

# Entrepreneurship

Dr. Achut P. Pednekar



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# ENTREPRENEURSHIP

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*Dedicated to*  
**My Offsprings**  
**Partha**  
**and**  
**Yash**

# *Preface*

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Varying techno-economic state of affairs and globalization of markets have posed many challenges and also changed the way the business is being run irrespective of diverse factors. The practice of administration/management is dependent on the different socio-economic, political, and legal environment factors in which the business is in commission. He must make decisions, plan, organize and implement and control the activities in the ecological perspective.

The book is written keeping in mind the requirements of various categories of scholars and their curriculum requirements. It may acts as a useful reference for B.A., B.Com., B.Sc., B.B.A and M.Com. courses.

## **Planning of the Book**

Keeping in mind the curriculum requirements of Universities, the book is organized into twenty-four chapters. Each part is dealt with satisfactory detail.

## **Special Features of the Book**

- ✧ A perfect guide for entrepreneurial teachers and instructors.
- ✧ A means of infomation on entrepreneurs, entrepreneurship, schemes, projects and linked issues.
- ✧ The subject matter is presented in such a simple and lucid style that the prospective students can grasp it easily and quickly.
- ✧ It would also prove to be of immense help to students opting for business as their career.
- ✧ Case studies are included to understand the depthness of the subject matter.
- ✧ Useful references are included area wise to help the students, who need the greater details.

**Dr. Achut P. Pednekar**

# ***Acknowledgements***

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It gives me immense pleasure to present this book on Entrepreneurship, planned to support entrepreneurs to grab a distinctive prospect and make a gainful profession through self-employment.

I have been extremely gratified by the acceptance and usage of my book Entrepreneurship Management Semester-V and Semester-VI, acknowledging with sincere thanks the enriching feedback from the experts and readers. If the books impulsively stimulate the attention of the students, entrepreneurs, faculty members of entrepreneurship studies, policymakers and researchers, the credit logically goes to all the teachers teaching the subject.

In writing this book, I have benefited considerably from the works of a number of scholars and authors. While preparing this book, I have collected the relevant material from Government publications, books and newspapers. My teachers, colleagues and friends offered me valuable suggestions in the preparation of the manuscript. My sincere thanks are due to all of them. I am also grateful to those who have helped me in compiling the matter for this book.

I do not make any claim to originality or comprehensiveness, rather, I have honestly attempted to bring together the scattered text on the subject. However, the arrangement of the chapters is my own creation.

The academic encouragement received from my Principal Dr. D.B. Arolkar, management, librarian, teachers, colleagues and students in preparing this book is acknowledged with very high praise.

I feel great pleasure in expressing my profound gratitude to my respected teachers late Professor Dr. C.N. Sontakki, Ph.D guide and late Professor Shekhar H. Kulkarni, the former HoD of Commerce, D.M's College Assagao, Bardez — Goa.

I am deeply indebted to my publishers M/s. Himalaya Publishing House, Mumbai, for their wholehearted support and cooperation at all stages of the preparation of the book.

Lastly, no words can effectively articulate my debt of appreciation to my father, late Shri Pundalik L. Pednekar, and mother, Smt. Pramilabai P. Pednekar, for generating in me a perpetual interest in higher studies. I will be failing in my obligation if I do not mention here the incredible co-operation, I received from my wife Mrs. Reshma A. Pednekar in the completion of this voluminous work, in particular, whose endurance, support, backup, sympathy and love helped to bring this effort to final result.

Finally, I welcome suggestions and criticisms regarding the contents of this book, which will enable me to make the book more useful to our readers.

**Dr. Achut P. Pednekar**

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# 1

# INTRODUCTION

**Introduction, What is Entrepreneurship? Who is an Entrepreneur? Qualities of an Entrepreneur, Skills of an Entrepreneur, Functions of an Entrepreneur, Summing Up.**

## **Introduction**

A general impression of entrepreneurship can be made by at first tracing the origin of entrepreneurship. The origin of entrepreneurship in the form of its concept or theory dates back to over more than four centuries. 'The entrepreneur' said the French economist **J.B. Say**, around 1800, as a 'shift in economic resources out of an area of lower and into an area of higher productivity and greater yield'. But **Say's** definition does not tell us who this 'entrepreneur' is. And since **Say** coined it almost two hundred years ago, there has been total confusion over the definitions of '**entrepreneur**' and '**entrepreneurship**.'

## **What is Entrepreneurship?**

Entrepreneurship, it is commonly believed, is enormously risky. And, indeed, in such highly visible areas of innovation as high-tech microcomputers, for instance, or biogenetics—the casualty rate is high and the chances of success or even of survival seem to be quite low. Entrepreneurship is 'risky' mainly because few of the so-called entrepreneurs know what they are doing. They lack the methodology. They violate elementary and well known rules. This is particularly true of high-tech entrepreneurs.

*Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or exaggerate profit by production or distribution of economic goods and services.* Entrepreneurship is very often associated with adventurism, risk bearing, innovating creativity, etc. It is concerned with making dynamic changes in the process of production, innovation in production, new usage for materials, etc. It is a mental attitude to take calculated risks with a view to attain certain objectives. It also means doing something in a new and better manner.

## **Who is an Entrepreneur?**

*The word 'entrepreneur' first, appeared in the French language, verb 'entreprendre' means "between-taker" or "go-between" or "to do something" or "to undertake" and was applied to leaders of military expeditions in the beginning of the sixteenth Century. By the 16th century, the noun entrepreneur, had emerged to refer to someone who undertake a business venture. The first academic usage of the term was by economist **Richard Cantillon** in 1730. For **Cantillon**, the bearing of risk engaging in business without an assurance of the profits that will be derived is the distinguishing features of an entrepreneur.*

*After 1700, it was applied to other types of adventures, mainly civil engineering like the construction of roads, bridges, harbors and buildings.*

The term entrepreneur was further popularized by economist **Jean Baptiste Say**, who in the early **1800s**, used the term to refer to individuals who create value in an economy by moving resources out of areas of low productivity and into areas of higher productivity and greater yield.

**J. B. Say** developed the concept little wider. According to him an entrepreneur is an important agent of production who gets together other factors of production. His definition reads as follows:

‘The entrepreneur is the economic agent who unites all the means of production...the labour of the one, the capital or the land of the other and who finds in the value of products which result from their employment, reconstitution of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profits belonging to himself.’

**McClelland** views, ‘an entrepreneur as a producer and controller’. He remarks by saying that an entrepreneur is someone who has some control over the means of production and produces more than he consumes in order to sell or exchange it for income.

**J. A. Schumpeter**, defined entrepreneur as an individual who carries out new combines of means of production by which these occurs disequilibrium.

According to **Schumpeter**, an entrepreneur is an innovator, who introduces something new in the economy. Innovation may be:

- (1) Introduction of the new product;
- (2) Introduction of new methods of production;
- (3) Making changes in the organization and management.

Innovation, indeed, creates a resource. There is no such thing as ‘resource’ until man finds a use for something in nature and, thus, endows it with economic value. There is no greater resource in an economy than ‘Purchasing Power.’ But purchasing power is the creation of the innovating entrepreneur.

**Peter F. Drucker**, in his book ‘*Innovative Entrepreneur*’ defines entrepreneur as innovator. According to him ‘Innovation is the specific tool of entrepreneur, the means by which they exploit changes as an opportunity for a different business or a different service’.

In the **United States**, the entrepreneur is often defined as one who starts his own, new and small business. Entrepreneurs create wealth and employment. They are innovators who evoke demand and they are job-givers instead of job-seekers. As an entrepreneur, one is not only realizing the goal in his life but is also a source of livelihood for so many. The entrepreneur always searches for change, responds to it, and exploits it as an opportunity.

**Oxford English Dictionary (1933)**, defined entrepreneur as ‘One who undertakes an enterprise, especially a contractor, acting as intermediary between capital and labour.’ Undertaking of an enterprise involves combining capital and labour for the purpose of production. Anyone who undertakes this task is an entrepreneur. The entrepreneurial class is an ‘employing class’ as it creates jobs.

Generally speaking any individual possessing an entrepreneurial spirit and who is actively involved in the field of entrepreneurship can be called or referred to as an ‘Entrepreneur’. Nowadays, it is very often associated with “risk-taking”, “innovating”, “adventurism”, “thrill seeking” and “creativity”.

### Qualities of an Entrepreneur

Several research studies have been carried out to recognise traits of a true entrepreneur. The true entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the various other factors of production. He should be a pioneer, a captain of industry. The supply of such entrepreneurship is however quite limited and all are not endowed with such talent. The

modern entrepreneur is one who detects and evaluates a new situation in his environment and directs the making of such adjustments in the economic systems as he deems necessary. He conceives a new industrial enterprise, displays considerable initiative, grit and determination in bringing his project to fruition. Successful entrepreneurs, whatever their individual motivation— be it money, power, curiosity or the desire for fame and recognition— try to create value and to make a contribution, still, successful entrepreneurs aim high. They are not content simply to improve on what already exists, or to modify it. They try to create new and different values and new and different satisfactions, to convert a ‘material’ into a ‘resource’ or to combine existing resources in a new and more productive configuration.

In order to make the business a success, an entrepreneur should possess the following trait:

**(I) Willingness to Assume Risk:** ‘No risk, no business’ or ‘no risk, no gains.’ There is an element of risk in every business; hence, an entrepreneur should be prepared to accept failure as a challenge and opportunity. **Richard Cantillon**, an Irish man living in France, defined entrepreneur as an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. **Knight** also described entrepreneur to be a specialized group of persons who bear uncertainty. People who need certainty are unlikely to make good entrepreneurs. But such people are unlikely to do well in a host of other activities as well in politics, for instance, or in command positions in a military service, or as the captain of an ocean liner. In all such pursuits decisions have to be made, and the essence of any decision is uncertainty.

**(II) Leadership:** An entrepreneur leads entire industrial activities and all divisions. He leads and provides direction to managers, supervisors, engineers, technical staff, group leaders, etc. Through, this he generates frankness, wide acceptance and trustworthy environment. As leader of industry he encourages good performance. He creates trust, keeps individual contacts. He listens everybody calmly, clarifies priority. **Robert D. H.**, opines that the person, who strives for establishing business successfully, is a leader with great foresight. He also dreams big entrepreneurship also includes leadership. He is who amplifies growth. When you wish to have tomato, you buy seeds, which grow in fertile land, you carefully water them. Thus, you are not producing tomatoes but you are growing them.

**(III) Decisiveness:** An entrepreneur has to take various decisions when establishing an enterprise. He also has to plan properly to apply these decisions. The decision making activity is the work of a manager performs to arrive at the conclusions and judgments necessary for people to act. The main decisions related with establishment of an enterprise:

- (1) Decide about product to manufacture;
- (2) Decide how to manufacture and by what means;
- (3) Ownership of production facility;
- (4) Source of finance;
- (5) Location of enterprise;
- (6) Choice of technology;
- (7) Aids, subsidy encouragement provided by govt; and
- (8) Production cost, price, sell, profit and the opportunities for production and selling of the products and problems related.

To apply business decisions, he has to take important managerial decisions. For this he has to plan for production, finance, market, arrangement of means, etc. He has to plan production, finance, to purchase raw material, to arrange sells, etc., and more of such managerial decisions.

**Arthur H. Kaul**, describes him as a person taking comprehensive decisions which affect everywhere. According to **Arthur**, an entrepreneur sets business objectives and changes them if necessary or decides beneficial, need-based objectives.

**(IV) Creative Thinking:** An entrepreneur should basically be creative and imaginative. He should have a killer instinct to perform and to do something beyond average in the market, society or business. He develops new thoughts, concepts and approach by grabbing original viewpoint or from business environment. **Joseph Schumpeter**, has given concept of five types of initiations which is directly connected with creativity:

- (1) New product;
- (2) Newer production system;
- (3) Explore new market;
- (4) Search for new source of raw material or semi-finished material;
- (5) To arrange new management or administration system.

**(V) Confidence in Project:** Setting up a new business enterprise is a very challenging and rewarding task. Several problems are involved in this task. Right from the conception of a business idea up to the start of production, numerous decisions have to be taken. In order to succeed in this task, an entrepreneur must correctly perceive the nature and intensity of problems to be faced and prepare and implement appropriate plans. The delay will definitely cause problems and affect production which in turn affects the profitability.

**(VI) Technical Knowledge:** The entrepreneur should have in-depth knowledge about the technical aspects of the project. He should be well conversant with the manufacturing and trading process and also know about the economic aspects of the technology including costs and benefits. Technical knowledge implies the ability to devise and use new and better ways of producing and marketing goods and services. Complex and confusing technical know-how is not preferable in the initial stage. Generally, the technology which is indigenous or available locally and should be easy to use is preferable. A good entrepreneur is one who is interested in changing the pattern of production to suite the available resources, market conditions and quality of output.

**(VII) 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 decisions. Successful entrepreneurs are persons with open minds, not rigid.

**(VIII) Ability to Marshal Resources:** An entrepreneur should possess the ability to mobilize necessary resources in the best possible manner for achieving the business goal. He should be able to minimize the cost of production without reducing the quality of the product or service. In order to do this, an entrepreneur needs sound judgment, accurate forecasting vision and knowledge of the global business. He should be able to break up old traditions and develop new ones. He should have high ambitions, the will to conquer, the impulse to fight and succeed and prove superior to others.

**(IX) Market Orientation:** The liberalization and globalization process made free entry of business enterprises into our country. World has become a small village because of technological development. Hence, the need arise for every entrepreneur to know about the market, the substitutes available, its price, quality, special features and about the customers and their taste. He should have flexible policy to change anything according to the need of the customers to bring satisfaction to them. The above information should be collected up to dates and necessary modification should be made whenever and wherever necessary.

**(X) Determination, Courage and Perseverance:** Entrepreneurs have drive and high energy levels, they are achievement-oriented and they are tireless in the pursuit of their goals. They devote their energy to completing the tasks immediately before them. **Dwight Eisenhower** quoted as saying, ‘No matter what the weather looks like, and we have to go ahead now. Waiting any longer could be even more dangerous. So, let us move it.’ The point here is that people who can judge when a decision needs to be made and make it, are for more likely to succeed in entrepreneurial ventures. To achieve a goal he has

got to be a gambler, he has got to be certain that he can do it. There are the words of entrepreneurship, dreams, determination and willingness to take risks. **J. B. Say** observed, that an entrepreneur must possess the following qualities: “He must have judgments, perseverance and the knowledge of world as well as of business. He is called upon to estimate, with tolerable accuracy the importance of specific product, the probable amount of demand and the means of its production at another, buy or order the raw material, collect labour, find consumer and give at all times a rigid attention to order and economy in a world, he must possess the art of superintendence and administration.”

**(XI) Honesty:** This again is the most important factor which plays a major role in the successful operation of the business. If a businessman is not honest, he cannot stand long in the market.

**(XII) Drive to Achieve and Grow:** The entrepreneurs have a strong desire to achieve high goals in business. This high achievement motive strengthened them to surmount the obstacles, suppress anxieties, repair misfortunes and devise expedients and only set up and run a successful business.

**(XIII) Low Need for Status and Power:** An entrepreneur reviews consequences of every task in reference to inspiration and need of authority. He is very much self-confident, which makes him to trust others. He behaves like a director to carry out his job. If such entrepreneur works only for power and self-interest, he jeopardizes entire organisation to avoid this. An entrepreneur should work with balance and awakening. He should assign some of his assignments and treat people to make them work for him and to act accordingly.

### Skills of an Entrepreneurs

Many people believe that entrepreneur possess innate, genetic talents and needs intuition, creative thinking and innovative ability among other skills, on the other hand, an entrepreneur depends more on human relations and conceptual abilities. However, experts generally agree that most entrepreneurs were not born; they learned to become entrepreneurs. Organisation successfully managed various training programmes for entrepreneurs– developed and proved that people of any class can own a business and respectfully earn their livelihood. Organisation holds skills based development for the rising demand of training in the fields like rural market capacity; unit-wise finance distribution, in-house financial management in NGOs, etc. An entrepreneur can create self-employment by a very tiny industry or ‘Kutir Udyog’ to employ himself and his family. To run his industry, he needs skilled, semi-skilled, and unskilled labourers, technicians, engineers, managers, etc.

Let us see some of the important skills required for entrepreneur.

**(1) Conceptual:** Entrepreneur possesses the ability to identify relationships quickly in the midst of complex situations. They identify problems and begin working in their solution faster than other people. They are not troubled by ambiguity and uncertainty because they are used to solving problems. Entrepreneurs are natural leaders and are usually the first to identify a problem to overcome. If it is pointed out to them that their solution to a problem will not work for some valid reason, they will quickly identify an alternative problem-solving approach.

**(2) Technical :** Technological change is an important factor in the process of economic development of every country. Invention and innovations have improved the global economy. A good entrepreneur should have the interest in introducing changes in the pattern of production, to suit the available resources, market conditions and quality of output. He should have interest to explore new ideas, new technology, new production method, etc. The entrepreneur must have a reasonable level of technical knowledge. An entrepreneur who lacks this technical skill cannot improve his business in this modern market.

**(3) Human Relation:** The most important entrepreneurial skill contributing to his success are emotional stability, personal relations, consideration and tactfulness. In other words, maintenance of

public relations or human relation most often makes the difference between success and failure of an entrepreneur. An entrepreneur must have good relations with his customers in order to gain their continued patronage and win their confidence in his product. He must also maintain good relations with his employees, if he is to motivate them to higher levels of efficiency.

As the business grows and assumes an organizational structure, entrepreneur goes through a classic management crisis. Their strong direct approach induces them to seek information directly from its source, by passing the structural chains of authority and responsibility. Entrepreneur with good interpersonal skills will be able to adjust and survive as their organisation grows and becomes more structured.

**(4) Communication:** The 'gift of the gab' is a must for a successful entrepreneur. Good communication also means that the entrepreneur has the ability to put his point across effectively and with clarity. Communication must be to the point, crisp and convincing. Communication ability is the secret of the success of most entrepreneurs.

**(5) Diagnostic:** Diagnosis is used to measure risk. It guides in choice of segments and attack strategy. It gives an initial idea of how to go about planning, development, because it justifies the order in which the entrepreneur attack the segments. There are two distinct part of it: technical diagnosis and commercial diagnosis.

Technical diagnosis consists of evaluating two different dimensions of risk: technology-related risk and risks related to the technological environment. Whereas, commercial diagnosis consists of assessing two dimensions of the risk involved: company advantages and shortcomings and market appeal and constraints.

Managing groups in organisation is difficult. An entrepreneur must have the skill to develop group into a productive unit by nurturing its activities, encourage open communication and trust among the people, stimulate discussion on important issues, provide task related information at appropriate times and analyze external factors such as competition and external threats and opportunities.

An entrepreneur must always remember that the achievement of goals often increases the cohesiveness of a group because people are proud to be identified with a winner and to the thought of as a competent and successful team, 'Success breeds success'.

**(6) Decision Making:** Running a business requires taking a numbers of decisions. Decision making means the ability to choose the correct alternative from a number of alternatives. The entrepreneur has to take decision himself even without the support of his staff or any statistical fast figures. An entrepreneur should take the risk of decision making whether it is right or wrong because taking no decision at all is bad than taking wrong decision. Hence, an entrepreneur should have the capacity to analyze the various aspects of the business for arriving at a decision.

**(7) Managerial:** The entrepreneur must have the skill to manage the men and other factors of production and able to harvest to the best of his organisation. He must have the ability to select, train and maintain the persons composing of labour force. The entrepreneur combines in him managerial functions, though they are strictly different than the standard entrepreneurial duties. The entrepreneur thus has a multifaceted personality when he undertakes managerial functions.

**(8) Project Development:** The entrepreneur should select a suitable, proper and appropriate project which gives him reasonable profit. If the project is selected properly half of the work is over. According to **Albert O. Hirschman**, "The development project connects purposefulness, something qualitatively new, and the expectation that a sequence of further development moves will be set in motion. Development projects are privileged particles of the development process." If the project has been selected without due care, it cannot achieve the objects.

**(9) Marketing:** The success of a project depends on how it is able to sell the product/service in the market. This is because marketing is the only activity which produces revenue while all other activities incur expenditure. If the new venture does not have a market focus from the very beginning, all it is likely to create is the market for a competitor. The greatest danger for the new venture is to 'know better' than the customer what the product or service is or should be, how it should be bought, and what it should be used for. They are paid to satisfy customers.

**(10) Time/Process Management:** Time Management is the act or process of exercising conscious control over the amount of time spent on specific activities, especially to increase efficiency or productivity. Time management may be aided by a range of skills, tools, and techniques used to manage time when accomplishing specific tasks, projects and goals. This set encompasses a wide scope of activities, and these include planning, allocating, setting goals, delegation, analysis of time spent, monitoring, organizing, scheduling, and prioritizing. Initially, time management referred to just business or work activities, but eventually the term broadened to include personal activities as well. A time management system is a designed combination of processes, tools, techniques, and methods. Usually time management is a necessity in any project development as it determines the project completion time and scope. Entrepreneur must possess this skill to manage the time.

**(11) Stress Management:** It is the amelioration of stress and especially chronic stress often for the purpose of improving everyday functioning. Stress produces numerous symptoms which vary according to persons, situations, and severity. These can include physical health decline as well as depression. According to the **St. Louis** Psychologists and Counseling Information and Referral, the process of stress management is one of the keys to a happy and successful life in modern society. Entrepreneur may come across numerous stressful demands that can prove difficult to handle, stress management is the best way to manage anxiety and maintain overall well-being. Entrepreneur must able adopt or design various mechanism to control the level of stress. Meditation can be one of the ways of minimizing the impact of stress.

**(12) Anger Management:** Entrepreneur during course of his/her business activities may come across a variety of problems. Problems if not tackle in advance, it will turn into chronic. Accumulated problems if not tackle stage-wise, may build up anger. In anger, entrepreneur may take wrong decision which in turn ruins the business. Possible that in annoyance he/she may reveal business secrets which may benefit the rivals. Hence, the best alternative is to control the anger with the help of meditation, self realization, apprehension, and understanding.

**(13) Personality and Individual:** Impressive personality and individual skill help to develop entrepreneurship. In absence of them entrepreneurship withers up. These qualities require for entrepreneurs since they have to work with officers, managers, engineers, labours, customers, investors, Govt. officers, ministers, social, economic, industrial organizations, trust, etc.

**(14) Analytical:** 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 require 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.

**(15) Pioneering:** Entrepreneurs are people who have the skill to explore, or venture into new opportunities. They always like to create or discover new methods of production, new markets. They are thus pioneers in their own field.

**(16) Unification and Organization:** An entrepreneur comes in contact with many unions and organizations. He has to deal with them regularly. He has to gather or arrange many things in many ways and to unite all of them for a common goal. So he must have the qualities of unification and organizational skills.

**(17) Problem-solving:** Entrepreneur is not creating problems but solves them. He should have spontaneity and skill to solve any complex problem.

**(18) Computer Knowledge:** Whatever may be the business, odds are that it could be significantly improved by having a computer. From basic letters to client billing to presentations and fliers, how entrepreneurs today survive without one is a mystery, and especially if they are young and in business they better have e-mail. As a young entrepreneur, computer knowhow is supposed to be part of their birthright. Entrepreneur who is computer literate can use the computer and software to perform different aspects of their jobs. Computer is a helpful tool for decision making. Some important applications of the internet are e-mail, file transfer protocol, usenet, telnet, acquiring software and world-wide web.

### Functions of an Entrepreneur

There has been a great deal of confusion and contradiction in literature on entrepreneurial functions. Classical economists, considered the entrepreneur as the owner of the business enterprise to which he supplied capital. No distinction was made between the entrepreneur and the capitalist and as a result profits and interest were lumped together. But in the modern corporation ownership is separated from control. Ownership of business lies with shareholders who bear risks but do not exercise control. Control lies with a small group of insiders known as Board of Directors. This group bears little risk and receives a large remuneration even when no through dividend is paid to the shareholders, i.e., the nominal owners. Thus, the classical theory of enterprise fails in a large public company. A new theory of firm is required which should take into account the income of an entrepreneur when he is not owner of business.

The functions of an entrepreneur have been given in different ways by different authors. The authors like **Knight**, **Cantillon** and **J.B. Say** emphasized, that risk bearing is the main function of an entrepreneur. **Marshall** and **J. B. Say** also stated, that the function includes coordination, supervision and management. But according to **Schumpeter**, the main function of an entrepreneur is innovation.

The present day modern economists say that an entrepreneur has to perform a number of functions for the successful conduct of his business. **Robinson** stated, the functions as provision of capital, risk-bearing, administration and technical management. Thus, whatever may be the organizational set up or the technological advancements, the functions we shall analyze are detailed below:

**(1) Innovation:** The entrepreneur is one who should always think of new ideas and innovations. It does not mean that he should do research all the time, but it means that he should find out ways and means of doing a job at minimum cost and get maximum profits. Innovation means finding out new methods, new areas of operation, new products, etc.

**Schumpeter**, visualized entrepreneur as an innovator. He considers that innovation can take the following forms:

- ✧ Introduction of a new product;
- ✧ Introduction of a new improved technology for the production of an existing product;
- ✧ Opening of a new market into which a specific product has not entered so far;
- ✧ Discovery of new source of supply of raw material; and
- ✧ Carrying out a new form of organisation.

**Peter Drucker**, considers three important conditions to be fulfilled while carrying out innovations; They are:

- ✧ Innovation require knowledge and ingenuity. It is a demanding process by which a purposeful focus is given by persistence, commitment and hard work;
- ✧ Innovation must be built on one's own strength; and
- ✧ Innovation always has to be close to the market, focused on the market, indeed it should be market-driven.

**(2) Planning the Project:** Planning is one of the first and foremost principles of management and yet, it doesn't take long to find oneself in an inescapable disarray with no plan or map in sight. Schedules, targets and projects can go haywire in no time if the course is not charted out and reviewed from time to time. Planning is a strategy that needs to be revisited by employees and managers alike as often as required.

‘Planning’ and ‘Making Plans’ are two different things in organizations. Planning is about weaving sales, operations, recruitment, market intelligence with the thread of native intelligence and backing it up with execution. Planning is often the key to success – it helps define and make a shared vision of the success that the organization wishes to achieve.

Planning on the size of the unit, choice of the product, production cycle, quality, quantity, area of operation, investment, costing, profitability, etc., i.e., a project preparation is must, failing which the unit will become sick and the entrepreneur will lose his venture and confidence.

Total involvement, close follow-up of each stage of the project's progress, production schedule, orders and supplies quality and quantity maintenance, etc., are various functions of an entrepreneur while the project is launched and implemented. His agility, honesty and integrity will project him as a potential leader to his men at work.

**(3) Risk Taking and Uncertainty Bearing:** The future is unpredictable. The entrepreneur has to take risks in these circumstances. If the venture succeeds, the entrepreneur profits; if it does not, losses occur. Thus, taking risks forms an important entrepreneurial function. Risks are of two types—insurable and non-insurable. Non-insurable risks are the possibility of changes in the tastes and preferences of the consumer, techniques of production and so on. These non-insurable risks are called uncertainties. Uncertainty bearing is thus an integral part of the entrepreneurial function. The entrepreneur makes use of his initiative, skill and good judgment to reduce the uncertainties of business.

**(4) Procurement and Mobilization of Resources:** Entrepreneurship development is a human resource development task, a process which deals with human motivation, skills, competencies, social and economical risks and investment of financial and physical resources of the individual and the state. Most of the functions have human focus and it vary from person-to-person, time-to-time and place-to-place. **J. B. Say**, opines that an entrepreneur is an economic agent who assembles means of production.

**(5) Taking Business Decisions:** All decisions concerning business are taken by the entrepreneur. Once the entrepreneur is convinced that a particular line of production offers large prospects of profit, he decides to enter it. He has to formulate an action plan regarding the product and the quality of the product to be produced. He has to evolve the best possible method of production which would earn him a sizeable profit. Suitable changes in the size of the business have to be effected by him. Employment of personnel, choosing the location for the production unit and everything that is needed for the development of the business has to be decided by him.

**(6) Organizing:** According to **J. B. Say**, an entrepreneur is one who coordinates and organizes the resources and oversees the activities of the enterprise to produce the required goods and services. **Alfred Marshall**, recognized organisation and management of the enterprise as the main function of an entrepreneur. It implies bringing together the various factors of production. In the initial stage of the establishment of an enterprise the entrepreneur may talk all decisions by himself. But as the enterprise grows and the work of decision making becomes more complex, the entrepreneur delegates authority to subordinates executives. However, the central function of the entrepreneur remains the same. Thus, organisation and management function includes—

- (a) Planning of an enterprise;
- (b) Coordination, administration and control; and
- (c) Routine type of supervision.

A person may own capital, land or labour but ownership alone does not make him an entrepreneur. What is required is organizing ability for assembling these factors of production in the right proportion to obtain the best results.

**(7) Perception of Market Opportunities: Peter Drucker,** defines an entrepreneur as one who always searches for changes, responds to the changes occurring and exploits them into opportunities. If the product has nationwide market, the analysis for the demand and supply should be done accordingly. Existing and potential demand in the domestic and export markets, consumption trends, nature of competition, competitor's market shares, availability of substitutes, barriers and possibility of entry of substitutes and technological developments taking place in the industry product all should be assured and evaluated by the entrepreneur. A detailed market analysis should be conducted covering market opportunity and strategy for converting the opportunity into a reality.

**(8) Marketing of Products and Responding to the Competition:** Production is meaningless without market. Therefore, the very purpose of an entrepreneur is to produce what the customer will buy. Notwithstanding, there are few main reasons conditioning the marketing of products produced. These are:

- (i) Unable to face competition in respect of quality, cost and standardization of the product;
- (ii) Lack of boosting the role of marketing; and
- (iii) Dearth in marketing personnel.

Consumer knows best what he wants and the habit/tastes which are going to be popular in the near future. Contact with prospective customers can also reveal the features that should be built into a product and service. Market research can find out what customers buy, how they buy, what constitutes value for them.

Entrepreneur who are running a new venture need to spend time outside in the marketplace, with customers and with their own salesmen, looking at customers, listening to them and exploring their values. The new venture needs to build in systematic practices to remind it that a 'Product' or a 'Service' is defined by the customer, not by the producer. It needs to work continuously on challenging itself in respect to the utility and value that its products or services contribute to customers. The disadvantages of a competitive market can be cancelled, to some extent, by improvement in transportation system facilitating the movement of raw materials and finished goods and increasing the demand for producer goods. Germany and Japan as the prime examples, where rapid improvement in market was followed by rapid entrepreneurial appearance.

**(9) Financial Management:** Financial management is the conscious effort to formulate long-term policies relating to major aspects of financing investment and dividend decisions with a view to accomplishing the objectives of the firm. The strategic decisions about the different finance functions, which go far beyond the traditional concept of procurement of funds, have to take into consideration, the growth strategies and marketing policies, all of which must ultimately become interacting and interdependent parts of same whole.

The financial management practices of a firm are likely to affect the capital structure of the firm, the total investments in fixed and current assets, sales growth and profitability.

**(10) Upgrading Process and Product Quality:** The modern world of business is full of complexities and needs a constant attention and efforts to face the problem. In the time, when a tough competition is creating a lot of problems, it is necessary for every entrepreneur to understand the competition situation. In fact may be a matter of business life and death. India has a highly price sensitive as well as quality sensitive markets. In the case of many products, the household and institutional markets may have altogether different type of competition. Development and dissemination of appropriate technology to improve productivity and quality could be given more stress. Research and development efforts could

be enhanced. An entrepreneur should realize that buyer's perception of quality is a major arbiter of value/price. No matter what the entrepreneur thinks, it is the perceived quality that determines the desirability of the product and it is the entrepreneur's job to understand the buyer's decision process.

**(11) Fulfilling Social Obligations:** Business and society are meant and exist for each other. Without the help of society, business cannot be operated. Business is required to meet the varied needs of the society. It can exist only if it fulfills its responsibility towards the society in the socially acceptable manner. Social interest is a desire on the part of the people to establish social relations and to make use of goods and services for better social interaction. Hence, fulfilling social the responsibility towards the society is social responsibility. **Koontz and O Donnel** observed that, '*Social responsibility is an interpersonal relationship that exists when people are continuously dependent upon one another in both organized and unorganized way.*' According to **Keith Davis and Robert L. Blomstorm**, '*Social responsibility refers to the obligations of decision makers to take actions which produce and improve the welfare of society as a whole, along with their own interests.*'

In simple words social responsibility means an intelligent and objective concern for the welfare of society that limits or prevents individual and corporate behaviour from ultimately positive contributions, wherever feasible, to the betterment of human resources in different ways as desired by society. Social responsibility indicates personal obligation of people as they act in their own interest to ensure that the rights and legitimate interests of others are not sacrificed by their behaviour and action.

Every entrepreneur seeks an enhanced public image so that it can gain more customers, better employees and other benefits. It can be possible by assuming social responsibilities beyond the commercial and legal obligations.

## Summing Up

A general feeling of entrepreneurship can be made by at first tracing the starting point of entrepreneurship. The beginning of entrepreneurship in the form of its notion or theory dates back to over more than four centuries.

## What is Entrepreneurship?

Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or exaggerate profit by production or distribution of economic goods and services.

## Who is an Entrepreneur?

*The word 'entrepreneur' first, appeared in the French language, verb 'entreprendre' means "between-taker" or "go-between" or "to do something" or "to undertake" and was applied to leaders of military expeditions in the beginning of the sixteenth Century.*

*The first academic usage of the term was by economist **Richard Cantillon**, in 1730. For **Cantillon**, the bearing of risk engaging in business without an assurance of the profits that will be derived is the distinguishing features of an entrepreneur. After 1700, it was applied to other types of adventures, mainly civil engineering like the construction of roads, bridges, harbors and buildings.*

**J. B. Say**, developed the concept of little wider. According to him an entrepreneur is an important agent of production who gets together other factors of production. His definition reads as follows:

'The entrepreneur is the economic agent who unites all the means of production...the labour of the one, the capital or the land of the other and who finds in the value of products which result from their employment, reconstitution of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profits belonging to himself.'

**McClelland** views 'an entrepreneur as a producer and controller'.

**J. A. Schumpeter** defined entrepreneur as an individual who carries out new combines of means of production by which these occurs disequilibrium. According to Schumpeter an entrepreneur is an innovator, who introduces something new in the economy. Innovation may be:

- (1) Introduction of the new product;
- (2) Introduction of new methods of production; and
- (3) Making changes in the organization and management.

**Peter F. Drucker**, in his book '*Innovative Entrepreneur*' defines entrepreneur as innovator.

In the **United States**, the entrepreneur is often defined as one who starts his own, new and small business.

**Oxford English Dictionary (1933)**, defined entrepreneur as 'One who undertakes an enterprise, especially a contractor- acting as intermediary between capital and labour.' Undertaking of an enterprise involves combining capital and labour for the purpose of production. Anyone who undertakes this task is an entrepreneur. The entrepreneurial class is an 'employing class' as it creates jobs.

### Qualities of an Entrepreneur

Several research studies have been carried out to traits of a true entrepreneur. The true entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the various other factors of production.

**In order to make the business a success, an entrepreneur should possess the following trait:** Willingness to Assume Risk; Leadership; Decisiveness; Thinking; Confidence in Project; Technical Knowledge; Flexibility; Ability to Marshall Resources; Market Orientation; Determination, Courage and Perseverance; to Achieve and Grow; Need for Status and Power.

### Skills of an Entrepreneur

Many people believe that entrepreneur possess innate, genetic talents and needs intuition, creative thinking and innovative ability among other skills on the other hand, an entrepreneur depends more on human relations and conceptual abilities. An entrepreneur can create self-employment by a very tiny industry or 'Kutir Udyog' to employ himself and his family. To run his industry he needs skilled, semi-skilled, and unskilled, labourers, technicians, engineers, managers, etc. The following are some of the important skills required for entrepreneur: Conceptual; Technical; Human Relation; Communication; Diagnostic; Decision Making; Managerial; Project Development; Marketing, Time/Process Management; Stress Management; Anger Management; Personality and Individual; Analytical; Pioneering; Unification and Organization; Problem-solving and Computer Knowledge.

### Functions of an Entrepreneur

There has been a great deal of confusion and contradiction in literature on entrepreneurial functions. Classical economists, considered the entrepreneur as the owner of the business enterprise to which he supplied capital. The classical theory of enterprise fails in a large public company. A new theory of firm is required which should take into account the income of an entrepreneur when he is not owner of business.

Thus, whatever may be the organizational set-up or the technological advancements, **the functions detailed as below:** Planning the Project; Risk Taking and Uncertainty Bearing; Procurement and Mobilization of Resources; Taking Business Decisions; Organizing; Perception of Market Opportunities; Marketing of Products and Responding to the Competition; Financial Management; Upgrading Process and Product Quality; and Fulfilling Social Obligations.