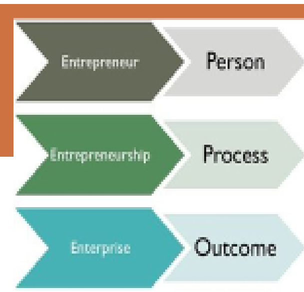
ENTREPRENEUR



One who creates a new business

- ➢in the face of risk & uncertainty
- ➢for the purpose of achieving profit & growth
- ➢by identifying opportunities
- ➢and assembling the necessary resources to capitalize on them.

- **The term Entrepreneur**
- The word entrepreneur is derived from the French entreprendre, meaning to undertake.
- **An Entrepreneur** (ahn'tra pra nur) is a person who organizes and manages a **business** undertaking, assuming the risk for the sake of profit.

FIRST LESSON

What is Entrepreneurship?

1. The Process of
   - Initiating a Business Venture,
   - Organizing the Necessary Resources,
   - Assuming the Associated Financial, Psychological and Social Risks & Rewards
2. Having the Characteristics of an Entrepreneur, e.g.
   - Brave, innovative, independent, and achievement oriented

THEORIES OF ENTREPRENEURSHIP

Sociological Theory

•Entrepreneurship is likely to get a boost in a particular social culture

•Society's values, religious beliefs, customs, taboos influence the behaviour of individuals in a society

•The entrepreneur is a role performer according to the role expectations by the society

Psychological Theory

•Entrepreneurship gets a boost when society has sufficient supply of individuals with necessary psychological characteristics

•The psychological characteristics include need for high achievement, a vision or foresight, ability to face opposition

•These characteristics are formed during the individual's upbringing which stress on standards of excellence, self reliance and low father dominance

Entrepreneurship Innovation theory

•Theory by Joseph Schumpeter who believes that entrepreneur helps the process of development in an economy

•He says that an entrepreneur is the one who is innovative, creative and has a foresight

•**According to him, innovation occurs when the entrepreneur**

–Introduces a new product

–Introduces a new production method

–Opens up a new market

–Finds out a new source of raw material supply

–Introduces new organization in any industry

•The theory emphasizes on innovation, ignoring the risk taking and organizing abilities of an entrepreneur

•Schumpeter's entrepreneur is a large scale businessman, who is rarely found in developing countries, where entrepreneurs are small scale businessmen who need to imitate rather than innovate

The, concept of innovation according to **Schumpeter (1934:66),** covers the following **five cases**.

1. **The introduction of new good** – that is, one with which consumers are not yet familiar – or of a new quality of a good.
2. **The introduction of a new method of production**, that is, one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a scientifically new discovery, and also exist in a new way of handling a commodity commercially.
3. **The opening of a new market**, that is, a market into which the particular branch of manufacture of the county in question has not previously entered, whether or not this market has existed before.
4. **The conquest of a new source of supply of new materials or half-manufactured goods**, again irrespective of whether this source already exists, or whether it has to be created.
5. **The carrying out of a new organization of any industry**, like the creation of a monopoly position (for example the breaking up of a monopoly position.

Some theory of Entrepreneurship

- **Schumpeter's View of Entrepreneurship**

Austrian economist Joseph Schumpeter 's definition of entrepreneurship placed an emphasis on innovation, such as:

- new products
- new production methods
- new markets
- new forms of organization
- Wealth is created when such innovation results in new demand. From this viewpoint, one can define the function of the entrepreneur as one of combining various input factors in an innovative manner to generate value to the customer with the hope that this value will exceed the cost of the input factors, thus generating superior returns that result in the creation of wealth.

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".

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.

ENTREPRENEUR & INTRAPRENEUR (difference)

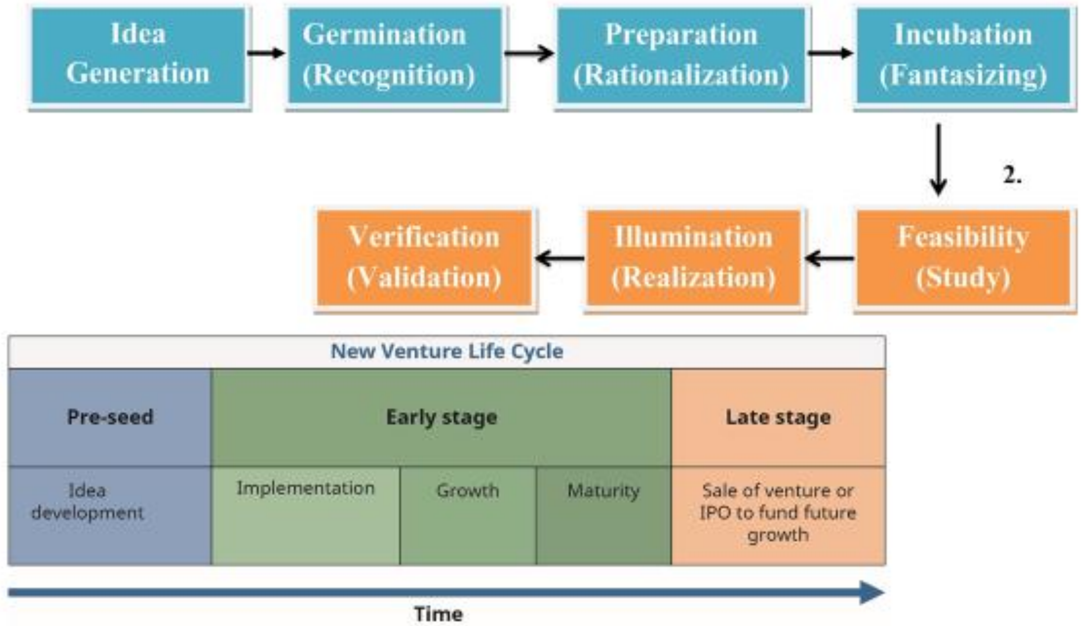
Differences	Entrepreneur	Intrapreneur
Dependency	An entrepreneur is independent in his operations	An intraprenuer is dependent on the entrepreneur, i.e. the owner.
Raising of Funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the Intrapreneur.
Risk	Entrepreneur bears the risk involved in the business.	An intraprenuer does not fully bear the risk involved in the enterprise.
Operation	An entrepreneur operates from out side	On the contrary, an intraprenuer 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.

	Managers	Entrepreneurs	Intrapreneurs
Primary motives	Promotion and other traditional corporate rewards such as office, staff and power	Independence, opportunity to create, and money	Independence and ability to advance in the corporate Rewards
Time orientation	Short-term –meeting quotas and budgets, weekly, monthly, quarterly, and the annual planning horizon	Survival and achieving 5-10 year growth of business	Between entrepreneurial and traditional managers, depending on urgency to meet self-imposed and corporate timetable
Activity	Delegates and supervises more than direct involvement	Direct involvement	Direct involvement more than delegation
Risk	Careful	Moderate risk taker	Moderate risk taker
Status	Concerned about status symbols	No concern about status symbols	Not concerned about traditional status symbols-desires independence
Failure and mistakes	Tries to avoid mistakes and surprises	Deals with mistakes and failures	Attempts to hide risky projects from view until ready
Decisions	Usually agrees with those in upper management positions	Follows dream with decisions	Able to get others to agree to help achieve dream
Who serves	Others	Self and customers	Self, customers and sponsors
Family	Family members worked for large organizations	Entrepreneurial, small-business, professional or farm background	Entrepreneurial, small-business, professional or farm background
Relationship	Hierarchy as basic relationship	Transactions and deal-making as basic relationship	Transaction within hierarchy

Point	Intrapreneur	Entrepreneur	Manager
Goal management	Independent, innovates new ideas	Independent, starts new venture & leads direct involvement	Delegates & supervises more than direct involvement
Status	Not concerned about traditional status, but wants recognition	Not concerned about status	Concerned about status symbol
Risk	Owns moderate risk	Bears all the risk & uncertainty	Does not bear any risk
Rewards	Gets fixed reward for his work. Many get extra for his innovations	Since there is risk, he may get profit or loss depending on outcome	Works for salary for his service which is fixed and definite.
Innovation	Innovative	Very innovative	Need not be innovative. He manages the ideas of top management
Decision Making	Moderate, limited to his work	Very much involved in decision making	Delegates the decisions of top management

Entrepreneurial Process

- When starting a new business, there is an entrepreneurial process that is often followed.
- An entrepreneur must find, evaluate, and develop an opportunity by overcoming the forces that resist the creation of something new.
- The entrepreneurial process has four distinct phases:
  - (1) identification and evaluation of the opportunity,
  - (2) development of the business plan,
  - (3) determination of the required resources, and
  - (4) management of the resulting enterprise.



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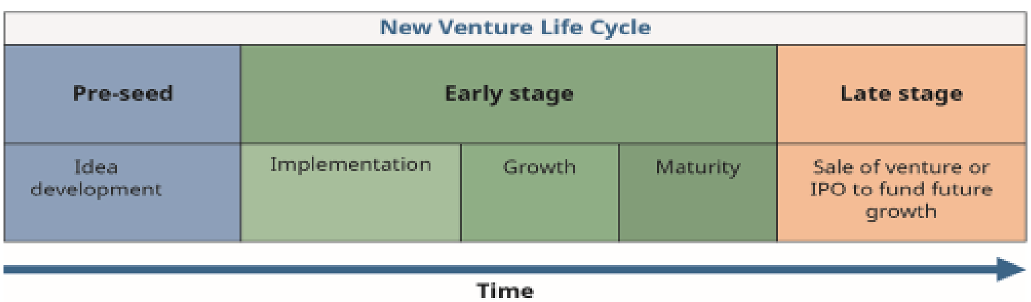
During the startup stage, or the birth of the idea, the venture requires resources to support the startup as the entrepreneur develops the idea, creates the prototype, and builds the infrastructure to support production. During the startup stage, cash supports building the venture.



The Entrepreneurial Process: **Venture Life Cycle** and **Product Life Cycle**

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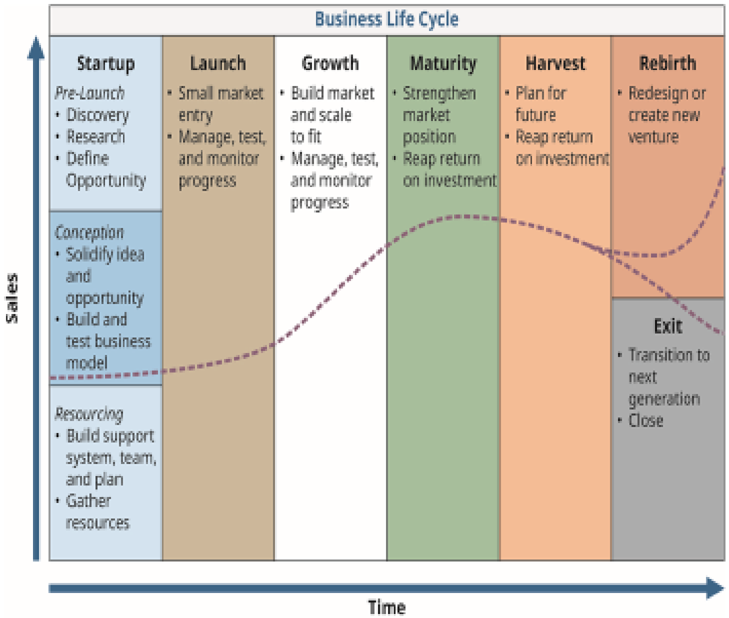

This image demonstrates the phases a business moves through from origination through the death of the business.

a business venture experiences quick growth as the product or service becomes commercialized and experiences strong demand, reflected through increasing sales and stronger knowledge and access to the target market. Again, this stage requires resources to support growth.

Reference:: https://cnx.org/contents/qN_8XSoB@3/The-Process-of-Becoming-an-Entrepreneur