

UNIT-1

Entrepreneurship B.TEC (ECE & CSE)

Concept and Development Entrepreneurship is the act of being an entrepreneur, who starts any economic activity for being self-employed. Entrepreneurship is the “process of the entrepreneur”. It is an attempt to create value through recognition of business opportunity. It is basically communicative and management functions to mobilize financial and material resources.

Challenges of Entrepreneurship

- Marketing Challenges: • Poor product quality • Poor sales promotion • Low Scale of production
- Production challenges: • Maintenance of delivery schedules • Shortage of raw materials • Ignorance of scientific methods of production
- Challenges relating to finance: • Requirement of capital and credit • Problem of procuring working capital • Inappropriate financial structure
- Challenges relating to human resources: • Non availability of skilled manpower • Labour related problems in the industrial unit

The functions of entrepreneurs are broadly classified into four categories as mentioned below:

- Entrepreneurial Functions
- Managerial Functions
- Promotional Functions
- Commercial Functions

Types of Entrepreneurs

The most popular classification of entrepreneurs is the classification given by Clarence Danhof. According to him entrepreneurs constitute the following four types:

- Innovating entrepreneurs: - An innovating entrepreneur sees the opportunity for introducing a new technique or a new product or a new market.
- Adoptive or imitative entrepreneurs: These kinds of entrepreneurs are characterized by readiness to adopt successful innovations created by innovative entrepreneurs. These type of entrepreneur are revolutionary entrepreneurs with the difference that instead of innovating the changes themselves, they just imitate the technology and techniques innovated by others.

Vardha Mago (Assistant professor)

→ Fabian entrepreneurs: Entrepreneurs of this type are very cautious and skeptical while practicing any change. They become ready to adopt/imitate only when it is perfectly clear that failure to do so would definitely result in heavy losses to them.

→ Drone entrepreneurs: Drone entrepreneurship is characterized by a refusal to adopt and use opportunities to make changes in production methods. Such entrepreneurs may even suffer losses but they do not make changes in production methods.

Characteristics of a successful Entrepreneur

Anybody can become an entrepreneur provided that he has got certain set of behavioural traits and mental aptitude. He must be a doer and not dreamer. The characteristics of a successful entrepreneur include:

- Hardworking
- Passionate
- Self-starting and decisive
- Innovative
- Risk taking
- Leadership

Entrepreneurial Opportunities

Opportunity may be explained as an attractive project idea which an entrepreneur accepts as a basis for his investment decision. An entrepreneur is actually an opportunity seeker in practice. The main function of an entrepreneur is to identify, explore and choose a viable business opportunity. There are two major criteria to make a possibility as an entrepreneurial opportunity:

→ The demand is more than the supply in the market.

→ The business investment is expected to earn adequate and sufficient rate of return than in a normal course of business.

Innovation and Entrepreneurship

Innovation implies doing new things or doing of things that are already being done in a new way. It includes introduction of new products, creation of new markets, application of new methods of production, discovery of new and better sources of raw materials and developing a new and better form of organization. Innovation is the basic function of entrepreneur. As an innovator, the entrepreneur has to introduce new product, new combinations of means of production, new market for the product and new sources of raw material. Innovation helps in development of new ideas through which the opportunities are identified and new ventures that add value to the society are established.

Why is Motivation Required?

The term motivation has been derived from the word 'motive' which is nothing but what prompts any person to act in a particular manner. Motives are the definition of a person's goals, dreams and needs. They direct human behavior to towards achieving their goal. When everything is properly organized, then what is the need of motivation?

The following points answer this question and gives an idea why motivation is an important factor for an entrepreneur:

- **Tough competition:** An entrepreneur needs to face tough competition, in order to sustain and make a mark in this global market. To cope with this competition, motivation is required at each stage of the firm.
- **Unfavorable environment:** Nobody knows what the future holds. One has to take care of the current economy and should be prepared for the worst situations of deteriorating economic conditions. For this, motivation and optimism is essential.
- **To create public demand:** Market runs by the people and for the people. To run a business profitably, it is required to create a public demand for your product or service in the market and attract as many customers as possible. To do this in the right way, motivation is required.
- **To enhance creativity:** Market always wants something new and different. If every firm offers the same product without any variation then there is no point of preferring one brand in particular. To sustain one has to be innovative. Add some new features in the existing products and services, make them more user friendly in a considerable budget. This requires motivation too.
- **To increase productivity:** It is very important to take care of the quality of the product as well as the profit. People will always prefer a product which is cost efficient and of good quality. So, motivation is required for increase the productivity. Thus motivation plays a unique role in establishing a company by frequently boosting the entrepreneur to do effective things efficiently.

What Motivates an Entrepreneur?

Many research studies have been conducted by researchers to understand and answer this question so that the factors that motivate people to take all the risk and start a new enterprise can be identified. The 6Cs that motivate entrepreneurs to establish their own business are as follows:

- **Change –** Entrepreneurs frequently want change, not only change, they also want to be the bearers of change. They are solution givers and want to interrupt the status quo. They have a vision like "I want to assemble the world's information" or "I want to put an AC at every desk" and they take an attempt to make this change. In this attempt, some succeed and some fail.

Vardha Mago (Assistant professor)

- Challenge – Some people love challenges and they opt for starting a new business as it is very challenging to handle big problems. These people find typical job in a big corporate as boring and not challenging enough.

Entrepreneurship Development

- Creativity – Running one's own business is all about being more creative and having the independence to make new discoveries. For example, testing a new website design, launching a new marketing scheme, creating inventive items that solve a known issue in a different way, creating new advertising campaigns, etc. One needs to have an infinite room to welcome and introduce creativity in a small business.

- Control – Some people tend to start a business because they don't want to be pushed around and work for a product/company in which they have no way to shape their destiny. They want to be their own boss having their own time, own pace, location of their choice, employees of their choice and have a progressive role in deciding the direction of the company.

- Curiosity - Successful entrepreneurs are always anxious and ask - "what if we do X this way?" They want to have more than one option to do a work and choose the best one from them. They want to understand the customer's perceptions, point of views, markets and competitors. They are frequently anxious to see how their particular theory like "people want to do A with B" works. In this aspect, they can't be differentiated from a scientist who is trying to prove his theorem.

- Cash – The last but not the least part is the cash. Money says it all. Many non entrepreneurs have a misconception that cash comes first for entrepreneurs but this is never really true. If this would be the case, then there is no reason for an Ellison or Gates to keep expanding their business aggressively after they have made more than billion dollars. However, money is not the primary motivation. From the above discussion, it can be said that the highest motivating factor is the urge to get something or the drive to do something differently.

Vardha Mago (Assistant professor)

BASIS FOR COMPARISON	ENTREPRENEUR	INTRAPRENEUR
Meaning	Entrepreneur refers to a person who set up his own business with a new idea or concept.	Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product.
Approach	Intuitive	Restorative
Resources	Uses own resources.	Use resources provided by the company.
Capital	Raised by him.	Financed by the company.
Enterprise	Newly established	An existing one
Dependency	Independent	Dependent
Risk	Borne by the entrepreneur himself.	Taken by the company.
Works for	Creating a leading position in the market.	Change and renew the existing organizational system and culture.

Entrepreneur and Entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Visualizer	Vision
Organizer	Organization
Decision maker	Decision Making
Innovator	Innovation
Risk bearer	Risk bearing
Motivator	Motivation
Creator	Creation
Leader	Leadership
Manager	Management
Initiator	Initiation
Planner	Planning
Technician	Technology
Communicator	Communication
Administrator	Administration

Entrepreneur Vs Entrepreneurship

Entrepreneur

Entrepreneurs are people with vision who recognize and pursue opportunity, create and establish business or new ventures, take into account the risk involved, have control over the present and future and have the flexibility to change and adapt with the changing times.

An entrepreneur is a person who visualize a particular business venture and then goes on to create it. Basically, the person is the originator of a new business venture and a new organization for that venture.

The entrepreneur is that individual (or team) which identifies the opportunity, gathers the necessary resources, creates and is ultimately responsible for the performance of the organization.

Entrepreneurship

Entrepreneurship is the pursuit of a discontinuous opportunity involving the creation of an organization (or sub-organization) with the expectation of value creation to the participants.

Entrepreneurship is the means by which new organizations are formed with their resultant job and wealth creation. The necessary condition that the organization created, actually provides goods and/or services to society, not merely to internal consumption.

Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity.

ENTREPRENEURS vs MANAGERS: ENTREPRENEURSHIP AS A BEHAVIORAL PHENOMENON (Adapted from H. Stevenson)

	ENTREPRENEUR	MANAGERS
Strategic Orientation	Driven by perception of opportunity	Driven by resources currently controlled
Commitment to opportunity	Revolutionary with short duration	Evolutionary of long duration
Commitment of resources	Multistaged with minimal exposure at each stage	Single-staged with complete commitment upon decision
Control of resources	Episodic use of rent of required resources	Ownership or employment of required resources
Management structure	Flat with multiple informal networks	Formalized hierarchy
Reward philosophy	Value-driven Performance-based Team-oriented	Security-driven Resource-based Promotion-oriented

1. Passion & Motivation

If there's one word that describes *the* fundamental trait in an entrepreneurship, it would be passion.

- Is there something that you can work on over and over again, without getting bored?
- Is there something that keeps you awake because you have not finished it yet?
- Is there something that you have built and want to continue to improve upon, again and again?
- Is there something that you enjoy the most and want to continue doing for the rest of your life?

Your demonstration of passion and motivation will determine your success in any entrepreneurial venture. From building and implementing a prototype, to pitching your idea to [venture capitalists](#), success is a function of passion and determination.

2. Risk Taking

Vardha Mago (Assistant professor)

Entrepreneurs are [risk takers](#) ready to dive deep into a future of uncertainty. But not all risk takers are successful entrepreneurs. What differentiates a successful entrepreneur from the rest in terms of risk? Successful entrepreneurs are will to risk time and money on unknowns, but they also keep resources, plans and bandwidth for dealing with "unknown unknowns" in reserve. When evaluating risk, a successful entrepreneur will ask herself, is this risk worth the cost of my career, time and money? And, what will I do if this venture doesn't pay off?

3. Self-belief, Hard work & Disciplined Dedication

Entrepreneurs enjoy what they do. They believe in themselves and are confident and dedicated to their project. Occasionally, they may show stubbornness in their intense focus on and faith in their idea. But the flip side is their demonstrated discipline and dedication.

4. Adaptability & Flexibility

It's good to be passionate or even stubborn about what you do. But being inflexible about client or market needs will lead to failure. Remember, an entrepreneurial venture is not simply about doing what you believe is good, but also making successful business out of it. Market needs are dynamic: changes are a recurring phenomenon. Successful entrepreneurs welcome all suggestions for optimization or customization that enhances their offering and satisfies client and market needs. A product you develop for yourself alone may qualify as a hobby, but a product for the market should satisfy market needs.

5. Understand Your Offering – And Its Market

Entrepreneurs know their product offering inside and out. They also know the marketplace and its dynamics inside and out. Remaining unaware of changing market needs, competitor moves and other external factors can bring even great products to failure (for example, Blockbuster).

6. Money Management

It takes time to get to profitability for any entrepreneurial venture. Till then, capital is limited and needs to be utilized wisely. Successful entrepreneurs realize this mandatory [money management](#) requirement and plan for present and future financial obligations (with some additional buffer). Even after securing funding or going fully operational, a successful businessman keeps a complete handle on cash flows, as it is the most important aspect of any business.

7. Planning (But not Over-planning)

Entrepreneurship is about building a business from scratch while managing limited resources (including time, money and personal relationships). It is a long-term commitment, and attempting to plan as much as possible at the beginning is a noble impulse. In reality, however, planning for everything and having a ready solution for all possible risks may prevent you from even taking the first step. Successful entrepreneurs do keep some [dry](#)

Vardha Mago (Assistant professor)

[powder](#) in reserve, but more importantly they maintain a mindset and temperament to capable of dealing with unforeseen possibilities.

Do a feasibility analysis; identify time and capital thresholds; take the deep dive with your limited resources. If your thresholds are crossed, look for alternatives and be prepared to take the next exit.

8. Networking Abilities

How do you tap your network for solutions? Many people seek comfort in commiseration: friends, colleagues and neighbors are happy to complain with you about "the global slowdown," poor demand, or unfair competition; but that won't improve the [bottom line](#). What do successful entrepreneurs do? They reach out to mentors with more experience and extensive networks to seek valuable advice.

Having such networking abilities, including more experienced mentors, is a key characteristics of successful entrepreneurs.

9. Being Prepared to Take the Exit

Not every attempt will result in success. The failure rate of entrepreneurial ventures is very high. At times, it is absolutely fine to take the "practical" exit route and try something new, instead of continuing to make [sunk cost](#) investments in the same venture. Many famous entrepreneurs weren't successful the first time around. But they had the serenity and foresight to know when to cut their losses.

10. Entrepreneurs Doubt Themselves – But Not Too Much

You may ask yourself, am I an entrepreneur? And the very question may put you in doubt about the answer. Even if you don't have the flair of [Steve Jobs](#) or the hair of [Elon Musk](#), if you have the courage to ask yourself intimidating questions – Can I do this? Do I *want* to do this? – you have the stuff to be an entrepreneur.

ROLE OF ENTREPRENEURS FOR INDIAN ECONOMY

1. Employment opportunities

Entrepreneurs employ labour for managing their business activities and provides employment opportunities to a large number of people. They remove unemployment problem.

2. Balanced Regional Development

Government promotes decentralized development of industries as most of the incentives are granted for establishing industries in backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas. They remove regional disparities and bring balanced regional development. They also help to reduce the problems of congestion, slums, sanitation and pollution in cities by

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providing employment and income to people living in rural areas. They help in improving the standard of living of the people residing in suburban and rural areas.

3. Mobilization Of Local Resources

Entrepreneurs help to mobilize and utilize local resources like small savings and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.

4. Optimization Of Capital

Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment capital ratio

5. Promotion of Exports: Entrepreneurs reduce the pressure on the country's [balance of payments](#) by exporting their goods they earn valuable foreign exchange through exports.

6. Consumer Demands: Entrepreneurs produce a wide range of products required by consumers. They meet the demand of the consumers without creating a shortage for goods.

7. Social Advantage: Entrepreneurs help in the development of the society by providing employment to people and paves for independent living They encourage democracy and self-governance. They are adept in distributing [national income](#) in more efficient and equitable manner among the various participants of the society.

8. Increase per capita income: Entrepreneurs help to increase the per capita income of the country in various ways and facilitate development of backward areas and weaker sections of the society.

9. Capital formation: A country can attain economic development only when there is more amount of investment and production. Entrepreneurs help in channelizing their savings and savings of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.

10. Growth of capital market

Entrepreneurs raises money for running their business through [shares and debentures](#). Trading of shares and debentures by the public with the help of financial services sector leads to [capital market growth](#).

11. Growth of infrastructure

The infrastructure development of any country determines the economic development of a country, Entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.

12. Development of Trader

Entrepreneurs play an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, trade credit, overdraft, short term loans, [secured loans](#) and unsecured loans and lead to the development of the trade in the country.

13. Economic Integration

Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and through equitable distribution of income. Entrepreneurs promote [economic integration](#) in the country by

adopting certain economic policies and laws framed by the government. They help in removing the disparity between the rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.

14. Inflow of Foreign Capital

Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for their businesses.

entrepreneurial culture

It consists of a group of individuals who have suppressed individual interests in an effort to achieve group success because group success will advance their individual interests.

NATURE OF CULTURE

"Basic beliefs and assumptions about the company

Emotional aspect

Reflect history

Inherently symbolic

Fuzzy

Substance and Form

COMPONENTS OF ENT. CULTURE

People and empowerment focused

Value creation through innovation and change

Attention to the basics

Hands-on management

Doing the right thing

Freedom to grow and to fail

Commitment and personal responsibility

Emphasis on the future

TYPES OF CULTURE

COMMUNAL CULTURE

NETWORKED CULTURE

MERCENARY CULTURE

FRAGMENTED CULTURE

ENTERPRENEURIAL CULTURE AND ATTITUDES

Increase awareness of entrepreneurial opportunities.

⊗ Intensify enterprise education and awareness campaigns.

⊗ Create identifiable role models and champions.

⊗ Establish mentor and patron panels.

⊗ Incentives and support for business succession.

⊗ Create incentives for SMEs to take apprentices.

⊗ Enhance intrapreneurship.

VARDHA