ENTREPRENEURSHIP

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Successful new business ventures and economic development do not just happen. They are the result of the combination of right environment, planning, effort and innovation. And this right mix can only be achieved by entrepreneurs. They provide a clear blueprint for stimulating research, technology and finance to promote enterprises. At the same time, they enrich the eco-system and give a boost to economic growth. Economic growth refers to an increase in a country’s production or income per capita, with economy’s total output of goods and services being measured by Gross National Product (GNP). At the present situation, our country needs much more than growth. Economic development, on the other hand, goes beyond economic growth to include changes in output, distribution and economic structure which may affect such things as improvement in material well-being of the poor. A country may be rich in material resources and capital but if entrepreneurship is lacking, the utilization of such resources would remain idle. Entrepreneurs are the ‘spark plug’ who transform the economic scenario of a country. They are the change agents. Entrepreneurship is the engine of economic growth. Entrepreneurship plays a very important role for the economic development of a country. Therefore, it is rightly said that, “an economy is the effect for which entrepreneurship is the cause”.

The main aim of this paper is to introduce Entrepreneurship among students as a subject of learning. This paper not only gives focus on the need of students, academicians and researchers but also attempts to motivate them towards entrepreneurship. The basic purpose of writing this book besides serving academic interests is to ignite the spirit of entrepreneurship among the young readers and prepare them to face many challenges in the volatile business environment. It will help them to march ahead through the path of socio-economic welfare. The contents of the book have been written in a simple and lucid manner which is very easy to understand. Based on the CBCS syllabus, this book has been divided into five chapters. Each chapter contains rich material and inputs. The book takes in its fold several important areas of entrepreneurship. As the syllabus has been introduced for the first time, efforts have been made to make the content interesting. However, if anything remains overlooked, suggestions and reviews from the readers will be more meaningful for updating in the next edition. We sincerely hope young and dynamic potential entrepreneurs will find the effort worthwhile and useful.

We offer our gratitude to Himalaya Publishing House Pvt. Ltd., a leader in Commerce and Management publications. Our sincere regards to Mr. Niraj Pandey, Director and Bijoy Kumar Ojha of HPH Bhubaneswar branch for their keen interest and best effort put in publication of this book.

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## CHAPTER 1

### INTRODUCTION

**OBJECTIVES:**

*After going through this chapter, you will be well acquainted with:*

- Meaning of Entrepreneur and Entrepreneurship
- Characteristics of Entrepreneurs
- Entrepreneurial Qualities, Skill and Competencies
- Types of Entrepreneurs
- Functions of Entrepreneurs
- Entrepreneur vs. Manager
- Elements of Entrepreneurship
- Determinants of Entrepreneurship
- Importance of Entrepreneurship
- Barriers to Entrepreneurship
- Role of Entrepreneur in Economic Development
- Entrepreneurship and Economic Development
- Entrepreneurship and Creative Behavior
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1.7 Let’s Sum Up

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1.1 INTRODUCTION

The economic growth and the development of a country are determined by human, physical and financial resources. The economic development of a nation is sparked largely by its enterprising spirit. Today India’s economy is poised for a flourishing entrepreneurial activity. It is also known that a healthy business environment is an essential requirement of entrepreneurial growth. Since a high quality entrepreneurial skill tends to attain industrial growth, talent must come from within the environment for rapid and sustained growth of the economy. A country may be rich in material resources and capital. But if entrepreneurship is lacking, the utilisation of resources would not be as expected. Entrepreneur is a part of industrial society and as such, he/she should be considered as an asset. The entrepreneur is responsible for not only earning his/her own livelihood but also for creating avenues of employment for others and contributing to the gross national product. In a developing country like India, entrepreneurship has a pivotal role to play for acceleration of industrialisation, generation of employment opportunities, eradication of poverty and exploitation of natural resources for the economic development of our country.

1.2 DEFINITION OF AN ENTREPRENEUR

The term “entrepreneur” is defined in a variety of ways. Yet no consensus has been arrived at on the precise skills and abilities that make a person a successful entrepreneur.

The concept of entrepreneur varies from country to country as well as from period to period and the level of economic development thoughts and perceptions. A review of research done in different disciplines over the years would improve our understanding of the concept of entrepreneur.

The word entrepreneur is derived from the French word ‘Entreprendre’ which means to ‘undertake’, i.e., the person who undertakes the risk of new enterprise. The word entrepreneur, therefore, first appeared in the French language in the beginning of the sixteenth century. The word was also applied to the leaders of military expedition. But it was Richard Cantilon an Irishman, living in France who first used the term entrepreneur to refer to economic activities. According to Cantilon: “An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices.” Thus, to Cantilon, an entrepreneur is a bearer of risk which is non-insurable. Around 1700 A.D., the term was used for architects and contractors of public works.

Bernard Belidor applied it to the function of buying labour and material and uncertain prices and selling the resultant product at contracted price.

Quesnay regarded the rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence, skill and wealth.

In many countries, the entrepreneur is often associated with a person who starts his own new and small business. Business encompasses manufacturing, transport, trade and all other self-employed vocations in the service sector. But not every new small business is entrepreneurial or represents entrepreneurship.

The term “entrepreneur” was applied to business initially by the French economist, Cantillon, in the 18th century, to designate a dealer who purchases the means of production for combining them into marketable products. Another Frenchman, J.B. Say, expanded Cantillon’s ideas and conceptualised the
entrepreneur as an organiser of a business firm, central to its distributive and production functions. Beyond stressing the entrepreneur’s importance to the business, Say did little with his entrepreneurial analysis.

According to Jean Baptiste Say, an entrepreneur is the economic agent who unties all means of production, the labour force of the one and the capital or land of the others and who finds in the value of the products his results from their employment, the reconstitution of the entire capital that he utilises and the value of the wages, the interest and the rent which he pays as well as profit belonging to himself. He emphasised the functions of coordination, organisation and supervision. Further, it can be said that the entrepreneur is an organiser and speculator of a business enterprise. The entrepreneur lifts economic resources out of an area of lower into an area of higher productivity and greater yield.

The New Encyclopaedia Britannica considers an entrepreneur as “an individual who bears the risk of operating a business in the face of uncertainty about the future conditions.” Leading economists of all schools, including Karl Marx have emphasised the contribution of the entrepreneurs to the development of economies, but Joseph Schumpeter who argues that the rate of growth in an economy depends to a great extent on the activities of entrepreneurs, has probably put greater emphasis on the entrepreneurial function than any other economist.

As Professor Jan Tinbergen points out: “The best entrepreneur in any developing country is not necessarily the man who uses much capital, but rather the man who knows how to organise the employment and training of his employees. Whoever concentrates on this is rendering a much more important service to his country than the man who uses huge capital.”

Adam Smith, the father of classical economics, did not use the term entrepreneur anywhere. Instead, he used the words like employer, the merchant, the undertaker and the master.

Alfred Marshall wrote about the capitalists and management but he was silent about their difference. As such, the classical economists ignored the term entrepreneur entirely.

According to A.P. Usher: “Specialisation or division of labour necessitates an entrepreneurial function the crux of which is to coordinate different economic activities. This view on entrepreneurship was very narrow and it reduced the entrepreneurship activities to no more than a managerial function.”
F.H. Knight, in his article on *Risk, Uncertainty and Profit* propounded the maxim that “entrepreneur are a specialised group of persons who bear risks and deal with uncertainty.” He also identified social, psychological and economic factors which govern the supply of entrepreneurship.

According to David Ricardo, a contemporary of J.B. Say: “The foremost motive of a risk taker is to amass capital and capital accumulation is the sine qua non of economic development.”

J.S. Mill viewed the word *entrepreneur* as organiser who was paid for his non-manual type of work. According to him: “Extraordinary skills acted as the bedrock in production process that ought to be possessed by the entrepreneur.”

Leon Walrus, in his papers, *The Theory of Social Wealth* (Allen and Unwin, London, 1954) pointed out that entrepreneur is the coordinator of basic factors of production. He treated ‘*entrepreneur*’ as the fourth factor of production who combines other factors such as land, labour and capital.

In 1882, F.B. Hawley contemplated *risk taking* as the prime characteristic feature of the entrepreneur which was comparable to the elementary agents of production like land, labour and capital. All classical and neoclassical economists believed in the significance of entrepreneurial action but did not incorporate the term ‘entrepreneur’ into their theories and thus entrepreneurship remained as a clandestine factor.

With J.A. Schumpeter, the term *entrepreneur* had received a wide acclaim. He defined the entrepreneur as an *innovator* who carries out new combination to initiate the process of economic development through introduction of new products, new markets, conquests of new source of raw materials and establishment of a new organisation of industry. He said, “The carrying out of a new combinations we call *enterprise*, the individuals whose function is to carry them out we call *entrepreneurs*.” He has put emphasis on *profit*, which is the product of innovation and the prime mover of economic development. According to Schumpeter, “The process of development is a deliberate and continuous phenomenon which is actively promoted by the escort services of a change agent who provides economic leadership. This change agent is what is called *entrepreneur*.”

Cole described entrepreneur as an individual who undertakes ‘to initiate, maintain or aggrandize a profit-oriented business unit for production or distribution of economic goods and services.

**1.2.1 WHO IS AN ENTREPRENEUR?**

Without entrepreneurship and growing number of entrepreneurs, an economy is certain to become sluggish in growth. Entrepreneurial dynamism forms the cornerstone of a progressive society as it is a purposeful activity that attempts to create value through recognition of business opportunity, management of risk appropriate to opportunity and through communicative and management skills to mobilise human, financial and material resources necessary to bring a project to fruition. This gives a definite upsurge to the economic growth of a nation. Economic growth is an upward change whereby the per capita income increases over a long period of time. If economic growth is the effect, entrepreneurship is the cause. Entrepreneurs are the ones who explore opportunities, scan the environment, mobilise resources, convert ideas into viable business proposition and provide new products and services to the society by bringing together and combining various factors of production.
Schumpeter's Definition of Entrepreneur

Joseph A. Schumpeter thus writes: “The entrepreneur in an advanced economy is an individual who introduces something new in the economy — a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like.” He further states the entrepreneur’s function is to “reform or revolutionise the pattern of production by exploiting an invention or more generally, an untried technological possibility for producing a new commodity....”

Briefly, an entrepreneur is one who innovates, raises money, assembles inputs, chooses managers and sets the organisation going with his ability to identify them. Innovation occurs through (1) the introduction of a new quality in a product, (2) a new product, (3) a discovery of a fresh demand and a fresh source of supply and (4) by changes in the organisation and management.

In the case of a developing economy like India, the concept is being understood differently. An entrepreneur in a developing economy is one who starts an industry (old or new), undertakes risk, bears uncertainties and also performs the managerial functions of decision-making and coordination. He also puts the new process based on technological research into operation. Even if he imitates any technique of production from a developed economy, he is called an entrepreneur. In point of fact, entrepreneurship in developing economies is one form of labour that tells the rest of labour what to do and sees to it that it gets things done. Unlike in the developed industrial world, emphasis is not put (nor is there any need for it) only on “Schumpeterian innovations” in the case of developing countries.

Schumpeter’s entrepreneur only exists if the factors of production are combined for the first time. To him, maintenance of a combination is not entrepreneurial activity. As such, he differs from the theory of Rent enunciated by Ricardo. Ricardo included the term “entrepreneurial ability” as an independent factor of production. To Ricardo, profit is the reward for entrepreneurial ability.

Drucker's Views on Entrepreneur

Peter Drucker has aptly observed that, “Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned and practised. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation.”

Systematic innovation, according to him, consists in the purposeful and organised search for changes and in the systematic analysis of the opportunities such changes might offer scope for economic and social innovation.

According to Drucker, three conditions have to be fulfilled.

1. Innovation at work. It requires knowledge and ingenuity. It makes great demands on diligence, persistence and commitment.
2. To succeed, innovation must build on their strengths.
3. Innovation always has to be close to the market focused on the market, indeed market-driven.
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Specially, systematic innovation means monitoring six sources for innovative opportunity.

The first three sources lie within the enterprise, whether it be a business or a public service institution or within an industry or service sector. They are therefore, visible primarily to people within that industry or service sector. They are basically symptoms. But they are highly reliable indicators of changes that have already occurred or can be made to occur with little effort. These four source areas are:

1. The unexpected — the unexpected success, the unexpected failure, the unexpected outside event.
2. The incongruity — between reality as it actually is and reality as it is assumed to be or as it “ought to be.”
3. Innovation in industry structure or market structure that catches everyone unawares.
4. The second set of sources for innovative opportunity, a set of three, involves changes outside the enterprise or industry:
   * Demographics (population changes).
   * Changes in perception, mood and meaning.
   * New knowledge, both scientific and non-scientific.

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<tr>
<th>Table 1.1: The Entrepreneur: Other Definitions</th>
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<tr>
<td><strong>Quesnay</strong> recognised a rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence and wealth.</td>
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<td><strong>Adam Smith</strong> described entrepreneur as a person who only provides capital without taking active part in the leading role in enterprise.</td>
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<td><strong>Richard Cantillon</strong> considered all persons engaged in economic activity as entrepreneurs.</td>
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<td><strong>Jean Baptiste Say</strong> opined that the entrepreneur was a person endowed with the qualities of judgement, perseverance and a knowledge of the world as well as of business. The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. The definition included the concept of bringing together the factors of production.</td>
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<td><strong>French tradition</strong> regard an entrepreneur as a person translating a profitable idea into a productive activity.</td>
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<td><strong>Karl Marx</strong> regarded entrepreneur as a social parasite.</td>
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<td><strong>Joseph A. Schumpeter</strong> (1883-1950) recognised that a person who introduces innovation changes is an entrepreneur. He treated entrepreneur as an integral part of economic growth. The fundamental source of equilibrium was the entrepreneur.</td>
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<td><strong>Frank Young</strong> describes entrepreneur as a change agent.</td>
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<td><strong>Noah Webster</strong> thinks entrepreneur is one who assumes the responsibility of the risk and management of business.</td>
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<td><strong>Francis A. Walker</strong> observes that the true entrepreneur is one who is endowed with more than average capacities in the risk of organising and coordinating the various other factors of production.</td>
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<td><strong>Peter F. Drucker</strong> defines an entrepreneur as one who always searches for change, respond to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.</td>
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<td><strong>Arthur Dewing</strong> conceptualised the function of the entrepreneur as one that promotes ideas into business.</td>
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<td><strong>Clarence H. Dantof</strong> considers entrepreneur as a person who makes decision under alternative courses of action.</td>
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Entrepreneur has become the focal point in economic activities. He is viewed as an initiator of action, a stimulant of socio-economic change and development.

Robert D. Hisrich says, “The person who is going to establish a successful new business venture must also be a visionary leader — a person who dreams great dreams. Although there are many definitions of leadership, the one that best describes the needed intrapreneurial leadership is: A leader is like a gardener. When you want a tomato, you take a seed, put it in fertile soil, and carefully water under tender care. You don’t manufacture tomatoes, you grow them.”

Martin Luther King said, “I have a dream, and thousands followed in spite of overwhelming obstacles. In order to establish a successful new business venture the intrapreneurial leader must have a dream and work against all obstacles to achieve it.”

Entrepreneur is one who distinguishes as a person who undertakes to organise, manage and assume the risk of running a factory and/or a business or an enterprise.

Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a mean to an end. Indeed, what constitutes knowledge in practice is largely defined by the ends, that is by practice.

According to Everett E. Haggen, an entrepreneur is an economic man who tries to maximise his profits by innovations. Innovations involve problem-solving and the entrepreneur gets satisfaction from using his capabilities in attacking problems.

According to David McClelland: “An entrepreneur is someone who exercises some control over the means of production and produces more than what he can consume in order to sell (or exchange) it for individual (or household) income.”

An entrepreneur, as defined by Robert E. Nelson, is a person who is able to look at environment, identify opportunities to improve the environment, marshall resources and implement action to maximise those opportunities. According to J.K. Galbraith: “An entrepreneur must accept the challenge and should be willing hard to achieve something.”

Akhouri, M.M.P describes entrepreneur as a character who contributes innovativeness, readiness to take risk, sensing opportunities, identifying and mobilising potential resources concern for excellence, and who is persistent in achieving the goal. The term entrepreneur contain notions of newness, innovation, vision, organising, creating wealth, mobilising resources, risk taking and achievement. A driving force of economic development.

Not every new small business is entrepreneurial or represents entrepreneurship. To be entrepreneurial, an enterprise has to have special characteristics over and above being new and small. Indeed, entrepreneurs create something new, something different, they change or transmute value.

Laura Parkin: Entrepreneurs are both born and made. While some people are born with natural talent and risk tolerance. Entrepreneurship is a discipline and entrepreneurship skills can be learned by everyone.

Albert Shapero observes that the entrepreneur takes initiative, organises some social and economic mechanisms, and accepts risks of failure.

Karl Vesper affirms that the entrepreneur is seen differently by economists, psychologists, business persons and politicians.

Robert C. Ronstadt considers that the wealth is created by individuals who assume the major risks in terms of equity, time, commitment, and value for some product or service.

According to David Ricardo, the foremost motive of a risk taker is to a mass capital and capital accumulation is the sine qua non of economic development.

John Stuart Mill viewed the world entrepreneur as organiser who is paid for his non-manual type of work.

Leon Walrus pointed out that entrepreneur is the coordinator of basic factors of production. He treated ‘entrepreneur’ as the fourth factor of production who combines other factors such as land, labour and capital.
INTRODUCTION

Carl Menger (1840-1921) considers the entrepreneur as the change agent who transforms resources into useful goods and services, often creating the circumstances that lead to industrial growth.

Frank H. Knight points out that entrepreneurs are a specialised group of persons who bear risk and deals with uncertainty.

Mark Cassons opines that an entrepreneur is a person who specialises in taking judgemental decision about the coordination of scarce resources.

Max Weber states that the entrepreneurs are a product of particular social condition in which they are brought up and it is the society which shapes individuals as entrepreneurs.

A. David Silver described the entrepreneur as ‘energetic, single minded, and having “a mission and clear vision; he or she intends to create out of this vision a product or service in a field many have determined is important to improve the lives of millions.”’

Henry Ford who created the manufacturing miracle that launched a modern era in industry, said that, Entrepreneur can do anything with passion and enthusiasm. Enthusiasm is the yeast that makes his hopes rise to the stars. Enthusiasm is the spark in his eye, the swing in his gait, the grip of his hand, the irresistible surge of his will and his energy to execute his ideas. Enthusiasts are fighters, they have fortitude, they have strong qualities. Enthusiasm is at the bottom of all progress. With it there is accomplishment. Without it there are only alibis.

1.2.2 CHARACTERISTICS OF ENTREPRENEURS

The characteristics of an entrepreneur that contribute to success are the result of his achievement motivation. A successful entrepreneur must be a person with technical competence, initiative, good judgement, intelligence, leadership qualities, self-confidence, energy, attitude, creativeness, fairness, honesty, tactfulness and emotional stability.

1. Mental ability: Mental ability consists of intelligence and creative thinking. An entrepreneur must be reasonably intelligent, and should have creative thinking and must be able to engage in the analysis of various problems and situations in order to deal with them. The entrepreneur should anticipate changes and must be able to study the various situations under which decisions have to be made.

2. Clear objectives: An entrepreneur should have a clear objective as to the exact nature of the business, the nature of the goods to be produced and subsidiary activities to be undertaken. A successful entrepreneur may have the objective to establish the product, to make profit or to render social service.

3. Business secrecy: An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitions is a serious matter which should be carefully guarded against by an entrepreneur. An entrepreneur must be able to make a proper selection of his assistants.

4. Human relation ability: The most important personality factors contributing to the success of an entrepreneur are emotional stability, personal relations, consideration and tactfulness. An entrepreneur must maintain good relation with his customers if he is to establish relations that will encourage them to continue to patronise his business. He must also maintain good relations with his employees if he is to motivate them to perform their jobs at a high level of efficiency. An entrepreneur who maintains good relations with customers, employees, suppliers, creditors and the community is much more likely to succeed in his business than the individual who does not invest in maintaining these relations.

5. Communication ability: This ability pertains to communicate effectively. Good communication also means that both the sender and the receiver understand each other and are being understood. An
entrepreneur who can effectively communicate with customers, employees, suppliers and creditors will be more likely to succeed than the entrepreneur who does not.

6. Technical knowledge: An entrepreneur must have a reasonable level of technical knowledge. This is the one ability that most people are able to acquire if they try hard enough.

An entrepreneur who has a high level of administrative ability, mental ability, human relations ability, communication ability and technical knowledge stands a much better chance of success than his counterpart who possesses low levels of these basic qualities. Brilliant men with first class degrees from university hesitate becoming entrepreneurs because the one thing they cannot be taught is coping with human emotions.

Robert D. Hisrich has identified a few more capabilities or personal characteristics that an entrepreneur should possess. According to him, the entrepreneur must have an adequate commitment, motivation and skills to start and build a business. The entrepreneur must determine if the management team has the necessary complementary skills to succeed. Some key characteristics of a successful entrepreneur are:

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<th>Characteristics</th>
<th>Abilities</th>
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<tbody>
<tr>
<td>Ambitious</td>
<td>Administrative Ability</td>
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<td>Clear Vision</td>
<td>Organisation Skills</td>
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<td>Passionate</td>
<td>Intelligence</td>
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<td>Integrity</td>
<td>Creativity</td>
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<td>Honesty</td>
<td>Innovation</td>
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<td>Ethics</td>
<td>Clear Objective</td>
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<td>Flexibility</td>
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<td>Ability</td>
<td>Sound Knowledge</td>
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<td>Conceptual Skills</td>
<td>Emotional Stability</td>
</tr>
<tr>
<td>Maturity</td>
<td>Public Relations</td>
</tr>
<tr>
<td>Goal Setter</td>
<td>Effective Communication</td>
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<tr>
<td>Role Model</td>
<td>Technical Knowledge</td>
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</tbody>
</table>

**Fig. 1.2: Characteristics of an Entrepreneur**

Motivator: An entrepreneur must build a team, keep it motivated and provide an environment for individual growth and career development.

Self-confidence: Entrepreneurs must have belief in themselves and the ability to achieve their goals.
Long-term Involvement: An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.

High energy level: Success of an entrepreneur demands the ability to work long hours for sustained periods of time.

Persistent problem-solver: An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient.

Initiative: An entrepreneur must be able to set challenging but realistic goals.

Moderate risk-taker: An entrepreneur must be a moderate risk-taker and learn from failures.

These personal traits go a long way in making an entrepreneur successful. However, no entrepreneur possesses total strength. In such cases, he acquires and/or associates and thus strengthens his enterprise.

1.2.3 CLASSIFICATION OF ENTREPRENEURS

The entrepreneurs in business are broadly classified according to the types of business, use of professional skill, motivation, growth and stages of development. Clarence Danhof Classifies entrepreneurs on the basis of stage of economic development: some others have classified on the basis of their functions and characteristics. The former reflects the role played by the entrepreneurs in the economic development, and later type reflects the degree of their involvement. The various types of entrepreneurs have been shown in Table 1.2.

The above classification of entrepreneurs is not exhaustive, for it aims at highlighting the broad range of entrepreneurs found in various businesses and professions. We shall now discuss in brief, each type of entrepreneur.

According to the Type of Business

Entrepreneurs are found in various types of businesses occupation of varying size. We may broadly classify them as follows:

| According to the types of business | 1. Business entrepreneurs |
| | 2. Trading entrepreneurs |
| | (i) Wholesale trade |
| | (ii) Retail trade |
| | (iii) Mall trading |
| | (iv) Exporters |
| | (v) Importers |
| | (vi) Stock trading |
| | (vii) Real estate |
| | 3. Industrial entrepreneurs |
| | (i) Large |
| | (ii) Medium |
(iii) Small and
(iv) Tiny Sector

- 4. Corporate entrepreneurs
- 5. Agricultural entrepreneurs
  (i) Plantation
  (ii) Horticulture
  (iii) Dairy
  (iv) Forestry
  (v) Floriculture
  (vi) Animal Husbandry
  (vii) Poultry
  (viii) Seeds

- 6. Retail entrepreneurs
- 7. Service entrepreneurs
  (i) Repairs
  (ii) Engineering
  (iii) Beauty Parlours
  (iv) Others
- 8. Re-engineering entrepreneurs
- 9. Health entrepreneurs

According to the use of technology
- 1. Technical entrepreneurs
- 2. Non-technical entrepreneurs
- 3. Professional entrepreneurs
- 4. High-tech entrepreneurs
- 5. Low-tech entrepreneurs
- 6. Business process outsourcing
- 7. Knowledge process outsourcing
- 8. IT entrepreneurs
- 9. E-entrepreneurs
- 10. Legal processing outsourcing

According to the motivation
- 1. Pure entrepreneurs
- 2. Induced entrepreneurs
- 3. Motivated entrepreneurs
- 4. Spontaneous entrepreneurs
- 5. Forced entrepreneurs
- 6. Accidental entrepreneurs
- 7. Achieving entrepreneurs
- 8. Successful entrepreneurs
### INTRODUCTION

| According to the growth                  | 1. Growth entrepreneurs |
|                                         | 2. Super-growth entrepreneurs |
|                                         | 3. Aspiring entrepreneurs |
|                                         | 4. Life-style entrepreneurs |
| According to the stages of development   | 1. First generation entrepreneurs |
|                                         | 2. Modern entrepreneurs |
|                                         | 3. Classical entrepreneurs |
|                                         | 4. Generation-next entrepreneurs |
|                                         | 5. Inherited entrepreneurs |
| According to area                        | 1. Urban entrepreneurs |
|                                         | 2. Rural entrepreneurs |
|                                         | (i) Artisans |
|                                         | (ii) Handlooms |
|                                         | (iii) Sericulture |
|                                         | (iv) Agri |
|                                         | (v) Khadi |
|                                         | (vi) Village industries |
|                                         | (vii) Handicrafts and |
|                                         | (viii) Rural service |
|                                         | 3. Global entrepreneurs |
|                                         | 4. Local entrepreneurs |
| According to organisation               | 1. Individual entrepreneurs |
|                                         | 2. Group entrepreneurs |
|                                         | 3. Institutional entrepreneurs |
|                                         | 4. Private entrepreneurs |
|                                         | 5. Public entrepreneurs |
|                                         | 6. Government entrepreneurs |
| According to gender and age             | 1. Men entrepreneurs |
|                                         | 2. Women entrepreneurs |
|                                         | (i) Young entrepreneurs |
|                                         | (ii) Old entrepreneurs |
|                                         | (iii) Middle-aged entrepreneurs |
| Unclassified                            | 1. Professional entrepreneurs |
|                                         | 2. Non-professional entrepreneurs |
|                                         | 3. New Modern entrepreneurs |
|                                         | 4. Trading entrepreneurs |
|                                         | 5. Skilled entrepreneurs |
|                                         | 6. Non-skilled entrepreneurs |
|                                         | 7. Imitating entrepreneurs |
### Business Entrepreneurs

*Business Entrepreneurs:* They are individuals who conceive an idea for a new product or service and then create a business to materialise their idea into reality. They tap both production and marketing resources in their search to develop a new business opportunity. They may set up a big establishment or a small business unit. They are called *small business entrepreneurs* when found in small business units such as printing press, textile processing house, advertising agency, readymade garments or confectionery. In a majority of cases, entrepreneurs are found in small trading and manufacturing business and entrepreneurship flourishes when the size of the business is small.

*Trading entrepreneur:* He undertakes trading activities and is not concerned with the manufacturing work. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among buyers to go in for his product. He is engaged in both domestic and overseas trade. Britain, due to geographical limitations, has developed trade through trading entrepreneurs. These entrepreneurs demonstrated their ability in pushing many ideas ahead which promoted their business.

*Industrial Entrepreneur:* Industrial entrepreneur is essentially a manufacture who identifies the potential needs of customers and tailors products or services to meet the marketing needs. He is a product-oriented man who starts in an industrial unit because of the possibility of making some new product. The

<table>
<thead>
<tr>
<th>Business Entrepreneurs</th>
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<tr>
<td>- 8. Serial entrepreneurs</td>
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<td>- 9. Social entrepreneurs</td>
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<td>- 10. National entrepreneurs</td>
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<td>- 11. International entrepreneurs</td>
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<td>- 12. Bureaucratic entrepreneurs</td>
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<td>- 13. Orthodox entrepreneurs</td>
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<td>- 14. Immigrant entrepreneurs</td>
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<td>- 15. Innovative entrepreneurs</td>
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<td>- 16. Philonthropreneurs</td>
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<td>- 17. Entertainment entrepreneurs</td>
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<td>- 18. Creative entrepreneurs</td>
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<td>- 19. Knowledge entrepreneurs</td>
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<td>- 20. Education entrepreneurs</td>
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<td>- 21. Intrapreneurs</td>
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<td>- 22. Ultrapreneurs</td>
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<td>- 23. Mompreneurs</td>
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<td>- 24. Alterpreneurs</td>
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<td>- 25. Artapreneurs</td>
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<td>- 26. Joint entrepreneurs</td>
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<tr>
<td>- 27. Generous entrepreneurs</td>
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<tr>
<td>- 28. Promoter entrepreneurs</td>
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<tr>
<td>- 29. Multifaced entrepreneurs</td>
</tr>
<tr>
<td>- 30. Entrepreneur employees</td>
</tr>
<tr>
<td>- 31. Accidental entrepreneurs</td>
</tr>
</tbody>
</table>
entrepreneur has the ability to convert economic resources and technology into a considerably profitable venture. He is found in any industrial units such as the electronic industry, textile unit, machine tools or video cassette making and the like.

**Corporate Entrepreneur:** This entrepreneur is a person who demonstrates his innovative skill in organising and managing a corporate undertaking. A corporate undertaking is a form of business organisation which is registered under some statute or Act which gives it a separate legal entity. A trust registered under the Trust Act, or a company registered under the Companies Act are examples of corporate undertakings. He is thus an individual who plans, develops and manages a corporate body.

**Agricultural Entrepreneur:** Agricultural entrepreneurs are those who undertake such agricultural activities as raising and marketing of crops, fertilisers and other inputs of agriculture. They are motivated to raise the productivity of agriculture through mechanisation, irrigation and application of technologies for dry land agriculture. They cover a broad spectrum of the agricultural sector and include agriculture and allied occupations.

**Social Entrepreneur**

Ashoka-Innovators for the Public, a global non-profit organisation committed to nurturing social entrepreneurship, says a social entrepreneur is one who recognises the part of society which is stuck and provides new ways to get it unstuck. Be it dedicated efforts for child upliftment, fighting for the conservation of Assam’s rain forests, working for the betterment of the blind or initiatives to empower women, the entrepreneur’s passion is so strong that he can’t let “the opportunity to make a difference” go by.

Ashoka was the idea of one man, William Drayton. His key insight was that there exist people in all countries who, like business entrepreneurs, have vision, creativity and tenacity, but who are possessed with a need to make a difference, to change society. He dubbed these people “social entrepreneurs.” Social entrepreneurs, he explained, were “rare men and women who possess the vision, creativity and extraordinary determination of the business entrepreneur but who devote these qualities to introducing new solutions to societal problems.” He also realised that a little investment in such people would go farther in terms of their social impact than simply giving money for projects would. “It is arrogant to think that well-meaning outsiders can make a dent in the horrendous social problems besetting every country in the world .... We empower social entrepreneurs from the communities and get out of their way. It is amazing how effective they become in finding their own solutions.”

Like the visionary social entrepreneurs, Verghese Kurien of Amul, Rippan Kapur of CRY, Jeroo Billimoria of Childline (where children in trouble in numerous Indian cities can pick up a phone ad make a toll-free call for help) and many others, a social entrepreneur approach to implement ideas in creative, innovative and unconventional. It’s their sensitivity and the ability to voice and take a stand which differentiates them from others.

David Bornstein, the exponent of social innovations and entrepreneurship believes that the future belongs to social entrepreneurs. They are news worthy and pose serious threats to the status quo.

In essence they are both the same. However, while the former is concerned about profits, the latter is fanatical about a cause. So much so, that he or she is not happy solving an idea in one village or two villages. Yet at the same time, social entrepreneurs have got to be very systematic, are basically really
good people, with a high streak of integrity. And finally, they are really self-effacing—always passing on the credit of their work to the team.

Most of these social entrepreneurs start with a higher base of education with greater access to information, and are more aware of problems around them in this era of the internet. Between 1970 and 1985, adult literacy rates have increased in the developed world from 43% to 60% and there has been a proliferation of the dot orgs too. Finally, there is more opportunity both politically and financially now, than ever before in history. Per capita incomes in free market economies have risen by more than 700% in the 20th century. So essentially, freedom, wealth, exposure, social mobility and greater individual confidence are driving this huge wave of social innovation and entrepreneurship. After all people are tired with the inefficiency of governments and the indifference of corporates, and want to make a change and this is the case everywhere.

According to the Use of Technology

The application of new technology in various sectors of the national economy is essential for the future growth of business. We may broadly classify these entrepreneurs on the basis of the use of technology as follows:

Technical entrepreneur: A technical entrepreneur is essentially an entrepreneur of ‘craftsman type.’ He develops new and improved quality of goods because of his craftsmanship. He concentrates more on production rather than marketing. He does not care much to generate sales by applying various sales promotional techniques. He demonstrates his innovative capabilities in matters of production of goods and rendering services. The greatest strength which the technical entrepreneur has is his skill in introduction techniques.

Non-technical entrepreneur: Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product in which they deal. They are concerned only with developing alternative marketing and distribution strategies to promote their business.

Professional entrepreneur: Professional entrepreneur is a person who is interested in establishing a business but does not have interest in managing or operating it once it is established. A professional entrepreneur sells out the running business and starts another venture with the sales proceeds. Such an entrepreneur is dynamic and he conceives new ideas to develop alternative projects.

According to Motivation

Motivation is the force that influences the efforts of the entrepreneur to achieve his objectives. An entrepreneur is motivated to achieve or prove his excellence in job performance. He is also motivated to influence others by demonstrating his power, thus satisfying his ego.

Pure entrepreneur: A pure entrepreneur is an individual who is motivated by psychological and economical rewards. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego or status.

Induced entrepreneur: This entrepreneur is one who is induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead facilities to start a venture. Most of the entrepreneurs belong to this category and
enter business due to financial, technical and several other facilities provided to them by the state agencies to promote entrepreneurship. A person with a sound project is provided package assistance to his project. Today, import restrictions and allocation of production quotas to small units have induced many people to start a small-scale industry.

**Motivated entrepreneur**: New entrepreneurs are motivated by the desire for self-fulfillment. They come into being because of the possibility of making and marketing some new products for the use of consumers. If the product is developed to a saleable stage, the entrepreneur is further motivated by reward in terms of profit.

**Spontaneous entrepreneurs**: These entrepreneurs start their business out of their natural talents. They are persons with initiative, boldness and confidence in their ability which motivate them to undertake entrepreneurial activity. Such entrepreneurs have a strong conviction and confidence in their ability.

**According to Growth**

The development of a new venture has a greater chance of success. The entrepreneur enters a new and open field of business. The customer’s approval to the new product gives them psychological satisfaction and enormous profit. The industrial units are identified as high growth, medium growth and low growth industries and as such we have ‘Growth Entrepreneur’ and ‘Super Growth Entrepreneur.’

**Growth Entrepreneur**: He necessarily takes up a high growth industry and chooses an industry which has sustained growth prospects.

**Super-Growth Entrepreneur**: This category of entrepreneurs are those who have shown enormous growth of performance in their venture. The growth performance is identified by the liquidity of funds, profitability and gearing.

**According to Stages of Development**

Entrepreneurs may also be classified as the first generation entrepreneur, modern entrepreneur and classical entrepreneur, depending upon the stage of development.

**First-generation Entrepreneur**: A first-generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

**Modern Entrepreneur**: A modern entrepreneur is one who undertakes those ventures which go well along with the changing demand in the market. They undertake those ventures which suit the current marketing needs.

**Classical Entrepreneur**: A classical entrepreneur is one who is concerned with the customers and marketing needs through the development of self-supporting ventures. He is a stereotype entrepreneur whose aims to maximise his economic returns at a level consistent with the survival of the firm with or without an element of growth.
Table 1.3: Comparison between Male and Female Entrepreneurs

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Male Entrepreneurs</th>
<th>Female Entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>Achievement — strive to make things happen</td>
<td>Achievement — accomplishment of a goal</td>
</tr>
<tr>
<td></td>
<td>Personal independence — self-image as it relates to status through their role in</td>
<td>Independence — to do it alone</td>
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<tr>
<td></td>
<td>the corporation is unimportant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Job satisfaction arising from the desire to be in control</td>
<td></td>
</tr>
<tr>
<td>Departure Point</td>
<td>Dissatisfaction with present job</td>
<td>Job frustration</td>
</tr>
<tr>
<td></td>
<td>Sideline in college, sideline to present job, or outgrowth of present job</td>
<td>Interest in and recognition of opportunity in the area</td>
</tr>
<tr>
<td></td>
<td>Discharge or layoff</td>
<td>Change in personal circumstances</td>
</tr>
<tr>
<td></td>
<td>Opportunity for acquisition</td>
<td></td>
</tr>
<tr>
<td>Sources of funds</td>
<td>Personal assets and savings</td>
<td>Personal assets and savings</td>
</tr>
<tr>
<td></td>
<td>Bank financing</td>
<td>Personal loans</td>
</tr>
<tr>
<td></td>
<td>Investors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loans from friends and family</td>
<td></td>
</tr>
<tr>
<td>Occupational background</td>
<td>Experience in line of work</td>
<td>Experience in area of business</td>
</tr>
<tr>
<td></td>
<td>Recognised specialist or one who has gained a high level of achievement in the</td>
<td>Middle-management or administrative level experience in field</td>
</tr>
<tr>
<td></td>
<td>field</td>
<td>Service-related occupational background</td>
</tr>
<tr>
<td></td>
<td>Competent in a variety of business functions</td>
<td></td>
</tr>
<tr>
<td>Personality characteristics</td>
<td>Opinionated and persuasive</td>
<td>Flexible and tolerant</td>
</tr>
<tr>
<td></td>
<td>Goal oriented</td>
<td>Goal oriented</td>
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<tr>
<td></td>
<td>Innovative and idealistic</td>
<td>Creative and realistic</td>
</tr>
<tr>
<td></td>
<td>High level of self-confidence</td>
<td>Medium level of self-confidence</td>
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<tr>
<td></td>
<td>Enthusiastic and energetic</td>
<td>Enthusiastic and energetic</td>
</tr>
<tr>
<td></td>
<td>Must be own boss</td>
<td>Ability to deal with the social and economic environment</td>
</tr>
<tr>
<td>Background</td>
<td>Age when starting venture: 25-35</td>
<td>Age when starting venture 35-45</td>
</tr>
<tr>
<td></td>
<td>Father was self-employed</td>
<td>Father was self-employed</td>
</tr>
<tr>
<td></td>
<td>College education — degree in business or technical area (usually engineering)</td>
<td>College educated — degree in liberal arts</td>
</tr>
<tr>
<td></td>
<td>Firstborn child</td>
<td>Firstborn child</td>
</tr>
<tr>
<td>Support groups</td>
<td>Friends, professional acquaintances (lawyers, accountants)</td>
<td>Close friends</td>
</tr>
<tr>
<td></td>
<td>Business associates</td>
<td>Spouse</td>
</tr>
<tr>
<td></td>
<td>Spouse</td>
<td>Family</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Women's professional groups</td>
</tr>
<tr>
<td>Type of business started</td>
<td>Manufacturing or construction</td>
<td>Service related — educational services, consulting, or public relation</td>
</tr>
</tbody>
</table>
Innovating Entrepreneurs: Innovating entrepreneurship is characterised by aggressive assemblage of information and analysis of results, deriving from a novel combination of factors. Men/women in this group are generally aggressive in experimentation who exhibit cleverness in putting attractive possibilities into practice. One need not invent but convert even old established products or services, by changing their utility, their value, their economic characteristics, into something new, attractive and utilitarian. Therein lies the key to their phenomenal success. Such an entrepreneur is one who sees the opportunity for introducing a new technique of production process, a new commodity, a new market, a new service or even reorganisation of an existing enterprise.

Adoptive or Imitating Entrepreneurs: Imitative entrepreneurship is characterised by readiness to adopt successful innovation inaugurated by innovating entrepreneurs. In other words, imitators follow the innovators later after observing how the latter fare. These groups are also revolutionary entrepreneurs with the difference that they do not innovate the changes themselves. They just imitate techniques and technology innovated by others. Such entrepreneurs are particularly important in developing countries because they contribute significantly to the development of such economies. Imitative entrepreneurs are most suitable for the developing regions because in such countries people prefer to imitate the technology, knowledge and skill already available in more advanced countries.

The reason for the backwardness of the underdeveloped countries lies in the fact that they are deficient in innovating and imitating entrepreneurs when they are found in abundance in developed countries. Men are needed who can imitate the technologies and products to the particular conditions prevailing in such countries. And at times there is a need of changing and adjusting the new technologies to their special conditions. Such countries, primarily need imitators who are responsible for transforming the system with the limited resources they possess.

Fabian Entrepreneurs: Fabian entrepreneurship is characterised by great caution and scepticism in practising any change. Such entrepreneurs have neither will to introduce new changes nor desire to adopt new methods innovated by the most enterprising entrepreneurs. Such entrepreneurs are shy and lazy. Their dealings are determined by customs, religion, tradition and past practices. They are not much interested in taking risk and they try to follow the footsteps of their predecessors.

Drone Entrepreneurship: Drone entrepreneurship is characterised by a refusal to adopt and use opportunities to make changes in production. Such entrepreneurs may even suffer losses but they do not make changes in production methods. They are laggards because they continue in their traditional way and in fields their product loses its marketability or their operation becomes uneconomical — they are pushed out of the market.

Aspiring Entrepreneurs: Aspiring entrepreneurs dream of starting a business; they hope for the chance to be their own bosses, but they have not yet made the leap from their current employment into the uncertainty of a start up.

Lifestyle Entrepreneurs: Lifestyle entrepreneurs have developed an enterprise that fits their individual circumstances and style of life. Their basic intention is to earn an income for themselves and their families.
**Growth Entrepreneurs:** Growth entrepreneurs have both the desire and ability to grow as fast as large as possible.

**Opportunist Entrepreneurs:** Opportunist entrepreneurs are those who have grabbed an opportunity which has come in their way.

**E-Entrepreneurs:** The new electronic or e-entrepreneur is mostly concerned with "click-through schemes and capturing eye-balls." The e-entrepreneur comes in many modes. Young and ambitious, older and corporate based, international and risk taking.

**Mompreneurs:** Homemaker entrepreneur is a mompreneur. Entrepreneurship is one way for women to get around corporate glass ceiling (not everyone can do an Indra Nooyi). It also gives them the flexibility to care for the home while avoiding barriers — and bosses — who come with traditional jobs, although there are bound to be other hurdles. For the 21st century women, there's no business like own business.

**The New Kingmakers Entrepreneurs:** The Indian economy is blooming and spreading its wings beyond its borders. To fulfill their growth aspirations there is need for corporate leaders to lead. With India Inc. in the throes of a top-level talent crunch, headhunters hold the keys to the corner office. A new breed of new kingmaker (headhunters) entrepreneurs have emerged.

**Professor Entrepreneurs:** It requires guts, motivation, inspiration, business sense, financial backing, among other traits to be an entrepreneur. A few characteristics are inborn and a few, taught. But somewhere down the line, the professors who play a vital role in the lives of the budding visionaries fade away and get lost in history books. What remains etched in our minds are the names of the people who stormed the world to set up vast empires of businesses. Ever thought of the people responsible behind the success of these entrepreneurs? Meet Prof. Radha Iyer, Prof. Suresh Rao and Prof. Arya Kumar who left their illustrious corporate careers and turned to academics to give direction to budding entrepreneurs. They are the pioneers in creating ‘entrepreneurship’ courses in their respective institutes thereby giving the visionaries a platform to hone and learn the skills to make the perfect kill!

### 1.2.4 FUNCTIONS OF ENTREPRENEURS

Entrepreneurs is an opportunity seeker. He is also the organiser and coordinator of the agents of production. He has to execute many a good functions while establishing a small-scale enterprise. He not only perceives the business opportunities but also mobilises the other resources like 5 Ms — man, money, machine, materials and methods. However, the main functions of the entrepreneurs are discussed further.

**1. Idea generation:** This is the most important function of the entrepreneur. Idea generation can be possible through the vision, insight, observation, experience, education, training and exposure of the entrepreneur. Idea generation precisely implies product selection and project identification. Ideas can be generated through environmental scanning and market survey. It is the function of the entrepreneurs to generate as many ideas as he can for the purpose of selecting the best business opportunities which can subsequently be taken up by him as a commercially-viable business venture.
2. **Determination of objectives:** The next function of the entrepreneur is to determine and lay down the objectives of the business, which should be spelt out on clear terms. In other words, entrepreneur should be very much clear about the following things:

   (i) The nature of business
   (ii) The type of business

   This implies whether the enterprise belongs to the category of a manufacturing concern or a service-oriented unit or a trading business, so that the entrepreneurs can very well carry on the venture in accordance with the objectives determined by him.

3. **Raising of funds:** Fund raising is the most important function of an entrepreneur. All the activities of a business depend upon the finance and its proper management. It is the responsibility of the entrepreneur to raise funds internally as well as externally. In this matter, he should be aware of the different sources of funds and the formalities to raise funds. He should have the full knowledge of different government sponsored schemes such as PMRY, SGSY, REGP, etc. by which he can get Government assistance in the form of seed capital, fixed and working capital for his business.

4. **Procurement of raw materials:** Another important function of the entrepreneur is to procure raw materials. Entrepreneur has to identify the cheap and regular sources of supply of raw materials, which will help him to reduce the cost of production and face the competition boldly.

5. **Procurement of machinery:** The next function of the entrepreneurs is to procure the machineries and equipments for establishment of the venture. While procuring the machineries, he should specify the following details:

   (a) The details of technology
   (b) Installed capacity of the machines
   (c) Names of the manufacturers and suppliers
   (d) Whether the machines are indigenously made or foreign made
   (e) After-sales service facilities
   (f) Warranty period of the machineries.

   All these details are to be minutely observed by the entrepreneurs.

6. **Market research:** The next important function of the entrepreneur is market research and product analysis. Market research is the systematic collection of data regarding the product which the entrepreneur wants to manufacture. Entrepreneur has to undertake market research persistently in order to know the details of the intending product, i.e., the demand for the product, the supply of the product, the price of the product, the size of the customers, etc. while starting an enterprise.

7. **Determination of form of enterprise:** The function of an entrepreneur in determining the form of enterprise is also important. Entrepreneur has to decide the form of enterprise based upon the nature of the product, volume of investment, nature of activities, types of product, quality of product, quality of human resources, etc. The chief forms of ownership organisations are sole proprietorship, partnership, joint stock company and cooperative society. Determination of ownership right is essential on the part of the entrepreneur to acquire legal title to assets.
8. Recruitment of manpower: Entrepreneur has to perform the following activities while undertaking this function:

(a) Estimating manpower need of the organisation.
(b) Laying down of selection procedure.
(c) Devising scheme of compensation.
(d) Laying down the rules of training and development.

9. Implementation of the project: Entrepreneur has to work on the implementation schedule or the action plan of the project. The identified project is to be implemented in a time-bound manner. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time overrun, as well as competition. Thus, implementation of the project is an important function of the entrepreneur.

To conclude with, all these functions of the entrepreneur can precisely be put into the following categories:

(i) Innovation
(ii) Risk bearing
(iii) Organisation and management

1.2.5 QUALITIES OF AN ENTREPRENEUR

A true entrepreneur besides possessing functional qualities, must also possess a broad personality which help in developing initiative and drive to accomplish great tasks and face challenges squarely.

James J. Berne has stressed the following qualities of a good entrepreneur:

1. He is an enterprising individual, is energetic, hardworking, resourceful, aware of new opportunities and able to adjust himself to changing conditions with ease and willing to assume risks involved in change.
2. He is interested in advancing technologically and in improving the quality of his product or service.
3. He is interested in expanding the scale of his operations by reinvesting his earnings.
4. He visualises changes and adapts to changing conditions.
5. He is a firm believer in planning and systematic work.
6. He works for the society at large and for the good of his fellow-beings.

These qualities sum up, what is usually implied from the phrase, the “spirit of enterprise.” It is difficult to conceivers of a first-rate industrial entrepreneur who is not adaptable to change, anxious to grow large and improve technologically.

Entrepreneurship appears as a personal quality which enables certain individuals to make decision with far-reaching consequences. The personal qualities that contribute to the success of an entrepreneur are as follows:
1. Motivation Towards Achievement: A successful entrepreneur should be a good administrator. He should know the art of getting things done by other people without hurting their feelings or self-respect. He should have a strong motivation towards the achievement of a task and must be able to exert considerable efforts in getting things done by others.

2. Creativity: Mental ability consists of intelligence, an analytical approach and creative things. An entrepreneur should have creative thinking and be able to engage in the analysis of various problems and situations in order to deal with them. The entrepreneur should anticipate changes and must be able to study various situations in which decisions may have to be made.

3. Clarity: An entrepreneur should have clear objective as to the exact nature of the business, the nature of the goods to be produced and the subsidiary activities to be undertaken.

The qualities of an entrepreneur are given in Fig. 1.3.

Kilby has rightly enumerated the following activities for a successful entrepreneur in an underdeveloped economy:

1. Perception of market opportunities (novel or imitative).
2. Gaining command over scarce resources.
3. Purchasing of inputs.
4. Marketing of the product and responding effectively to competition.
5. Dealing with public bureaucracy as regards concessions, licences, taxes, etc. provided through the various fiscal policies of the government.
6. Management of the human relations within the enterprise.
7. Management of customer and supplier relations.
9. Production management, including control through written records, supervision, coordinating input flows with orders, maintenance.
10. Acquiring and overseeing assembly of the plant.
11. Taking care for minimising inputs for a given production process.
12. Maintaining the production process and improving the quality of the product.
13. Introduction of new production techniques and product lines.

B.C. Tandon states that successful entrepreneurs possess following four qualities:
(i) He is enough risk bearer.
(ii) He is ready to adopt change, if the situations warrant.
(iii) He has ability to Marshall resources at his command.
(iv) He is a good organiser as well as a good manager.

1.2.6 ENTREPRENEURIAL SKILLS

To deal with entrepreneurial skills is to concern oneself with a wide coverage of aspects of setting up an enterprise and its management. It is not confined to visualisation, planning, setting-up and risk-taking. The skills which an entrepreneur includes are his ability to deal with situations, organisations and social and economic forces as they emerge from time to time. The skills to deal with a situation fore-visualised or suddenly emerging must be an essential characteristic of an entrepreneur.

The small entrepreneur must have skills to positive response from administrators, bankers, infrastructure institutions, clients and employees.

```
<table>
<thead>
<tr>
<th>Skills</th>
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<tbody>
<tr>
<td>Visualisation</td>
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<tr>
<td>Planning</td>
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<tr>
<td>Risk-taking</td>
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<tr>
<td>Ability to deal with situations</td>
</tr>
<tr>
<td>Organisation</td>
</tr>
<tr>
<td>Elicit positive response from administrators, bankers, infrastructure institutions, clients and employees</td>
</tr>
<tr>
<td>Understanding of marketing, quality control, finance, banking, commercial law, government regulations and procedures, taxation and human relations</td>
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<tr>
<td>Awareness of technology, tools and equipment and machinery</td>
</tr>
<tr>
<td>Knowledge of the product, processes, packaging, advertising and market potential</td>
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</tbody>
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Fig. 1.4: Entrepreneurial Skills

The entrepreneur is rarely a master of the management skills, and yet is usually directly responsible for all aspects of business. Often he or she has to be the general manager, production manager, purchasing manager, personnel manager, controller and research organiser for the business all rolled into at least during its early years. The entrepreneur therefore has to have an understanding of marketing, quality control, finance, banking, commercial law, government regulations and procedures, and human relation as each of them has a vital bearing on the health of the enterprise.
<table>
<thead>
<tr>
<th>The Skills Needed</th>
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<tbody>
<tr>
<td>• Individual skills</td>
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<tr>
<td>• Functional skills specific to jobs</td>
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<td>• Knowledge skills</td>
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<tr>
<td>• Analytical skills</td>
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<tr>
<td>• Problem solving skills</td>
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<td>• Negotiation skill</td>
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<tr>
<td>• Out of the box thinking skills</td>
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<tr>
<td>• Interpersonal skills/communication skills</td>
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<td>• Business skills</td>
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<td>• Management skills</td>
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<td>• Behavioural skills</td>
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<td>• Learning skills</td>
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<tr>
<td>• Planning and implementation skills</td>
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<tr>
<td>• Ability to relate/understand desperate information/technology to develop new product/process service ideas</td>
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<tr>
<td>• Flexibility to work under unstructured/fast changing environment</td>
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<tr>
<td>• Risk Management</td>
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<table>
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<tr>
<th>Group Skills</th>
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<tbody>
<tr>
<td>• Ability to work together</td>
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<td>• Ability to learn together</td>
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<tr>
<td>• Ability to use task forces/project teams</td>
</tr>
<tr>
<td>• Ability to work in unstructured situation</td>
</tr>
<tr>
<td>• Ability to work with &quot;tight&quot; resource base</td>
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</table>

<table>
<thead>
<tr>
<th>Technical Skills</th>
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<tbody>
<tr>
<td>• Writing</td>
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<tr>
<td>• Oral communication</td>
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<tr>
<td>• Monitoring environment</td>
</tr>
<tr>
<td>• Technical business management</td>
</tr>
<tr>
<td>• Technology</td>
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<tr>
<td>• Interpersonal</td>
</tr>
<tr>
<td>• Listening</td>
</tr>
<tr>
<td>• Ability to organise</td>
</tr>
<tr>
<td>• Network building</td>
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<tr>
<td>• Management style</td>
</tr>
<tr>
<td>• Coaching</td>
</tr>
<tr>
<td>• Being a team player</td>
</tr>
</tbody>
</table>
Business Management Skills
- Planning and goal setting
- Decision-making
- Human relations
- Marketing
- Finance
- Accounting
- Management
- Control
- Negotiation
- Venture launch
- Managing growth

Personal Entrepreneurial Skills
- Inner control/disciplined
- Risk taker
- Innovative
- Change oriented
- Persistent
- Visionary leader
- Ability to manage change

Enterprise Skills
- Identify value creating processes and capabilities that leads to either differentiation or cost or both
- Market sensing skill
- Creating/setting new direction/vision
- Pulling in place a right organisational structure/systems/physical infrastructure
- Selecting the right people
- Inculcating ethics/principle centred management
- Encouraging subsidiaries/departments/functions to innovate
- Establishing networks and alliance
- Set clearly defined goals
- Never waiver in your belief that you can achieve them
- Manage your attitude and discipline
- Persevere when adversity strikes
- Learn to take risks and embrace change
- Love and be loved
- Make a difference whenever, wherever, and however, you can
INTRODUCTION

Behavioural Skills

- Motivation
- Judgement
- Resilience
- Initiative
- Team working
- Self Management
- Self confidence
- Improvement Reorientation
- Trust yourself
- Initiative taking

Call it a premonition, an instinct, a feeling — whatever you label it, it's your intuition talking. Intuition by definition is quick and ready insight. The more you practice identifying, listening to, and acting on your intuition, the more you'll trust your instincts in the future, which is the first step to building the life you truly want. Once you know where you want to go, intuition will show you how to get there. So, tune into your intuition and go with your gut.

Communication Skills

- Be flexible
- Able to identify an opportunity to communicate
- Don't blow your own trumpet
- Put your intelligence into words
- Emphasise on the issue
- Communicate well
- Communicate with illustrations
- Interact effectively
  (i) self-awareness
  (ii) empathy
  (iii) responsiveness
  (iv) alertness
  (v) timeliness
  (vi) proficiency
  (vii) clarity
  (viii) focus
  (ix) compassionation
  (x) positive attitude
  (xi) dissemination
  (xii) presentation
  (xiii) listen willingly
Entrepreneurship

### Listening Skills
- Listen without the intervention of any thoughts
- Pay more attention to others
- Establish rapport
- Actively listen

### Soft Skills
- Using your knowledge effectively
- Clarity in expressions
- Read a lot
- Rapport building
- Be alive and alert
- Good knowledge of English
- Step out of the box, physically and mentally
- Take the lead

### 1.2.7 ENTREPRENEURIAL COMPETENCIES

According to a recent study, it was found out that possession of certain competencies or abilities result in superior performance. An entrepreneur may possess certain competencies and at the same time it is possible to develop these through training, experience and guidance. Various competencies required for superior performance were identified during the study and are as under:

1. **Initiative:** It is an inner urge in an individual to do or initiate something. There is popular saying ‘Well begun is half done.’ It is the entrepreneur who takes or initiates the first move towards setting up of an enterprise. Most of the innovators have got this urge to do something different. Entrepreneur basically is an innovator who carries out new combinations to initiate and accelerate the process of economic development.

2. **Looking for Opportunity:** An entrepreneur is always on the look out or searching for opportunity and is ready to exploit it in the best interests of the organisation.

3. **Persistence:** An entrepreneur is never disheartened by failures. He believes in the Japanese proverb ‘Fall seven times, stand up eight.’ He follows Try-Try Again for overcoming the obstacles that come in the way of achieving goals.

4. **Information Seeker:** A successful entrepreneur always keep his eyes and ear open and is receptive to new ideas which can help him in realising his goals. He is ready to consult expert for getting their expert advise.

5. **Quality Consciousness:** Successful entrepreneur do not believe in moderate or average performance. They set high quality standards for themselves and then put in their best for achieving these standards. They believe in excellence, which is reflected in everything they do.

6. **Commitment to Work:** Successful entrepreneurs are prepared to make all sacrifices for honouring the commitments they have made. Whatever they commit, they take it as a moral binding for honouring their commitments, irrespective of the costs involved.
7. **Commitment to Efficiency:** Top performers are always keen to devise new methods aimed at promoting efficiency. They are keen to evolve and try new methods aimed at making working easier, simpler, better and economical.

8. **Proper Planning:** Successful entrepreneurs develop or evolve future course of action keeping in mind the goals to be realised. They believe in developing relevant and realistic plans and ensure proper execution of the same in their pursuit of attaining their goals.

9. **Problem Solver:** Successful entrepreneurs take problem as a challenge and put in their best for finding out the most appropriate solution for the same. They will first of all understand the problem and then evolve appropriate strategy for overcoming the problem.

10. **Self Confidence:** Top performers are not cowed down by difficulties as they believe in their own abilities and strengths. They have full faith on their knowledge, skill and competence and are not worried about future uncertainties.

11. **Assertive:** An assertive person knows what to say, when to say, how to say and whom to say. He believes in his abilities and ensures that others fall in line with his thinking, aimed at promoting the interests of the organisation.

12. **Persuasive:** A successful entrepreneur through his sound arguments and logical reasoning is in a position to convince others to do the works the way he wants them to do. It is not physical but intellectual force he will use for convincing others.

13. **Effective Monitoring:** Top performers ensure that everything is carried out in their organisations as per their wishes. They ensure regular monitoring of the working so that the goals of the organisation are achieved in best possible manner.

14. **Employees Welfare:** Future of the organisation depends on its employees. If the employees are dedicated, committed and loyal, the organisation is bound to perform well. A successful entrepreneur tries to promote organisation’s interests through promotion of interests of the workers. He takes personal interest in solving problems confronting workers and generates the feeling that there is interdependence of the interests of workers and the management.

15. **Effective Strategist:** A successful entrepreneur possesses the ability to evolve relevant strategy, aimed at safeguarding or promoting organisation’s interests. Strategy may be with respect to facing future uncertainties or challenges posed by competitors.

### 1.2.8 DEVELOPING ENTREPRENEURIAL COMPETENCIES

Entrepreneurial success depends upon entrepreneur’s qualities or competencies. There are certain inborn qualities while certain others can be acquired through education and training. This fact has been amply demonstrated in Kakinda Experiments conducted by Prof. Davis C. McClelland. Competencies have direct bearing on human behaviour and performance. Various competencies can be cultivated or developed in the following way:

1. **Gaining first hand knowledge about Competencies:** Various competencies cannot be cultivated without clearly understanding their meaning, significance and relevance. An earnest attempt must be made to understand at length the various competencies which are required for the efficient performance of the assigned task.
2. **Competency Recognition:** An individual’s behaviour or performance depends upon the competencies he possesses. Therefore in order to get desired behaviour we should be in a position to know as to what are the competencies required in the individuals to perform in a particular manner. Under this step an effort is made to recognise the competencies.

3. **Self Assessment:** After getting clear cut idea about the competencies required for a particular type of behaviour, it is for the entrepreneur to see as to what extent he possesses these competencies and to what extent he is employing these competencies for achieving the desired goal.

4. **Comparison of Competencies:** The next step is to compare individual competencies with the competencies required for the desired performance. Wherever we find deficiencies an earnest attempt is made to find out the reasons for the same.

5. **Developing Competencies and Feedback:** Once it is realised that an individual does not possess a particular competency required for a particular type of behaviour, the next step will be to develop this competency. Assistance from various behavioural scientists may be taken for devising out ways and means for developing the required competency. In order to ensure that the required competency becomes part of the individual’s behaviour, he is asked to practise the needed competency repeatedly. Lastly an attempt is made to know as to what extent change in individual behaviour has taken place due to acquiring of the requisite competency and to what extent it has been useful. It is through continuous application that one can ensure that the desired competency becomes part of his habit or personality.

6. **Motivation:** If the entrepreneur is to succeed and build an effective organisation to excel in global competitiveness he should be motivated as well as motivate the team. “The ability to keep yourself and your team motivated is very important because it has a direct impact on individual and organisational productivity,” says Edsil Coutinho who runs a logistical supply company and manages about 1000 people. “For example, there are times when you need people to put in long hours, often without the promise of a reward. During such times, it is important to keep them motivated. Even if the situation is bleak, the leader should take it upon oneself to motivate others and see the bright side of the problem.” There are several motivational practices available at the hands of entrepreneurs.

   - Most powerful motivators are rewards which in themselves include four types: membership and seniority, job status, competency and performance.
   - Job design — the process of assigning tasks to a job—can be an effective tool to motivate employees. There are six approaches to job design: job rotation, job enlargement, job enrichment, social technical systems and ergonomics.
   - OB Mod is based on the principle of law of effect. The principle states that repetition of a behaviour depends upon its earlier consequences.
   - If consequences of the previous action are positive, the behaviour tends to get repeated. Being based on the principle of law of effect, OB Mod acts as a powerful motivator.
   - Empowerment is another motivational practice. Empowerment makes employees believe that they own the jobs.
   - Goal setting too is a powerful motivational practice. Performance goals, if properly set, will motivate employees considerably.
• Problem employees need to be given one more chance, probably by shifting them to a new work environment. If they fail to respond, suspension of workers and firing of managers need to be resorted to.
• Flexi time, MBO, flexible benefits and other such practices also help motivate employees.

1.2.9 ENTREPRENEUR vs. MANAGER

Sometimes, the two terms, namely, an entrepreneur and a manager are considered as synonymous. An entrepreneur starts a new enterprise whereas a manager runs it. There are many similarities between an entrepreneur and a manager. However, in some areas, they differ from each other.

<table>
<thead>
<tr>
<th>Basis of Difference</th>
<th>Entrepreneur</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motive</td>
<td>An entrepreneur starts a new enterprise and runs it.</td>
<td>A manager works in an enterprise established by an entrepreneur.</td>
</tr>
<tr>
<td>Status</td>
<td>An entrepreneur is the owner of the enterprise.</td>
<td>A manager is an employee of an enterprise.</td>
</tr>
<tr>
<td>Qualification</td>
<td>An entrepreneur does not necessarily require prescribed qualifications.</td>
<td>A manager must have to possess distinct qualifications.</td>
</tr>
<tr>
<td>Innovation</td>
<td>An entrepreneur innovates new ideas.</td>
<td>A manager applies entrepreneur’s ideas.</td>
</tr>
<tr>
<td>Risk taking</td>
<td>An entrepreneur bears all risks of the enterprise.</td>
<td>A manager does not bear the risk of the enterprise.</td>
</tr>
<tr>
<td>Motivation</td>
<td>An entrepreneur is motivated by profits.</td>
<td>A manager is motivated by salary and incentives.</td>
</tr>
<tr>
<td>Rewards</td>
<td>An entrepreneur gets profit as reward.</td>
<td>A manager gets salary as reward.</td>
</tr>
<tr>
<td>Change</td>
<td>An entrepreneur is a change agent.</td>
<td>A manager adopts change introduced by an entrepreneur.</td>
</tr>
</tbody>
</table>

1.2.10 ROLE OF ENTREPRENEURS IN ECONOMIC DEVELOPMENT

Entrepreneurs play a significant role in economic development of a country. According to Harbison, entrepreneurs are prime movers of innovation, growth and as such, entrepreneurship is a dynamic force. The important roles that an entrepreneur plays are as follows:

1. Innovator in Economic Growth

As an innovator, entrepreneur performs the following activities:
(i) Bringing about new ideas, combinations, products techniques, organisations, new markets, etc.
(ii) Making full use of technical knowledge for progress.
(iii) Systematic innovation.
(iv) Implementation of mechanical skills.
Thus, technology innovations and creativity played the crucial role in encouraging entrepreneurship and economic development.
Innovations give rise to utilisation of innovative talents which initiate and improve the economic growth in the following ways:
(a) Improvement in per capita income.
(b) Increase in capital formation.
(c) Generation of employment opportunities.
(d) Balanced growth.
(e) Improvement in standard of living.
(f) Economic independence.
(g) Backward and forward linkages.
(h) Technological advancement.
(i) Establishment of new form of organisation.
(j) Entrepreneurial competency development.

2. Generation of Employment Opportunities
Entrepreneurs play a significant role in generation of employment opportunities by
(i) establishing new units in manufacturing, trading and service sectors.
(ii) laying emphasis on village and cottage industries.
(iii) utilising the surplus labour force in varied industrial and/or service activities.
(iv) upholding self-employment as a core objective.

3. Complementing and Supplementing Economic Growth
The role of entrepreneurs not only complements but also supplements the economic growth of the country in the following manner:
(i) Generation of employment
(ii) Capital formation
(iii) Increasing per capita income
(iv) Improvement in physical quality of life
(v) Improvement in standard of living
(vi) Growth of infrastructural facilities
(vii) Initiating change in the economy
(viii) Forward and backward linkages
(ix) Development of backward areas
(x) Economic Independence.

4. Bringing about Social Stability and Balanced Regional Development of Industries

Entrepreneurs play a crucial and unique role in bringing about social stability and balanced regional development.

(i) Absorption of workforce in industries
(ii) Alleviation of poverty
(iii) Improving health and education
(iv) Glorification of self-help
(v) Checking monopolies
(vi) Equitable distribution of income
(vii) Creation of social infrastructures
(viii) Empowering women and weaker sections of the society
(ix) Supply of qualitative goods and services.

Focus on Weak Signals: The Next Practice

Entrepreneurs identify new opportunities by focusing on weak signals. They create new businesses by understanding the emerging competitive landscape, nebulous though it may be. Connecting the crisis of Y2K in the developed world with talent in India to create a new opportunity is a good example. As Y2K had a defined end point, Indian IT entrepreneurs leveraged their presence in US firms to move aggressively into converting their customers to a client-server architecture. The continuous ability to reinvent itself is the hallmark of the Indian IT industry. Entrepreneurs are always one step ahead and create what I call ‘The Next Practice.’ Focussing on ‘Next Practices’ is categorically different from benchmarking best practices. It is about fundamentally changing industry dynamics. We see the emerging evidence of a focus on next practices in the Indian pharmaceutical industry. By focusing on blockbuster drugs coming off patent, Indian industry is redefining the ‘generics space’ within the pharmaceutical landscape. Indian firms have forced global pharmaceutical companies to develop generic strategies themselves or partner with Indian firms to cope with the competitive challenges to their dominance.

Passion and Integrity

Entrepreneurship is also about passion and integrity. Without an obsession with an idea, it is difficult to create the future. It allows an entrepreneurial team to overcome obstacles. However, integrity is equally important. The whole organisation can only be energised if it shares a common passion and simultaneously sees its leaders as fair and trustworthy. The new generation of entrepreneurs in India, and those in the