

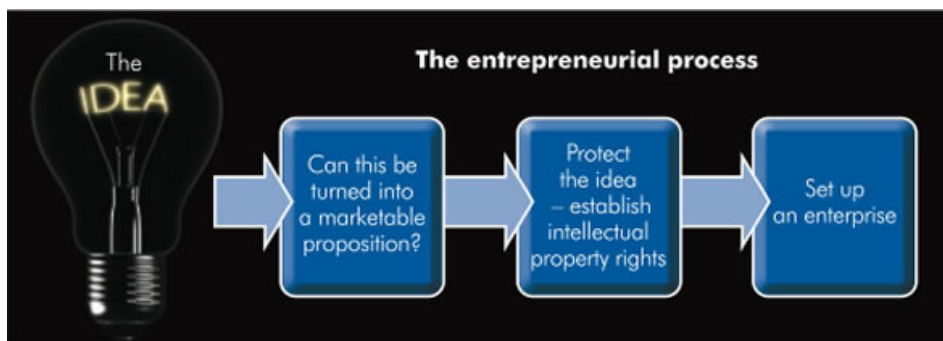
Overview of Entrepreneurship

Topic Covered in Syllabus:

- ❖ Entrepreneurship
- ❖ Definition of entrepreneur
- ❖ The entrepreneurial decision process
- ❖ Role of entrepreneurship in economic development
- ❖ Intrapreneurship
- ❖ Ethics and social responsibility of entrepreneurship

Entrepreneur

An individual who take risk and start something new. An entrepreneur is someone that creates a new business. This can carry a high risk because it requires money to set up a new business without knowing if it will give a return on investment.



Entrepreneurs need to have a good understanding of their markets. They find out what customers want and modify their products in line with market requirements. They also need to have good ideas.

Four basic aspects of Entrepreneur:

1. Creation of a new venture
2. Investing necessary time and effort
3. Accepting associated risks
4. Enjoying resulting rewards.

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

History of Entrepreneur

- ❖ **Earliest Period:** Entrepreneur acted as **go-between**. The entrepreneur would enter into a contract with the producer or capitalist to sell the products. The trader (go between) would take the role in trading bearing all the physical, financial and emotional risks. Once the goods are sold, the capitalist would take upto 75% of the profits and the trader would settle for remaining 25% of profits.
- ❖ **Middle Ages:** During this period, the entrepreneur meant a person **who managed large production projects and took active role in selling**. As a manager of production project, entrepreneur did not take any risks but merely managed the project using the resources provided by the capitalist.
- ❖ **1^{7th} Century:** During this period, the **entrepreneur entered into the agreements with government to perform a service or supply the required products**. The contractual agreements fixed the price and the resulting profits or losses belonged to the entrepreneur.
- ❖ **1^{8th} Century:** This period witnessed extensive inventions and massive industrialization process. Here the **entrepreneur was differentiated from capital providers**. So, there were two groups to carry out business; venture capitalists and entrepreneurs.
- ❖ **19th and 20th Century:** During this period business flourished and markets extended from national boundaries to foreign territories. The entrepreneur organized and operated enterprise for personal gains. **20th Century:** During this century, an entrepreneur was also considered as an innovator. Basically, an entrepreneur would create new that would be of value to the users.
- ❖ **Today:** The 21st century provides tremendous opportunity for entrepreneurship especially in the services sector. With the increase in purchasing power of the consumers, extensive development of managerial skills and rapidly changing life styles, consumers are seeking more services. An entrepreneur is one who brings resources, labor, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order.

Functions of an Entrepreneur

1. Generate Ideas
2. Determine business objectives
3. Raise funds

4. Procurement of raw material and machinery
5. Market Research
6. Determining the form of enterprise
7. Recruitment and human resource management
8. Implementation of business

Types of Entrepreneurs

1. **Innovative entrepreneur:** look out for opportunities with a sense of innovativeness.
2. **Adoptive (imitative) entrepreneur:** imitate and follow the existing entrepreneurs and set the enterprise in a similar manner.
3. **Fabian entrepreneurs:** experiment change in their business venture.
4. **Drone entrepreneurs:** conservative and are much more comfortable in following the traditional business activities.

Entrepreneurship

- Entrepreneurship is the process of creating new ventures.
- It begins with an innovative idea.
- It identifies opportunities.

It is a dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time or provide value of some product or service.

Entrepreneurship is a process of creating something new with value by devoting the necessary time and effort, assuming the financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence.

The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses. *It is the process of creating something new and assuming the risks and reward.*

In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes:

1. Initiative taking.
2. The organizing and recognizing of social and economic mechanisms to turn resources and situations to practical account.

3. The acceptance of risk or failure.

According to Joseph Schumpter – “Entrepreneurship is based on purposeful and systematic innovation. It essentially consists in doing things that are not generally done in the ordinary course of business routine.”

According to Hisrich and Peters- “Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying risks, and receiving the resulting rewards.”

The Entrepreneurial decision processes:

The entrepreneurial decision process decides to become an entrepreneur by leaving present activity. Though many individuals have creative new ideas, few can bring their ideas to the market and create a new venture. The entrepreneurial decision process which entails a moment from something to something - a movement from a current lifestyle to forming a new enterprise.

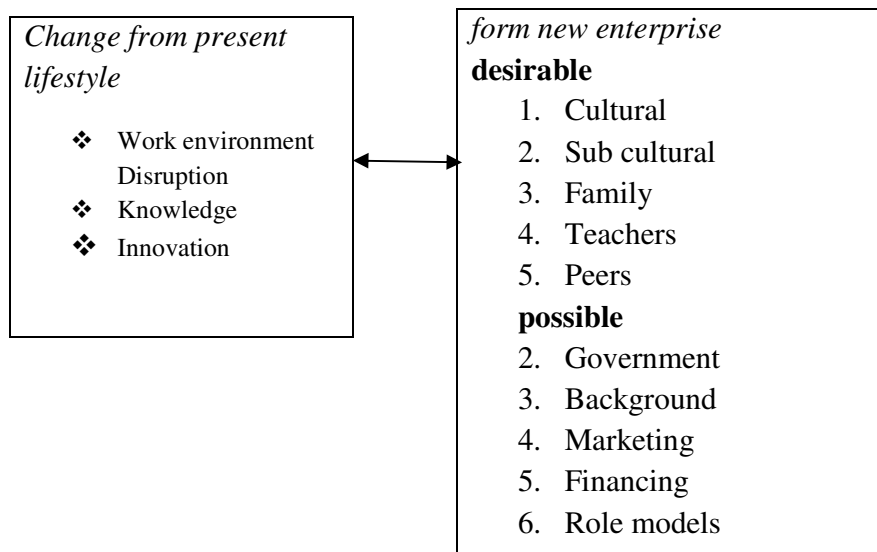
1. Change from present lifestyle :

2. Desirability of New Venture Formation : Aspects of a situation that make it desirable to start a new company

- Cultural
- Sub cultural
- Family
- Teachers
- Peers

3. Possibility of new venture formation : Factors making it possible to create a new venture

- Government
- Background
- Marketing
- Financing
- Role models



Types of Start-Ups

1. **Lifestyle firm** :A small venture that supports the owners and usually does not grow
2. **Foundation Company** :A type of company formed from research and development that usually does not go public
3. **High-potential venture**: A venture that has high growth potential and therefore receives great investor interest.
4. **Gazelles**: Very high growth venture.

Role of Entrepreneurship Economic Development

1. Capital Formation.
2. Employment Creation.
3. Increased Productivity.
4. Balanced Regional Development.
5. Export Promotion.
6. Industrialization.
7. National Income.
8. Better Standards of Living.
 - **Product-evolution process**: Process for developing and commercializing an innovation.
 - **Iterative synthesis**: The intersection of knowledge and social need that starts the product development process.
 - **Ordinary innovations**: New products with little technological change.
 - **Technological innovations**: New product with significant technological advancement.
 - **Breakthrough innovations**: New products with some technological change.
 - **Government as an innovator**: A government active in commercializing technology.
 - **Technology transfer**: Commercializing the technology in the laboratories into new products.

Intrapreneurship

Entrepreneurship within an existing organization

Risk taking

Taking calculated chances in creating and running a venture

Types of skill required in Entrepreneurship

Technical skill

- Writing
- Oral communication
- Monitoring environment
- Technical business management
- Technology
- Interpersonal
- Listening
- Ability to organize
- Network building
- Management style
- Coaching
- Being a team player

Business Management Skill

- Planning and goal setting
- Decision making
- Human relations
- Marketing

- Finance
- Accounting
- Management
- Control
- Negotiation
- Venture lunch
- Managing growth

Personal Entrepreneurial Skill

- Inner control/disciplined
- Risk taker
- Innovative
- Change oriented
- Persistent
- Visionary leader
- Ability to manage change

Business ethics

The study of behavior and morals in business situations.