

B M S INSTITUTE OF TECHNOLOGY & MANAGEMENT
YELAHANKA, BENGALURU – 560064.



DEPARTMENT OF COMPUTER SCIENCE & ENGINEERING

NOTES OF

MODULE -3. ENTREPRENEUR

Management, Entrepreneurship for IT industry -18CS51

[As per Choice Based Credit System (CBCS) scheme]

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SEMESTER – V

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MODULE 3. ENTREPRENEUR

Topics to be covered in this Module:

Entrepreneur – 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.

MEANING OF ENTREPRENEUR

- An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices.
- **According to Cantillon**, an entrepreneur is a bearer of risk, which is non-insurable.
- **Schumpeter** gave a central position to the entrepreneur who believed that an entrepreneur was a dynamic agent of change; that an entrepreneur was a catalyst who transformed increasingly physical, natural and human resources into correspondingly production possibilities.
- An **entrepreneur** is an enterprising individual who builds capital through risk and/or initiative.
- The term was originally a loanword from French and was first defined by the **Irish French economist Richard Cantillon**.
- Entrepreneur in English is a term applied to a person who is willing to help launch a new venture or enterprise and accept full responsibility for the outcome.
- Jean- Baptiste Say, a French economist, is believed to have coined the word "entrepreneur" in the 19th century - he defined an entrepreneur as "one who undertakes an enterprise, especially a contractor, acting as intermediary between capital and labour".

CONCEPT OF ENTREPRENEUR

The term entrepreneur is used in various ways and various views. These views are broadly classified into three groups, namely **risk bearer, organizer and innovator**.

Entrepreneur as risk bearer:

Richard Cantillon defined entrepreneur as an agent who buys factors as production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. Hence entrepreneurship is a risk-bearing agent of production.

P.H. Knight described entrepreneur to be a specialized group of persons who bear uncertainty.

- Uncertainty is defined as risk, which cannot be insured against and is incalculable.
- He made distinction between certainty and risk.
- A risk can be reduced through the insurance principle, where the distribution of outcome in a group of instance is known, whereas uncertainty cannot be calculated.

Entrepreneur as an organizer: According to J Baptist Say —

An entrepreneur is one who combines the land of one, the labor of another and capital of yet another, and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to laborers and what remains is his/her profit. Say made distinction between the role of capitalist as a financier and the entrepreneur as an organizer. This concept of entrepreneur is associated with the functions of coordination, organisation and supervision.

Entrepreneur as an innovator: Joseph A Schumpeter in 1934 assigned a crucial role of innovation 'to the entrepreneur.

He considered economic development as a dynamic change brought by entrepreneur by instituting new combinations of factors of production, i.e. innovations. The introduction of new combination according to him, may occur in any of the following forms.

- (a) Introduction of new product in the market.
- (b) Use of new method of production, which is not yet tested.
- (c) Opening of new market.
- (d) Discovery of new source of raw materials.
- (e) Bringing out of new form of organisation.

Schumpeter also made distinction between inventor and innovator.

An **inventor** is one who discovers new methods and new materials. An **innovator** utilizes inventions and discovers in order to make new combinations.

DEFINITIONS OF ENTREPRENEUR

An entrepreneur can be defined as a person who tries to create something new, organizes production and undertakes risks and handles economic uncertainty involved in enterprise.

Some more important definitions of entrepreneur

- 1. According to F.A.Walker:** —Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises.
- 2. Marx** regarded entrepreneur as **social parasite**.
- 3. According to Gilbraith:** —An entrepreneur must accept the challenge and should be willing hard to achieve something.
- 4. Peter F. Drucker** defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.
- 5. According to E.E.Hagen:** —An entrepreneur is an economic man who tries to maximize his profits by innovation, involve problem solving and gets satisfaction from using his capabilities on attacking problems.
- 6. According to Mark Casson:** —An entrepreneur is a person who specializes in taking judgmental decision about the coordination of scarce resources.
- 7. Frank Young** defined entrepreneur **as a change agent**.
- 8. According to Max Weber:** —Entrepreneurs are a product of particular social condition in which they are brought up and it is the society which shapes individuals as entrepreneurs.
- 9. International Labour Organization (ILO)** defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success.
- 10. Akhouri** describes entrepreneur as a character who combines innovativeness, readiness to take risk, sensing opportunities, identifying and mobilizing potential resources, concern for excellence, and who is persistent in achieving the goal.

CHARACTERISTICS OF ENTREPRENEUR*Personal entrepreneurial characteristics*

	Core competencies	Entrepreneurial activities
1.	Initiative	Does things before asked for or forced to by events and acts to extend the business to new areas, products or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilizes necessary resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information of client or supplier's needs. Personally undertakes market research and make use of personal contacts or information networks to obtain useful information.
5.	Concern for quality work	States desire to produce or sell a better quality product or service. Compares his performance favorably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expands extraordinary effort to complete a job, accepts full responsibility in completing a job contract on schedule, pitches in with workers or work in their place to get the job done and shows utmost concern to satisfy the customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better and economically.
8.	Planning	Various inter-related jobs are synchronized according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to it in spite of initial setbacks.
11.	Experience	Possesses technical expertise in areas of business, finance, marketing, etc.
12.	Self-critical	Aware of personal limitations but tries to improve upon by learning from his past mistakes or experiences of others and is never complacent with success.
13.	Persuasion	Persuades customers and financiers to patronize his business.
14.	Use of influence strategies.	Develops business contacts, retains influential people as agents and restricts dissemination of information in his possession.
15.	Assertiveness	Instructs, reprimands or disciplines for failing to perform.
16.	Monitoring	Develops a reporting system to ensure that work is completed and quality norms.
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers and customers even if it means a loss of business.
18.	Concern for employee welfare	Expresses concern for employees by responding promptly to their grievances.
19.	Impersonal relationship	Places long-term goodwill over short-term gain in a business relationship.
20.	Expansion of capital base	Reinvests a greater portion of profits to expand capital of the firm.
21.	Building product image	Concerned about the image of his products among consumers and does everything possible to establish a niche for his products in the market.

FUNCTIONS OF AN ENTREPRENEUR

- An entrepreneur performs a series of functions necessary right from the genesis of an idea up to the establishment and effective operation of an enterprise.
- He carries out the whole set of activities of the business for its success.
- He recognizes the commercial potential of a product or a service, formulates operating policies for production, product design, marketing and organisational structure.
- He is thus a nucleus of high growth of the enterprise.

According to **some economists**, the functions of an entrepreneur is classified into five broad categories:

- 1. Risk-bearing function,**
- 2. Organizational function,**
- 3. Innovative function,**
- 4. Managerial function, and**
- 5. Decision making function.**

1. Risk-bearing function:

The functions of an entrepreneur as risk bearer are specific in nature. The entrepreneur assumes all possible risks of business which emerges due to the possibility of changes in the tastes of consumers, modern techniques of production and new inventions. Such risks are not insurable and incalculable. In simple terms such risks are known as uncertainty concerning a loss.

The entrepreneur, according to Knight, "is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured nor capitalised nor salaried too."

Richard Cantillon conceived of an entrepreneur as a bearer of non-insurable risk because he described an entrepreneur as a person who buys things at a certain price and sells them at an uncertain price.

Thus, risk bearing or uncertainty bearing still remains the most important function of an entrepreneur which he tries to minimise by his initiative, skill and good judgement. J.B. Say and others have stressed risk taking as the specific function of the entrepreneur.

2. Organisational Function:

- Entrepreneur as an organiser and his organising function is described by J.B. Say as a function whereby the entrepreneur brings together various factors of production, ensures continuing management and renders risk-bearing functions as well.
- His definition associates entrepreneur with the functions of coordination, organisation and supervision.
- According to him, an entrepreneur is one who combines the land of one, the labour of another and the capital of yet another and thus produces a product.
- By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit. In this way, he describes an entrepreneur as an organiser who alone determines the lines of business to expand and capital to employ more judiciously.
- He is the ultimate judge in the conduct of the business.
- Marshall also advocated the significance of organisation among the services of special class of business undertakers.

3. Innovative Function:

- The basic function an entrepreneur performs is to innovate new products, services, ideas and information's for the enterprise.
- As an innovator, the entrepreneur foresees the potentially profitable opportunity and tries to exploit it. He is always involved in the process of doing new things.
- According to Peter Drucker, "Innovation is the means by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth". Whenever a new idea occurs entrepreneurial efforts are essential to convert the idea into practical application.
- **J.A. Schumpeter** considered economic development as a discreet dynamic change brought by entrepreneurs by instituting new combinations of production, i.e. innovation. According to him innovation may occur in any one of the following five forms.
- The introduction of a new product in the market with which the customers are not get familiar with. Introduction of a new method of production technology which is not yet tested by experience in the branch of manufacture concerned.
- The opening of a new market into which the specific product has not previously entered.
- The discovery of a new source of supply of raw material, irrespective of whether this source already exists or has first to be created.

- The carrying out of the new form of organisation of any industry by creating of a monopoly position or the breaking up of it.

4. Managerial Function:

- Entrepreneur also performs a variety of managerial function like determination of business objectives, formulation of production plans, product analysis and market research, organisation of sales procuring machine and material, recruitment of men and undertaking, of business operations.
- He also undertakes the basic managerial functions of planning, organising, coordinating, staffing, directing, motivating and controlling in the enterprise.
- He provides a logical and scientific basis to the above functions for the smooth operation of the enterprise thereby avoids chaos in the field of production, marketing, purchasing, recruiting and selection, etc. In large establishments, these managerial functions of the entrepreneur are delegated to the paid managers for more effective and efficient execution.

5. Decision Making Function:

- The most vital function an entrepreneur discharges refers to decision making in various fields of the business enterprise. He is the decision maker of all activities of the enterprise.
- H. Cole described an entrepreneur as a decision maker and attributed the following functions to him.
 - ✓ He determines the business objectives suitable for the enterprise.
 - ✓ He develops an organization and creates an atmosphere for maintaining a cordial relationship with subordinates and all employees of the organization.
 - ✓ He decides in securing adequate financial resources for the organisation and maintains good relations with the existing and potential investors and financiers.
 - ✓ He decides in introducing advanced modern technology in the enterprise to cope up with changing scenario of manufacturing process.
 - ✓ He decides the development of a market for his product, develops new product or modify the existing product in accordance with the changing consumer's fashion, taste and preference.
 - ✓ He also decides to maintain good relations with the public authorities as well as with the society at large for improving the firms image before others.

TYPES OF ENTREPRENEUR

Entrepreneurs are classified in a number of ways as discussed below.

Clearance Danhof's Classifications: Danhof classifies Entrepreneur into four types.

1. Innovative entrepreneur:

- This category of Entrepreneur is characterized by smell of innovativeness.
- This type of Entrepreneur, sense the opportunities for introduction of new ideas, new technology, discovering of new markets and creating new organizations.
- Such Entrepreneur can work only when certain level of development is already achieved and people look forward to change and improve.
- Such Entrepreneur are very much helpful for their country because they bring about a transformation in life style.

2. Adoptive or imitative entrepreneur:

- Such entrepreneurs imitate the existing entrepreneur and set their enterprise in the same manner.
- Instead of innovation, may just adopt the technology and methods innovated by others.
- Such types of entrepreneur are particularly suitable for under-developed countries for imitating the new combination of production already available in developed countries.

3. Fabian entrepreneurs:

- Fabian entrepreneurs are characterized by great caution and scepticism, in experimenting any change in their enterprises.
- They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprises.

4. Drone entrepreneurs:

- Such entrepreneurs are conservative or orthodox in outlook.
- They always feel comfortable with their **old fashioned technology of production** even though technologies have changed.
- They never like to get rid of their traditional business, traditional machineries and traditional system of business even at the cost of reduced returns.

Arthur H Cole Classification : Arthur H Cole classifies entrepreneurs as empirical, rational and cognitive entrepreneur.

1. **Empirical:** He is entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.
2. **Rational:** The rational entrepreneur is well informed about the general economic conditions and introduces changes, which look more revolutionary.
3. **Cognitive:** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

Classification Based on the Scale of Enterprise

1. **Small scale:** These entrepreneurs do not possess the necessary talents and resources to initiate large-scale production and to introduce revolutionary technological changes.
2. **Large scale:** They possess the necessary financial and other resources to initiate and introduce new technological changes. They possess talent and research and development facilities.

Other Classification

Following are some more types of entrepreneurs listed by behavior scientists.

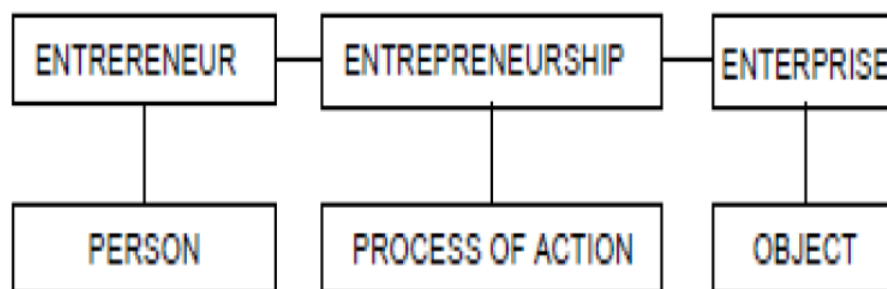
1. **Solo operators:** These are the entrepreneurs who essentially work alone, introduce their own capital and if essential employ very few employees. In the beginning most of the entrepreneurs start their enterprises like them.
2. **Active partners:** Such entrepreneurs jointly put their efforts and resources. They actively participate in managing the daily routine of the business concern. Entrepreneurs who only contribute their funds but not actively participate in the business are called simply 'Partners'.
3. **Inventors:** Such entrepreneurs are creative in character and feel happy in inventing new products, technologies and methods of production. Their basic interest lies in research and innovative activities. Challenge: According to such entrepreneurs, if there is no challenge in life, there is no charm in life. Such entrepreneurs plunge into industry/business because of the challenge it presents. When one challenge seems to be met, they begin to look for new challenges. They convert odds and adversities into opportunities and make profit.
4. **Buyers:** These are the entrepreneurs who do not like to face the hassles of building infrastructure and other facilities. They simply purchase the existing one and by using their experience and expertise try to run the enterprise successfully.
5. **Life timers:** Such entrepreneurs take business as an integral point of their life. Family enterprises, which mainly depend on exercise of personal skill, fall in this category.
6. **Industrial entrepreneurs:** Such entrepreneurs engage in manufacturing and selling products.

7. **Service entrepreneurs:** Such entrepreneurs engage in service activities like repair, consultancy, and beauty parlours etc. where entrepreneurs provide service to people.
8. **Business entrepreneurs:** They are also called as trading entrepreneurs which buy and sell goods.
9. **Agricultural entrepreneurs:** They engage themselves in agricultural activities like horticulture, floriculture, animal husbandry, poultry etc.
10. **Corporate entrepreneurs:** Corporate entrepreneurs undertake their business activities under legally registered company or trust.
11. **Rural entrepreneurs:** Entrepreneur's selecting rural-based industrial opportunity in either khadi or village industries sector or in farm entrepreneurship are regarded as rural entrepreneurs.
12. **Women entrepreneurs:** According to government of India an entrepreneur is defined as an enterprise owned and controlled by 16. A woman and having minimum financial interests of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women. Women entrepreneurs play an important role in economy especially in rural areas.

CONCEPT OF ENTREPRENEURSHIP

- Entrepreneurship is an elusive concept. Some view it as 'risk-bearing'; others call it as 'innovations', yet others consider it as 'thrill-seeking'.
- Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to fruition.
- **A.H. Cole** has defined entrepreneurship as —the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or earn profit by production and distribution of economic goods and services.
- **According to Heggins** —Entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top managers of day-to-day operations.
- **According to Joseph A Schumpeter** entrepreneurship is essentially a creative activity. It consists of doing such things as are not generally done in ordinary course of business. An entrepreneur is one who innovates i.e., carries out new business.

- **According Mc Clelland**, there are two characteristics of entrepreneur: first is doing a thing in a new and better way, second is decision making under uncertainty.
- The various definitions of entrepreneurship identify two basic elements of entrepreneurship namely innovation and risk bearing.
 - ✓ **Innovation:** Innovation is doing something new or something different. Entrepreneurs constantly look out to do something different and unique to meet the changing requirements of the customers. Entrepreneurs need not be inventors of new products or new methods of production or service, but may possess the ability of making use of the inventions for their enterprises.
 - ✓ **Risk bearing:** Giving birth to a new enterprise involves risk. Doing something new and different is also risky. The enterprise may earn profit or incur loss, which depends on various factors like changing customer preferences, increased competition, shortage or raw materials etc. An entrepreneur needs to be bold enough to assume the risk involved and hence an entrepreneur is a risk-bearer not risk-avoider. This risk-bearing ability keeps him to try on and on which ultimately makes him to succeed.
- Though the terms entrepreneur and entrepreneurship are used interchangeable, yet they are conceptually different. The relationship between the two is indicated below



Relationship between Entrepreneur And Entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Organizer	Organization
Innovator	Innovation
Risk-bearer	Risk-bearing
Motivator	Motivation
Creator	Creation
Visualizes	Vision
Leader	Leading
Imitator	Imitation

EVOLUTION OF ENTREPRENEURSHIP

- History of entrepreneurship and emergence of entrepreneurial class in India may be presented in two sections viz. entrepreneurship during pre-independence and post-independence.
- During the pre-independence period entrepreneurship existed in the form of handicrafts, silk, cotton-ware and other cottage based industries. The development of agriculture products like spices, Ayurvedic medicines also flourished in some parts of the country and were exported. Unfortunately, the prestigious Indian handicrafts industries which were basically a cottage and tiny sector declined at the end of 18th century, because of the following reasons.
 1. Disappearance of royal patronage to the handicrafts
 2. Lukewarm attitude of British colonial towards Indian crafts
 3. Imposition of heavy duty on imports of Indian crafts
 4. Low priced British made goods
 5. Changes in the tastes and habits of developing Indian citizens etc.
- Entrepreneurship during post-independence: In 1948 Indian government came forward with the first Industrial policy, which was revised from time to time. The government identified the responsibility of the state to promote, assist and develop industries in the national interest and recognized the role of private sector in accelerating industrial development.

The government took three important measures namely:

- a. To maintain a proper distribution of economic power between private and public sector.
- b. To encourage industrialization from existing centres to other cities, towns and villages.

- c. To disseminate the entrepreneurship acumen concentrated in a few dominant communities to a large number of industrially potential people of varied social state.

With the invention of digital computer, information technology era started in 1970.

- IBM was one of the pioneers in this field. The software developments created new opportunities and the service industries started growing faster than manufacturing industry after 1980. The high growth of new industries also had high risks.
- The new top rated entrepreneurship opportunities arose such as communication, food services, entertainment, merchandising, cosmetics, and apparel with the electronic communication reducing the distances to a Global Village. The market size is growing and the entrepreneur has to benchmark himself with the global standards

STAGES IN THE ENTREPRENEURIAL PROCESS

Entrepreneurship is a process of comprising several distinct stages.

Stage-1:

- The first stage in the entrepreneurial process is some change in the real world. Such a change leads to changes in every aspect of life in the country.
- It creates needs for new goods and services. The distraction of Japan's industry during the Second World War allowed the country to rebuild its industry from scratch.

Stage-2:

- The second stage in the entrepreneurial development is the idea'. For example, microprocessor, the brain of personal computer had been in the American market since the early 1970s.
- A company called **Altair** had put out a computer that was so personal that one had to put it together oneself. But it was **Apple Computer**, which perceived that computer market was potentially very big.
- One may become an entrepreneur in various ways. He may start a new enterprise.
- Alternatively, he may acquire a franchise. Franchising is an entrepreneurial system whereby an individual runs a business based on the right to make a product or service granted by a manufacturer or other organization.
- Intrapreneuring is another strategy. It is the process of extending the firm's domain of competence by exploiting new opportunities through new combinations of its existing resources.

ROLE OF ENTREPRENEUR/ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

The important role that an entrepreneurship plays in the economic development of an economy can be put in a more systematic manner as follows.

1. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
2. It provides immediate large-scale employment. Thus it helps to reduce unemployment in the country.
3. It provides balanced regional development.
4. It helps reduce the concentration of economic power.
5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.
6. It encourages effective resources mobilization of capital and skill which might otherwise remain unutilized and idle.
7. It also induces backward and forward linkages which stimulated the process of economic development in the country.
8. It promotes country's export trade i.e. an important ingredient for economic development.

INTRAPRENEURS

- A new breed of entrepreneurs is coming to the fore in large industrial organizations. They are called as 'Intrapreneurs'.
- In large organizations, the top executives are encouraged to catch hold of new ideas and then convert them into products through R and D activities within the framework of organizations.
- It is found in developed countries that such Intrapreneurs in large number are leaving the organization and started their own enterprises. Many of such Intrapreneurs have become exceedingly successful in their ventures.

Intrapreneurship

- In 1992, The American Heritage Dictionary acknowledged the popular use of a new word, intrapreneur, to mean "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation".

- Intrapreneurship is now known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques, that are more traditionally thought of as being the province of entrepreneurship.

History

- The first written use of the terms intrapreneur', intrapreneuring,' and intrapreneurship' date from a paper written in 1978 by Gifford and Elizabeth Pinchot.
- Later the term was credited to Gifford Pinchot III by Norman Macrae in the April 17, 1982 issue of The Economist.[2]
- The first formal academic case study of corporate entrepreneurship or intrapreneurship was published in June 1982, as a Master's in Management thesis, by Howard Edward Haller, on the intrapreneurial creation of PR1ME Leasing within PR1ME Computer Inc. (from 1977 to 1981).
- This academic research was later published as a case study by VDM Verlag as Intrapreneurship Success:A PR1ME Example by Howard Edward Haller, Ph.D. The American Heritage Dictionary of the English Language included the term 'intrapreneur' in its 3rd 1992 Edition, and also credited[3] Gifford Pinchot III as the originator of the concept.
- The term "intrapreneurship" was used in the popular media first in February 1985 by TIME magazine article "Here come the Intrapreneurs" and then the same year in another major popular publication was in a quote by Steve Jobs,App le Computer's Chairman, in an interview in the September 1985 Newsweek article,[4] where he shared, "The Macintosh team was what is commonly known as intrapreneurship;only a few years before the term was coined—a group of people going, in essence, back to the garage, but in a large company."

Difference between Intrepeneur and Entrepreneur:

- Intrapreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment.
- Intrapreneurs, by definition, embody the same characteristics as the Entrepreneur, conviction, passion, and drive. If the company is supportive, the Intrapreneur succeeds.

When the organization is not, the Intrapreneur usually fails or leaves to start a new company.

- An Intrapreneur thinks like an entrepreneur seeking out opportunities, which benefit the corporation. It was a new way of thinking, in making companies more productive and profitable.
- Visionary employees who thought like entrepreneurs. **IBM is one of the leading companies, which encourages INTRAPRENEUR.**

MAIN DIFFERENCE BETWEEN ENTERPRENEURSHIP AND INTRAPRENEURSHIP:

- There are, of course, a few things that are different between Intrapreneurship and Entrepreneurship.
 - For starters, the Intrapreneur acts within the confines of an existing organisation. The dictates of most organisations would be that the Intrapreneur should ask for permission before attempting to create a desired future - in practice, the Intrapreneur is more inclined to act first and ask for forgiveness than to ask for permission before acting.
 - The Intrapreneur is also typically the intra-organisational revolutionary – challenging the status quo and fighting to change the system from within. This ordinarily creates a certain amount of organisational friction.
 - A healthy dose of mutual respect is required in order to ensure that such friction can be positively channeled. One advantage of Intrapreneurship over Entrepreneurship is that Intrapreneur typically finds a ready source of "free" resources within the organisation which can be Stages of Entrepreneurship
- There are six stages of an entrepreneurial venture that founders of companies will encounter. If you choose to purchase an existing business, you may skip a few steps, but you will still be forced to address several of them.

The six steps/Stages are:

- 1) **CONVICTION**
- 2) **IDEA**
- 3) **CONCEPT**
- 4) **VENTURE**
- 5) **BUSINESS**
- 6) **SUSTAINABLE BUSINESS**

Stage 1: CONVICTION

- No matter the stage of the business when an individual begins his/her entrepreneurial journey, every entrepreneur must address his/her conviction to be an entrepreneur.
- This sounds trivial, but I believe it is the most important step in the process.
- It SHOULD be the first step; however, many entrepreneurs wait until the VENTURE stage to address it.
- This can lead to grave problems. In the CONVICTION stage, an entrepreneur needs to figure out if he/she has the conviction to withstand the fundamental issues of entrepreneurship.

Stage 2: IDEA

- The IDEA stage is the easiest stage.
- Everyone has an idea for a business.
- This is also the most fun stage because the cost is zero and the excitement level high.
- Of course, the IDEA stage is the basis for every other stage so it cannot be dismissed; however, as an entrepreneur, you should never confuse an "idea" for a "concept".
- As you will see in the next step, a concept has much more structure than an idea and subsequently warrants a different concerns and decision making

Stage 3: CONCEPT

As mentioned above, a concept is characterized by structure. In the CONCEPT stage, you take your idea and employ a certain intellectual rigor which includes:

- Extensive market research
- Development of the business model
- Conceptualization of the type of the team required to execute
- Engagement of informal and formal advisors

Stage 4: VENTURE

- This is the most challenging stage of the business and for many entrepreneurs the most fun...well at least in the beginning.
- The VENTURE stage is characterized by significant investment. This investment typically comes in two forms: money and time.
- In most cases, as the entrepreneur, it is "your" money and "your" time; and those can often be significant.

Stage 5: BUSINESS

- The BUSINESS stage is where all entrepreneurs strive to be.
- This is the stage where you have revenues that are commensurate with your expenses.
- Of course, there may be unprofitable months or years, but in general, the business can support itself with little outside capital.
- This is the stage where you are most likely to find investors.

Stage 6: SUSTAINABLE BUSINESS

- Although most entrepreneurs are satisfied to build a Business, they should strive to become a Sustainable Business.
- There are unique challenges to creating a sustainable business and it can be defined in different ways.
- It is typically characterized by time. Ventures that last 10+ years may be thought of as sustainable; however, the real challenge is for a business to outlast the involvement of its founders.
- That is a more relevant definition of a sustainable business.

Entrepreneurship in India – hype or happening ?

- **S ramana is doing a series on Entrepreneurship** – Innovation in India for Forbes and requested my perspective about the same. I chose to write down my thoughts as a post and seek out your thoughts about it as well.
- When it comes to entrepreneurship in India, for the longest time now, it seems that most of us have been rehashing, repeating and regurgitating the same things over and over again: Revamp Education system , “Lack of funding , “No ecosystem , “No product companies, “Indian mindset and culture , “Bureaucratic red-tape and many other such reasons Its time we really took a deep, hard look at what is the current state of entrepreneurship in India, what is broken and how can we really fix it ?
- In all fairness, I am not on ground zero. And so it may seem as inappropriate to many that I speak of entrepreneurship in India while residing in the US. You might very well diss my opinions expressed below based on the same grounds, and in that case, I welcome your perspective – hopefully we can have a healthy discussion via the comments. In my defense, even though I’m not at ground zero, I have been closely monitoring the startup and entrepreneurship scene in India over the last couple of years. I’ve talked to lots of Indian entrepreneurs, tech enthusiasts and VC’s over this time – enough to form an opinion.
- If someone who’s totally ignorant about the Indian market walks up to me and asks me about entrepreneurship in India – my answer to them would be that its more hype than happening. The awareness about entrepreneurship is definitely increasing incredibly, but not enough converts yet. Lots of wannapreneurs, but few actual entrepreneurs. Again, my goal isn’t to ridicule or point fingers, but rather narrow down on what’s broken.
- Some of the most commonly attributed reasons for the lack of entrepreneurship in India:
 - 1. Lack of funding:**
 - Is lack of funding that much of a big deal really ? The cost to do a technology startup has gone down drastically. Reduced hardware costs, bandwidth costs have dropped, cloud computing and open source technologies make it really cheap to launch a technology startup. Unless you are launching a capital intensive business, why should you really need outside funding for doing a startup ?
 - Look at the Ycombinator model – \$5k – \$10K per startup, which is literally peanuts if you need to survive in Silicon Valley. Why cant Indian entrepreneurs be cheap in a similar way ? Why not bootstrap ?

2. No Ecosystem:

- If you would have made this argument 5 years back, I'd probably have agreed. But over the last few years, the startup ecosystem has improved by leaps and bounds.
- VC's have entered the Indian market, events and conferences are helping the startup community to network and converge, B-plan competitions on various campuses are raising awareness, an active and vibrant community is forming around entrepreneurship.

3. Bureaucratic red-tape:

- While I agree that some things in this aspect are not as smooth as in other countries. However, most of the entrepreneurs I talked to did not cite this as a major hindrance as part of their entrepreneurial journey.
- Hire a chartered accountant and he will take care of majority of the initial process of incorporation, taxation and other legalities. No Product Companies:
- I for one don't really buy into this argument. While I agree that product companies may offer long term sustenance value (while current outsourcing focused services companies are simply benefiting from the cost advantage), but then entrepreneurship is still entrepreneurship – be it a services or a product company.

Below are some of the reasons that I personally think have a strong impact on entrepreneurship in India:

1. Revamping Education:

- If you look at the success of Silicon Valley, one of the key factors that was instrumental in shaping it was Stanford & UC Berkeley. Ditto is the case with Israel's Technion. I strongly believe that education, innovation and entrepreneurship go hand in hand – especially technology innovation. While the IIT's have immensely successful alumni, the IIT's have not been able to create a fertile hotbed of innovation & entrepreneurship in their own backyard.
- At the same time, we need to encourage out of the box thinking as part of our education system. Rote learning can only get us so far. We need to ramp up coursework so that student skills remain in sync with the rest of the market. When Stanford and other universities are teaching iPhone and Facebook app related courses, teaching Cobol & Fortran to Indian students would be stupid in today's age. Students should be encouraged to consider entrepreneurship as a viable career option. I believe this to be the single biggest factor that could foster

entrepreneurship in India. Young college graduates are at an age when their inherent risk is at the least to becoming an entrepreneur. Educating them early enough would also give them ample time to shape up their skills and experience that can prepare them for their entrepreneurial journey. We also should make it easy and acceptable for students to take sabbaticals from their degree coursework. Currently, this is frowned upon in Indian society — we should try to make people more accepting of it.

- The NEN Foundation has done a good job at increasing entrepreneurship awareness across various campuses. However, when you take a quick peek at some of the questions that are asked by some of the student participants, it just boggles your mind. Few are requesting ideas, several requesting funding even before doing any analysis of the idea and several others simply leave you in sheer disbelief. One common aspect across most of the questions is that they are looking for handholding. And I think that really needs to change. I'm not sure if we're (including mainstream media that has glamorized stories about entrepreneurship and VC fundings) sending them the wrong signals – but if you think all information, market research and other info will be served to you on a silver platter, then probably being an entrepreneur is not in your best interests.
- We missed out on the technology innovation bus, but if we don't really ramp up our education system and associated R&D – innovation, we might end up sitting on the sidelines of the cleantech wagon as well. Lack of Good Mentors:
- India does not have a large pool of successful entrepreneurs who have built global level companies and are keen on mentoring the next generation of entrepreneurs. From a lot of entrepreneurs that I've talked to — they were more desperately seeking good mentors as opposed to funding.
- We probably need someone to lead & pave the way just like what Yossi Vardi did to Israel and what NR Murthy did to the outsourcing market in India.

2. Lack of M&A activity:

- This I say just from the technology market. M&A is just not happening in the Indian market. Consequently, the already existing portals, news sites get a chance to launch their own services without any strong startup getting an opportunity to establish itself.
- These are the three things that I think have the biggest impact — but then, there's a good chance that you might disagree. This is a highly subjective topic and everyone has their own conviction about it. I think when it comes to technology entrepreneurship, we should

try and do a detailed case study of Israel. The country has just a population of 7 million, hostile neighbors and high taxes. Yet it boasts of the 2nd highest concentration of startups just after the US. They're definitely doing something right. And that's what we should try & emulate.

BARRIERS TO ENTREPRENEURSHIP

A large number of entrepreneurs particularly in the small enterprises fail due to several problems and barriers. The greatest barrier to entrepreneurship is the failure of success. Karl. H. Vesper has identified the following entrepreneurship barriers:

1. Lack of a viable concept
2. Lack of market knowledge
3. Lack of technical skills
4. Lack of seed capital
5. Lack of business know how
6. Complacency—lack of motivation
7. Social stigma
8. Time presence and distractions
9. Legal constraints and regulations
10. Monopoly and protectionism
11. Inhibitions due to patents

IDENTIFICATION OF BUSINESS OPPORTUNITY:

- Business opportunities can be obtained from various manazines, trade journals, financial institutions, government, commercial organizations, friends, relatives, competitors etc.
- Choosing of best business opportunity from the information collected requires ingenuity, skill and foresight of entrepreneur.
- An entrepreneur has to identify and select the most rewarding opportunity from the available ones.
- For this one has to evaluate the following areas and understand the gap between demand and supply.

- ✓ Study of government rules and regulations regarding the different business opportunities.
 - ✓ Extensive and in depth study of promising investment opportunity.
 - ✓ SWOT analysis of the business opportunities.
 - ✓ Market feasibility study.
 - ✓ Technical feasibility study.
 - ✓ Financial feasibility study and
 - ✓ Social feasibility study
- An 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. Two major characteristics of business opportunity are: good and wide market scope and an attractive, acceptable and reliable return on investment.

Sources of business ideas

1. Unfulfilled demand; An Unfulfilled demand will open doors to new products
2. Own idea: One own creative idea can result in a business opportunity.
3. Social and economic trends: Social and economic trends necessitate demand for new products.
4. Magazines/Journals/ Research publications: Magazines/ Journals/ Research publications form a major role of ideas.
5. Government: Government also identifies and proposes ideas and give support for business opportunities.
6. Emerging new technology and scientific know how: commercial exploitation of indigenous and imported technologies and know-how is another source of opportunities.
7. Changes in consumer needs: the needs of consumers change giving rise to requirement of new business opportunities.
7. Trade fairs/Exhibitions: Trade fairs and technical exhibitions also offer wide scope for business opportunities.
8. Banks and government agencies: Commercial banks and government agencies

9. encourage entrepreneurs by providing business opportunities, ideas subsidies, loan etc.

- The reason for anyone to think of establishing an SSI unit can be summarized in single word — opportunity. The opportunity to be your own boss, to implement your own ideas, to earn for himself or herself is reason to think of starting an SSI unit. Starting an SSI needs a lot of courage.
- To be successful, to stay in the business an entrepreneur needs combination of hard work, skill and perseverance. Entrepreneur who starts their own business can be grouped into two broad categories.
- The first category consists of people who know exactly what they want to do and are merely looking for the opportunity or resources to do it. These people may be involved in preparation of project, already have developed many of the skills necessary to succeed in their chosen field and are also likely to be familiar with industry customs and practices, which can help during the start-up phase of a new business.
- The second group consists of people who want to start their own business, but do not have definite ideas about what they would like to do. They may have developed skills during their education or in the course of their previous employment, but many have not be interested in opening a business in the same field of endeavour.
- Project identification is concerned with the collection complication and analysis of data for the eventual purpose of locating possible opportunities for investment and with the development of the characteristics of such opportunities.
- Opportunities, according to Drucker, are of three kinds: Additive, complimentary and break-through.
- Additive opportunities are those opportunities which enable the decision maker to better utilize the existing resources without in any way involving a change in the character of business.
- Complementary opportunities involve the introduction of new ideas and as such do lead to certain amount of change in the existing structure.
- Breakthrough opportunities on the other hand, involve fundamental changes in both the structure and character of business.
- Additive opportunities involve the least amount of disturbance to the existing state of affairs and hence the least amount of risk. The element of risk is more in other two opportunities. Project identification cannot be complete without identifying the characteristics of the project.

- Every project has three elements—inputs, outputs and social costs and benefits. The input characteristics define what the project will consume in terms of raw material, energy, manpower, finance and organizational setup.
- The nature and magnitude of these inputs must be determined in order to make the input characteristics explicit. The output characteristics of a project define what the project will generate in the form of goods and services, employment revenue etc.
- The quantity and quality of all these output should be clearly specified. In addition, every project will have impact on society. It inevitably affects the current equilibriums of demand and supply in the economy.
- It is necessary to evaluate carefully the sacrifice which the society will be required to make and the benefits will not accrue to the society from a given project.
- Feasibility Study Project feasibility analysis is carried out to ensure viability of project. The important project feasibility study is:

- 1. Market feasibility Study**

- 2. Technical feasibility Study**

- 3. Financial feasibility Study**

- 4. Social feasibility Study**

1. Market feasibility Study

- Feasibility study is a detailed work of collection of data analysis and concludes the feasibility of that operation. Market feasibility study involves the study and analysis of the following aspects.
- Market feasibility study will assess whether the product has good market. This needs to study the following:
 1. Nature of market: The nature of market in terms of monopolistic or perfect competition is to be studied.
 2. Cost of production: It is essential to study and control cost of production. Cost of production decides the selling price.
 3. Selling price and profit: Selling price plays a vital role in profit. In price sensitive goods like cosmetics, one should be careful in fixing the price.
 4. Demand: Present demand and demand forecast are prepared and studied. This will decide the facility planning.

5. Market share: Estimated market share is to be made. Comparison is made with share of similar products.
 6. Target market: Study is made with regard to the target market and market segmentation
- Market feasibility is concerned with two aspects the aggregate demand for the proposed product/service, the market shares of the project under consideration. For this market analysis requires variety of information and appropriate forecasting methods. The kind of information required is:
- ✓ Consumption trends in the past and the present consumption level
 - ✓ Past and present supply position
 - ✓ Production possibilities and constraints
 - ✓ Imports and exports
 - ✓ Structure of competition
 - ✓ Cost structure
 - ✓ Elasticity of demand
 - ✓ Consumer behaviour, intentions, motivations, attitudes, preferences and requirements
 - ✓ Distribution channels
 - ✓ Administrative, technical and legal constraints

2. Technical feasibility Study

In technical feasibility study, the following points are studied.

1. Location of the project: The data regarding the location of project is very important.
2. It may be located in rural, urban or semi- urban areas.
3. Construction of factory, building and its size:
4. The construction details, the nature/type of building and its size for the project are to be analysed.
5. Availability of raw materials: The study of availability of raw materials, sources of supply, alternate sources, its quality and specifications cost etc., are to be studied.
6. Selection of machinery: The selection of machinery required to produce the intended product is to be carried out. The specifications are capacity, cost sources of supply, technology evaluation of various makes of the machine. Their good and bad etc., are studied.

7. Utilities: The details about availability of utilities like water, gas electricity, petrol, diesel etc. are to be studied.
 8. Production capacity: Establishment off production capacity and utilization of production capacity are analysed.
 9. Staff requirement: Study and analysis of requirement of workers, technical staff and officers etc. is to be made.
 10. Technical viability: The technical viability of the opportunity is to be studied.
- Technical analysis seeks to determine whether prerequisites for successful commissioning of the project have been considered and reasonably good choices have been made with respect to location, size, and so on.

The important questions raised in technical analysis are:

- ✓ Has the availability if raw material, power, and other inputs been established?
- ✓ Is the selected scale of operation optimal?
- ✓ Is the production process chosen suitable?
- ✓ Are the equipment and machines chosen appropriate?
- ✓ Have the auxiliary equipment and supplementary engineering works been provided for?
- ✓ Has provision been made for treatment of effluents?
- ✓ Is the proposed layout of the site, buildings and plant sound?
- ✓ Have work schedules been drawn up realistically?
- ✓ Is the technology proposed to be employed appropriate from the social point of view?

3. Financial feasibility Study

- Financial feasibility is the most important aspect of a business opportunity. So me of the aspects involved in financial feasibility study are:
1. Total capital cost of project: It is very essential to study the total cost of project. This includes fixed capital, working capital and interest factor.
 2. Sources of capital: The study of main sources of capital is to be made. If capital is borrowed, interest burden is to be studied in detail.
 3. Subsidiary sources for additional finance: After study of main sources of capital, subsidiary sources of capital are to be identified and studied.

4. Financial for future development of business: Financial requirement for future development of business are to be studied. Working capital requirement for at least three months running of enterprise are to be estimated.
 5. Break Even Analysis(BEA): BEA is to be carried out to see at what level of production/sales will make the organization no loss/no profit situation. BEA is very useful to identify the level of production that makes profit.
 6. Estimation of cash and fund flow: It is very essential to make a study of estimation of cash and fund flow in the business.
 7. Return on investment (ROI): ROI is to be calculated to see the amount of return on investment for the investors/share holders and how much they get.
 8. Proposed balance sheet: Proposed balance sheet is made showing liabilities and assets, depreciation, interest burden, profits expected etc.
 9. 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 any R & D institution or by way of foreign collaboration.
- Financial analysis is necessary as ascertain whether the propose project is financially viable in the sense of being able to meet the burden of servicing dept and whether the propose project will satisfy the return expectations of those who provide the capital.

The aspects to be looked into while conducting financial appraisal are as follows.

- ✓ Investment outlay and cost of project
- ✓ Means of financing.
- ✓ Project profitability
- ✓ Break-even point
- ✓ Cash flows of the project
- ✓ Investment worthiness judged in terms of various criteria of merit
- ✓ Project financial position
- ✓ Level of risk

4. Economic/Social Cost-benefit feasibility Study

- Social feasibility study is important in the social environment.
- a. Location: The location is in such a place that it should not have objection from the neighbours.
 - b. Social problem: The enterprise should not create any nuisance to the public.

- c. Pollution: There should not have any sort of noise or other pollution objectionable society. Suitable measures are to be taken for controlling pollution.
 - d. Other problem: Any other problems related to the society and people are to be studied
- This is concerned with judging a project from the larger social point of view, where in the focus is on social costs and benefits of a project, which may often be different from its monetary costs and benefits. The questions to be answered in social cost-benefit analysis are as follows:
 - ✓ What are the direct economic benefits and costs of the project measured in terms of shadow (efficiency) prices and not in terms of market prices?
 - ✓ What would be the impact of the project on the distribution of income in the society?
 - ✓ What would be the impact of the project on the level of savings and investment in the society?
 - ✓ What would be the contribution of the project towards the fulfilment of certain like self-sufficiency, employment and social order?