
MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY**MODULE-3: ENTREPRENEUR****Topics:–**

Meaning of entrepreneur, types of entrepreneurship, stages of entrepreneurial process, role of entrepreneurs in economic development, entrepreneurship in India, barriers to entrepreneurship. Identification of business opportunities- market feasibility study, technical feasibility study, financial feasibility study and social feasibility study.

- Entrepreneur is a person who undertakes an enterprise.
- The process of creation and management of enterprise is called entrepreneurship.
- An entrepreneur can be considered as a person who bears the risk of operating business in the face of uncertainty about the future conditions, who innovates and introduces something new in economy, who shifts resources out of an area of lower yield and into an areas of productivity and greater yield, who plays a critical role in economic development and integral part of economic transformation.

3.1 Meaning/ Definition of Entrepreneur

- **Peter F. Drucker** defines Entrepreneur as **one who always searches for Change, Responds to it & Exploits it as an opportunity**. Innovation is the Specific Tool of Entrepreneurs, the Means by which, they Exploit Change as an Opportunity for Different Business or Service.
- Encyclopaedia Britannica defines an **“Entrepreneurs as people who have the ability to see and evaluate the business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success”**.
- International Labour Organization (ILO): This defines “Entrepreneurs as people who have the **Ability to see and evaluate the business opportunities**, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success.”
- Dr. Poornima M. Charantimath, Professor, Management Studies, KLS Institute of Management Education & Research (IMER), Belgaum says “The World Entrepreneur is derived from a Sanskrit Word called **“Antaraprerana”**
- Definitions of an “Entrepreneur” are divided into 3 Streams :
 - i. The Ones describing Roles of an Entrepreneur.
 - ii. The Other describing Characteristics &
 - iii. Ones Focusing on Success Factors.

To summarize, **“An entrepreneur is the person who bears risk, unites various factors of production, to explore the perceived opportunities in order to evoke demand, create wealth and employment”**.

3.2 Evolution of Concept

- Entrepreneur evolved from the French Word “**Entreprendre**” in the 12th Century.
- In the early 16th Century, it was applied to those who were engaged in **Military Expeditions**.
- In the 17th Century, it was extended to cover **Civil Engg Services**.
- In the 18th Century, **Richard Centillon** described Entrepreneur as “**One who bears risk by buying at certain prices and selling at uncertain prices**”.
- In 1848, the famous **John Stuart Mill** described Entrepreneurship as the founding of a private enterprise. This encompassed risk takers, the decision makers and the individuals who desire wealth by managing limited resources to create new business ventures.

3.3 Concept of Entrepreneurship & its Evolution:

According to Peter F Drucker, “**Entrepreneurship is neither a Science nor an Art, it is a Practice**”.

1. It is a purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or increase profit by production or distribution of economic goods and services.
2. It is an attempt to create value through recognition of business opportunity, the Management of risk appropriate to opportunity and through the communicative and Management skills to mobilize human, financial and material resources necessary to bring a project to function.
3. Entrepreneurship is the ability to create & build a vision from practically nothing. It is a Dynamic process of creating incremental wealth.
4. Entrepreneurship is based on purposeful and systematic innovation. It includes not only the independent businessman but also company direction & managers who actually carry out innovative functions
5. Entrepreneurship can exist in different kinds of business, on all levels of Company size & in different functions.
6. In all above definitions, **Entrepreneurship refers to the activities performed by an Entrepreneur in establishing an Enterprise**.
7. The Two Basic Elements involved in Entrepreneurship are “Innovation” & “Risk Bearing”.
 - i. **Innovation:** This refers to coming out with a New Product or Process or doing something differently. This is a Basic Characteristic of Every Entrepreneur. There are a Few Innovations & New Products developed
 - ii. **Risk Bearing:** Any Business Proposition has an element of Risk, the Reason being very obvious that, an Enterprise may Earn Profits or Incur Losses because of Various Factors beyond the Control of the Entrepreneur like Increasing Competition, Labour Unrest. He needs to be Courageous to face the Risk & Challenges involved in running the Enterprise. His ability to Sustain Risk ultimately helps him to be a Successful Entrepreneur, against All Odds.

3.4 Characteristics and qualities of an entrepreneur

3.4.1 Characteristics of an Entrepreneur

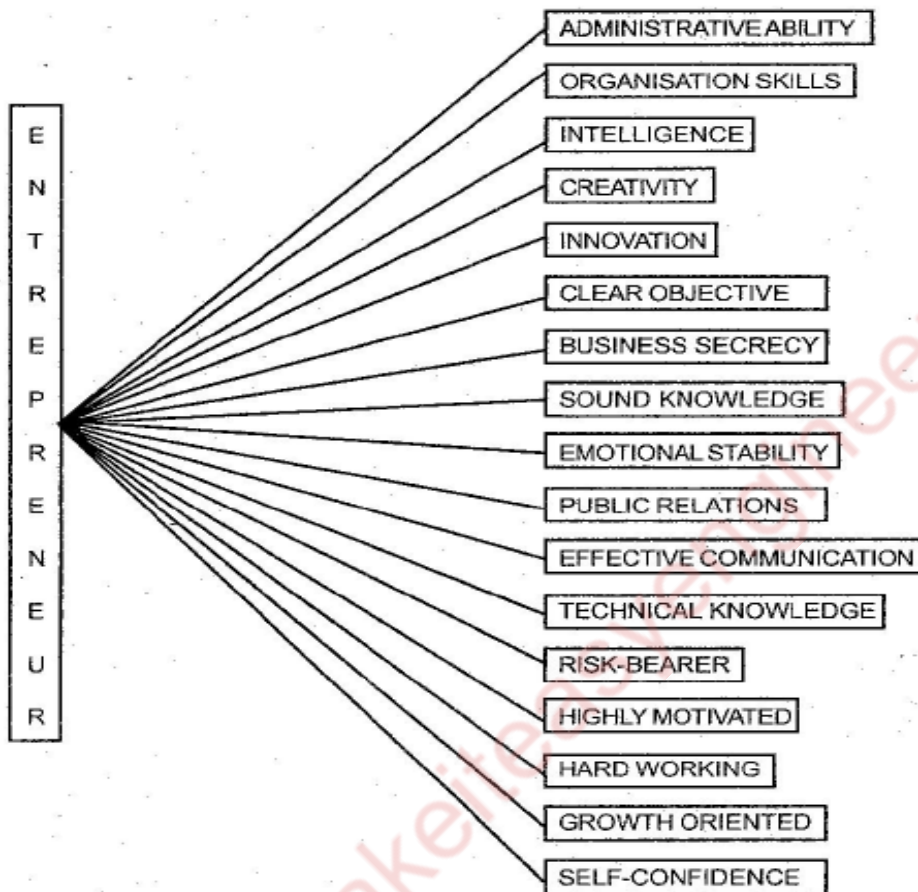


Fig 5.1 Characteristics of an Entrepreneur.

A successful entrepreneur must be a person with technical competence, initiative, good judgment, intelligence, leadership qualities and emotional stability.

1. Mental ability: Mental ability consists of intelligence and creative thinking. An entrepreneur must be reasonably intelligent, and should have creative thinking and must be able to engage in the analysis of various problems and situations in order to deal with them.

2. Clear objectives: An entrepreneur should have a clear objective as to extract the nature of the goods to be produced and subsidiary activities to be undertaken.

3. Business secrecy: An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitors is a serious matter which should be carefully guarded against by an entrepreneur.

4. Human relations ability: The most important personality traits contributing to the success of an entrepreneur are emotional stability, personal relations, consideration and tactfulness. An entrepreneur who maintains good human relations with customers, employees, suppliers and community is much more likely to succeed in his business than the individual who does not practice good human relations.

5. Communication ability: communication ability is the ability to communicate effectively. Good communication also means that both the sender and the receiver understand each other and are being understood.

6. Technical Knowledge: An entrepreneur must have a reasonable level of technical knowledge. Technical knowledge is the one's ability that most people are able to acquire if they try hard enough.

7. Motivator: An entrepreneur must build a team keep it motivated and provide an environment for individual growth and carrier development.

8. Self-Confidence: Entrepreneurs must have belief in themselves and the ability to achieve their goals.

Robert. D. Hisrich has identified few more capabilities or personal characteristics that an entrepreneur should posses.

9. Long-term involvement: An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.

10. High Energy Level: Success of an entrepreneur demands the ability to work long hours for sustained periods of time.

11. Persistent problem-solver: An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient.

12. Initiative: An entrepreneur must have initiative accepting personal responsibility for actions, and above all make good use of resources.

13. Goal setter: An entrepreneur must be able to set challenging but realistic goals.

14. Moderate risk-taker: An entrepreneur must be a moderate risk taker and learn from any failures.

3.4.2 Qualities of an Entrepreneur

1. **Success and achievement:** The Entrepreneur is self directed to achieve goals.
2. **Risk bearer:** He accepts risk, understand and manage risk.
3. **Opportunity explorer:** He always identifies opportunities and explores them.
4. **Planner:** He is good planner and doer. He plans and follows it sincerely to achieve goals.
5. **Stress taker:** He should accept and bear any amount of stresses that may evolve in the business.
6. **Facing uncertainties:** They should face the uncertainties and unexpected outcomes and accept them.
7. **Independent:** He is an independent person and likes to be his own master. He is job given and not job seeker.
8. **Flexible:** He is open minded person, flexible to adapt to demanding situational changes.
9. **Self confidence:** He directs his abilities towards the accomplishment of goals.
10. **Motivator:** He initiates and influences people, motivates the people to accomplish the goals.

3.5 Functions of an Entrepreneur

The various functions of an entrepreneur are listed below:-

1. Determination of business objectives
2. Recruitment of Personnel.
3. Providing machines and materials.
4. Idea generation and scanning of best idea.
5. Determination of form of ownership.
6. Raising necessary funds.
7. Undertaking business operations.
8. Product analysis and market risk.
9. Completion of promotional formalities.

The various functions of entrepreneur is classified as

1. Primary functions:

The primary functions of an entrepreneur can be as planning, organizing, decision making, management, innovation, risk bearing, leading and controlling.

2. Secondary/other functions:

The other functions of an entrepreneur are diversification of production, expansion of the enterprise, maintaining cordial employer and employee relations, talking labour problems, co-ordination with outside agencies.

3. Functions important for developing countries:

The other functions of an entrepreneur are management of scarce resources, dealing with public, engineering, new product development, parallel opportunities, marketing, management, customer relation.

3.6 Types of Entrepreneur(entrepreneurship)

The entrepreneurs have been broadly classified according to the type of business, use of professional skill, motivation, growth and stages of development, area ,gender, age ,scale of operation and other types.

1. Entrepreneurs according to the type of business:

- i. **Business entrepreneurs:** are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. Called small business entrepreneurs when found in small business (printing press, textile processing house, ad agency, readymade garments, confectioneries etc)
- ii. **Trading partner** Trading entrepreneur undertakes trading activities not concerned with manufacturing work. Identifies potential markets, stimulates demand for his product line and creates interest and desire among buyers to go for his product.
- iii. **Industrial entrepreneur:** is essentially a manufacturer who identifies the potential needs of the customers and tailors a product according to the needs of the customers. Starts an industrial unit to make new product. Has the ability to convert economic resources and technology into a profitable venture. ex(electronics industry, textile units etc)
- iv. **Corporate entrepreneur:** Corporate entrepreneur is an individual who demonstrates his innovative skill in organizing and managing a corporate undertaking. is an individual who plans develops and manages a corporate body which is form of business organization registered under the trust act.
- v. **Agricultural entrepreneur:** Are that who undertake agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture Raise agriculture through mechanization, irrigation and application of technologies of dry land agricultural products and covers a broad spectrum of agricultural sector.

2. Entrepreneurs in technology classified as

- i. **Technical:** Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.
- ii. **Non-technical:** Not concerned with technical aspects of the product and are concerned only with the alternative distribution and marketing strategies to promote their business.

- iii. **Professional entrepreneur:** Is a person whose interest is to establish a business product. They are mainly concerned with development of alternative marketing and distribution strategies to promote their business.

3. Entrepreneurs and motivation:

- i. **Pure:** Is an individual who is motivated by the psychological and economic rewards. And undertakes an entrepreneurial activity out of personal satisfaction, ego and status.
- ii. **Induced:** Is one who is induced to take up entrepreneurship task due to the policy measures of the government which provides assistance, incentives, concessions and necessary overhead facilities to start new venture.
- iii. **Motivated entrepreneurs:** Are motivated by the desire of self fulfillment. They come into being because of the making and marketing of the new product for the use of customers who is further motivated by the reward in terms of profit.
- iv. **Spontaneous entrepreneur:** Start their business by their natural talents are the persons who take initiative, are bold confidence and have strong conviction in their inborn ability.

4. Growth and entrepreneurs:

- i. **Growth:** Are those entrepreneurs who take a high growth industry which has substantial growth prospectus.
- ii. **Super growth entrepreneurs:** Are those who have shown enormous growth of performance in their venture and Identified by liquidity of funds, profitability and gearing.

5. Entrepreneurs and stages of development:

- i. **First generation:** One who starts an industrial unit by his innovative skill who essentially an innovator who combines different technologies to produce a marketable product or service.
- ii. **Modern:** Undertaking those ventures which suit to the changing and current demands in the market.
- iii. **Classical:** Is one who is concerned with the customers and marketing needs through the development of a self-supporting venture and is a stereotype entrepreneur whose aim is to maximize his returns at a consistent level with the survival of the firm.

6. Others

- i. **Innovative:** Are those who exhibit their cleverness in putting attractive possibilities into practice. Are often involved in changing the utility, value, economic characteristics of old established products into something new, attractive and utility and Are commonly found in developed countries

- ii. **Imitative:** Are those characterized by the readiness to adopt successful innovations by entrepreneurs who imitate techniques and technology innovated by others, and are more adoptive and flexible. Are also revolutionary and important who exploit possibilities and are often involved in subjective innovation which means the ability to do the things which have not been done by a particular industrialist before.

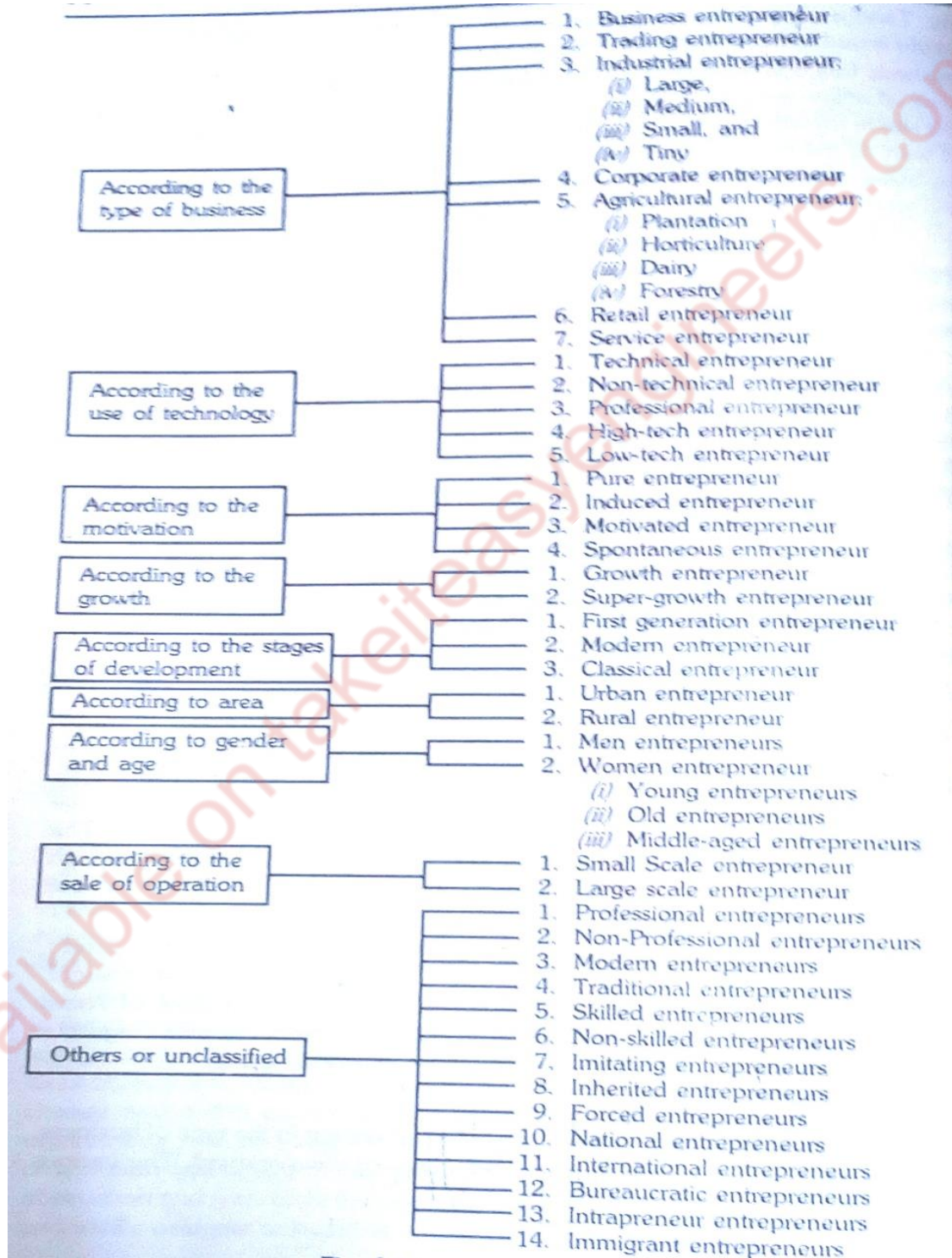


Figure: Types of entrepreneurs

3.7 Intrapreneur:

1. Is an emerging class found in large industrial organizations **who emerge from within the confines of the large industrial organizations.**
2. In big organizations top executives are **encouraged to catch hold of new ideas and convert them into products through research and development** activities within the framework of the organization. Very popular in developed countries like America.
3. Many Intrapreneurs are found leaving their jobs in big organizations and starting their own enterprises and have become exceedingly successful in their ventures. Are causing threat to the organizations they leave who inaugurate new products.

Differences between Entrepreneur & Intrapreneur:

Differences	Entrepreneur	Intrapreneur
Dependency	An entrepreneur is independent in his operations	An intrapreneur is dependent on the entrepreneur, i.e. the owner.
Raising of Funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the Intrapreneur.
Risk	Entrepreneur bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in the enterprise.
Operation	An entrepreneur operates from out side	On the contrary, an intrapreneur operates from within the organization itself.
Orientation	An entrepreneur begins his business with a newly set up enterprise.	An intrapreneur sets up his enterprise after working someone else's organization.
Experience	As an entrepreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes his business after gathering experiences through working in the other organizations.

3.8 Stages in Entrepreneurial process

This process has five important stages:

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 the enterprise.

1. Identification of an opportunity

Identification of opportunity may be from his own idea or from External sources like:

- **Consumers:** Best source , who spell out the need of product or service
- **Business associates:** also give ideas of product or service
- **Members of distribution system:** Has close contact with end users, discussion with retailer, wholesaler or trade representative.
- **Independent technical organisations:** Some individuals are technical oriented and are not interested in entrepreneurship. Get ideas from them
- Some **government organizations** and R & D centres also provide new ideas.

2. Evaluation of the opportunity

Evaluation process involves looking at the

- Length of opportunity and the market size mainly depends on SWOT(strengths, weakness, opportunities and threats). Strength and weakness are internal factors, opportunities and threats are external factors.
- Its real and perceived value, its risks and returns reflect the market , competition. Technology and the amount of capital involved.
- Opportunity should fits with personal skill and goal of the entrepreneur
- Its uniqueness or differential advantage in its competitive environment.
- Opportunity assessment plan is prepared. It includes:
 - i. Description of product or service
 - ii. Agreement of opportunity
 - iii. Assessment of the entrepreneur and his team
 - iv. Resources needed
 - v. Amount and source of capital needed
 - vi. Rewards and profit expected.

3. Preparation of the business plan

The business plan should contain following in order.

- Title of the project, table of contents and executive summary.
- Description of business and industry.
- Technology plan.
- Financial plan.
- Organisation plan.
- Production and operation plan.
- Marketing and distribution plan.
- Summary of plan.

4. Determination and organizing the resources

- Process starts with the assessment of present resources.
- Care must be taken not to under estimate the amount and nature of resources required.

- The risk involved with insufficient or incorrect resources should be calculated.
- Organizing the resources at the appropriate time.
- Alternative sources of supply, process of manufacture are to be planned properly.

5. Management of the enterprise.

Implement the business plan. This calls for a management with all functions like planning, organizing, staffing, directing and controlling.

3.9 Role of entrepreneurship in economic development:

The important role that an entrepreneur plays in the economic development of a country can be summarized as follows:

- i. Promotes capital formation by mobilizing the idle saving of the public.**
Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.
- ii. Provides immediate large scale employment thereby reducing the unemployment problem in the country.**
Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.
- iii. Promotes balanced regional development.**
Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries leads to more development of backward regions and thereby promotes balanced regional development.
- iv. Helps reduce the concentration of the economic power.**
Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.
- v. Stimulates equitable redistribution of wealth, income and even political power in the interests of the country.**

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

vi. **Increasing Gross National Product and Per Capita Income**

Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities,, encourage effective resource mobilization of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

vi. **Also induces backward and forward linkages which stimulate the process of economic**

Entrepreneurs like to work in an environment of change and try to maximize profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

vii. **Promotes export trade which is an important ingredient for economic development.**

3.10 Entrepreneurship in India:

- Entrepreneurship is regarded as closely associated with the Economic History of India. It has passed through several Ups & Downs.
- The important ones include the decline of Indian Handicrafts industry towards the end of the 18th Century, entry of the East India Company of the Britisher's in India's Business Activities.
- For the purpose of encouraging Entrepreneurship, the Govt of India brought out the First Industrial Policy Resolutions in 1948 which was subsequently revised from Time to Time.

Past: The following points are noteworthy with respect to the entrepreneurship in the past.

- i. Manufacture and supply of a product was based on demand.
- ii. All the members of the family were involved in the business from planning to manufacturing stage and finally selling them.
- iii. The skills of any enterprise were inherited from ancestors.

The family based industries and trade were badly affected during British rule. Indian entrepreneurship was mainly in the area of textile, Iron and steel and hydro electronics project etc.

Present: Three important resolutions in the Industrial Resolutions:

1. To maintain a proper distribution of economic power between private and public Sector.
2. To encourage Rapid Industrialization by moving the concept of Entrepreneurship from existing centers to other cities, towns & rural areas.
3. To disseminate the Entrepreneurship acumen concentrated in a few dominant communities to a large number of Industrially Potential People of varied Social Background.

There is tremendous growth of industries and services over last 50-60 years in all areas like banking, automobiles, software development, petrochemicals, cement, steel, communications etc. are some of the modern entrepreneurship where lot of innovation had taken place.

3.11 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. Obsolescence of technology or idea.
7. Unstable and unpredictable markets.
8. Globalization and entry of foreign goods.
9. Risk.

3.12 Identification of Business Opportunities

Business opportunities can be obtained from various magazines, trade journals, financial institutions, government, commercial organization, friends, relatives, competitors etc. An entrepreneur has to identify and select the most rewarding opportunity from the available ones. Thus, he has to evaluate the following areas and understand the gap between demand and supply.

- a) Study the government rules and regulations regarding the different business opportunities.
- b) Extensive and in depth study of promising investment opportunity.
- c) SWOT analysis of the business opportunities
- d) Market Feasibility study
- e) Technical Feasibility study
- f) Financial Feasibility study
- g) Social Feasibility study

A business opportunity can be defined as an attractive and excellent project idea which an entrepreneur searches for and accepts such idea as a basis for his investment decision. A good business opportunity must be capable of being converted into feasible project.

The two major characteristics of business opportunity are: good and wide market scope and an attractive, acceptable and reliable return on investment.

Source of Business ideas:

- i. **Unfulfilled Demands:** An unfulfilled demand will open doors to new products.
- ii. **Own Idea:** Once own creative idea can result in business opportunity.
- iii. **Social and Economic trends:** Social and economic trends necessitate demand for new product.
- iv. **Magazines/Journals/Research Publications:** These from a major role of ideas to start up an organization.

- v. **Government Policies:** Government also technology and scientific know how: Commercial exploitation of indigenous and imported technologies and know how is another source of opportunities.
- vi. **Trade Fairs/ Exhibitions:** Trade fairs and technical exhibitions also offer wide scope for business opportunities.
- vii. **Banks and Government Agencies:** Commercial banks and government agencies encourages entrepreneurs by providing business opportunities, ideas subsidies, loan etc.

Feasibility Analysis: The process to make changes in the current system in order to achieve new effective system. The feasibility study includes complete initial analysis of all related system. Therefore the study must be conducted in a manner that will reflect the economic as well as technical feasibility of the system proposal. Following are the types of feasibility analysis:

1. Market Feasibility

2. study:

Feasibility study id detailed work of collection of data analysis and concludes the feasibility of that operation. Market study involves the study and analysis of the following aspects.

- i. **Nature of the Market:** the nature of the market in terms of monopolistic or project competition is to be studied.
- ii. **Cost of production:** it is essential to study and control cost of production. Cost of production decides the selling price.
- iii. **Selling price and profit:** Selling price plays vital role in profits. In price sensitive goods like cosmetics, once should be careful in fixing the price.
- iv. **Demand:** Present demand and demand forecast are prepared and studied. This will decide the facility.
- v. **Market Share:** Estimated market share is to be made. Comparison is made with share of similar products.
- vi. **Target market:** Study is made with regard to the target market and market segmentation.

2. Technical Feasibility study:

- i. **Location of the Project:** the data regarding the location of the project is very important. It may be located in rural, urban, or semi-urban areas.

- ii. **Construction of factory, building and its size:** the construction details, the nature/type of building and its size for the projects are to be analysed.
- iii. **Availability of the raw-materials:** the study of availability of raw materials, source of supply, alternative source, its quality and specifications cost etc are to be studied.
- iv. **Selection of Machinery:** it includes machinery required for production and intended product to carry out. The specifications are capacity, cost, source and supply.
- v. **Utilities:** the details about availability of utilities like water, gas, electricity, petrol, diesel etc are to be studied.
- vi. **Production capacity:** Establishment of production capacity and utilization of production capacity are analysed.
- vii. **Study requirements:** study and analysis of requirement of workers, technical staff and officers etc is to be made.
- viii. **Technical viability:** Technical viability of the opportunity is to be studied.

3. Financial feasibility study:

Financial feasibility is the most important aspect of a business opportunity. Some of the aspects involved in financial feasibility study are:

- i. **Total Capital cost of project:** it is very essential to study the local cost of project. This includes fixed capital, working capital and interest factors.
- ii. **Sources of Capital:** the study of main source of capital is to be made. If capital is borrowed, interest burden is to be studied in details.
- iii. **Subsidy sources for additional financial:** After the study of main source of capital , subsidiary sources of capital are to be identified and studied.
- iv. **Financing for future development of business:** Finance requirement for future development of business are to be studied. Working capital requirements for least three months running of enterprise are to be mentioned.
- v. **Break Even Analysis (BEA):** BEA is to be carried out to see at what level production / sales will make organization no-profit or no-loss sanitation.
- vi. **Estimation of cash and fund flow:** It is very essential to make a study of estimation of cash and fund flow in the business.

- vii. Return On Investment (ROI): ROI is to be calculated to see the amount of return on investment for the investor /share holder and they get.
- viii. Proposed Balance Sheet: It is made to show liabilities and assets, interest burden, profit expected etc
- ix. Cost of labour and technology: the cost of employees is to be estimated and studied. If technology is not available then it has to be purchased from R&D institutions or by the way foreign collaboration.

4. Social Feasibility study:

- i. Location: Location should be in such a place that it should not have objection from the neighbours.
- ii. Pollution: there should not be any objectionable pollution to the society. Suitable measure should be taken to control the pollution.
- iii. Social problem: Enterprise should not create any nuisance to the public