

Meaning and Definition of Entrepreneur

The word “entrepreneur” is derived from the French verb *entreprendre*. It means “to undertake”. In the early 16th century, the Frenchmen who organized and led military expeditions were referred to as “entrepreneurs.”

The term “entrepreneur” was applied to business initially by the French economist, Cantillon, in the 18th century, to designate a dealer who purchases the means of production for combining them into marketable products.

Oxford English Dictionary defined entrepreneur as one who undertakes an enterprise. Especially a contractor acting as an intermediary between labour and capital production is an entrepreneur.

Adam Smith described entrepreneur as a person who only provides capital without taking active part in the leading role in the enterprise.

Richard Cantillon considered all persons engaged in economic activity as entrepreneurs.

Joseph A. Schumpeter recognized a person one who introduces innovative changes in an entrepreneur. He treated entrepreneur as an integral part of economic growth. The fundamental source of disequilibrium was the entrepreneur.

Francis A. Walker observes that the true entrepreneur is one who is endowed with more than average capacities in the risk of organizing and coordinating the various other factors of production.

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 specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

According to McClelland: “An entrepreneur is someone who exercises some control over the means of production and purchases more than what he can consume in order to sell(or exchange) it for individual(or household) income.”

According to 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.”

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.”

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.

An entrepreneur is a person who has possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome. He or she is an ambitious leader who combines land, labor, and capital to often create and market new goods or services. Entrepreneur in English is a term applied to the type of personality who is willing to take upon herself a new venture or enterprise and accepts full responsibility for the outcome.

Entrepreneur is a key figure in economic progress. He is the person who introduces new things in the economy. He is considered as the business leader and not as simple owner of capital. He is a person with telescopic faculty, drive and talent who perceives business opportunities and promptly seizes them for exploitation. However, to be successful, an Entrepreneur should have the following characteristic features:

- 1) Need to Achieve: Entrepreneurs have got strong desire to achieve higher goals. Their inner self motives their behavior towards high achievement.
- 2) Independence: Most of the entrepreneurs start on their own because they dislike to work for others. They prefer to be their own boss and want to be responsible for their own decisions.
- 3) Locus of Control: Entrepreneurs believe in their own ability to control the consequences of their endeavor by influencing their socio- economic environment rather than leave everything to luck. They strongly believe that they can govern and shape their own destiny.
- 4) Risk – Bearing: Entrepreneurs are the persons who take decisions under uncertainty and thus they are willing to take risk, but they never gamble with the results.

5) Perseverance: Entrepreneur has the quality of sticking to job he decides to undertake. They work sincerely until the whole project is successfully implemented.

6) Positive Self- Concept: Entrepreneurs are always positive in their action> Being an achiever, he directs his fantasies and dreams towards achievement of worthwhile goals and sets extraordinary standard of excellence in what he is doing. This is based upon his awareness of SWOT analysis.

7) Ability to Find and Explore Opportunities: Entrepreneurs are always alert to opportunities. They are very much quick to see and grab opportunities. They exhibit an innovative turn of mind and convert the problems into viable opportunities. They plan intellectually and anticipate carefully how to achieve their goals in realizing an opportunity.

8) Hope of success: Hope of success is a significant quality of entrepreneurial personality. Entrepreneurs set their goals with a hope of success rather than fear of failure. This is because they set their goals on the basis of facts and their ability to manoeuvre them to their advantage.

9) Flexibility: Most of the successful entrepreneurs measure the pros and cons of a decision and tend to change if the situation demands. They never feel reluctant to revise their decisions.

10) Analytical Ability of Mind: Entrepreneurs are unaffected by personal likes and dislikes. At the time of their need they select experts rather than friends and relatives to assist them. They usually avoid emotional and sensitive attitude towards their business or problem.

11) Sense of Efficacy: Entrepreneurs are always oriented towards action for accomplishment of their goals. Being confident of their abilities, they find themselves as problem solvers rather than problem avoiders.

12) Openness to Feedback and Learning from Experience: Successful entrepreneurs like to have immediate feedback of their performance. They learn from their experience and never get discouraged having received unfavorable information. On the contrary, they are stimulated by unfavorable information to involve themselves sincerely in their own tasks to reach their desired goals.

13) Confronting Uncertainty: Successful entrepreneurs are always optimistic and

take every odd as the opportunity. They maneuver their environment in such a way that the works get accomplished rationally. Thus, they win by the application of their extraordinary insight and skill.

14) Interpersonal Skills: Entrepreneurs are always comfortable while dealing with people at all levels. During the course of their action, they come across a cross section of individuals with whom they have to deal. They interact with raw material suppliers, customers, bankers, etc. For different activities. As successful entrepreneurs, they should be persons who like working with others possessing the much needed quality of interpersonal skill to deal with people.

15) Need to Influence Others: Once the entrepreneurs set their goals, they have to play the roles of manager too. For influencing others (Power), a low need to establish emotional relationship (low Affiliation) and a high need to discipline one's own self (to inhibit over expression of their personality) are essential.

16) Stress Takers: Entrepreneurs are capable of Working for long hours and solving different complexities at the same time. As the captain of an industry or an enterprise, an entrepreneur faces a number of problems and in right moment he takes right decisions which may involve physical as well as mental stress.

17) Time Orientation: Entrepreneurs anticipate future trends basing upon past experience and exposure. They stick to the time pragmatically while doing their jobs.

18) Innovators: Successful entrepreneurs are innovators. They constantly put their efforts in introducing new products, new method of production, opening new markets and reorganizing the enterprise.

19) Business Communication Skill: In order to motivate others in the business, entrepreneurs must possess good communication skill. Both written and oral communication skills are necessary for the entrepreneurs for running enterprise efficiently.

20) Leadership: Entrepreneurs should possess the quality of leadership. Leadership is the ability to expert interpersonal influence by means of communication towards the achievement of goals. Entrepreneurs as the leaders should provide the necessary spark to motivation by guiding, inspiring, assisting, assisting and directing the members of the group for achievement of unity of action, efforts and purpose.

21) Telescopic Faculty: Successful entrepreneurs always tend to think ahead. They have got telescopic faculties which make them think for the future.

22) Business Planning: Planning implies deciding in advance what, when and how to do a thing. Entrepreneurs should be adept in planning their business and planning is an intellectual approach to solution of the various problems.

A successful entrepreneur always follows the principles of management while planning for his business. Through the instrument of planning, the entrepreneurs determine the following things:

- Objectives
- Policies and Procedures
- Budget
- Strategies
- Rules
- Programmes

23) Decision Making: Decision- making skill is a fundamental characteristic of an entrepreneur. This implies the function of choosing a particular course of action out of several alternative courses for the purpose of achieving specified goals.

24) Ability to Mobilize Resources: Entrepreneurs must have the ability to marshal all the inputs to obtain the end product. They have to mobilize 6 Ms, i.e. Man, Money, Material, Machinery, Market and Method effectively to realize the final product as entrepreneurship is function of gap filling and input completing.

25) Self – confidence: Entrepreneurs must have self- confidence to accomplish the task effectively and efficiently. They must take decisions on their own in uncertain and risky situation and should stick to it confidently even if there occurs initial setback.

What skills are needed to be an entrepreneur? There are many skills that entrepreneurs develop over time, but there are a few skills that every entrepreneur must have before opening their “door” for business. Successful entrepreneurs have to start with these six skills:

1) **Self-Motivation:** People who start their own businesses have typically worked in a larger organization and have enjoyed the amount of control and autonomy that

self-employment gives them, when they see the direct rewards for labor, they are motivated to setup their own business. Money is also a big motivator.

Many top entrepreneurs have had unhappy experiences in childhood, and are motivated by something negative. They want to go on and prove that they can succeed and are driven by control and power. And while those negative experiences may drive many to set their own businesses in the first place, motivation grows with the enterprise; those who run small businesses generally do so because their work is also their passion.

2) Self-Confidence: Every entrepreneur needs to be confident in themselves, their product and their business. One needs to know that his product can truly help people and he is charging prices that are both fair to him and his clients.

3) Ethics and Morals: Ethics and morals are the foundation of every good entrepreneur. Early on one must decide what he and his business will stand for and what lines he will refuse to cross. Many entrepreneurs close their doors because the dollar outshines their morals. If one stray too far from his morals he will give himself and his business a bad name. No one wants to do business with someone who will not stand up for his own morals.

4) Time Management: One should schedule his day and stick to that schedule. This cannot be emphasized enough. New entrepreneurs need to realize that every minute is valuable. When first starting out, most likely one will not have enough “work” to fill an eight hour day. This does not mean that he has time to take a three hour lunch with friends. He should utilize this time to learn more skills related to his business, find ways to advertise and contact potential clients.

5) Sales: No matter how much you do not like the idea of it, every business has to work with sales. Each industry and business has a unique way of handling its sales. As an entrepreneur, it is his job to figure out what type of sales he will prefer and what type is best for his services or products. If he had ever worked in retail sales or advertising he already have an edge on most other hopeful business people. All entrepreneurs will benefit from sales seminars, books and motivational programs.

6) Financial Knowhow: When in business, knowledge of finance is a must. Knowing how to balance a check-book and keep track of numbered invoices is all most small businesses need to start out. The most important aspect of small business finance is scheduling time specifically for the finance management. Granted it helps to have an accounting degree or extensive Quick Books

knowledge but these skills are not mandatory.

7) Communication Skills: Businesspeople communicate by writing letters and memos, talking on the telephone, and meeting with customers, suppliers, bankers, employees, and others. To succeed as an entrepreneur, he will need to develop his writing, speaking and listening skills because he will use them everyday:

i) **Writing Skills:** As an entrepreneur, a person will have to frequently communicate in writing with customers, suppliers and employees, among others. To do so effectively, he will need to develop his business writing skills. Good business writing communicates ideas clearly. It also gets results by being positive and persuasive and by convincing readers that they should accept what the writer is communicating.

ii) **Speaking Skills:** Much of our communication as a business owner will be conducted verbally either over the telephone or face-to –face. How we yourself will have a big impact on the people with whom we deal.

iii) **Listening Skills:** Problems in business often occur because people fail to listen to each other.

As a business owner, we need to listen carefully to our employees. We also need to listen to bankers, suppliers, customers and anyone else who may impact our business. What can we do to improve our listening skills?

8) Problem-Solving Skills: Many entrepreneurs make decisions casually or base them on intuition. As a result, their decisions are based on faulty assumptions or illogical thinking. The best entrepreneurs use formal problem- solving mechanisms to gather information and evaluate different options.

According to the Use of Technology

The application of new technology in various sectors of the national economy is essential for the future growth of business.

1) **Technical Entrepreneur:** “A technical entrepreneur is essentially an entrepreneur of “craftsman type.” He develops new and improved quality because of his craftsmanship. He concentrates more on production than marketing. The greatest strength, which the technical entrepreneur has is his skill in production techniques.

2) **Non-technical Entrepreneur:** They are concerned only with developing alternative marketing and distributions strategies to promote their business. 3)

Professional Entrepreneur: Professional entrepreneur is a person who is interested

in establishing a business but does not have interest in managing or operating it once it is established. A professional entrepreneur sells out the running business and starts another venture with the sales proceeds. Such an entrepreneur is dynamic and he conceives no ideas to develop alternative projects.

According to Motivation

Motivation is the force that influences the efforts of the entrepreneur to achieve his objectives. An entrepreneur is motivated to achieve or prove his excellence in job performance. He is also motivated to influence others by demonstrating his power thus satisfying his ego.

1) Pure entrepreneur: A pure entrepreneur is an individual who is motivated by psychological and economic rewards. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego or status.

2) Induced Entrepreneur: Induced entrepreneur is one who is induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead facilities to start a venture. Most of the entrepreneurs are induced entrepreneurs who enter business due to financial, technical and several other facilities provided to them by the state agencies to promote entrepreneurship.

3) Motivated Entrepreneur: New entrepreneurs are motivated by the desire for self-fulfillment. They come into being because of the possibility of making and marketing some new product for the use of consumers. If the product is developed to a saleable stage, the entrepreneur is further motivated by reward in terms of profit.

4) Spontaneous Entrepreneur: These entrepreneurs start their business out of their natural talents. They are persons with initiative, boldness and confidence in their ability, which motivate them to undertake entrepreneurial activity. Such entrepreneurs have a strong conviction and confidence in their ability.

According to Growth

The development of a new venture has a greater chance of success. The entrepreneur enters a new and open field of business. The customer approval to the new product gives the psychological satisfactions and enormous profit. The industrial units are identified as high growth, medium growth and low growth and

low growth industries and as such we have “Growth Entrepreneur” and “Super Growth Entrepreneur.”

1. Growth Entrepreneur: Growth entrepreneurs are those who necessarily take up a high growth industry. These entrepreneurs choose an industry which has sustained growth prospects.

2. Super- Growth Entrepreneur: Super- growth entrepreneurs are those who have shown enormous growth of performance in their venture. The growth performance is identified by liquidity of funds, profitability and gearing.

According to Stages of Development

i) First- Generation Entrepreneur: A first – generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

ii) Modern Entrepreneur: A modern entrepreneur is one who undertakes those venture which go well along with the changing demand in the market. They undertake those ventures which suit the current marketing needs.

iii) Classical entrepreneur: A classical entrepreneur is one who concerned with the customers and marketing needs through the development of a self- supporting ventures. He is stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the firm with or without an element of growth.

According to Gender

i) Men Entrepreneur: Generally men are found as an entrepreneur in the society. When a male member of the society performs the entrepreneurial functions, it is called men entrepreneur.

ii) Women Entrepreneur: In 1988, for first time, the definition of Women Entrepreneurs’ Enterprise was evolved that termed an SSI unit? Industry- related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/thy individually or jointly have a share capital or not less than 1 percent as partners/shareholders/ directors of private limited company/ members of a cooperative society, as a men Enterprise.

Women entrepreneurs have been on the Indian business scene for quite some time now and have achieved remarkable success. Moreover, like any other entrepreneur, any first generation woman entrepreneur has to compete in the business against those already will established.

Realizing the great untapped potential, the Government has been making concerned efforts to channelize the skills and talent if women towards economic and business generating activities.

Others:

1) Innovating Entrepreneurs: Innovating entrepreneurship is characterized by aggressive assemblage of information and analysis of results, deriving from a novel combination of factors. Men/ Women in this group are generally aggressive in experimentation who exhibit cleverness in putting attractive possibilities into practice. One need not invent but convert even old established products or services, by changing their utility, their value, their economic characteristics, into something new, attractive and utilitarian.

2) Initiative Entrepreneurs: Imitative entrepreneurship is characterized by readiness to adopt successful innovations by innovating entrepreneurs. They first imitate techniques and technology innovated by others.

Contributions of Entrepreneurs

1) Develop New Markets: Under the modern concept of marketing, markets are people who are willing and able to satisfy their needs. In Economics, this is called effective demand. Entrepreneurs are resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary businessmen who only perform traditional functions of management like planning, organization and coordination.

2) Discover New Sources of Materials: Entrepreneurs are never satisfied with traditional or existing sources of materials enjoy a comparative advantage in terms of supply, cost and quality.

3) Mobilize Capital Resources: Entrepreneurs are the organizers and coordinators of the major factors of production, such as land, labor and capital. They properly mix these factors of production to create goods and services. Capital resources,

from a layman's view, refer to money. However, in economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self confidence in accumulating and mobilizing capital resources for new business or business expansion.

4) Introduce New Technologies: Aside from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities and transform these into profits. So, they introduce something new or something different. Such entrepreneurial spirit has greatly contributed to the modernization of economies. Every year, there are new technologies and new products. All of these are intended to satisfy human needs in a more convenient and pleasant way.

5) Create Employment: The biggest employer is the private business sector. Millions of jobs are provided by the factories, service industries, agricultural enterprises, and the numerous small-scale businesses.

Functions of Entrepreneurs

A successful entrepreneur has a high capacity for taking calculated risks and has faith in his own capabilities.

The functions of an entrepreneur are co-ordination of the business management of the enterprise, risk-taking, controlling the enterprise, innovation for change, motivation and other related activities. In reality, an entrepreneur has to carry out a combination of these in keeping with time and environment.

1) Assumption of Risk: A business risk also involves the risk due to the possibility of changes in the tastes of consumers, techniques of production and new inventions. Such risks are not insurable.

2) Business Decisions: The entrepreneur has to decide the nature and type of goods to be produced. He effects suitable changes in the size of the business, its location, techniques of production and does everything that is needed for the development of his business.

3) Managerial Functions: The entrepreneur formulates production plans, arranges finance, purchases raw materials, provides production facilities, organizes sales and assumes the task of personal management. In a large establishment, these management functions are delegated to the paid managerial personnel.

4) Function of Innovation: An important function of an entrepreneur is “innovation”. He conceives that idea for the improvement in the quality of production line. He considers the economic viability and technological feasibility in bringing about improved quality. The introduction of different kinds of electronic gadgets is an example of such an innovation of new products.

An entrepreneur performs many useful functions. He undertakes a venture, assumes risk and earns profit. He is the man having a strong motivation to achieve success. He is self -confident in his entrepreneurial abilities. He exploits opportunities whenever and whenever they arise.

Role of Entrepreneurs

Entrepreneurs, on the other hand, are distinct from business owners and managers. They are essentially strategic innovators, seeking profitability with growth. Promoting entrepreneurship, in that sense, is intrinsically different from promoting small-scale industry.

Entrepreneurs are essentially strategic innovators, seeking profitability with growth.

1) Initiator: Key man who envisages new opportunities, new lines of production, new products & co-ordinates all other activities.

2) Innovator: Brings in overall change through innovation for maximum social good. Human values remain sacred & inspire him to serve society. He is headed with innovation & creativity.

3) Coordinator: He has firm belief in social betterment & carries out this responsibility with conviction. In this process, he accelerates personal, economic as well as human development.

4) Leader: He is a visionary & an integrated man with outstanding leadership qualities. With a desire to excel, he gives top priority to research and Development.

5) Social Worker: He always works for the well-being of the society.

6) Welfare Agent: Entrepreneurial activities encompass all fields? Sectors & foster a spirit of enterprise for the welfare of mankind.

7) Employer: Small business, bring crowned with innovations bring more profit & create jobs.

8) Development Agent: He contributes in development of country by way of providing employment & building up nation's economy. Results in raising standard of living of people.

Traits of Entrepreneur

Following are the top 10 essential entrepreneurial traits that anyone who is interested in starting a business must possess:

i) Independence: This is the most common denominator of all entrepreneurs. They want to seize control of their future; thus they decide to become their own boss instead of laboring under the gaze of a master.

ii) Persistence and Determination: The world of entrepreneurship is fraught with both success and failure. An important quality of a successful entrepreneur is the doggedness to continue pursuing a goal despite some setbacks and obstacles they may encounter on the road. This persistence and determination is fueled by a burning desire to achieve the goal of succeeding in the chosen field of business.

iii) Self-Confidence: Along with independence, an entrepreneur possesses self-confidence. They believe in their capabilities and makes sure that they will put in their best effort into their particular endeavors and likewise expect the best results from it. Belief in one's capabilities is very important in achieving any goal especially in the world of entrepreneurship.

iv) Creativity: In the business world, you cannot afford to be complacent and uncreative unless you want the competition to move up on ahead of you. Creative people are naturally curious, inquisitive, bright and highly flexible when thinking. They keenly observe their environment and have an eye for spotting new trends that could spark a business opportunity.

v) Organized and Goal- oriented: An entrepreneur knows the value of organization in a business endeavor. A good entrepreneur has the ability to consolidate resources.

vi) Visionary: An entrepreneur has a vision for his/her future.

vii) Risk- Taking and Tolerance for Failure: A good entrepreneur realizes that loss and failure are inherent in any business endeavor. Thus, an entrepreneur must always be ready to make calculated risks and face whatever consequences accompany those risks. As in all fields of endeavor, the characteristic of a successful entrepreneur is in never giving up and in picking up the pieces and continuing the journey even if failure momentarily obstructs the way.

viii) Perseverance and Hard Work: These are perhaps two of the most important entrepreneurial traits.

ix) Commitment: An entrepreneur will not important mark of a good entrepreneur is being honest and honorable in all business dealings and interpersonal relationships- Whether it is between business partners, employees, peers or investors.

Entrepreneurship

Concept of Entrepreneurship

Entrepreneurship is the act of being an entrepreneur, which is a Fresh word meaning “on who undertakes an endeavor.” Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic good. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses; however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization, it is referred to as intrapreneurship and may include corporate venturing, when large entities start spin-off organizations.

In a Conference on Entrepreneurship held in United States, the term ‘entrepreneurship’ was defined as follows:

“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.”

According to Schumpeter, “Entrepreneurship is based on purposeful and systematic innovation. It included not only the independent businessman but also company directors and managers who actually carry out innovative functions”.

In all above definitions, entrepreneurship refers to the functions performed by an entrepreneur in establishing an enterprise. Just as management is regarded as what managers do, entrepreneurship may be regarded as what entrepreneurs do. In other words, entrepreneurship is the act of being an entrepreneur. Entrepreneurship is a process involving various actions to be undertaken to establish an enterprise. It is, thus, a process of giving birth to a new enterprise.

Characteristics of Entrepreneurship

1) Decision Making: A decision is a course of action which is consciously chosen from among a multiple of alternatives to achieve the desired result. As entrepreneurship involves both risk and uncertainty, decision making is crucial on the part of the entrepreneurs to establish and run the enterprise successfully.

2) Accepting Challenges: Entrepreneurship means accepting challenges amidst risk and uncertainty. While accepting entrepreneurship as a career, the entrepreneur accepts the challenges of all odds and puts his efforts to convert the odds into viable business opportunities by pooling together the resources for building and running the enterprise.

3) Risk Taking: This characteristic feature implies assuming the responsibility for loss that may occur due to unforeseen contingencies of the future. Entrepreneur, by his deep insight and scientific approach, analyses the situation objectively and reduces the risk considerably on one hand and enhances the profit factor on the other.

4) Building Organization: Entrepreneurship presupposes the initiative and skill on building organization. It is by delegation of authorities and proper leadership that organization can be built up. As per the views of Harbison, organization building is the most critical skill need for entrepreneurship as it facilitates the economic use of other innovations.

5) Skillful Management: For effective management of an enterprise, the role of an entrepreneur to initiate and supervise design of organization- improvement projects in relation to upcoming opportunities is very much important.

6) Innovation: David Mc Clelland identified two important characteristics of entrepreneurship- first doing things in a new and better way, which is synonymous to innovation given by J.A. Schumpeter and second, decision making under uncertainty. So innovation is one of the most important characteristics of entrepreneurship.

7) Mobilization of Resources: resources are the help needed to carry out activities resulting in accomplishment of goal. They are found in scattered manner in the environment and required to be perceived, identified and mobilized by entrepreneurs to attain business goal. Thus, entrepreneurs make themselves distinct from the rest of population because of their innate capability to mobilize resources.