting older and creating demand for new products and services.
- (f) Research and Development - Research is a planned activity aimed at discovering new knowledge, with the hope of developing new or improved products and services. Researching new methods, skills and techniques enable entrepreneurs to enhance their performance and ability to deliver better products and services.
- (g) Tradeshows and association meetings - This can be an excellent way to examine the products of many potential competitors, uncover product trends and identify potential products.
- (h) Other Techniques - This can be achieved by reading relevant trade magazines and browsing through trade directories. These may include local, national and foreign publications.

IDEA ASSESSMENT - You may already have a good idea for your business. What is rare, on the other hand, is the ability to execute an idea and turn it into a profitable business. The ability to take action is far more important than the idea itself. Is there something that has been overly done? Or has it been executed

poorly in the past? Once your idea has been developed, you will need to start dedicating a substantial time for assessment, research, development planning and implementation.

Tasks in Developing Business Ideas For a start, you could pursue the following tasks:

(a Identify the value proposition of your business idea This is to identify and briefly describe the unique value that you may be able to bring to your customers that your competitors cannot.

(b Discuss products/services with prospective customers Would they buy from you, at what price, with what frequency etc.? Why would they prefer your products to the competitors?

(c Find out what they really think a there is a danger that people will tell you what they think you would like to hear. Listen carefully to what is being said; watch carefully for qualifications, hesitations etc. and don't brow beat respondents with your ideas a you are looking for their views.

Assess the market using in-depth market research (i How is the market segmented (by price, location, quality, channel etc.? (ii What segments are you targeting? (iii How large are these segments (in terms of volume and how are they changing? (iv What are the price make up/structures? (v What market share might be available to you bearing in mind your likely prices, location, breath of distribution, levels of promotion etc.?

(d Analyse your competitor (i Who are they and how do they operate? (ii Are they successful and why? (iii How would they react to your arrival? (iv What makes you think that you could beat the competition? (v At whose expense will you gain sales?

(e Consider possible start-up strategies (i Will you be able to work from home or part-time? (ii Will you seek a franchise or set up an in-store concession? (iii Will you start by buying in finished products for resale as a precursor to manufacturing? (iv Will you contract out manufacturing? (v Will you buy an existing business or form an alliance? (vi Could you lease or hire equipment, premises etc. rather than buy? (vii How will you stimulate sales?

(f Set approximate targets and prepare first-cut financial projections Estimate possible sales and costs to get a feel for orders of magnitude and key components and to establish a rough break-even point (that is when your sales might start covering all your costs. 7

(g Prepare a simple action plan Cover the first year of operations to highlight the critical tasks and likely funding needed before the business starts generating a positive cash flow.

This is critical especially if you have to undertake significant product or market development or need to give credit to customers. (h Critically examine ideas from all angles (i Can I raise enough money? (ii Can I get a premises/staff etc.? (iii Will the product work? (iv How will I promote and sell?

Capital Consideration: Financing and Revising Your Business Idea

The financial elements have to be taken into consideration to help you to start up this new idea.

- How much capital/investment money is needed? Where will you go for this kind of financial support?
- How long will you be able to handle the initial losses using your own resources?
- What other resources can contribute to extend your involvement so that you can turn your initial losses into profit?
- How long it might take to develop and execute the business plan so that it will be profitable?
- What kind of profit margin will the business generate?
 - How will you market the realistic but optimistic loss or profit business proposal to investors so that they will want to get involved with your business? You must remember that whether you generate an idea by yourself or in connection with someone in a shared context environment, the questions you answer should still follow the above suggestions to assist you in assessing your financing capabilities and requirement to support your business plan.

CRITICAL FACTORS FOR SELECTING NEW VENTURE

While selecting a business idea, the following points need adequate consideration:

- (i) The business idea should enable the entrepreneur to utilise his technical and professional skills. If an entrepreneur has knowledge of some special manufacturing techniques, because of previous experience or otherwise, it would be easier for the entrepreneur to manage such techniques effectively.
- (ii) It should enable the use of locally available raw materials for product or service. As compared to imported materials/ local materials are easy to procure.
- (iii) It should ensure making products that have a demand, but are not freely available in the market. It is potentially a good idea to start with a product that could be sold.
- (iv) It should enable the entrepreneur to solve a current problem existing in the market. Products may be available in the market but they do not meet the demand fully or in a satisfactory manner. Sometimes, an existing product is used in combination with another, which is not available. Attempts to solve such market problems do give rise to business ideas. 8

Selection of Project Idea

At this stage, all the project ideas are screened on the basis of well defined criteria to eliminate ideas which are not promising and select the best idea. While selecting the idea, these facts should be considered:

- (i) The project should be compatible with the objectives and resources of the entrepreneur. It should also match his capabilities and skills. 9
- (ii) The resources required for the project such as capital requirements, technical know-how, raw materials, power supply etc. must be reasonably assured.
- (iii) The cost structure of the proposed project must enable it to realise reasonable returns on investment. 10
- (iv) The effect of external environmental factors such as technological changes, state of economy, competition, etc. should be considered.
- (v) The project idea should be consistent with the government policies, licensing requirements, environmental regulations, foreign exchange regulations, etc.

CONCLUSION :

Friends, let me conclude the session. In this session we have seen that generating ideas and screening the ideas is very important step for building of the enterprise. This involves a lot of creativity and innovation on the part of the entrepreneur. The business idea originates from real demand for any product or service that an entrepreneur should have a keen and open mind to look for opportunities and generate business ideas. The ability to take action is far more important than the idea itself. While selecting business idea different considerations to be kept in mind. Selecting Best project idea from all the project ideas are screened on the basis of well defined criteria and techniques which will be discussed in the next session which will include discounting and non-discounting technique to check the worthiness of project. We have seen that to eliminate ideas which are not promising and select the best idea is very crucial task depending upon which your business succeed. Through this session, I hope you would be clear with fundamental requirements of generating, assessing and selecting project idea as well as determination and acquisition of resources to start an enterprise. Hope you liked the session. Thank you .

FAQ

Q1: What is Idea generation?

Ans: It is a creative process of generating ideas

Q2: What is Brainstorming?

Ans: This is a process in which a small group of people interact with very little structure, with the goal of producing a large quantity of novel and imaginative ideas.

Q3: What is focus group?

Ans: These are group of individuals who provide information using a structured format. Normally, a moderator will lead a group of people through an open, in depth discussion.

Q4: What is capital consideration?

Ans: Financing and Revising Your Business Idea, where the financial elements have to be taken into consideration to help start up the new idea.

Q5: What are Physical Resources?

Ans: Physical resources of an organization include manufacturing equipment and tools, inventories, production, assembly, storage, and distribution facilities

Q6: What is Shares? State it's types.

Ans: "A share is a fractional part of the capital of the company which forms the basis of ownership and interest of a subscriber in the company."

There are two types of shares widely used by companies.

- (i) Equity Shares
- (ii) Preference Shares

Q7: What is Retained earnings?

Ans: : When company uses the amount of its own Reserves and Surplus for certain period in its own business is popularly known Retained Earning.

Q8: What is debentures and long-term loans?

Ans: A debenture is a medium to long-term debt format that is used by large companies to borrow money.

A form of loan that is paid off over an extended period of time greater than 3 years is termed as a long-term loan.

Q9: What is venture capital?

Ans: Venture capital is the money provided by professionals who invest alongside management in young, rapidly growing companies that have the potential to develop into significant economic contributors

Q10: What is Angel Investment?

Ans: An angel investor is a person who invests in high risky companies typically before those companies have any revenue or profits.