

18BCO5EL-GENERAL COMMERCIAL KNOWLEDGE I-UNIT-III

Entrepreneurship-meaning-types-qualities of an entrepreneur-factors influencing entrepreneurship-functions of entrepreneur.

Entrepreneurship introduction

The term entrepreneurship denotes the process of setting up one's own business venture as distinct from pursuing any other economic activity or any employment or practicing some profession. The person who establishes business is termed as entrepreneur. The output of an entrepreneurial process ends up in establishing an enterprise.

Meaning

Entrepreneurship generates employment opportunities to many people besides providing self-employment to the entrepreneur. Any business venture started triggers a variety of economic activities like purchasing raw material, creating employment opportunities and so on. Thus, entrepreneurship become crucial for overall economic development of a nation.

Entrepreneurship can be regarded as one of the four major factors of production besides the other three namely land, labour and capital.

Definition

According to J.A. Schumpeter Joseph A. Schumpeter, "Entrepreneurship is essentially a creative activity. It consists of doing such things as are generally not done in ordinary course of business. An entrepreneur is one who innovates, i.e. carries out new combination or enterprise.

As per Mary Coulter, "Entrepreneurship is the process whereby an individual or group of individuals use organised efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has."

Entrepreneurship plays a pivotal role in the economic development of a country.

Characteristics of Entrepreneur

The following points highlight the characteristics of entrepreneurship.

1. Spirit of Enterprise

Entrepreneur should be bold enough to encounter risk arising from the venture undertaken. Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

2. Self Confidence Entrepreneur should have a self confidence in order to achieve high goals in the business. The negativities like inconvenience, discomfort, disappointments, rejections, frustrations and so on should not weaken his steely resolve to make the venture a grand success.

3. Flexibility

Entrepreneur should not doggedly stick to decisions in a rigid fashion. Entrepreneur should change the decisions made already in the light of ever-changing business environment.

4. Innovation

Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production or distribution, adding new features to the existing product, uncovering a new territory for business, innovating new raw material etc.,

5. Resource Mobilisation

Entrepreneur should have the capability to mobilise both tangible inputs like manpower, money materials, technology, market, method etc., which are scattered over a wide area and certain intangible inputs like motivation, morale and innovativeness cannot be purchased in the market outright. Entrepreneur has to marshal all these tangible and intangible inputs to produce a product successfully. Thus entrepreneurship is a function Of gap filling and input completion.

6. Hard work

Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully. They have to courageously face uncertainties, risks and constraints. They should not blame the uncontrollable factors for the misfortunes experienced during the course of their entrepreneurial venture. They should spend their energy in addressing the issues to stay successful.

7. Leadership

Entrepreneur should be able to influence team members by showing sympathy and empathy so as to enable them to contribute positively towards the goals of the venture. Entrepreneur should lead others from the front and by personal example and should walk the talk and effectively take all the followers to activate the goals of the venture.

8. Foresight

Entrepreneur should have a foresight to visualise future business environment. In other words, Entrepreneur should foresee the likely changes to take place in market, consumer attitude, technological developments etc., and take timely actions accordingly.

9. Analytical Ability

Entrepreneurs should not make decisions on the basis of own prejudice or personal likes and dislikes. Entrepreneur should be able to objectively analyse the situation and act accordingly.

They should abstain from taking emotional or hasty decisions when they are overwhelmed by emotions. Entrepreneur should take rational decisions after examining the various aspects of a problem.

10. Decision Making

Entrepreneur has to take timely and correct decision with regard to nature and type of product to be produced, type of technology to be adopted, type of human assets to be employed, location of the enterprise, size of the unit, and volume of production and so on. The very success of any enterprise hinges on prompt, correct and relevant decisions made by the entrepreneur.

TYPES OF ENTREPRENEUR

Founders or “Pure Entrepreneurs”: As the term suggests, they are those individuals who are the Founders or “Pure Entrepreneurs”: founders of the business. They are the ones who conceptualize a business plan and then put in efforts to make the plan a success. For example, Dhirubhai Ambani of the Reliance Group.

Second-generation operators of family-owned businesses: They are the individuals who have inherited the business from their fathers and forefathers. Like Mukesh Ambani and Anil Ambani sons of Dhirubhai Ambani of the Reliance Group now split into two: Reliance – Reliance Industries Limited and Reliance – Anil Dhirubhai Ambani Group.

Franchisees: Franchisee has been derived from a French word which means free. It is a method of doing business wherein the parent owner (the franchiser) licenses his trademarks and tried and proven methods of doing business to a franchisee in exchange for a recurring payment. Here, the franchisee has not conceptualized the business but has invested his money and time in the business.

Owner-Managers: When a person buys a business from the founder and then invests his time and resources in it he is called the owner-manager. Like Sabeer Bhatia is the founder entrepreneur of Hotmail, whereas Microsoft’s Bill Gates became its owner-manager after buying it for \$400 million.

The Induced Entrepreneur: These types of entrepreneurs are induced by some external factors to start a business. The external factors could be like supporting government policies, unemployment, family support, facilitating institutional support, etc. These types of entrepreneur turn out to be more realistic in their approach.

The Idea Generator: These kinds of entrepreneurs are highly creative people who are always in search of innovative ideas for setting up new business ventures. They have the ability to sense the demand much ahead of others.

The Real Manager: The real managers run the business in a systematic manner. They analyse business situations, assess the demands of future, both in terms of opportunities and threats and then take actions based on the above assessments. They believe in incremental changes rather than radical transformations. The Real Achievers: The real achievers are full

of life. They are looking for the achievement of not even their own goals but also of people associated with themselves like employees, suppliers and distributors.

Industrial Entrepreneur: Industrial entrepreneur is an entrepreneur who is into manufacturing of a product. He identifies the needs and wants of customers and accordingly manufactures products to satisfy these needs and wants. It would include all the entrepreneurs essentially into manufacturing.

Trading Entrepreneurs: Trading entrepreneur is one who undertakes trading activities (buying and selling of goods and services) and is not concerned with the manufacturing of products. He identifies potential markets, stimulates demands and generates interests among buyers to purchase a product.

Corporate Entrepreneur: Corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking (which is registered under some statute or act that gives it a separate legal entity).

Agricultural Entrepreneur: Agricultural entrepreneurs are those entrepreneurs who undertake business related to agricultural activities. Like farm equipment's, fertilizers and other inputs of agriculture. They provide supportive products that can increase the agricultural production through biotechnologies, mechanization and improvement in agricultural yield.

Innovative Entrepreneurs: Innovative entrepreneurs are the forbearers of change in the business. They are full of creative ideas and offer innovate products to the society. It is because of these innovative entrepreneurs that many important changes occur in our society. They experiment and conduct permutations and combinations of ideas to yield new products and services.

Imitative Entrepreneurs: Imitative entrepreneurs adapt a successful innovation. They are risk averse and so they do not try out new ideas or products, but if a new idea is accepted by the market, they imitate the new idea and hence join in the competition.

Fabian Entrepreneurs: Fabian entrepreneurs are highly cautious and sceptic in their approach. They are not readily interested in introducing any change in their organization and when they do so it is because unless they the change they would be out of the market.

Drone Entrepreneurs: Drone entrepreneurs are not open to creativity and change. They do not like changing the working of organizations with the changing times.

Women Entrepreneurs: In 1988, for the first time, the definition of Women Entrepreneurs' Enterprise was evolved that termed an SSI unit/industry-related service or business enterprise, managed by one or more women entrepreneurs in propriety concerns, or in which she/they individually or jointly have a share capital of not less than 51 per cent as company/members of a cooperative society, as a Women's Enterprise.

Copreneurs: When both husband and wife together start and run a business venture then they are called copreneurs. Emergence of copreneurs in the present times is a reflection of the fact that women's role in business is increasing.

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

There are large number of varied factors which contribute to the growth of entrepreneurship. These factors can be broadly classified into five.

PSYCHOLOGICAL FACTORS: - Inspiration for achievement prepares an entrepreneur to set higher goals and achieve them. The important psychological factors influencing entrepreneurial growth may be outlined as below:

- Need for Achievement
- Personal Motives
- Recognition
- Need of Authority

CULTURAL FACTORS: - Culture consists of Tangible man – made objects like furniture, buildings etc . Intangible concepts like Laws, morals, knowledge etc .Values and behaviour acceptable within the society.

- Culture
- Religious Belief
- Minority Groups
- Spirit of Capitalism

SOCIAL FACTORS: - What mould a man into an entrepreneur is the sociological and environmental factors during childhood, and at the school, personal experience in adult life at the college and job environments, the mobility, occupation and support from parents. The social factors include:

- Legitimacy of Entrepreneurship
- Social Marginality
- Family, Role Models and Association with Similar Type of Individuals
- Caste System
- Occupation
- Education and Technical Qualifications: - Education
- Social Status
- Social Responsibility

ECONOMIC FACTORS: - Economic factors also influence the growth of entrepreneurship. The important economic factors are:

- Infrastructural Facilities
- Financial Resources
- Availability of Material and Know – How

- Labour Conditions
- Market
- Support System
- Government Policy

PERSONALITY FACTORS: - The supply of entrepreneurship in a society is largely influenced by the presence of individuals with the imitativeness, foresightedness and organizing and managerial competence. The following personality factors contribute to the entrepreneurial development:

- Personality
- Independence
- Compulsion

QUALITIES OF A SUCCESSFUL ENTREPRENEUR

To organize and run it successfully, the entrepreneur must possess some qualities and traits. They are as following:

1) Willingness to Make Sacrifices and Assume Risks: - A new venture is full of difficulties and unanticipated problems. In such an inhospitable environment entrepreneur has to be prepared to sacrifice his time, energy and resources in order to carry out the venture and make it success.

2) Hard Work: - Willingness to work hard distinguishes a successful entrepreneur from an unsuccessful one. For example, Assim Premji (chairman of Wipro) works in his office fourteen hours every day. He is a successful entrepreneur. He is one of the richest persons in India.

3) Optimism: - Successful entrepreneurs are not worried by the present problems that they face. They are optimistic about the future. This enhances their confidence and drives them towards success. Some of the world's greatest entrepreneurs failed before they finally succeed

4) Self Confidence: - This is the greatest asset of a successful entrepreneur. He must have the confidence to make choices alone and bounce back when he fails.

5) Leadership: - Successful entrepreneur generally has strong leadership qualities. He should be a good judge of human nature and a good leader. He must be able to select, train and develop persons who can properly manage and control the labour force.

FUNCTIONS OF AN ENTREPRENEUR

Entrepreneur is a lead player in the drama of business. According to Kilbt, an entrepreneur has to perform four groups of functions:

EXCHANGE RELATIONSHIP:

- Perceiving market opportunities
- Gaining command over scarce resources.
- Purchasing inputs.
- Marketing of the products and responding to competition.

POLITICAL ADMINISTRATION:

- Dealing with public bureaucracy (concession, licences and taxes)
- Managing the human relation within the firm.
- Managing customer and supplier relations.

MANAGEMENT CONTROL:

- Managing finance.
- Managing production.

TECHNOLOGY:

- Acquiring and overseeing assembly of the factory
- Industrial engineering.
- Upgrading process and product quality.
- Introducing new products

According to Arther H. Cole, an entrepreneur performs the following functions:

- Determining the objectives of the enterprise and revising the objectives in the light of changed circumstances.
- Developing an organization including efficient relations with subordinates and all employees.
- Securing adequate finance.
- The requisition of efficient technological equipment
- Developing a market for the products and devising new products to meet customers demand.
- Maintaining good relations with public authorities and with society.