

SECTION – I

ENTREPRENEURSHIP

Becoming a successful entrepreneur is not only a rewarding and self-fulfilling experience, it's also a tremendous amount of fun. Many people equate the term entrepreneur with multi-millionaires running international conglomerates. Yet traders just down the street from where you live who make their living from retailing, plumbing, painting & decorating, electrical installation, building, floral arrangement, interior design, garden maintenance, insurance, and a host of other things. All are entrepreneurs, and they get as much satisfaction from their enterprises as any multi-millionaires.

Entrepreneurship is an attitude, a whole way of life. When you choose to start your own business you are also choosing to become an entrepreneur, and to begin

THIS NEW WAY OF LIFE

UNIT I

UNDERSTANDING ENTREPRENEURSHIP

MAIN OBJECTIVE

To orient students toward entrepreneurship and entrepreneurial career

Learning Outcome

- To understand about the concept of entrepreneurship
- To understand the importance of entrepreneurial career options.
- To understand the distinguishing features of entrepreneurship/self-employment as compared to wage employment.
- To understand entrepreneurship charms, challenges and myths.
- To understand characteristics of an Entrepreneur

CONTENTS

- Dynamics of entrepreneurship
- Entrepreneurship as an alternate career option over self-employment and wage employment
- Importance of Entrepreneur
- Entrepreneurship charms and challenges
- Myths of Entrepreneurship
- Characteristic of an Entrepreneur

DYNAMICS OF ENTREPRENEURSHIP

Introduction:

Industrial development of any nation is the outcome of the purposeful human activity and entrepreneurial thrust. Entrepreneur is presently at the crest of popularity. A large number of people are seeking entrepreneurship as a career option in India. Unemployed youth are getting attracted to entrepreneurship in increasing number. They are now planning to set up their own enterprise. One of the important element of the development of a country is considered to be entrepreneurial development. The development of entrepreneurs can solve the problems of growth, social justice and diffusion of economic powers. Hence it is felt that industrial activity can be generated by promoting good entrepreneurs and a positive attitude towards entrepreneurship. The development of entrepreneurs will optimize the use of unexploited natural resources, generate self-employment and self-sufficiency of economy. It is in this direction the planners in India have been putting efforts and stressing on the development of entrepreneurs and entrepreneurship.

MEANING AND DEFINITION OF ENTREPRENEUR

An entrepreneur is a person having specific skill, ability, Knowledge, awareness and self-confidence who bears the risk of operating a business in the face of uncertainty about the future conditions. The term “entrepreneurship” comes from the French verb “entreprendre” and the German word “unternehmen”, both mean to “undertake”.

The word ‘entrepreneur’ was applied to business initially by the French economist Richard Cantillien, who describes an entrepreneur as a person who purchase the means of production for combining them into marketable products at profit motive in future.

ENTREPRENEUR, ENTREPRENEURSHIP AND ENTERPRISE

Entrepreneur is a person who starts an enterprise. The process of creation is called entrepreneurship. The entrepreneur is the actor and entrepreneurship is the act. The outcome of the actor and the act is called the enterprise. An enterprise is the business organization that is formed and which provides goods and services, creates jobs, contributes to overall economic development.

ENTREPRENEUR AND ENTREPRENEURSHIP

Entrepreneurship has increasingly been held out as an alternative to traditional economic development strategies and policies. Advocates for entrepreneurship based policies suggest that entrepreneurial development generates greater returns to the public than other alternative strategies.

The entrepreneurs are key persons of any country for promoting economic growth and technological changes. Entrepreneurs are the backbone of industrial development. By accepting the importance of entrepreneur, a large amount is allotted for entrepreneurship development programs in our nation. Moreover various institutions have been established at state and national level for entrepreneurship development in India. In the present era, it is being realized that entrepreneurship contributes to industrial development of a country in several ways. Entrepreneurship in the country like India is regarded as the ultimate determining factor for the economic and industrial development of the country and leads people towards self-employment.

COMPARISON OF ENTREPRENEUR V/S ENTREPRENEURSHIP

The term entrepreneur is used to describe men and women who establish and manage their own business. The process involved is called entrepreneurship. Entrepreneurship is a process and an entrepreneur is a person. Entrepreneurship is the outcome of complex socio-economic, psychological and other factors. Entrepreneur is the key individual, central to entrepreneurship who makes things happen. Entrepreneurship is the most effective way of bridging the gap between Science and the market place by creating new enterprises. An entrepreneur is the catalyst who brings about this change. Basic difference between entrepreneur and entrepreneurship is:

1. **Meaning** : Entrepreneur is a person who purchases means of production for combining them into marketable products at profit motive in future, with being the risk of uncertainty.

Entrepreneurship is a process of converting the idea of establishing a new Enterprise into its implementation. So entrepreneurship refers to a process.

2. **Specific Qualities**: Entrepreneur needs qualities like creativity, decision- making ability, leadership, management efficiency, flexibility etc.

Entrepreneurship is the specific quality found in an entrepreneur with which he can establish a new enterprise.

3. **Function** : The prime function of an entrepreneur is establishment of an enterprise. So he is the engine of organization.

The prime function of an entrepreneurship is to motivate entrepreneur. So it is energy like petrol or diesel which drives the engine of an entrepreneur.

4. **Economic point of view** : From economic point of view, for entrepreneur the words like initiator, innovator, leader, planner, risk taker, motivator, organizer etc. are used.

From economics point of view, for entrepreneurship the words like initiative, innovation, leadership, planning, risk-taking, motivation etc. are used.

ENTREPRENEURSHIP AS A CAREER OPTION

After finishing your studies you will be at the crossroads of life. You will face the dilemma of choosing what you have to do in life. The vast majority of human beings direct their activities towards earning a living, generating wealth and improving their standard of living.

You can choose your career from two options - Wage Employment or Entrepreneurship. The term 'career' signifies a continuous, ever evolving, ever expanding opportunity for personal as well as business growth and development. We may define entrepreneurship as a career in your own business rather than wage employment. In case one opt for entrepreneurship you will be your own boss. In wage employment one is engaged in routine work carried on for others for which he receives salary or wages. He has to follow instructions and execute plans laid down by his superior. Some of the main differences between entrepreneurship and wage employment career options are as under.

Wage Employment	Entrepreneurship
Work for others Follow Instructions Routine Job	Own Boss Make own plans Creative activity

Earning is fixed, never negative Does not create wealth Can choose from- Government service Public sector Private sector	Can be negative sometimes, generally surplus Create wealth, contributes to GDP Can Choose from- Industry Trade or Service Enterprise
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In the context of employment generation the three terms- Income generation, self-employment and Entrepreneurship are often used interchangeably.

Income generation is the initial stage in the entrepreneurial process in which one tries to generate surplus or profit. They are often taken on part- time or casual basis to supplement income e.g. a man with some surplus money might put his money in a fixed deposit account in a bank.

Self-employment is the second stage in the entrepreneurial process and refers to an individual's full- time involvement in his own occupation. E.g. a person who starts a tea shop and remains happy and satisfied and has no plans to add on any other items to grow in any other manner.

Entrepreneurship is the terminal stage of the entrepreneurial process wherein after setting up a venture one looks for diversification and growth. An entrepreneur is always in search of new challenges. An entrepreneur is not a routine businessman. He is innovative and creative. He can convert a threat into an opportunity. Small businessmen might shutdown or change his business if he anticipates losses but an entrepreneur will try again after analyzing the situation. On the other hand an entrepreneur can leave a perfectly running business to start another venture if he so desires. If seen on a continuous, income generation, self-employment and entrepreneurship can be considered as the initial, middle and final stages of the entrepreneurial growth process. Income generating experience encourages self-employment, which in turn facilitates graduating into entrepreneurship.

IMPORTANCE OF ENTREPRENEURSHIP

1. **Bears the uncertainty of reward:** An entrepreneur establishes a new enterprise for profit motive. But there are many uncertainties about profit and also volume of profit. So he bears the uncertainty of reward by starting a new enterprise.

2. **Bears the risk of erosion of capital fund:** Entrepreneur accepts responsibility of uncertainty of reward. More over any accidental circumstances may adversely affect the functioning of the enterprise. Which may erode capital funds.

3. **Creation of useful goods and services for consumers:** Entrepreneurs creates many valuable and useful goods and services for customers and needs of society are satisfied.

4. **Creation of raw materials and semi-finished goods for customers:** Entrepreneurs may establish industries producing raw materials or semi-finished goods, which are useful to other industries for producing consumable goods and services.

5. **Increase opportunity of employment:** Entrepreneurs play an important role in creation of employment opportunities. A large portion of our society gets employment in industrial sector which solve the problem of unemployment.

6. **Remarkable role in economic and industrial development of a country:** Entrepreneurs establish new ventures and produce variety of goods and services. Hence modern needs of society are satisfied and lead a country to rapid economic and industrial development.

7. **Gives benefit of innovation to the society and nation:** Entrepreneurship and innovation are directly related. Entrepreneurs continuously search in innovation and give its maximum benefits to our society and nation.

8. **Establishes stability in Society :** Entrepreneurs not establish enterprises in only urban areas. But also establish enterprises in semi-urban and rural area, generally tiny, cottage and small scale industries are established, which lead to stability in our society.

9. **Plays role in balanced regional development** : Entrepreneurs established industries in all areas of the nation, which decentralize economic power and leads to balanced regional development.
10. **Earning of foreign exchange by export promotion** : Entrepreneurs search opportunities in international market, produce goods and services and export their products in foreign market. In this way they help the country to earn foreign exchange.
11. **Optimum utilization of national resources**: Entrepreneurship is a process of shifting natural resources of lower productivity and yield into an area of higher productivity and yield. Hence natural resources can be optimally utilized.
12. **Pays taxes to government** : Entrepreneurs earn profit. This profit increases periodically and they pay a large amount of taxes to government.
13. **Development of subsidiary industries**: Due to development of entrepreneurship banking, communication, transportation, insurance, etc. services develop rapidly. So opportunities for development of subsidiary industries also increase.
14. **Raise the living standards of society**: An entrepreneur always searches for new changes, responds to them and exploits them as opportunities. This produces modern and luxurious products for our society and increase welfare of the society.

ENTREPRENEURSHIP CHARMS AND CHALLENGES

The most exciting part of entrepreneurship is that you are your own master. When you are an employee, you work for others according to their plans, whims and fancies. In an entrepreneurship, it is you who set the goal, plan the action and reap the satisfaction and rewards of having achieved the goal.

Reasons Why Should You Become an Entrepreneur are:

- You will be your own boss and boss to other people and make decisions that are crucial to the business' success or failure.
- You will have the chance to put your ideas into practice.
- You make money for yourself rather than for someone else.

- You may participate in every aspect of running a business and learn and gain experience in a variety of disciplines.
- You will have the chance to work directly with your customers.
 - You will have the personal satisfaction of creating and running a successful business.
 - You will be able to work in a field or area that you really enjoy.
 - You will have the chance to build retirement value (for example, by selling the business when you retire)

Economic development involves more than just raising the per capita income. It is a process of total and radical change in the socio-economic structure. The expansion of output and social change result in growth that will set parameters for the future.

MYTHS OF ENTREPRENEURSHIP

Several myths which prevailed earlier on entrepreneurship now have been blown apart. Let us study some of them.

- (a) **Age factor:** in order to become a successful entrepreneur, you have to cross a certain age is far from truth. The successful entrepreneurs have been identified in the age range of sixteen to sixty! You can become an entrepreneur at any age. At the same time, it must be realized that the financial institutions will be reluctant to advance loans after a certain age. They may find it riskier.
- (b) **Sex:** Entrepreneurship is no more a male bastion. Several successful women entrepreneurs have shown that they too can excel in this area. On the contrary, the statistical data shows that the success rate of women entrepreneurs is higher than that of the males. The government too is trying to encourage women entrepreneurship by conducting special EDPs for them and offering special financial packages to set up the enterprises.
- (c) **Money:** while capital certainly is an important input in starting an enterprise, that alone is not a guarantee for success. Or otherwise, only moneyed persons would have gone into entrepreneurship.

- (d) **Experience:** There is no doubt that 'experience is the best school of learning'. However, experience alone cannot be a path to entrepreneurship. In that case, all successful managers would have left their jobs and would have become entrepreneurs.
- (e) **Undergoing an EDP:** Attending a formal EDP is not a sure sign of becoming a successful entrepreneur. Approximately, around 30 percent of those who attend EDP go ahead and setup an enterprise. Of these, perhaps, only 10 percent are continuing after three years of starting the project.
- (f) **Entrepreneurship means manufacturing:** A belief prevailed that starting an enterprise meant only setting a manufacturing unit. This is certainly not true. An enterprise could be in any area which includes trading, services as well as agricultural, building construction and fishing.
- (g) **Education and entrepreneurship:** it is not essential that a qualified engineer should setup only an engineering manufacturing unit. An entrepreneur is basically looking for an opportunity which the market to offers that he/she has to tap. It may or may not be matching his/her educational qualifications.
- (h) **Government incentives:** it is the prime responsibility in a democracy of the elected government to encourage entrepreneurship and this is done by organizing EDPs, designing packages for different sections of the society and offering of incentives. However, this alone is not a guarantee to develop an entrepreneurial society.

CHARACTERISTICS OF AN ENTREPRENEUR

An entrepreneur is a person who takes risk of setting up his own venture for perceived rewards. He/she is a person who initiates the idea, formulates a plan, organizes resources and puts the plan into action to achieve his goal.

Entrepreneurs have specific characteristics, qualities. They have special strengths which they draw upon for their adventure into business. If a person wants to start and succeed in the enterprise, he/she required to play different roles at different stages of enterprise. The characteristics which an entrepreneur must possess are:

1. Need to Achieve :

Most people dream of success and achievement, but do not take any actions towards achieving these dreams. Entrepreneurs, on the other hand, have a strong desire to achieve a higher goal and make their dreams come true. For them winning is achievement.

2. Perseverance :

Once committed to a goal and a course of action, entrepreneurs become absorbed in it. They are not deterred by difficulties and problems that beset any project; they work hard until the whole project is successfully accomplished.

3. Moderate Risk Taker:

Entrepreneurs are not high risk-takers; they are not gamblers. They choose a moderate risk rather than play wild speculative gamble. They love a moderate risk situation, high enough to be exciting, but with a fairly reasonable chance to win.

4. Ability to find and explore opportunity:

Entrepreneurial persons are quick to see and seize opportunities. They show an innovative turn of mind and convert difficulties into opportunities. But they are realistic too. They plan and anticipate carefully how to achieve their goals in realizing an opportunity.

5. Analytical Ability:

Entrepreneurs are realistic. They have a matter of fact approach about business undertakings. They are not likely to let personal likes and dislikes stand in their way. When they required assistance, they select experts rather than friends and relatives to help them. They generally do not take an emotional attitude towards their business or a problem.

6. Using Feedback:

Entrepreneurs like to have immediate feedback of their performance. They like prompt and accurate data and it does not make any difference whether the information they get is favorable or unfavorable. In fact, they are stimulated by unfavourable news to pour more energy into attaining their objectives.

7. Facing Uncertainty:

Achievement oriented people tend to be optimistic even in unfamiliar situation. The odds may not be clear but the circumstances may be appealing. Entrepreneurial persons in such situation see no reason why they cannot win through their abilities. They go ahead undeterred, sometimes even without guidelines and frequently make the best of whatever opportunities there are. As they begin to understand their environment they begin to calculate their chances very closely. Thus, paradoxically they present a picture of boldness in the face of the unknown and prudence in the face of the familiar. They usually win by applying their special insight and skill.

8. Independence :

It is found that most entrepreneurs start off on their own because they do not like to work for other people. They like to be their own masters and want to be responsible for their own decision.

9. Flexibility :

Most successful people after weighing the pros and cons of a decision, tend to change if the situation so demands. They do not hesitate in revising their decision. Successful entrepreneurs are persons with open minds, not rigid.

10. Planner :

Most successful people tend to set a goal for themselves and pal to achieve that goal in a certain time limit.

11. Interpersonal Skills:

An entrepreneur is a person who during the course of his activities, comes across many types of persons with whom he has to deal. He has to make them work for him, with him and help him to attain his objectives. Hence he should be a person who likes working with people and who has skills of dealing with people.

12. Motivator :

In the course of his career, an entrepreneur will be required in many situations to influence people and make them think in his way and act accordingly. He motivates people to act.

13. Stress Taker :

As a central figure in your enterprise, you will have to cope up with many situations at the same time and make right decisions which may involve a lot of physical and emotional stress. All this can be done if you have the capacity to work long hours and keep cool under a lot of tension.

14. Positive Self Concept :

An achiever directs his fantasies towards the accomplishment of worthwhile goals and sets standard of excellence in what he is doing. This is based upon the awareness of his strength and weaknesses. He uses positive knowledge to support his thinking. He is rarely negative.

15. Orientation to Future :

Entrepreneurs show a high level of future orientation. They do not allow the past to obsess them. They are oriented towards present and future. "So it was, but now what to do; this is their usual response.

No entrepreneur has all these qualities. But most of them will have many. So the first step for a person aspiring for entrepreneurship is making an inventory of the traits he possesses. This self-awareness and analysis will help define his strength and help overcome his weakness.