

# ENTREPRENEURSHIP

## (CONCEPT AND OBJECTIVES, ENTREPRENEURIAL TRAITS AND MINDSETS)

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Today, the term '*entrepreneurship*' has an array of meaning which include, adventurism, risk taking, thrill seeking and innovative skill. Since entrepreneurs play vital roles in the economic development of a country, entrepreneurship has now become crucial to the economic stability of developing countries like India, where the problem of unemployment has been pausing a very severe, confronting and complex situation.

*Entrepreneurship is a set of activities performed by an entrepreneur to establish, develop and carry on his business in a new and better way.* Entrepreneurship is a multifaceted activity. Entrepreneurship is an important factor of industrial development of a country. The degree and quality of entrepreneurship differ from entrepreneur to entrepreneur. However, there are some important determinants which influence the growth of entrepreneurship.

### DEFINITION OF ENTREPRENEURSHIP

According to *Arthur H. Cole*, "*entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain and maximise profit by production or distribution of economic goods and services*".

*Jaffrey A. Timmons* has defined entrepreneurship as "*the ability to create and build something from practically nothing*".

### CHARACTERISTICS OF ENTREPRENEURSHIP

The main characteristics of entrepreneurship are as follows :

#### (1) **Dynamic process**

Entrepreneurship is a dynamic function. Entrepreneurship is the person who recognises the need for change and directs it. This, flexibility is the hallmark of a successful entrepreneur.

#### (2) **Innovation**

Entrepreneurship is an innovative function as it involves doing things in a new and better way. According to Schumpeter innovation may occur in the following forms.



**(3) Risk taking**

Risk is an inherent and inseparable element of entrepreneurship. An entrepreneur guarantees rent to the landlord, wages to employees and interest to the investors in the hope of earning more than the expenses. He assumes the uncertainty of future. In the pursuit of profits, there is every possibility of loss.

**(4) Decision making**

To be entrepreneurial a person should be creative, especially when it comes to decision-making. It is the decision making ability that is the distinguishing mark of an entrepreneur.

**(5) Organisation building function**

Entrepreneurship implies the skill to build an organisation. An entrepreneur brings together various factors of production. He coordinates and controls the efforts of all the persons engaged in his organisation. Therefore, an entrepreneur is an organisation builder.

**(6) Economic activity**

Entrepreneurship is primarily an economic function because it involves the creation and operation of an enterprise. It is basically concerned with the production and distribution of goods and services.

**(7) Gap filling function**

The most important characteristic of entrepreneurship is gap filling. An entrepreneur identifies the gap between human needs and the available products and services and takes necessary steps to fill the gap.

**(8) A function of high achievement**

McClelland identified the need for achievement as an important characteristic of entrepreneurship. People having high need for achievement are more likely to succeed as entrepreneurs.

**(9) Accepting challenges**

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

**(10) Skilful management**

Skilful management refers to effective and viable management of resources of the firm.

**ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneurship has an important role to play in the economic development of a country. It is one of the most important inputs in the economic development. The number and competence of entrepreneurs affect the economic growth of region. The rate of economic progress of a nation depends upon its rate of innovation



which in turn depends upon the distribution of entrepreneurial talent in the population.

Entrepreneurship helps the process of economic development in the following ways :

**(1) Employment generation**

Growing unemployment particularly educated unemployment is an acute problem of the nation. Entrepreneurs generate employment both directly and indirectly. Entrepreneurship is the best way to fight against the evil of unemployment.

**(2) National Income**

'National income' consists of the total goods and services produced in the country. The goods and services produced are for consumption within the country as well as to meet the demand of exports. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus, entrepreneurship helps to increase the national income of a country.

**(3) Balanced regional development**

The government extends various concessions and subsidies to the entrepreneurs who take initiative to set up industries in the undeveloped regions. Hence, entrepreneurs start industries in backward areas. Thus, entrepreneurship helps to remove regional disparities by setting up industries in the backward areas.

**(4) Dispersal of economic power in few hands**

This leads to evils of monopoly. The emergence of large number of new entrepreneurs leads to dispersal of economic power. Thus it helps in weakening the harmful effects of monopoly.

**(5) Better Standard of Living**

Entrepreneurs play a vital role in achieving a higher rate of economic growth. Entrepreneurs are able to produce and supply quality goods at a lower rate to the consumers. In this way entrepreneurship helps to provide an increased standard of living to the people.

**(6) Capital formation**

Entrepreneurs mobilise the idle savings of the public and this promotes capital formation. Thus, an entrepreneur is the creator of wealth.

**(7) Backward and forward linkages**

Setting up of an enterprise has several backward and forward linkages and stimulates the process of economic development in the country.

**(8) Creating innovation**

An entrepreneur is one who always looks for changes. He introduces new ideas and techniques to the production of goods and providing of services.



**(9) Increasing productivity**

The entrepreneur ensures optimum utilisation of scarce resources and thereby, tries to increase the productivity of factors of production.

In short, the development of entrepreneurship is inevitable in the economic development of a country. It can be stated that "Economic development is the effect for which entrepreneurship is the cause".

**BARRIERS/OBSTACLES TO ENTREPRENEURSHIP**

Entrepreneurship development is greatly affected due to several factors. The factors that affect the development of entrepreneurship are called barriers to entrepreneurship. These barriers to entrepreneurship can be grouped under economic and non-economic barriers.

**ECONOMIC BARRIERS**

There are primarily three economic factors whose inadequacy is the main reason for the lack of entrepreneurship in certain countries. These barriers include :

**(i) Capital**

Capital is the most important pre-requisite for setting up the new enterprise. It is the resource that helps to mobilise other resources like men, materials and machines. Entrepreneurship in any society increases with the increase in the capital formation. Thus, lack of availability of capital in a country acts as a serious barrier to entrepreneurship.

**(ii) Labour**

Non availability of sufficient number of skilled labour acts as a real barrier to entrepreneurship. Though, cheap labour is usually available in developing countries they are often unskilled and unproductive. This unskilled and low productive labour acts as a barrier to entrepreneurship.

**(iii) Raw material**

Raw material is one of the most important economic factors for entrepreneurial development. Non availability of sufficient raw material acts as an economic barrier to entrepreneurship.

**NON-ECONOMIC BARRIERS**

Though a country has availability of sufficient capital, natural raw materials and skilled labour, it may remain backward because of certain other factors. Such factors can be called as non-economic barriers. These barriers can be classified into environmental and personal barriers.

**(i) Environmental barriers to entrepreneurship**

The environmental barriers can also be known as social barriers are as follows :

(a) **Cultural barriers** : People are bound by their cultural values. Every society lays down some unwritten norms of acceptable



behaviour. It may sometimes act as a hindrance for entering into business ventures. Such cultural blocks prevent persons from setting up their own ventures in non-entrepreneurial societies.

(b) **Respect for entrepreneurs** : The social status of the entrepreneur in a society is an important factor that has a direct bearing on the emergence of entrepreneurs. In India the employees are more respected than the employers in certain races. Such ignorance is one of the major barriers to entrepreneurship.

(c) **Tradition binding** : Some cultures place a great deal of emphasis on the preservation of traditional ways of life. Such societies resist the introduction of any change. Thus, tradition binding cultures are a barrier to entrepreneurship.

(d) **Regulatory barriers** : In order to start an enterprise, the entrepreneur has to comply with the rules and regulations framed by the government. Some of these regulations act as barriers to entrepreneurship.

(e) **Defective tax structure** : High tax rates reduce economic activities as a good share of profit has to be given as tax to the government. This discourages the entrepreneurs from establishing new enterprises or expanding the existing ones.

(f) **Defective administrative and compliance system** : Government generally favours entrepreneur by granting them tax subsidies and incentives. But the administrative system known for its redtapism creates many problems in its execution.

#### (ii) **Personal barriers to entrepreneurship**

Personal barriers prevent people from establishing their own enterprises. The important personal barriers to entrepreneurship are the following :

(a) **Lack of sustained motivation** : The entrepreneurship requires a sustained level of motivation and commitment. It is often very difficult to sustain this motivation against the initial hurdles. Those who cross this hurdle have a more difficult task of maintaining this motivation while facing different obstacles in setting up the new enterprise.

(b) **Impatience in solving problems** : The entrepreneur has to find more creative, imaginative and sustainable solutions to problems of the enterprise. Thus, setting up an enterprise needs a lot of patience. The need for finding quick solutions to problems prevents people from setting up the enterprise and these acts as a barrier to entrepreneurship.

(c) **Inability to dream and use subconscious** : The entrepreneur needs to use both part of his intellect, the subconscious for incubation of ideas and conscious for resolution of problems. A balance between reflection and activity allows an entrepreneur the opportunity to consider alternative and more productive methods of operation. The subconscious intellect facilitates day dreaming. Entrepreneurs are day dreamer and a few in our society have the ability to day dream and use their subconscious intellect.



### ENTREPRENEURS AND INTRAPRENEURS

Entrepreneurs are persons who initiate their own business enterprises, and develop them into large scale corporations, retaining their title over them. The term entrepreneur was coined in the 18<sup>th</sup> century.

The intrapreneur is a member of the family of the promoter who enters the existing enterprise and discharges all the duties of an entrepreneur. It is to be noted that there are no contributions of the intrapreneur during the initial stages of the enterprise. An intrapreneur is a person who focuses on innovation, creativity and who transforms a dream or an idea into a profitable venture, by operating within the organisational environment. Thus, intrapreneurs are inside entrepreneurs who are the followers of the founders of the organisations.

The term, intrapreneurs was first used by Macre in the year 1976. Intrapreneurs are recent entrants into the field of industrial organisations. They emerge from within the confines of an existing enterprise. The concept of 'intrapreneurship' has become very popular in developed countries. It is usually found that many of these intrapreneurs are leaving their parent organisations and starting enterprises of their own in due course. Most of such intrapreneurs have succeeded in their ventures.

### SIMILARITIES OF ENTREPRENEURS AND INTRAPRENEURS

- (1) Both have high objectives;
- (2) Both are innovative;
- (3) Both of them seek the help of competent business managers for the development of the organisation.

### DIFFERENCES BETWEEN ENTREPRENEUR AND INTRAPRENEUR

<i>Entrepreneur</i>	<i>Intrapreneur</i>
An entrepreneur is an independent business man.	An intrapreneur works under the chief executive/promoter.
An entrepreneur himself raises the capital.	An intrapreneur used the capital raised by his company.
An entrepreneur assumes the risks of his business enterprise.	An intrapreneur may not be required to bear full risks of his enterprise.
An entrepreneur operates from outside.	An intrapreneur is an organising man operating from within the organisation.
An entrepreneur is prepared to work in any capacity.	An entrepreneur works only as a highly specialised person.
An entrepreneur gives more of the organisation.	An intrapreneur gives more importance to the proper running of the enterprise.
An entrepreneur is the promoter of the organisation.	An intrapreneur gives the real asset of the organisation.



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## **DIFFERENCES BETWEEN ENTREPRENEUR AND MANAGER**

### **(1) Innovation**

An entrepreneur initiates changes in production. These changes are innovative in nature and thereby increase productivity and profit. Manager involves himself in combining the factors of production to produce. He deals with ongoing coordination of the production process, which can be visualised as a continual combining of the factors of production.

### **(2) Risk-Taking**

An entrepreneur invests heavily in provision of products and services. However, he is expected to take necessary efforts to succeed in his business. He tackles uncertainty and assumes moderate risk. But manager is required to be careful in his decision making process. He is risk-taker and expected to transfer that risk to entrepreneur.

### **(3) Reward**

An entrepreneur is risk-bearer and he expects a profit as a reward for his risk-bearing behaviour. However, there is every possibility that there may be loss in his uncertain but risky behaviour. But manager expects a compensation as salary for his managerial efforts.



**(4) Skills**

An entrepreneur knows business intimately. He requires more business acumen than managerial skills. He further needs intuition, creative thinking and innovative abilities. But a manager earns his skill through professional training specially through business schools. He equips himself with analytical tools, people management relations and political skills.

**(5) Status**

An entrepreneur is job provider and not of job seeker. He is vested with powers of ownership, control and management. But a manager is just responsible for the execution of policies formulated by the owner or entrepreneur or his nominated representative or directors on the board. He is totally governed by the policies and programmes of the entrepreneur.

**(6) Authority**

An entrepreneur accepts organisational role models. He believes in transactions and deal making as a basis for basic relationship. He forces his own vision and is decisive and action oriented. He wants freedom, goal oriented, self-reliant and self-motivated. But a manager tries to develop a hierarchy as basic relationship. Moreover, Manager wants promotion and believes in corporate rewards. Actually, he is power motivated.

Based on the above analysis, we can say that an entrepreneur is generally motivated by need for achievement. It is possible through his innovative and creative behavior. In practice, it is not sufficient for the entrepreneur to develop entrepreneurial process but it is also important for him to manage that business in an efficient way.

Thus, he is responsible for entrepreneurial functions as well as managerial functions. An entrepreneur at the first instance, initiates innovation then, it becomes a routine affair to be handled by the manager at a later stage. Actually, entrepreneur perceives and exploits opportunity and the subsequent steps necessary for efficient governance are to be taken by the manager.

**ENTREPRENEURIAL COMPETENCIES**

Competency is a characteristic of a person, which results in effective and/or superior performance in a job. It is a combination of knowledge, skills and appropriate motives or traits that an individual must possess to perform a given task.

**MEANING OF ENTREPRENEURIAL COMPETENCIES**

It is defined as characteristics such as generic and special knowledge, motives, traits, self image, social roles and skills which result in birth of a venture, its survival and/or growth. In short, the competencies required by an entrepreneur for starting a business venture and carrying it on successfully are known as entrepreneurial competencies.



## TYPES OF ENTREPRENEURIAL COMPETENCIES

It may be classified into two types :

### (A) Personal Entrepreneurial Competencies

These are required to perform the tasks effectively and efficiently. This includes the following :

(a) **Initiative** : It is an inner urge in an individual to do or initiate something.

(b) **Ability to See and Act on Opportunities** : Entrepreneurs look for opportunities and take action on such opportunities.

(c) **Persistence** : It means the capacity or skill to take repeated and different actions to overcome obstacles.

(d) **Information Seeking** : A successful entrepreneur always keeps his eyes and ear open. He should accept new ideas which can help him in realizing his goals. He is ready to consult experts for getting their expert advice.

(e) **Concern for High Quality of Work** : Entrepreneurial persons act to do things that meet or beat existing standards of excellence.

(f) **Commitment to Work** : Successful entrepreneurs are prepared to make all sacrifices for completing the commitments they have made.

(g) **Commitment to Efficiency** : Entrepreneurial persons have to look and find ways for or find ways to do things faster or with fewer resources or at a lower cost. They should try new methods aimed at making work easier, simpler, better and economical.

(h) **Systematic Planning** : Entrepreneurial persons should be able to develop and use the logical step by step plans to reach goals.

(i) **Problem Solving** : Entrepreneurial persons are supposed to possess the skill of identifying new and potentially unique ideas to reach goals. They should generate new ideas or innovative solutions to solve problems.

(j) **Assertiveness** : They assert own competence, reliability or other personal or company's qualities. They also assert strong confidence in own company's products or services.

(k) **Persuasion** : Entrepreneurs should have the ability to successfully pursue others to perform the activities effectively and efficiently.

(l) **Use of Influence Strategies** : Entrepreneurs should have the competence of using a variety of strategies to influence others. Such entrepreneurs can develop business contacts and use influential people to accomplish his/her own objectives.

### (B) Venture Initiation and Success Competencies

An entrepreneur must also possess the competencies required for launching the enterprise and for its survival and growth. These competencies may be further divided into two categories of competencies :



(1) **Enterprise Launches Competencies** : These include the following :

- Competency to understand the nature of business
- Competency to comply with Government regulations.
- Competency to deal with the business.
- Competency to finance the business.
- Competency to locate the business.
- Competency to plan the marketing strategy.
- Competency to choose the type of ownership.
- Competency to obtain technical assistance.
- Competency to develop a business plan.
- Competency to determine the potential as an entrepreneur.

(2) **Enterprise Management Competencies** : These include the following :

- Competency to protect the business.
- Competency to manage customer credit and collection.
- Competency to manage the finances.
- Competency to manage the business records.
- Competency to manage sales efforts.
- Competency to promote the products and services of the business.
- Competency to manage human resources.
- Competency to manage the business.

### **ENTREPRENEURIAL TRAITS AND MINDSET (QUALITIES OF A SUCCESSFUL ENTREPRENEUR)**

The main qualities needed for a successful entrepreneur are the following :

#### **1. Capacity to assume risk**

An entrepreneur must have sufficient self confidence to assume risk. He should be able to shift investments in search of larger profits. He should be patient enough to tie up his capital and wait for good returns. Since he has to guarantee wages to his employees, interest to his creditors and rent to his land lords, he should be willing to assume risk. Risks and rewards are mutually complementary. The greater is the risk, the greater will be the reward.

#### **2. Technical knowledge and willingness to adopt changes**

Economic growth of a country is accelerated by technological advancements. The process of development all over the world is speeded up by inventions and innovations. So the primary goal of the entrepreneurs in developing countries should be a constant search for new technologies and their timely application. Technical knowledge means the ability to devise and use new and better methods of producing and marketing goods and services. A good entrepreneur should concentrate in changing the pattern of production in such a way as to suit changing tastes of the customers.



**3. Ability to mobilise resources**

Scarcity of resources is an inherent draw back experienced by developing countries. So an entrepreneur in such a country should be able to mobilise necessary resources in the best possible manner and utilise them most economically for achieving his business objectives. He should be able to minimise the cost of production without affecting the quality of the product or service. To materialise this, an entrepreneur needs the ability to take sound judgment and to make accurate forecasting.

**4. Ability to organise and administer**

A successful entrepreneur is one who has the ability to organise and administer a business organisation successfully. He should select the right persons and wisely delegate authority in order to multiply himself. He should select, train and develop persons who can manage and control the labour force. He should try to motivate his employees in-order to accomplish the objectives of the enterprise a successful entrepreneur should be able to inspire the loyalty of his employees, extract hard work from them and thus to raise their productivity and efficiency.

**5. Mental ability**

He should have good intelligence and ability to analyse business situations.

**6. Clear-cut objectives**

An entrepreneur should have clear cut objectives about the nature of business, type of products, markets, profit, etc.

**7. Capacity to Guard Business Secrets**

Secrecy is one of the important aspects of a successful business. A good entrepreneur should have the capacity to guard business secrets. The business secrets should not be disclosed to any one.

**8. Capacity to interact with people**

One of the most important characteristics of an entrepreneur is his capacity to interact with people. He should have sufficient maturity and be tactful in dealing with, suppliers, customers and those who deal with his business.

**9. Effective communication**

A good entrepreneur should be able to communicate his ideas, message and information effectively to others.

**10. Self-confidence**

Only one with self-confidence and who is courageous enough to take risk can succeed as an entrepreneur.

**11. Motivator**

As leader of the business unit, he should be able to motivate the members to achieve the business goals.



**12. Decision-maker**

An entrepreneur should have the capacity to analyse the various aspects of the business and in arriving at a decision.

**13. Watching for opportunities**

An entrepreneur is like a watch dog. He looks for favourable business opportunity and takes necessary action accordingly.

**14. Persistence**

An entrepreneur should have clear cut objectives. In attaining these objectives some obstacles may come across. A successful entrepreneur is one who takes extreme efforts to get rid of the obstacles coming in the way of attaining the ultimate goal.

**15. Quality conscious**

An entrepreneur always puts effort to excel better than the existing standards of performance.

**16. Efficient monitoring**

An entrepreneur supervises the work to ensure that the work is accomplished according to the standards set forth.

**17. Concern for employees**

An entrepreneur has to consider the well being of the employees. He should take proper measures to improve the welfare of the employees working in his enterprise.