

# ENTREPRENEURSHIP MANAGEMENT

## INTRODUCTION:

The word entrepreneur has an interesting definitional history and it stems from the French word "**entreprendre**" which refers to 'undertake' i.e., individual who undertake the risk of new enterprise. Richard Cantillon of France used the word entrepreneur, in 1725 A.D. as the person who bears the risk and faces the uncertainty of an activity. He expressed that an entrepreneur is different from a person who supplies capital.

Adam Smith (1776) described the entrepreneur as an individual who forms an organization for commercial purpose—who is a capitalist.

Entrepreneurship is a philosophy or process through which an entrepreneur seeks innovation and employment.

## EVOLUTION OF THE CONCEPT:

The word entrepreneur has been derived from the French word which means to undertake was originally meant to designate an organizer of musical or other entertainments. According to oxford English dictionary in 1897 was defined as the director or manger of public musical institution who gets entertainment in the form of musical performance.

**16th century:** In 16th century it was applied to those who were engaged in military expeditions.

**17th century:** In 17th century it was extended to cover civil engineering activities such as construction and fortification.

**18th century:** In the beginning of the 18th century the word was used for economic aspects. In the way the evolution of the concept of entrepreneur can be considered to be over more than four centuries.

## DEFINITIONS OF ENTREPRENEUR :

Different authors have given different definitions of entrepreneur. Some of the main definitions are given below :

- (1) American Heritage Dictionary, defines entrepreneur as a person who organises, operates and assumes the risk for a business venture."
- (2) Richard Cantillon, described the entrepreneur an agent buying and selling goods at uncertain prices."
- (3) J.B. Say, defined an entrepreneur as the economic agent who unites all means of production, the labour, the capital or land and earns profit. He has compared entrepreneur with a farmer."
- (4) According to Peter F. Drucker, "Entrepreneurship is neither an art nor a science, it is a process. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed what constitutes knowledge in practice is largely defined by the ends, that is by the practice."

From the above discussion, we may conclude that “An Entrepreneur is a person who detects new opportunities, evaluates them, gathers all factors of production, innovates, bears the risk of loss and uncertainties and with the application of his skills earn profit from his venture.”

## **DEFINITIONS OF ENTREPRENEURSHIP :**

According to Peter F. Drucker, “Maximisation of opportunities is meaningful in business, indeed a precise definition of the entrepreneurial job.”

According to J.E. Stephanie, “Entrepreneurship is risk bearing capacity, organizational ability and will for diversification and innovation.”

According to HW Johnson, “Entrepreneurship is composition of three elements, invention, innovation and adaptation.”

According to F.H. Frenz, “Entrepreneurship is organisation and co-ordination of factors of production into one production unit. Entrepreneur is a higher notion than a manager.

According to Richman and Copen : “Entrepreneurship implies more creative, external or open system orientation. It involves innovation, risk bearing and relatively dynamic leadership.”

The above definition links business to be environment. It assumes it as an open system and call entrepreneur a dynamic leader of the society. In the definition, entrepreneurship is said to be the central point of social changes.

## **NATURE OR CHARACTERISTICS OF ENTREPRENEURSHIP :**

**1. Risk-bearing capacity :** The entrepreneur starts facing uncertainties and several types of risk right from inception of business. The business environment is dynamic and ever changing. The entrepreneur risks his capital when he invests in the business. So, the entrepreneur have the capacity to bear risks and face uncertainties as it is unknown what is hidden in the pistil of the future.

**2. “Entrepreneurship Trait :** Entrepreneurship is not a trait. The success of the enterprise depends on the decision-making and other capabilities of the entrepreneur. so, a person develop these capability in himself. It is often said that entrepreneurs are not born. They can be made by training and development.

**3. Creative Activity :** Entrepreneurship is basically a creative activity. Entrepreneur searches for new opportunities, new ideas,

new techniques etc., think creatively and execute new ideas in his enterprise. It is entrepreneurship which encourages creativity and changes in the society.

**4. Result of Changes :** Entrepreneurship is the result of social, political, scientific and technical changes occurring in the environment. It is not merely an economic event or activity. The changes in social values, traditions, education, science, techniques, population and government policies are forcing people in the society to change their approaches, thinking and opinion, which is again inspiring people to adopt entrepreneurship.

**5. Creation of a Resource :** Entrepreneurship transforms materials into 'resource'. Therefore, the entrepreneurship is the process of developing 'utility', 'economic value' and 'capacity of wealth creation'.

**6. Essential in all Businesses and Economies :**

Entrepreneurship is essential in all businesses and all economies, whether big or small, developed or developing, since, the basic functions of the entrepreneurship, innovation risk bearing, adaptation to changes etc are there. It should be borne in mind that entrepreneurship exists in every society and economy. Without entrepreneurship there will be no growth of the economy.

**7. Essential in Every Activity :** Entrepreneur is needed in every area of life. A person can succeed in every field by adventurous nature and entrepreneurial behaviour. Education, research, medical, politics, military or games, all needs bearing risks, innovation or leadership to succeed in Drucker has said, "Entrepreneurship is by no means confined solely to economic institutions."

**8. Low Risk :** Entrepreneurship carries a greater level of risk. But technological and socio economic environment have made entrepreneurship less risky than ever. Entrepreneurship does not carry a very high level of risk. Infact, if the enterprise is well managed and well planned, then the entrepreneurship becomes a low risk game.

**9. Ability to Innovate :** Entrepreneurship is an innovative activity. It enables application of creative ideas. The entrepreneur adopts new ideas, new techniques, new production system, new management concepts, new markets, new products and new procedures for more satisfaction and better services to the customers and more profits to the enterprise.

**10. Knowledge-based :** Peter F. Drucker says, "Entrepreneurship is neither a service nor an art. it is a practice based on knowledge." The entrepreneur achieves a high place by his knowledge and understanding of thing. The quality of enterprise comes in a person after long experience and practice.

**11. Result-Oriented Behaviour :** Enterprise can't get success unless the results are favourable. The entrepreneurship stresses on results an not the fate. Entrepreneurs believes in getting good

results through their efforts and hard work They achieve their goals by their ability of making sound decisions, solid planning and goals-oriented behaviour.

**12. Environment-Oriented Activity :** Entrepreneurship is an external and open environment-linked system. Entrepreneurs produce and take risks keeping social, economic, political and material factors of environment in view. Joseph Schumpeter said in this context, "It is a creative response to every external situation."

**13. Process of Identify Transformation :** Entrepreneurship is the process of identity formation and role transformation. A person can't be an entrepreneur by merely adopting innovation, unless he involves in that activity and his identity is established as an innovator. In other words, the activity should be recurring or continuous in nature. Doing one transaction does not come under the purview of entrepreneurship.

Udai Parikh and Nadkarni have this view, "Entrepreneurship is not only adopting new activity or behaviour, it is transformation of personality and establishment of a new identity by himself."

**14. Business-Oriented Tendency :** Entrepreneurship motivates people to search for new business opportunity, establish a new business enterprise and make profit by taking risk and putting his monetary and non-monetary assets on stake. This tendency makes the establishment of new business and industries possible in the country.

## **IMPORTANCE OR NEED OF ENTREPRENEURSHIP :**

- (i) Taking to higher rate of economic growth by creation of value.
- (ii) Speed up the process of industrial use of the factors of production.
- (iii) Creation of employment opportunities.
- (iv) Dispersal of economic activities to different sectors of economy and identifying new avenues of growth.
- (v) Development of backward and tribal areas.
- (vi) Better social changes.
- (vii) Improvement of the standard of living of different weaker sections in the society.
- (viii) Bring socio political change in the society.
- (ix) Develop technological know-how.
- (x) Improve culture of business and expand commercial activities.
- (xi) Entrepreneurship act as a change agent to meet the requirements of the changing market and customer preferences.
- (xii) Develop a culture of achievement orientation.

Entrepreneurship is the primary element of the socio-economic process in a country. It provides opportunity to the entrepreneur for working and development. Several socio-

economic problems like backwardness, ignorance, poverty, illiteracy, hunger, unemployment, low standard of living etc. can be solved through the development of entrepreneurship.

## **CHARACTERISTICS OF AN ENTREPRENEUR**

**(1) An Individual or Group Individuals :** Entrepreneur may be an individual or a group of many individuals. Present age belongs to large business houses and mass level of production. To commence an enterprise on a very large basic, the capital or skills of a single individual is not sufficient. A group of individuals gathers, contributes their share of capital and resources and starts a business enterprise.

**(2) Need for achievement:** It is the prime psychological drive that motivates the entrepreneur. His desire to excel in his venture and to achieve desired goal. As a high achiever, he competes with his rivals in the venture field as well as with his own previous performance.

**(3) Independence or autonomy:** Although there are various motivations for venturing out alone, the most frequent reason for becoming an entrepreneur is the desire for independence or autonomy not wanting to work for anyone else. This desire to be one's own boss ignites a fire in the heart of an entrepreneur to accept all social, psychological, financial, and technological risks and to work hard.

**(4) Risk Bearer :** Entrepreneur has the risk bearing capacity. In fact it is the characteristics of risk bearing that distinguishes an entrepreneur from a manager. An entrepreneur is a manager but he has the distinction of performing risk bearing function. A manager also does more or less the same thing but he does not take risks.

**(5) Innovation :** An entrepreneur is basically an innovator by nature. He is always in search of new ideas and new opportunities. He tries to outshine others by taking initiative in doing new things i.e., exploring new products, new markets, new raw materials, new methods of production, etc.

**(6) Goal Oriented :** Entrepreneur is goal oriented. He gets happiness by setting and striving for goals one by one. Reaching one goal set by entrepreneur will lead to setting up of another goal.

**(7) Decision-making :** An entrepreneur is a rational decision-maker. He has to take several decisions to put his business idea into a reality. He recognises an idea i.e., a product, service or market. He has several alternatives before him. He has to make a choice between them. This involves decision-making as to choose the best alternative which may suit him and give maximum profit. For example, he has to decide what is to be produced, how is to be produced, where to be produced and when to be produced etc.

**(8) Self-confidence :** An entrepreneur has high degree of self-confidence in achieving his goals. He has the capacity to face

extraordinary and unforeseen circumstances as and when they arise.

**(9) Initiative :** An entrepreneur always takes initiative. He spends a large portion of their time in thinking over finding out new or novel ways of doing things differently—finding out a new raw material, a new product, a new method of production, a new style of advertisement, a new style of packaging, and so forth. While taking such initiative, entrepreneurs duly keep in mind the needs and requirements of the customers, changing tastes and fashions, changing life-styles and attitudes, etc.

**(10) Motivator :** An entrepreneur is a motivator. He motivates his workers by giving them incentives, and creation of team work in order to get their whole-hearted cooperation. He is able to influence people in the new business unit in the way that they will strive willingly and enthusiastically toward the achievement of unit's goals.

**(11) Human Relations Ability :** An entrepreneur possesses sound human relations ability to deal with his employees, customers, suppliers, creditors etc.

**(12) Economic Planning :** Planning is an activity of a highly ubiquitous character. Every action of an entrepreneur is well planned as it is evident from the fact where there are production plans, sales plans, financial plans, purchase plans, research and development plans and so on. Without proper business planning the affairs of any business enterprise are likely to be haphazard.

## **FUNCTIONS OF AN ENTREPRENEUR:**

An Entrepreneur has to perform a number of functions right from the generation of idea up to the establishment of an enterprise. He also has to perform functions for successful running of his enterprise. Entrepreneur has to perceive business opportunities and mobilize resources like man, money, machines, materials and methods. The following are the main functions of an Entrepreneur.

**1. Idea generation:** The first and the most important function of an Entrepreneur is idea generation. Idea generation implies product selection and project identification. Idea generation is possible through vision, insight, keen observation, education, experience and exposure. This needs scanning of business environment and market survey.

**2. Determination of business objectives:** Entrepreneur has to state and lay down the business objectives. Objectives should be spelt out in clear terms. The Entrepreneur must be clear about the nature and type of business, i.e. whether manufacturing concern or service oriented unit or a trading business so that he can very well carry on the venture in accordance with the objectives determined by him.

**3. Rising of funds:** All the activities of the business depend upon the finance and hence fund rising is an important function of an Entrepreneur. An Entrepreneur can raise the fund from internal source as well as external source. He should be aware of different sources of funds. He should also have complete knowledge of government sponsored schemes such as PMRY, SASY, REAP etc. in which he

can get government assistance in the form of seed capital, fixed and working capital for his business.

**4. Procurement of machines and materials:** Another important function of an Entrepreneur is to procure raw materials and machines. Entrepreneur has to identify cheap and regular sources of raw materials which will help him to reduce the cost of production and face competition boldly. While procuring machineries he should specify the technical details and the capacity. He should consider the warranty, after sales service facilities etc before procuring machineries.

**5. Market research:** Market research is the systematic collection of data regarding the product which the Entrepreneur wants to manufacture. Entrepreneur has to undertake market research persistently to know the details of the intending product, i.e. the demand for the product, size of the market/customers, the supply of the product, competition, the price of the product etc.

**6. Determining form of enterprise:** Entrepreneur has to determine form of enterprise depending upon the nature of the product, volume of investment etc. The forms of ownership are sole proprietorship, partnership, Joint Stock Company, co-operative society etc. Determination of ownership right is essential on the part of the entrepreneur to acquire legal title to assets.

**7. Recruitment of manpower:** To carry out this function an Entrepreneur has to perform the following activities.

- (a) Estimating man power requirement for short term and long term.
- (b) Laying down the selection procedure.
- (c) Designing scheme of compensation.
- (d) Laying down the service rules.
- (e) Designing mechanism for training and development.

**8. Implementation of the project:** Entrepreneur has to develop schedule and action plan for the implementation of the project. The project must be implemented in a time bound manner. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time overrun. He has to organize various resources and coordinate various activities. This implementation of the project is an important function of the Entrepreneur.

All the above functions of the Entrepreneur can precisely be put into three categories of innovation, risk bearing, and organizing and managing functions.

## **ROLE AND IMPORTANCE OF ENTREPRENEUR:**

**(1) Contribution in Economic Development:** Entrepreneurs create jobs, wealth and capital in the country. They promote investment, increase production and bring competitiveness in business, reduce costs of products and raise national income and the standard of Living in society. Entrepreneurs encourage effective resource mobilization of capital and skill which might otherwise remain unutilized and idle. Thus they play significant role in the economic development of a country.

**(2) Promotion of Innovation:** Entrepreneur recognizes the need to change and introduce something new in the existing economic field. Innovations may be in the form of new product, instituting of new production technology, searching or opening of a new market,

discovery of new source of supply of a raw material and developing a better form of industrial organization. The innovations of new product may imply the employment of productive means in a modified form.

**(3) Increase in Employment Opportunities:** Entrepreneurs promote the idle savings of the public. They provide immediate large scale employment. They integrate resources and technologies into profitable business ventures and help to reduce the unemployment problem in the country.

**(4) Pillar of Modern Production System:** Entrepreneur has become balancing wheel of modern global economy. Marshall called him as the 'captain of industry'. George Gilder in "The Spirit of Enterprise" said that: "Entrepreneurs are innovators who evoke demand. They are makers of markets, creators of capital, and developers of opportunity and producers of new technology. They seek the unique product, the marketing breakthrough, the startling new feature of the novel design."

**(5) Increase in Productivity:** Entrepreneurs play an important role in raising the productivity. They have the ability to produce more goods and services with fewer inputs. They increase productivity with the help of research and development and investment in new plant and machinery.

**(6) Expansion of Existing Units:** Entrepreneurs not only establish the new enterprises but also make the expansion of the existing units.

**(7) Encouragement to Research and Development:** Entrepreneurs make the task of innovation along with the promotion of a new enterprise. It encourages research and Development and help to reform and revolutionize the pattern of production by exploiting an invention and provide better goods to the consumers.

**(8) Catalytic Agent :** Entrepreneur's task is "creative destruction". He destroys to create new things. He changes and transmutes values. He searches change and responds to it. He is a change creator. Without him there is no happening, no action, no growth.

**(10) Change in Social Framework:** Entrepreneurs bring creative changes in the Social environment. They help to change the thoughts and vision of the people. They bring optimism and courage in the society, with the help of their revolutionary ideas.

**(11) First Movers:** Entrepreneurs are first movers. They move in various areas first than their competitors. They have the ability to identify new segments in markets. Established markets Entrepreneurs can see opportunities to rise and move quickly to take advantage of them. They can create entire new industries.

**(12) Visionary Leader:** Entrepreneur is the key force in successfully moving the idea from the laboratory to the market place. They conceive business visions and term them into business realities. He is able to recognize potentially profitable opportunities and to conceptualize the venture strategy.



## **DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER :**

Often the two terms namely entrepreneur and manager are considered as synonym. However the two give different meaning. The major points of distinction between the two are discussed below:

<b>POINTS</b>	<b>ENTREPRENEUR</b>	<b>MANAGER</b>
<b>1. Motive</b>	The main motive of an entrepreneur is to start a venture for his personal gratification.	Main motive of a manager is to render services in an enterprise already set by someone else.
<b>2. Status</b>	Owner	Servant
<b>3. Risk</b>	Assumes risk and uncertainty	Manager does not bear any risk involved in enterprise.
<b>4. Rewards</b>	Profits, which are highly uncertain and not fixed.	Salary which is certain and fixed.
<b>5. Innovation</b>	Entrepreneur himself thinks over what and how to produce goods to meet the changing needs of the customers. Hence he acts as innovator / change agent.	A manager simply executes plans prepared by the entrepreneur.
<b>6. Qualification</b>	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability etc.	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

## **NECESSARY QUALITIES OF AN ENTREPRENEUR :**

An entrepreneur possesses the following characteristics

**(A) Physical Qualities:** (1) Good Health, (2) Effective personality, (3) Agreeable Looking, (4) Hard Worker.

**(B) Mental Qualities:** (1) Sharp mind, (2) Alertness, (3) Sharp Memory, (4) Imaginative, (5) Foresightedness, (6) Self-Confidence, (7) Optimism, (8) Maturity, (9) Dynamic Philosophy.

**(c) Social Qualities:** (1) Sociability, (2) Helpful Behaviour, (3) Likeable agreeableness, (4) Respectful.

**(D) Ethical or Moral Qualities:** (1) Honesty, (2) Character, (3) Politeness, (4) Loyal,

**(E) Business Qualities :** (1) Business Aptitude, (2) Entrepreneurially Ability, (3) Risk-taking Capacity, (4) Innovation Ability, (5) Decision Capability, (6) Technical Skill, (7) Alertness towards Opportunities, (8) Knowledge of market Conditions, (9) Knowledge of different statutory laws, (10) Alertness of Social Responsibilities, (11) Leadership Capability.

## **TYPES OF ENTREPRENEUR :**

Based on their working relationship with the business environment they are functioning in, various types of entrepreneurs can be found. The chief categories are these four types of entrepreneurs, i.e.

1. Innovative entrepreneurs,
2. Imitating Entrepreneurs,
3. Fabian Entrepreneurs, and
4. Drone Entrepreneurs.

Let us now discuss each of them in detail.

### **1. Innovative Entrepreneurs**

This type of an entrepreneur is more interested in introducing some new ideas into the market, organization or in the nation. They are drawn towards innovations and invest a lot of time and wealth in doing research and development.

### **2. Imitating Entrepreneurs**

These are often disparagingly referred to as 'copy cats'. They observe an existing successful system and replicate it in a manner where all the deficiencies of the original business model are addressed and all its efficiencies are retained.

These entrepreneurs help to improve an existing product or production process and can offer suggestions to enhance the use of better technology.

### **3. Fabian Entrepreneurs**

These are entrepreneurs that are very careful in their approaches and cautious in adopting any changes. They are not prone to sudden decisions and try to shy away from any innovations or change that doesn't fit their narrative.

### **4. Drone Entrepreneurs**

These are entrepreneurs who do not like a change. They are considered as 'old school'. They want to do business in their own traditional or orthodox methods of production and systems. Such people attach pride and tradition to even outdated methods of doing business.

## **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. 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