

Subject: Management

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Paper: 09, Entrepreneurship Development & Project Management

Module: 01, Meaning & Concept of Entrepreneur, Entrepreneurship & Entrepreneurship Development



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Items	Description of Module
Subject Name	Management
Paper Name	Entrepreneurship Development & Project Management
Module Title	Meaning and Concept of Entrepreneur, Entrepreneurship & Entrepreneurship Development
Module Id	Module no-1
Pre- Requisites	Basic knowledge about Entrepreneurship
Objectives	To study the meaning and concept of entrepreneur, entrepreneurship and its development
Keywords	Entrepreneur, Entrepreneurship, Entrepreneurship development

QUADRANT-I

Module 1: Meaning and Concept of Entrepreneur, Entrepreneurship & Entrepreneurship Development
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3.1 Meaning of Entrepreneur
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1. Learning Outcome

After completing this module students will be able to:

- i. Understand the concept of entrepreneur.
- ii. Various types of entrepreneurs.
- iii. Know the concept of entrepreneurship.
- iv. Understand the factors responsible for the growth of entrepreneurship

MEANING AND CONCEPT OF ENTREPRENEUR, ENTREPRENEURSHIP & ENTREPRENEURSHIP DEVELOPMENT

2. Introduction

The term 'entrepreneur' has been defined differently by different writers and thinkers. It is relatively a new term and concept used in economic sphere. Over the period, due to its increasing relevance in economic domain, it has become the buzzword in the economic literature. With the advancement in technology, general trend towards globalisation, change in industrial structure, deregulation and privatization etc, entrepreneurial activity is increasing around the globe. Entrepreneurs have been recognised as an important source of economic growth. They create jobs and play a pivotal role in the development country's economy.

Entrepreneurship is generally said to be the practice of starting new venture in response to perceived opportunities. It helps in the establishment of small scale business which results into large organizations capable of creating numerous job opportunities. Entrepreneurship has been identified as one of the major trends shaping business, economy, and even society. The modern study of entrepreneurship owes a lot to the pioneering efforts of Joseph Schumpeter and other Austrian economists. Later on Peter Drucker, Frank Wright and many others have significantly contributed to the growth of entrepreneurship development and research.

In recent times, entrepreneurship and entrepreneurs have received a lot of attention from academicians, writers, media and general public. The achievements and contributions of entrepreneurs have been acknowledged by society and many entrepreneurs have been honoured and awarded for their services like Dhirubhai Ambani, Lakshmi Mittal, Bill Gates etc.

3. Concept of Entrepreneur, Entrepreneurship and Entrepreneurship Development

3.1 Entrepreneur: The word 'entrepreneur' is derived from the French word "entreprendre" which means 'to undertake'. The term entrepreneur was first brought up by Richard Cantillon, a French baker in 18th Century to mean, "A person who is uncertainty bearer". Richard Cantillon was the first person who used the term entrepreneur for economic activities. J.B.Say another Frenchman, expanded Cantillon's ideas and said that entrepreneur is "an organizer who combines various factors of production to produce a socially viable product".

So, Entrepreneur is a person who launches his own venture. He organizes, manages and takes the risk of developing those new products or processes for which the market demand exists but these are not currently being supplied in the market. An entrepreneur bears the risk of a new venture if there is a chance to earn profits. He is a front man who brings together various factors of production and creates value by developing a new product or process. Thus, an entrepreneur may be described as a person who has the ability to explore the markets, identify opportunities for growth, make best use of available resources and implement actions to maximize those opportunities.

The word 'entrepreneur' has been defined by many eminent entrepreneurs and economists starting from French language to till date, which can be understood with the help of following definitions:

- An entrepreneur is the agent who buys means of production at certain prices in order to combine into a product that he is going to sell at prices that are uncertain at the moment at which he commits himself to his costs.

-Richard Cantillon

- An entrepreneur is the economic agent who unites all means of production, the labour, the capital or land and who finds the value of product which results from their employment, the reconstruction of the entire capital that he utilises and the value of wages, the interest and the rent that he pays as well as profit belonging to himself.

-J.B.Say

- Entrepreneur is one who seeks to reform or revolutionise the pattern of production by exploiting an innovation or more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of material or a new outlet of products.

-Joseph Schumpeter

- Entrepreneurs are a specialised group of persons who undertake the risk and deal with uncertainty. Entrepreneur is the economic functionary who undertakes responsibility which cannot be insured.

-F.H.Knight

- Entrepreneur is one who endowed with more than average capacities in the task of organising and co-ordinating the factors of production i.e, land, labour, capital and enterprise. Entrepreneur is a pioneer, a leader and captain of the firm. Hence, profit, the entrepreneur gets depends upon his efficiency and superior talent.

-F.A. Walker

- An entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is considered as an instrument of entrepreneurship. An entrepreneur innovates and creates resources because there is no such thing as resource until somebody finds a use for something and endows economic value to it. Innovation is being presented as a discipline, capable of being learnt and capable of being practised.

-Peter F.Drucker

“Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation”.

Thus, Peter F. Drucker opines that

- a) An entrepreneur must be an innovator as well as a leader.
- b) He must be capable of analysing the opportunities and exploit them successfully.
- c) He should innovate for the present period but not the future.
- d) Innovation must be very simple to understand, otherwise, it may not give the desired results.
- e) Entrepreneur must possess the knowledge, diligence, persistence and commitment to innovation.
- f) He need not be the owner of the business.

- g) He must mobilize resources and allocate them to make a commercial gain from the opportunities identified.

On the basis of above definitions, the following are basic characteristics of an entrepreneur:

- Risk-bearer
- Organizer, and
- Innovator

3.2 Types of Entrepreneurs: The various types of entrepreneurs are classified as under:

1. According to the Type of Business

- i) Business Entrepreneur:** Business entrepreneurs are individuals who conceive an idea to introduce a new product or service in the market and then start a business to materialize their idea into reality. They tap various resources to produce and market their product in order to develop a new business opportunity. They may set up a big establishment or a small business unit.
- ii) Trading Entrepreneur:** Trading entrepreneur is one who undertakes trading activities and is not concerned with the manufacturing work of goods. He targets the potential markets, explores the opportunities, stimulates demand for his product line and creates a desire and interest among buyers for his product.
- iii) Industrial Entrepreneur:** An entrepreneur, who sets up his own industrial unit, is called Industrial Entrepreneur. He explores the opportunities to set up his business, completes the necessary formalities of getting statutory permissions, power connection, pollution control clearance (if the need be), arrange capital, making payment of wages and supply necessary technical know-how. Such type of an entrepreneur knows how to make the optimum use of resources and converts them into a profitable venture.
- iv) Corporate Entrepreneur:** The Entrepreneur who shows his innovative skill in organizing and managing the activities of corporate undertaking is termed as Corporate Entrepreneur. He manages the affairs of his corporate body and develops it with his innovative skills. He complies with all formalities to get his corporate body registered under the requisite Act which gives his company the status of separate legal entity.
- v) Agricultural Entrepreneur:** These entrepreneurs raise the productivity of agriculture through mechanization, irrigation and application of technologies for their agriculture land. They undertake such agricultural activities as raising of money, marketing of crops, managing fertilizers etc.

2. According to the Use of Technology

- i) Technical Entrepreneur:** A technical entrepreneur is essentially an entrepreneur of “craftsman type.” These entrepreneurs focus on production rather than marketing. Technical entrepreneur possesses craftsman skill in himself which he applies to develop and improve the technical aspect of the product.
- ii) Non-Technical Entrepreneur:** An entrepreneur who is not concerned with the technical aspect of the product is called non-technical entrepreneur. He develops alternative strategies of the marketing and promotes his business. The objective of such entrepreneur is not to change the production techniques but he stimulates the demand of the product.
- iii) Professional Entrepreneur:** An entrepreneur who is interested in floating a business but does not want to manage or operate it. Once the business is established, he sells it out and catches on to float a new business.

3. According to Motivation

- i) **Pure Entrepreneur:** Pure entrepreneur is one who is status conscious and wants recognition. He generally undertakes entrepreneurial activities for his personal satisfaction or for the satisfaction of his psychological needs.
- ii) **Induced Entrepreneur:** Induced entrepreneurs are those individuals who 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 entrepreneurs run out to be more realistic in their approach. For instance, when the government announced subsidies, tax rebates and financial support to small scale industries, several entrepreneurs started their business as SSIs.
- iii) **Motivated Entrepreneur:** These entrepreneurs are ambitious to stand out. They want to achieve something in their life and also want to make a mark in society to prove their excellence. No matter how many hurdles come in their way, they are totally determined.

4. According to Stages of Development

- i) **First Generation Entrepreneur:** These entrepreneurs have no entrepreneurial background. They do not inherit entrepreneurship from their earlier generation. They are first generation entrepreneurs in their family, e.g. Late Dhirubhai Ambani
- ii) **Second Generation Entrepreneur:** Some persons become entrepreneurs by inheritance. They inherit entrepreneurship from their earlier generations, e.g. Ratan Tata inherited entrepreneurship from J.R.D.Tata and Jamshetji Tata. Due to entrepreneurial heritage these entrepreneurs have some inborn qualities of entrepreneurship.
- iii) **Classical Entrepreneur:** A classical entrepreneur is one who strives for maximizing economic returns of his firm at a level consistent with the survival of the firm but with or without an element of growth.

5. Clarence Danhof

These entrepreneurs are classified into four types:

- i) **Innovative Entrepreneur:** Innovative entrepreneurs are one who introduce new goods, innovates new methods of production, discovers new markets and brings them together to create value. He arranges finance, starts an enterprise, assembles the various factors of production, chooses the competent managers and sets his enterprise go.
- ii) **Adoptive or Imitative Entrepreneurs:** Those entrepreneurs who are ready to adopt successful innovations created by innovative entrepreneurs are called adoptive entrepreneurs. Instead of innovating the changes themselves, they just imitate the technology and techniques innovated by others. Such entrepreneurs are particularly important in underdeveloped countries because they contribute significantly to the development nations because in these nations people prefer to imitate the technology, knowledge and skill already available in more advanced countries.
- iii) **Fabian Entrepreneurs:** Fabian entrepreneurs are cautious in adopting and implementing any change. Their dealings are determined by custom, religion, tradition and past practices. They are reluctant to adopt new methods and also not ready to take moderate risks. They imitate change only when it becomes clear that they cannot survive without doing so.
- iv) **Drone Entrepreneurs:** Drone entrepreneurs are those who are not ready to make the changes in their existing production methods even at the cost of severely reduced returns. They can suffer loss but are not ready to make changes in their existing production methods. With the increase in competition they would prefer to stay out of market rather than giving their business a competitive edge.

4. Entrepreneurship and Entrepreneurship Development: The concept of entrepreneurship is an age-old phenomenon that relates to the vision of an entrepreneur as well as its implementation by him. Entrepreneurship

is a creative and innovative response to the environment. It is also the process of setting up a new venture by entrepreneur. Entrepreneurship is the mixture of many qualities and skills such as imagination, risk taking ability to harness factors of production i.e. land, labour, technology and various other intangible factors. Entrepreneurship can be described as process of establishing an enterprise. Entrepreneurship is a creative activity. It is the attitude of mind to seek opportunities, take calculated risk and derive benefits by setting up a venture. It is the process of identifying opportunities in the market place, collecting and arranging the resources to exploit these opportunities for long term gains.

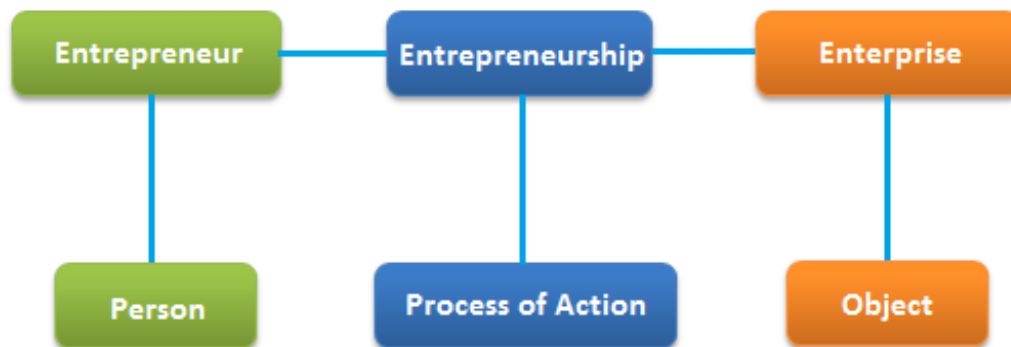


Figure : The concept of Entrepreneurship

Entrepreneurship is the ability of a person to minimise the use of resources and to put them into the process and get the maximum benefit of out it. He should take into consideration quality, excellence and consumer awareness for the sustainability of his business. Therefore, entrepreneurship is the product of team work and ability of an entrepreneur to create, build and work as a team. Thus, entrepreneur is person, entrepreneurship is a process and enterprise is the object.

4.1 Definitions of Entrepreneurship

- Entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique, discovering new sources of raw materials and selecting top managers for day to day operations of the enterprise.

- B. Higgins
- Entrepreneurship is the investing and risking of time, money and effort to start a business and make it successful.

- Musselman and Jackson
- Entrepreneurship is defined as anticipating the future requirements of society and successfully meeting these needs with new, creative and imaginative combinations of resources.

- Franklin Lindsay
- Entrepreneurship is the purposeful activities of an individuals or a group of associated individuals

undertaken to initiate, maintain and aggrandize profit by production or distribution of economic goods and services.

- H. Cole

- Entrepreneurship implies more creative, external or open systems orientation. It involves risk-bearing and relatively dynamic leadership.

- Richma and Copen

- “It connotes innovativeness, an urge to take risk in face of uncertainties and an intuition i.e., a capacity of seeing things in a way which afterwards prove to be true

- V.R. Gaikaward

- Entrepreneurship is an innovative function. It is a leadership rather than an ownership.

- Schumpeter

4.2 Characteristics/Nature of Entrepreneurship

Entrepreneurship is a creative and innovative action process of entrepreneur towards establishing an enterprise. Following are some of the main characteristics of entrepreneurship:

- 1) **Innovation the essence of Entrepreneurship:** Entrepreneurship is an innovative function as it involves doing things in a new and better way. Innovation is the process of doing new things. It can be of a new product, a new source of raw material a new market, a new method of production, not yet applied in a particular branch or, manufacturing etc.
- 2) **Economic Activity:** Entrepreneurship is basically concerned with the economic activities i.e production and distribution of goods and services. It is also concerned with the optimum utilisation of available factors of production and resources.
- 3) **Creation of Value:** Entrepreneurship is virtually a creative and a purposeful activity. It leads to creation of new products, services, approaches, resources, technologies, and markets that contribute some value to a community or marketplace.
- 4) **Risk Bearing:** Risk is an inseparable element of entrepreneurship. An entrepreneur assumes the uncertainty of future. In the pursuit of profit, there is possibility of loss also.
- 5) **Dynamic Process:** Entrepreneurship is a dynamic function. Flexibility is the tool towards successful entrepreneur. An entrepreneur should adopt all the changes in the environment which bring useful opportunities for business.
- 6) **Special Skills and Leadership:** An entrepreneurship calls for special skills to handle the situations as it unfolds. An entrepreneur must have the ability to lead and manage in every situation. Entrepreneurship involves the ability to create and build something from practically nothing. It is the ability to build a founding team to complement the entrepreneur’s skills and talents. An entrepreneurship can grow and flourish only if its founders have required managerial and leadership skills.
- 7) **Human Relations:** Entrepreneurship is the ability to work with other people and signing responsibility is a key to success. It is the ability to make a team, the efforts of which would result in gaining for the enterprise in every aspect.

4.3 Role of Entrepreneurship in Economic Development: The major role of entrepreneurship in economic development of an economy is discussed as follows:

- 1) **Promotes Capital Formation:** Entrepreneurial growth encourages capital formation. It helps in mobilising idle savings of the public through issue of securities which ultimately results in productive utilisation of resources. Entrepreneurs raise capital by borrowing funds from external sources like banks and financial institutions and convert the savings of general public into capital.
- 2) **Employment Generation:** Entrepreneurship generates employment opportunities in the country by promoting small scale business. It not only results in self employment but provides opportunity for others to get the jobs according to their skills, knowledge and capabilities.
- 3) **Balanced Regional Development:** Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. In a way they get the advantage of government's grants, subsidies and other benefits by promoting the industry in the backward areas by providing large number of benefits like road transport, education, health, entertainment etc to the public. Setting up of industries to develop the backwards areas promotes balanced regional growth.
- 4) **Wealth Creation:** Entrepreneurship stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas thereby giving benefit to larger sections of the society. Entrepreneurial activities also generate wealth in the economy and give a multiplier effect.
- 5) **Increase Per Capital Income:** Entrepreneurship contributes to economic development by increasing the per capita income through efficient utilisation of national resources. It creates an environment in which everybody earns more and the average income of people increases. By converting the idle resources into productive channels, it helps to increase NNP as well as per capital income of the country.
- 6) **Increase in Productivity:** Entrepreneurship helps to increase the productivity of the factors of production. It also coordinates all factors of production and ensures that such factors are made available economically for each of the production process. This reduces the wastages of factors and increases the productivity.
- 7) **Improvement in Standard of Living:** Entrepreneurs play a pivotal role in improving the standard of living of the people by adopting latest technology and innovations in the production of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.
- 8) **Increase in Government Revenue:** With the development of entrepreneurship the income of people increases and hence results in more government revenue in the form of taxes. This revenue can be utilised for the welfare of nation and for promotion of industry, trade and commerce which leads to overall economic development.

4.4 Factors responsible to the Success of Entrepreneurship: The success of entrepreneurship is dependent on certain important factors. Some of the important factors are:

- 1) **Economic Factors:** Capital is one of the most important prerequisites to establish an enterprise. Availability of finance, labour, land, accessibility of customers, suppliers are some of the factors that contribute to the introduction, survival and growth of a business enterprise.
 - 2) **Socio-Economic Factors:** The socio economic factors which contribute towards the success of entrepreneurship are
 - Cast/religion
 - Family background
 - Level of Education
 - Level of perception
 - Social Mobility
 - Social Security
 - 3) **Political Factors:** Political environment prevalent in the country also contributes towards the success of entrepreneurship. A sound and stable political environment is very important for the growth of entrepreneurship.
 - 4) **Work Environment:** The work environment in which the employees are working, if it is not satisfactory then the unsatisfied personal needs for growth and achievement in employment conditions results in successful entrepreneurship.
 - 5) **Government Incentives and Subsidies:** Government policies with regard to incentives and subsidies to the entrepreneurs also contribute to the success of entrepreneurship in the economy.
 - 6) **Impact of Services Sector:** Growing importance of services in the overall economy has paved the way for entrepreneurial activity. New industries such as software and business process outsourcing have emerged and these have a large number of entrepreneurial firms.
- 5. Summary:** Entrepreneurship is a process which involves various activities to be undertaken to start an enterprise. It is, thus, a process of giving birth to a new enterprise. Entrepreneurship involves innovation, organisation and risk-bearing. It has been defined by different writers and thinkers. An entrepreneur is one who establishes his enterprise and involves himself for economic activities He bears the risk of a new venture if there is a chance to earn profits. Entrepreneurship, on the other hand, includes imagination, the readiness to take risks, ability to bring together and put to use the other factors of production such as capital, labour, land and also intangible factors such as ability to mobilise scientific and technological advances. The only difference between an entrepreneur and entrepreneurship is that entrepreneur conceptually is a person whereas entrepreneurship is a process. The wide range of significant contributions that entrepreneurship make the economic development include capital formation, creation of wealth, promotion of balanced regional development, Improvement in standard of living etc.