

Introduction to Entrepreneurship

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IMPORTANCE OF ENTREPRENEURSHIP

Entrepreneurship is basically concerned with creating wealth through production of goods and services. Some of the importance of entrepreneurship are as follows:-

IMPORTANCE / SIGNIFICANCE / IMPACT OF ENTREPRENEURSHIP

(1) Economic Impact

- (i) Innovation
- (ii) Job creation
- (iii) Capital formation
- (iv) Resource mobilization
- (v) Raising living standard
- (vi) Add national income

(2) Impact on society

(3) Impact on larger forms.

(1) Economic Impact

→ Entrepreneurship injects economy by starting a chain reaction when the entrepreneur continuously tries to improve the quality of existing goods and services and add new ones. For eg:- when computer came in the market there was continuous improvement in the models, their functions etc. which directly or indirectly create economic impact.

a) Innovation → Innovation means introducing new products or new method of production or discovers new market. Innovation is must to run any type of organization as well as to be a good entrepreneur. As people demand new product and services, entrepreneur must produce

the product ~~the~~ in some way.

b) Job creation

⇒ Entrepreneur must have ability to provide or create job to other
Entrepreneurship increases the business that is the sources of employment
Every new business is a source of employment to people with different
abilities, skills and qualification. The development of entrepreneurship
is helpful to solve the unemployment problem of the nation.

c) Capital formation

⇒ Capital formation refers to the addition made to the stock of
capital goods. Capital is regarded as prerequisite of economic
development. The entrepreneurship promotes capital formation by
mobilization the idle saving of the people.

d) Resource mobilization

⇒ Entrepreneurship has been playing important role for proper utilization
of resources available in the nation. The proper utilization of forest,
water, agriculture, minerals and others resources are helpful for the
development of enterprise as well as for the economic developme-
ent of nation.

e) National income

⇒ Entrepreneurship development ensures the national integration.
The entrepreneurship operate businesses in the different parts of
the country on the basis of the availability of resources. This
helps to achieve the objective of balance regional development
or removing regional disparity of the government.

2) Impact on society

→ Entrepreneurship helps to solve the societal problems also. The unused local resources are utilized by the entrepreneurs and create some value ~~of~~ that unused local resources. Hence, entrepreneur ^{helps to} brings change within the society and hence in nation too.

Concept Of An Entrepreneur

→ An entrepreneur is a person who starts an enterprise. Similarly, An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. ~~The~~ In other word, The person who creates a new enterprise and embraces every challenge for its development and operation is known as entrepreneur.

An entrepreneur is one who creates her/his own business, Organize, Operates and shares the risk of business. The entrepreneur is a person, who perceives an idea and then brings together human resources, materials and arranges necessary capital, needed for business. She/he is a person, who possesses setting up of new ventures.

According to Peter Drucker, "The entrepreneur always searches for change responds to it, and exploits it as an opportunity."

According to F.H. Knight, "Entrepreneurs are a specified group of persons who bear risks and deal with uncertainty."

Therefore, entrepreneurs help drive change with innovation, where new and improved products enable new market to be developed

CHARACTERISTICS / TRAITS OF AN ENTREPRENEUR

- ↳ Desire for involvement
- ↳ Moderate risk bearer
- ↳ Confidence on ability
- ↳ High level of energy
- ↳ Take immediate feedback
- ↳ Future orientation
- ↳ Skill of Organization
- ↳ High level of commitment
- ↳ Tolerance of ambiguity
- ↳ Flexible attitude

Desire for involvement

⇒ Entrepreneurs have a strong desire to achieve high goals in business. For this there must be involvement of physical resources, financial resource and maximum time must be given by the entrepreneurs to achieve goal.

Moderate risk bearer

⇒ Entrepreneurs are risk bearer. They have preference for moderate to high risk. They take calculated risk to achieve goals. Their risk taking ability is guided by information analysis and experience. Entrepreneurs possess self-confidence for achieving their goals.

Confidence on ability

⇒ A successful entrepreneur believes in his ability. He is not scared to explore, take risk and take difficult decision. This will make them willing to put in the risk for a new business and succeeding in that business then build more self-confidence.

High level of Commitment

→ Commitment is very powerful when it comes to goal setting. It gives motivate and inspire the entrepreneur to keep their persistently and help them overcome all obstacles.

Tolerance of ambiguity

⇒ Tolerance of ambiguity is the ability to deal with ambiguous situations in a sensible and clam way. Business owners with a high tolerance for ambiguity can normally handle new and uncertain situation easily.

flexible attitude

⇒ Entrepreneur must be of flexible attitude. This means entrepreneur mustnot be stubborn. If the entrepreneur ^{attitude is} of flex then hel/she can easily grabbed the oppurtunities when they arise and helps to achieve organizational goals.

FUNCTIONS OF AN ENTREPRENEUR

- (1) Entrepreneurial functions → Innovating functions.
 - ↳ Risk bearing functions
 - ↳ Organizing functions
- (2) Managerial functions → Planning
 - ↳ Organizing
 - ↳ Directing
 - ↳ Staffing
 - ↳ Controlling
- (3) Promotional function → Generation and selection of idea
 - ↳ Prepration of business plans
 - ↳ Arrangement of capital / funds
- (4) Commercial functions → Marketing
 - ↳ Manufacturing
 - ↳ Accounting

1 Entrepreneurial functions

a) Risk bearing functions

⇒ The entrepreneur bears the risk of uncertain changes in production investment and profits. The other risk is of the frequent changes in the government policies and technological obsolescence.

b) Organizing functions

⇒ The Organizing function of an entrepreneur refers to bringing together the men, material, machine, money and so on. The entrepreneur organizes above mentioned different organs of an enterprise to form a successful organization.

c) Innovation functions

⇒ Invention of new products, new techniques and discovering new markets is important to improve competitive position and increase earning too.

2 Managerial functions

a) Planning ⇒ Planning is the function of management that involves setting objectives and determining a course of action for achieving those objectives. Planning requires that managers be aware of environmental conditions facing their organization and forecast future conditions.

b) Organizing function ⇒ Organizing is the function of management that involves developing an organizational structure and allocating human resources to ensure the accomplishment of the objectives. The structure of the organization is the framework within which effort is coordinated.

c) Staffing functions \Rightarrow It is the duty of every manager to perform the staffing activities such as selection, training, performance appraisal and counselling of employees. The staffing function also includes recruitment, selection, training, development, transfer, promotion and compensation of personnel.

d) Directing function \Rightarrow Directing function of entrepreneur actually starts the setting up of enterprise. The entrepreneurs guides, counsels, teach, his/her employees to work efficiently to accomplish the set objective.

e) Controlling function \Rightarrow The entrepreneur has to supervise and control the day-to-day business activities to accomplish the business objectives. For this he properly co-ordinates between various factors of production.

3. Promotional functions

(a) Generation and selection of idea \Rightarrow Idea generation is the process of creating, developing and communicating abstract, concrete or visual ideas. The entrepreneur must have knowledge and skills to handle the public or people.

(b) Preparation of business plans \Rightarrow A business plan is a written document or description of future business. Entrepreneurs must prepare the business plan in such a way that people or institutions believe on that plan.

(c) Arrangement of capital fund \Rightarrow Capital funding is the money that lenders and equity holders provide to a business for daily and long-term needs. The business uses both debt and equity for operating capital.

4. Commercial functions
- a) Manufacturing ⇒ The entrepreneur is the one that initiates the process of production by mobilizing the other factor of production. Here, entrepreneur purchase or invest in raw material and process them and produce a finished product or sellable product in the market.
 - b) Marketing ⇒ Entrepreneur uses different types of marketing tool i.e. promotion, advertisement, publicity, direct marketing and so on so that their product will be sold in the market.
 - c) Accounting ⇒ Accounting is a process which systematically records business transactions and translates it into the financial information of the business entity to assist the stakeholder in decision making process.

TYPES OF ENTREPRENEUR

- | | | |
|--|--|---|
| <p>(1) <u>Base on types of business</u></p> <ul style="list-style-type: none"> ↳ Trading entrepreneurs ↳ Manufacturing entrepreneurs ↳ Service entrepreneurs ↳ Agriculture entrepreneurs | <p>(2) <u>Based on ownership</u></p> <ul style="list-style-type: none"> ↳ Private entrepreneurs ↳ State entrepreneurs ↳ Joint entrepreneurs | <p>(3) <u>Base on innovativeness</u></p> <ul style="list-style-type: none"> ↳ Innovating entrepreneurs ↳ Imitative " ↳ Fabian " ↳ Dion " |
| <p>(4) <u>Base on size of entrepreneur</u></p> <ul style="list-style-type: none"> ↳ Small-size/scale entrepreneurs ↳ Medium " " ↳ Large " " | <p>(5) <u>Base on behaviour</u></p> <ul style="list-style-type: none"> ↳ Solo operator ↳ Active partner ↳ Inventors ↳ Challengers ↳ Buyers ↳ Life timers | <p>(6) <u>Base on focus</u></p> <ul style="list-style-type: none"> ↳ Women entrepreneur ↳ Minority " " ↳ Corporate " " ↳ Immigrant " " ↳ Part time " " ↳ Home base " " ↳ Family base " |

Base on types of business.

- a) Trading entrepreneurs ⇒ Trading entrepreneurs are those who undertake trading activities. These entrepreneurs do not concentrate on manufacturing activities. They give more emphasis on distribution and marketing of goods.
- b) Manufacturing entrepreneurs ⇒ Manufacturing entrepreneurs were defined as the founders of their firms. Manufacturing is defined as the creation of new products, either from raw materials or components. For example: bakeries, shoemakers, tailors, automotive companies and so on.
- c) Service entrepreneurs ⇒ The service business is an enterprise composed of a professional or experts that deliver work for the benefit of its customers.
- d) Agriculture entrepreneur ⇒ Agricultural entrepreneur is a person who manage and develop agricultural products. It is a strategic development in the agriculture sector and also helpful in the development of remote areas.

BASE ON OWNERSHIP

- a) Private entrepreneur ⇒ Private entrepreneur is a person who operates under the ownership and management of individuals that freely decided to develop a given business idea.
- b) State entrepreneur ⇒ The entrepreneur ^{through} in which productive enterprises are owned as public agencies but operated in accordance with standard business criteria.

Joint entrepreneurs ⇒ When many people or at least more than one person or two persons build an enterprise and take the entrepreneurship for such business is known as joint entrepreneur.

3) BASE ON INNOVATION

a) Innovating entrepreneurs ⇒ Individual who has the ability to undertake to create innovative products according to the changing demands of the market.

b) Imitating entrepreneurs ⇒ Those who immediately copy the new inventions made by the innovative entrepreneurs is known as imitating entrepreneurs.

c) Fabian entrepreneurs ⇒ Those individuals who do not show initiative in visualizing and implementing new ideas and innovation wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence.

d) Drone entrepreneurs ⇒ Drone entrepreneurship is characterized by refusal to adapt and use opportunities to make change in production such entrepreneurs may even suffer losses but they do not make changes in production method.

4) BASE ON SIZE OF ENTREPRENEUR

a) Scale entrepreneurs ⇒ A small enterprise is an enterprise where the investment in plant and machinery is more than Rs 25 lakh but does not exceed Rs 5 crore.

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medium scale entrepreneur \Rightarrow The employees are directly managed by the business owner and therefore their number normally don't exceed 5. They have a greater number of business operations daily. In this scale investment in fixed capital is more than ₹50m to ₹50m.

large scale entrepreneur \Rightarrow A large entrepreneur is an enterprise where investment in plant and machinery is more than ₹50m.

BASE ON BEHAVIOUR

a) Solo entrepreneur \Rightarrow A solo entrepreneur is a person who sets up a business venture and assumes full responsibility for the association. In the beginning most of the entrepreneurs start their enterprise working alone.

b) Active partners \Rightarrow Active partners are those entrepreneurs who start an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business.

c) Inventors entrepreneur \Rightarrow The inventors are drawn to new ideas and finding ways to get ahead of the competition. The inventor is focused on building a product, service or process that solves a user's problem. It is known as inventors entrepreneurs.

d) Challenger entrepreneurs \Rightarrow The challengers are the entrepreneurs. They are the always coming up with new and innovative ideas.

e) Buyer entrepreneurs \Rightarrow The entrepreneur who don't like to bear much risk. Hence, in order to reduce risk involved in setting up a new enterprise, they like to buy the ongoing one.

Life time entrepreneurs ⇒ Those entrepreneurs who take business as an inseparable part to their life is known as life time entrepreneurs.

6 BASE ON FOCUS

a) Women entrepreneurs ⇒ The women involved in independent business known as women entrepreneurs. In recent years, the numbers of women entrepreneurs are increasing.

b) Minority entrepreneurs ⇒ Minority a culturally, ethnically or racially distinct group that coexists with but is subordinate to a more dominant group. Minority entrepreneurs have limited access in the entrepreneurial world due to the discrimination.

c) Immigrant entrepreneurs ⇒ Those entrepreneur who go from one country to another country and run business is known as immigrant entrepreneurs.

d) Part time entrepreneurs ⇒ The persons who do not sacrifice fixed salary but also run their independent business are known as part-time entrepreneurs. They are also known as moonlight entrepreneurs.

e) Home base entrepreneurs ⇒ A business whose primary office is in the owner's home. The business can be any size as long as the office is located in a home.

f) Family business entrepreneurs ⇒ Such entrepreneurs are the family members who operate and control business. They are widespread all over the country. Since such business is based on the family values there is a great chance of the success of such business.

PROCESS OF NEW VENTURE CREATION ENTREPRENEURIAL PROCESS

- Step 1 : Idea generation
- Step 2 : Identifying opportunities
- Step 3 : Developing a business plan
- Step 4 : Resourcing and evaluation
- Step 5 : Starting the business
- Step 6 : Management and control

Idea generation ⇒ Idea generation is the process of creating, developing and communicating different abstract, visual ideas. Generation of idea is the first step of entrepreneurial process. Every new venture begins with an idea.

Identifying opportunities ⇒ The identification and the evaluation of opportunities is a difficult task. Entrepreneur must grab the opportunity in right time. Once the opportunity has been decided, the next step is to evaluate it. For identification of opportunities entrepreneur have to study the SWOT analysis.

3. Developing a business plan ⇒ Once the opportunity is identified, an entrepreneur needs to create a comprehensive business plan. An entrepreneur must dedicate his sufficient time toward its creation.

4. Resourcing and evaluation ⇒ Entrepreneur identifies the sources from where the finance and the human resource can be arranged. The entrepreneur finds the investors for its new venture and the personnel to carry out business activities.

5 Starting the business ⇒ In this stage, entrepreneurs decide to establish new venture. The scope of the venture can be service, manufacturing, communication, construction, and so on

6 Management and control ⇒ Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problems when they arise.

DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER

	ENTREPRENEUR	MANAGER
Definition	An entrepreneur is an individual who takes risk by starting new business for the sake of uncertain rewards.	A manager is an employee who works on existing business for the sake of fixed salary or rewards.
Motives	Independence and achievement are the key motives of an entrepreneur. s/he initiates business for self-satisfaction.	The main motive of a manager is leadership and power. s/he provides service in the business established by an entrepreneur.
Rewards	Entrepreneur receive profits and other monetary rewards which are uncertain.	A manager get fixed reward like salary and other facilities.
Objectives	An entrepreneur wants to maximize profit	A manager wants to receive high salary, which are certain.
Status	An entrepreneur is the owner of the business and is his/her own boss.	A manager is a servant or employee of the business.

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