

- ❖ The word Entrepreneurship is derived from the French verb “ENTERPRENDRE”.
- ❖ The French men who organized and led military expeditions in the early 16<sup>th</sup> Century were referred to as Entrepreneurs.
- ❖ Around 1700A.D. the term Entrepreneur was used for architects and contractors of public work.

## **DEFINITION OF ENTREPRENEUR**

- According to Oxford Dictionary

**“One who undertakes an enterprise, especially a contractor – acting as intermediary between capital and labor”**

- According to Peter .P. Drucker

**“Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for different business or a different service”**

## **CHARACTERISTICS OF AN ENTREPRENEUR**

- **Mental Ability** – Entrepreneur must have creative thinking and must be able to analyze problems and situations. He should be able to anticipate changes.
- **Business Secrecy** – He should guard his business secrets from his competitors.
- **Clear Objectives** – He must have clear objectives as to the exact nature of business or the nature of goods to be produced.
- **Human Relations** – He must maintain good relation with his customers, employees, etc. To maintain good relationship he should have emotional stability, personal relations, tactfulness and consideration.
- **Communication Ability** – He should have good communication skills means both the sender and the receiver should understand each others message.
- **Technical Knowledge** – He should have sufficient technical knowledge.

## PERSONAL CHARACTERISTICS OF AN ENTREPRENEUR

- **Long term involvement** – An entrepreneur must be committed to the project.
- **Motivator**
- **Moderate risk taker**
- **Initiative**
- **High energy level** – He should be able to work for long hours, for which his energy level should be high.
- **Goal setter**
- **Self confidence**

## DEFINITION OF ENTREPRENEURSHIP

- **According to A.H. Cole**

“Entrepreneurship is the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods or services”.

- According to Peter .P. Drucker

“Entrepreneurship is neither a science nor an art. It is a practice. It is knowledge base. Knowledge in entrepreneurship is a means to an end, that is ,by the practice”.

## THEORIES OF ENTREPRENEURSHIP

### ❖ **The Economist’s View**

- According to the economist entrepreneurship and economic growth will take place in those situation where particular economic conditions are most favorable.
- According to J.B.Say rationally combining the forces of production into a new producing organization is the function of an entrepreneur.
- According to Cantillon an entrepreneur is an uncertainty bearer buying at a fixed price and selling at an uncertain price.
- Entrepreneur connects different markets, he is capable of gap-filling, he is input completer and he creates or expands things.

- Small industry is a natural habitat of the entrepreneur where his role is like that of a striker who keeps the fire burning.
- The entrepreneurship development in a particular country largely depends upon the economic policy, programme and economic environment of that country.

### ❖ **The Sociologist's View**

- It emerges under a specific social culture.
- According to sociologist's social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship.
- Society values are most important determinants of attitudes and role expectation.
- Sociologist's consider the entrepreneur as a role performer corresponding to the role expected by the society.
- According to Flavia, the function of an entrepreneur is to co-ordinate at every stage i.e. beginning, maintenance and expansion.
- Every entrepreneur needs two qualities they are Optimistic outlook and Dynamism e.g.
  - Protestant ethic from west emerge as new class of industrialist .
  - Samurai from Japan ,
  - Christians from Lebanon,
  - Halai Memon Industrialist in Pakistan ,
  - Marwaris & Parsis in India

### ❖ **The Psychologist's view**

- It is most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics.
- It's the high need for achievement which drives people towards entrepreneurial activities .
- Individual with high achievement motive tend to take keen interest in situation of high risk ,desire for responsibility and desire for task performance

- Entrepreneur possesses three things i.e. an institutional capacity to see things in a way which later proves to be true, a kind of effort of will and mind to overcome fixed habits of thinking, lastly the capacity to overcome social opposition against doing something new.
- Frank Young describes an entrepreneur as a change agent
- T.V. Rao describes entrepreneurship as a creative and innovative response to environment.

#### ❖ **Managerial Views**

- This view gives more importance to the managerial aspects like perception of market opportunities and operational skills as qualities required to carry out an enterprise.
- Entrepreneurship is the outcome of complex and varying combination of socio economic, psychological and other factors.

#### EVOLUTION OF ENTREPRENEURSHIP IN INDIA

- The concept of entrepreneur and entrepreneurship includes basic qualities of leadership enterprise, innovation, vision, hard work and profit maximization.
- In India 70% of the total sales comes from family business e.g. Tata's makes trucks, Mahindra's make jeeps etc.
- The Indian entrepreneur, intrapreneur or manager of the 90's have to molded in psycho-philosophy rot in the Indian context and values.

#### **FACTORS AFFECTING ENTREPRENEURIAL GROWTH**

##### 1. **ECONOMIC FACTORS**

###### a) **Lack of adequate overhead facilities:**

Profitable innovations require basic facilities like transportation, communication power supply etc. They reduce cost of production and increase profit.

**b) Non availability of capital**

Inventions are capital oriented. In less developed countries most capital equipment have to be imported which involves foreign exchange which acts as a difficult problem.

**c) Great risk**

Risk is high in case of less developed countries as there is lack of reliable information, markets for good and services is small etc.

**d) Non availability of labor and skills**

Though there is abundant labor supply there is generally scarcity of skills at all levels.'

**2. SOCIAL FACTORS**

A society that is rational in decision making would be favorable for decision making. Education, research and training is given less importance in less developed countries therefore there is very little vertical mobility of labor.

**3. CULTURAL FACTORS**

If the culture is economically or monetarily oriented entrepreneurship would be applauded and praised. In less developed countries people are not economically motivated. People have ample opportunities of attaining social distinction by non economic pursuits.

**4. PERSONALITY FACTORS**

In less developed countries the entrepreneur is looked upon with suspicion. Public opinion in the less developed nations sees in the entrepreneur only a profit maker and exploited.

**IMPORTANCE OF ENTREPRENEURSHIP IN DEVELOPED ECONOMY**

- The nature of a developing economy is quite different from a developed economy. The developing economy can be an agricultural country moving towards the industrialization or it may be the one where in the industry may be in its infancy lacking advance technology.
- The modern era is an era of changes. The whole world is becoming a village due to the industrial revolution and fast developing communication technology. The globalization of industry and commerce is bringing a vast change in various aspects of life.
- Economic development of a country is the outcome of purposeful human activity.
- The modern era is an era of changes. The whole world is becoming a village due to the industrial revolution and fast developing communication technology. The globalization of industry and commerce is bringing a vast change in various aspects of life.
- Economic development of a country is the outcome of purposeful human activity.
- Economic development is a highly dynamic process characterized by the pattern of demand shifts, new products are needed, appear for the production of goods within a country.
- A developing country needs entrepreneurs who are competent to perceive new opportunities and are willing to incur the necessary risk in exploiting them.
- A developing economy is required to be brought out of the vicious circle of low income and poverty.
- Entrepreneur can break this vicious circle.
- Entrepreneurs and helping government can change a developing economy in developed economy.

## **MOTIVATION**

- Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get the desired results.

## **MOTIVATING FACTORS**

- Education background
- Occupational experience
- Family background
- Desire to work independently in manufacturing line
- Assistance from financial institution
- Availability of technology
- Other factors

## **WHO IS AN ENTREPRENEUR?**

ENTREPRENEUR IS A PERSON WHO BRINGS IN CHANGE THROUGH INNOVATION FOR THE MAXIMUM SOCIAL GOOD.

**DEFINITION OF AN ENTREPRENEUR:** JOSEPH A. SCHUMPETER DEFINES ENTREPRENEUR FOR AN ADVANCED ECONOMY AS:

- AN INDIVIDUAL WHO INTRODUCES SOMETHING NEW IN THE ECONOMY
- i.e. METHOD OF PRODUCTION (NEW).
- A PRODUCT
- RAW MATERIAL
- NEW MARKET.

## **DEFINITION OF ENTREPRENEUR**

- IN CASE OF A DEVELOPING ECONOMY
- ONE WHO STARTS AN INDUSTRY OLD OR NEW, UNDERTAKES RISK, UNCERTAINTIES
- PERFORMS MANAGERIAL FUNCTIONS.

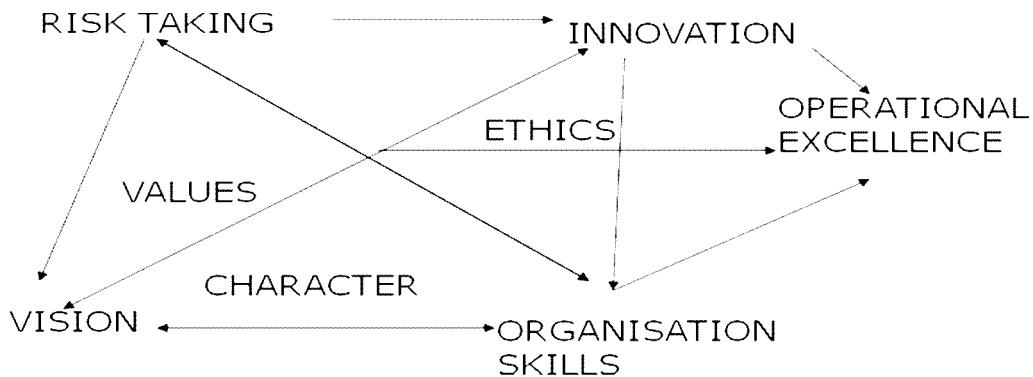
**PETER DRUCKERS SAY:**

- AN ENTREPRENEUR NEEDS TO SEARCH FOR INNOVATION AT WORK.
- INNOVATION MUST BE BUILD ON STRENGTH.
- INNOVATION HAS TO BE MARKET FOCUSED.

#### **FOUR KEY ELEMENTS OF ENTREPRENEURSHIP ARE**

- INNOVATION.
- RISK TAKING.
- VISION.
- ORGANISING SKILL.

#### **DIAGRAMATIC RELATION.**



#### **CONCEPT OF ENTREPRENEUR**

- ENTREPRENEUR IS DERIVED FROM FRENCH WORD "ENTERPRENDRE" WHICH MEANS TO UNDERTAKE.
- FRENCH MEN WHO ORGANISED AND LED MILITARY EXPEDITIONS WERE REFERRED AS "ENTREPRENEURS"

#### **HISTORY OF ENTREPRENEURS**

- EARLIEST PERIOD :
- MARCO POLO ATTEMPTED TO ESTABLISH TRADE ROUTES TO FAR EAST.
- SIGNED CONTRACTS OF MONEY.



- WITH MERCHANTS.
- MIDDLE AGES:
- THE TERM ENTREPRENEUR WAS USED TO DESCRIBE INDIVIDUALS WHO MANAGED RESOURCES PROVIDED BY THE GOVERNMENT.
- E.g. castles, cathedrals.

#### 17th CENTURY

- PERIOD WHERE RISK WAS ATTACHED TO ENTREPRENEURSHIP PROCESS.THE PROCESS ENTERED INTO CONTRACTUAL AGREEMENT WITH GOVERNMENT.
- THE TERM “ENTREPRENEUR “WAS APPLIED TO BUSINESS BY FRENCH ECONOMIST, ”CANTILLON”

#### CANTILLON THEORY

- CANTILLON DESIGNATED THE TERM ENTREPRENEUR TO:
- DEALER WHO PURCHASES:
- MEANS OF PRODUCTION (4M's) AND COMBINES THEM INTO MARKETABLE PRODUCTS.

#### **LATEST CONCEPT ON ENTREPRENEUR**

- PERCEIVES OPPORTUNITIES FOR PROFITABLE INVESTMENTS.
- ARRANGES CAPITAL.
- PROVIDES PERSONAL GUARANTEES.
- SUPPLIES TECHNICAL KNOW HOW.

## DIFFERENCE BETWEEN

<u>ENTREPRENEUR</u>	<u>ENTREPRENEURSHIP</u>
<ul style="list-style-type: none"><li>• PERSON</li><li>• VISUALIZER</li><li>• CREATOR</li><li>• ORGANIZER</li><li>• INNOVATOR</li><li>• PLANNER</li><li>• LEADER.</li></ul>	<ul style="list-style-type: none"><li>• PROCESS</li><li>• VISION</li><li>• CREATION</li><li>• ORGANISATION</li><li>• INNOVATION</li><li>• PLANNING</li><li>• LEADERSHIP.</li></ul>

## CHARACTERISTICS OF ENTREPR

- RISK TAKER
- SELF CONFIDENT.
- OPTIMISTIC.
- ZEAL FOR ACHIEVEMENT.
- NEED FOR INDEPENDENCE.
- CREATIVE.
- IMAGINATIVE.
- ADMINISTRATIVE ABILITY.
- COMMUNICATION ABILITY.
- CLEAR OBJECTIVES.
- BUSINESS SECRECY.
- EMOTIONAL STABILITY.
- TECHNICAL KNOWLEDGE.
- PATIENCE.
- HARD WORK.
- GOOD ORGANISER.

## FACTORS INFLUENCING ENTP.

- FAMILY TRADITION.
- RELIGIOUS, SOCIAL AND CULTURAL FACTORS.
- PSYCHOLOGICAL FACTORS.
- POLITICAL FACTORS.
- ECONOMIC POLICIES.

### **SIGNIFICANCE OF ENTREPRENEUR IN ECONOMY.**

- BRINGS OVERALL CHANGE.
- FOCUSES ON RESEARCH AND DEVELOPMENT.
- BRINGS IN ECONOMIC DEVELOPMENT.
- IMPROVEMENT IN STANDARD OF LIVING.

### **NEED BASED ENTREPRENEUR**

- A PERSON WHO STARTS HIS VENTURE WITH THE THOUGHT PROCESS OF SURVIVING, THAT IS TO EARN HIS LIVING .
- E.g : vendors in train.

### **OPPORTUNITY BASED ENTREPRENEURS**

- A PERSON WHO DOES START HIS VENTURE WITH THE THOUGHT PROCESS OF EXPANSION AND A PERSON WITH THE ZEAL TO START WITH HIS OWN ENTERPRISE, TO CREATE A NICHE FOR HIMSELF.

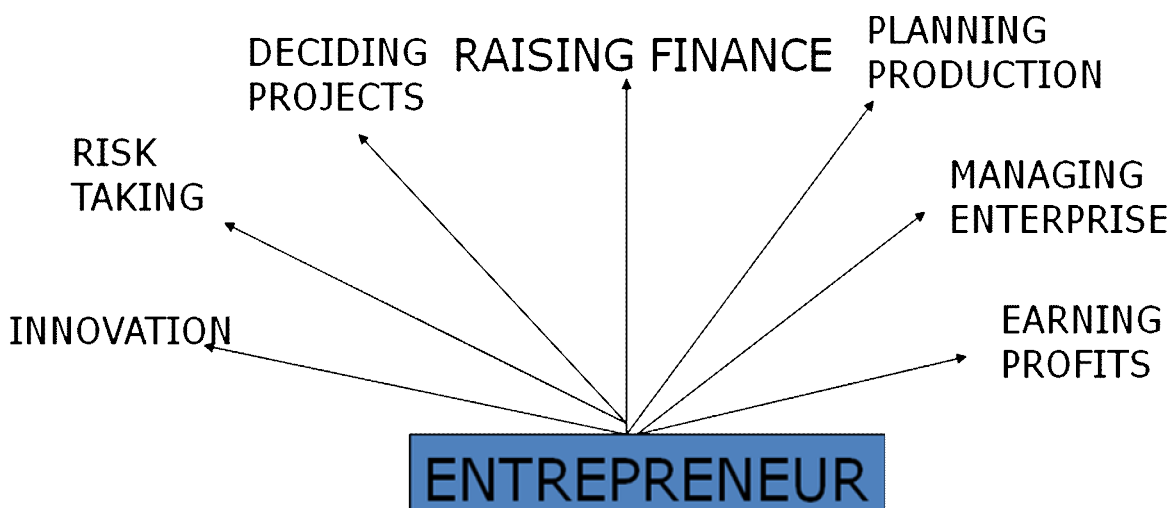
### **FIRST GENERATION ENTREPRENEUR**

- A PERSON WHO DOES NOT HAVE A BACKING WHICH IS AVAILABLE FROM THE FAMILY AND STRUGLES TO ACHIEVE ON HIS OWN.
- E.g DHIRUBHAI .AMBANI.
- JRD TATA.

## SECOND GENERATION ENTREPRENEUR

- AN ENTREPRENEUR WHO HAS A FAMILY TRADITION OF BUSINESS AND JOINS TO BE A PART OF IT.
  - E.g. Mukesh Ambani& Anil Ambani.

## ENTREPRENEURIAL FUNCTION



## THEORIES OF ENTREPRENEURSHIP

- ECONOMIC THEORY
- IDENTIFIED BY MARK CASSON.
- DEMAND FOR ENTREPRENEURSHIP STEMS FROM NEED TO ADJUST TO CHANGE.
- BUT SUPPLY OF ENTREPRENEURSHIP IS LIMITED.
- SCARCITY OF REQUISITE QUALITIES.
- IF AVAILABLE IDENTIFYING THEM BECOMES DIFFICULT.

## **LEIBENSTEINS X-EFFICIENCY THEORY**

- HAS BEEN APPLIED TO ANALYSE ROLE OF ENTREPRENEUR.
- X-EFFICIENCY IS DEGREE OF INEFFICIENCY IN USE OF RESOURCES.
- THEORY IDENTIFIES 2 MAIN ROLES OF ENTREPRENEUR
- IMPROVE FLOW OF INFORMATION.
- GAP FILLING.

## **DYNAMIC ENTREPRENEURSHIP THEORY**

- ADVOCATED BY SCHUMPETER.
- CONSIDERS ENTREPRENEURSHIP AS CATALYST THAT DISTURBS THE STATIONARY CIRCULAR FLOW OF THE ECONOMY.
- INITIATES AND SUSTAINS PROCESS OF DEVELOPMENT i.e. NEW COMBINATION.

## **HARVARD SCHOOL THEORY**

- STATES ENTREPRENEURSHIP AS ANY PURPOSEFUL ACTIVITY.
- IT INITIATES, MAINTAINS OR DEVELOPS A PROFIT ORIENTED BUSINESS.
- CAN BE ACHIEVED BY BALANCING INTERNAL FACTORS WITH EXTERNAL FACTORS-PEST.

## **THEORY OF ACHIEVEMENT(N-Ach)**

- Mc.CLELLAND IDENTIFIED CHARACTERISTICS OF ENTREPRENEURSHIP.
- DOING NEW THINGS IN NEW WAY.
- “DECISION MAKING UNDER UNCERTAINTY”.

## **THEORY OF PROFIT**

- KNIGHT IDENTIFIES ENTREPRENEURSHIP AS :
- RECIPIENT OF PURE PROFIT.
- PURE PROFIT IS BEARING THE COST OF UNCERTAINTY.
- FOR WHICH SELF CONFIDENCE IS IMPORTANT.

## **THEORY OF CHANGE**

- YOUNG CONDUCTED THE THEMATIC APPRECIATION TEST(TAT) AND CONCLUDED:
- GROUP BECOMES REACTIVE WHEN
- GROUP EXPERIENCES LOW STATUS.
- DENIED ACCESS TO IMPORTANT SOCIAL NETWORKS.
- GROUP HAS BETTER INSTITUTIONAL RESOURCES.

## **THEORY OF ADJUSTMENT OF PRICE.**

- KIRZNER BELIEVES ADJUSTMENT OF PRICE IS MAIN ROLE OF ENTREPRENEUR.
- ALERTNESS TO PRICE IS IMPORTANT.

## **THEORY OF MARKET EQUILIBRIUM**

- HAYEK'S THEORY STATES
- WORLD WHERE THERE IS CONTINUOUS PROCESS OF DISCOVERY.

- MARKET IS A PLACE WHICH HELPS PEOPLE TO COMMUNICATE DISCOVER AND LEARN DISCOVERIES.
- MOVING TOWARDS STATE OF EQUILIBRIUM.

### **THEORY OF ENTREPRENEURIAL SUPPLY**

- ADVOCATED BY JOHN KUNKAL
- STATES AN INDIVIDUAL'S ACTIVITIES ARE RELATED TO BOTH PAST AND PRESENT.
- INFLUENCED BY SOCIAL STRUCTURES AND PHYSICAL CONDITIONS.
- CONDITIONING PROCEDURE CAN BE ACCIDENTAL OR DELIBERATE.

### **THEORY OF PERSONAL RESOURCEFULNESS**

- PERSONAL RESOURCEFULNESS MEANS
- "BELIEF IN ONE'S OWN CAPABILITY"
- INITIATING PROCESS, SELF REGULATION
- MEDIATED INTERNAL FEELINGS AND EMOTIONS, ADVOCATED BY KANUNGO.

### **THEORY OF CULTURAL VALUES.**

- THOMAS COCHRAN ADVOCATED THIS THEORY.
- FOCUSED ON ATTITUDE, ROLE EXPECTATION, OPERATIONAL REQUIREMENT.

### **CLASSIFICATION AND TYPES OF ENTREPRENEURS.**

- BUSINESS ENTREPRENEURS.
- INDIVIDUALS WHO CONCEIVE AN IDEA.(PRODUCT OR SERVICE).
- CREATE A BUSINESS.

- TAPS PRODUCTION AND MARKETING.
- BIG OR SMALL ESTABLISHMENTS.
- E.g. printing press, boutique.....

#### **TRADING ENTREPRENEURS.**

- PERSON WHO IS NOT CONSIDERED WITH MANUFACTURING BUT ONLY UNDERTAKES TRADING ACTIVITIES.
- IDENTIFIES MARKETS, STIMULATES DEMAND FOR PRODUCT LINE AMONG BUYERS.

#### **INDUSTRIAL ENTREPRENEURS**

- ESSENTIALLY A MANUFACTURER.
- IDENTIFIES THE NEED OF CUSTOMER AND TAILORS A PRODUCT.
- CONVERTS ECONOMIC RESOURCES AND TECHNOLOGICAL RESOURCES INTO PROFITABLE VENTURES.
- E.g. electronic industry, textile units.

#### **CORPORATE ENTREPRENEURS.**

- A PERSON WHO DEMONSTRATES HIS INNOVATIVE SKILL IN ORGANISING AND MANAGING CORPORATE UNDERTAKING.
- BUSINESS ORGANISATION REGISTERED UNDER COMPANIES ACT/TRUST ACT.

#### **AGRICULTURE ENTREPRENEUR**



- ONE WHO UNDERTAKES AGRICULTURAL ACTIVITIES AS RAISING AND MARKETING OF CROPS, FERTILIZERS etc....
- E.g. AGRI TOURISM.

### **TECHNICAL ENTREPRENEURS**

- BASICALLY ADRESSED AS CRAFTSMAN
- THEY CONCENTRATE ON PRODUCTION AND LESS OR NEGLIGIBLE ON SALES.

### **ENTREPRENEURS AND MOTIVATION**

- PURE ENTREPRENEURS
- INDIVIDUAL MOTIVATED BY PSYCHOLOGICAL AND ECONOMIC REWARDS.
- TAKES UP ACTIVITY FOR PERSONAL SATISFACTION IN WORK, EGO AND STATUS.

### **INDUCED ENTREPRENEURS**

- ONE WHO IS INDUCED TO TAKE UP ENTREPRENEURIAL TASK.
- ASSISTANCE PROVIDED THROUGH INCENTIVES, CONCESSIONS etc.
- E.g women entrepreneurs.

### **MOTIVATED ENTREPRENEURS**

- ENTREPRENEURS MOTIVATED BY DESIRE FOR SELF FULFILLMENT.
- E.G TO TRY WHAT ONE FEELS IS RIGHT- KIRAN MAJUMDAR SHAW.

## **SPONTANEOUS ENTREPRENEURS.**

- ENTREPRENEURS WHO START THEIR BUSINESS BY NATURAL TALENTS.
- PERSONAL QUALITIES.

## **ENTREPRENEURIAL ENVIRONMENT**

- POLITICAL
- ECONOMIC
- SOCIAL
- TECHNOLOGICAL
- LEGAL AND CULTURAL

### **POLITICAL**

- ATMOSPHERE.
- QUALITY OF LEADERSHIP.

### **ECONOMIC**

- POLICIES.
- LABOUR.
- TRADE.
- SUBSIDIES.

### **TECHNOLOGICAL**

- RISK.
- EFFICIENCY.
- PROFITABILITY.

## **LEGAL**

- RULES .
- REGULATION

## **CULTURE**

- VALUES
- ASPIRATION

## **INSTITUTIONS IN AID OF ENTREPRENEURS**

- EDII: ENTREPRENEURSHIP DEVELOPMENT INSTITUTE OF INDIA.
- SET UP IN THE YEAR 1982, AT AHMEDABAD
- ONE OF THE RESOURCE ORGANISATION AT NATIONAL LEVEL.
- ESTABLISHED BY CENTRAL GOVERNMENT.
  
- NIESBUD: NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT.
- LOCATED AT NEW DELHI.
- CO-ORDINATES ACTIVITIES RELATED TO ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT.
  
- RED: RURAL ENTREPRENEUR DEVELOPMENT INSTITUTE.
- SET UP AT RANCHI IN THE YEAR 1983.
- AIMS AT SETTING UP NEW VENTURES IN RURAL AREAS.

- MDI: MANAGEMENT DEVELOPMENT INSTITUTE OF INDIA.
  - SET UP AT GURGAON (HARYANA).
  - ACTS AS MANAGEMENT TRAINING , RESEARCH AND CONSULTANCY.
  - PRIME GOAL IS TO IMPROVE MANAGERIAL EFFECTIVENESS.
- 
- CONDUCTS FOR EXECUTIVES A NUMBER OF DEVELOPMENTAL PROGRAMMES.
  - OBJECTIVES OF THE INSTITUTION IS TO ACCELERATE THE PROCESS OF ENTREPRENEURSHIP DEVELOPMENT.
  - TO EVOLVE STANDARDISED PROCESS OF SELECTION, TRAINING TO RUN THE ENTERPRISE.
  - TO PROVIDE VITAL INFORMATION TO TRAINERS.
- 
- STEPS: SCIENCE AND TECHNOLOGY ENTREPRENEURSHIP PARKS.
  - BITS
  - NECP
  - TREC
  - MAULANA AZAD COLLEGE OF TECHNOLOGY.
- 
- XAVIERS INSTITUTE OF SOCIAL SERVICE, RANCHI.
  - INVOLVED WITH TRIBALS.
  - GROUP OF YOUNG TRIBAL YOUTHS FORMED LOCAL ORGANISATION FOR PROMOTION OF SOCIO ECONOMIC AND HEALTH SCHEMES.