

Entrepreneurship

(Text and Cases)



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(Text & Cases)

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P R E F A C E

Indian marketers today are excited and are facing challenges because of technology intensive, hyper competitive global business environment prevailing in the country. Their challenge is to take sound marketing decision in a complex environment. The student community who are interested in marketing career will also face the same challenges. These may be in a more complex situation, as it takes time for them to enter into career. This title “*Entrepreneurship*” provides them an opportunity to develop the skills necessary to meet the challenges.

Our customers are our readers, keeping this in mind and to add value to existing fund of knowledge in the students friends, we have taken this risk to write the subject lucidly, comprehensively and meaningfully, using out intellectual capital to enhance the intellectual capacities of our readers.

Though this basic work on theories, concepts and principles of marketing, students are promote in this work to assume the role of marketing executives. Graded questions are also given at the end of each chapter for self-study and better understanding of the theme of this title. Suggestion to improve the quality of work is welcome.

The present book would not have seen the light, but for the grace of God and the blessings and support of our family members and friends.

We have prepared the present book according to the Second Semester MBA, GTU. We sincerely invite careful suggestions from fellow teachers and expect a pat from seniors in field of teaching communication skills, which gives us extra strength to do more and more positive work.

We offer our gratitude to Himalaya Publishing House Pvt. Ltd, who is leader in commerce and Management publications. Our sincere regards to Mr. Niraj Pandey, Mr. Vijay Pandey and Mr. H. C. Pant for interest shown and for the best effort put forth by the matter of publication of this book.

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Ahmedabad

Feb., 2018

Authors

Syllabus

Module-1:

Entrepreneurship: Concepts, Importance; Characteristics of a Successful Entrepreneur, Problems faced by Entrepreneurs, Myths and Mindset, Theories & Types of Entrepreneur, Creativity, Innovation and Entrepreneurship, Gujarati Entrepreneur and Contribution to India and World Economy entrepreneur and Contribution to India and World Economyld Economy.

Module-2:

Setting Up A Small Business Enterprise- Identifying The Business Opportunity; Growth of a Business Idea; Business Opportunities In Various Sectors within Gujarat – Sector to watch for 2020; Environment Pollution Related Clearances Formalities For Setting Up of A Small Business Enterprise – Selection of a Project (Product/ Service Selection, Location Selection, Project Feasibility Study, Business Plan Preparation, Preparation of a Project Profile), Decide on the Constitution, Registration, Clearances from specific Departments, Arrange for Land, Arrange for Plant & Machinery, Arrange for Infrastructure, Prepare Project Report, Apply and Obtain Finance, Implement the Project & Obtain Final Clearances.

Module-3:

Institutions Supporting Business Enterprises: Introduction, Central – level Institutions, State –level Institutions, Other Institutions, Process of raising finance from Bank and Other Institutes

Micro, Small, and Medium Enterprises (MSME): Role and Importance, Concepts and Definitions, The MSMED Act 2006, Growth & Development of MSME in India and Gujarat, Current Schemes for MSME of Gujarat, Problems facing the MSME Sector, Role of Clusters in Promoting MSME

Business Turnaround Strategies: Specific Management Problems, Definition of Sickness, Industrial Sickness in India, Symptoms of Industrial Sickness, Rehabilitation of Sick Units.

Module-4:

Government of India / State Government Schemes: Initiatives for Start-up India, Stand up India and Skill India, Government of Gujarat schemes for promoting MSME and Start-up, Start-up ecosystem and start-up support at Gujarat, Stand-up India: Women and Minority Entrepreneurship Ease of Doing Business (EoDB) – Overview, Ranking, Determinants of EoDB Legal & Tax Compliances in doing Business in India – Tax related Issues in doing business in India, Corporate Tax, Profession Tax, Import – Export Code (IE Code), Registering for a business number and Introduction to Goods & Services Tax (GST).

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Arrange for Infrastructure
Prepare Project Report
Apply & Obtain Finance
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Module - 1

Entrepreneurship

Highlights

Entrepreneurship
Concepts of Entrepreneurship
Importance of Entrepreneurship
Characteristics of a Successful Entrepreneur
Problems faced by Entrepreneurs
Myths and Mindset
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Types of Entrepreneur
Creativity
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Gujarati Entrepreneur
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ENTREPRENEURSHIP

INTRODUCTION

The concept of entrepreneurship is a complex phenomenon. Broadly it relates to the entrepreneur, his vision and its implementation. Entrepreneurship refers to a process of action undertaken by an entrepreneur to establish an enterprise. It is a creative activity and response to the environment. It is more concerned with the ability to minimize the use of resources to maximize advantages. Entrepreneurship is the ability of the mind to take calculated risk with confidence to achieve a predetermined business objective. It is a multi-dimensional task performed by an entrepreneur to develop and to maintain economic growth. An entrepreneur is one who creates a new business in the face of risk and uncertainty of achieving profit and growth. An entrepreneur is one of the important segments of economic growth. Basically, an entrepreneur is a person who is responsible for setting up a business or an enterprise. Thus, entrepreneurship is a complex phenomenon. Some kinds of entrepreneurs are primarily innovators, some act as managers of enterprises. Some as bearers of risk and other place major emphasis on their function as mobiliser and allocators of capital.

The word entrepreneur is derived from the French word 'entreprendre'. It means 'to undertake'. In the early 16th century the Frenchmen who organized and led military expeditions were referred to as entrepreneurs. Around 1700 A.D the term was used for architects and contractors of public works. Quesney regarded the rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence, skill and wealth. The French economist Cantillon applied the term entrepreneur to business initially in the 18th century, to designate a dealer who purchases the means of production for combining them into marketable products. Frenchman J.B. Say expanded on Cantillon's ideas and conceptualized an entrepreneur as an organizer of business firm central to its distributive and productive functions.

Entrepreneurs play very important role in socio-economic welfare of the country. They identify the needs of the business, purchase the other factors of production and coordinate them for some productive purposes. They are the innovators, researchers and risk-takers of the company. Due to the mixed economy in India, both public and private entrepreneurship exists here. Large scale sectors are under the public entrepreneurship. The middle and small scale sectors are under the private entrepreneurship.

Definition of Entrepreneurship

According to *A H Cole*, "Entrepreneurship is the purposeful activities of an individual or a group of associated individuals who undertake to initiate and maintain or organize a profit oriented business unit for the production or distribution of economic goods and services. It means the function of creating something new organizing, co-ordinating and undertaking risk and handling economic uncertainties".

According to *Peter Drucker*, "Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. The end largely

defines indeed what constitutes knowledge in practice i.e. by the practice”.

According to *Richard Cantillon*, “Entrepreneurship can be defined as self employment of any sort. Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future”.

According to *Bernard Belidor*, “Entrepreneurship is applied to the function of buying labour and material and uncertain prices and selling the resultant product at contracted price”.

According to *Entrepreneurship Centre at Ohio University*, “Entrepreneurship is the process of identifying, developing and bringing a vision to life. The vision may be an innovative idea, an opportunity or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty”.

According to *Heggins*, “Entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top managers of day-to-day operations.

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

Meaning of Entrepreneurship

Entrepreneurship refers to the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit.

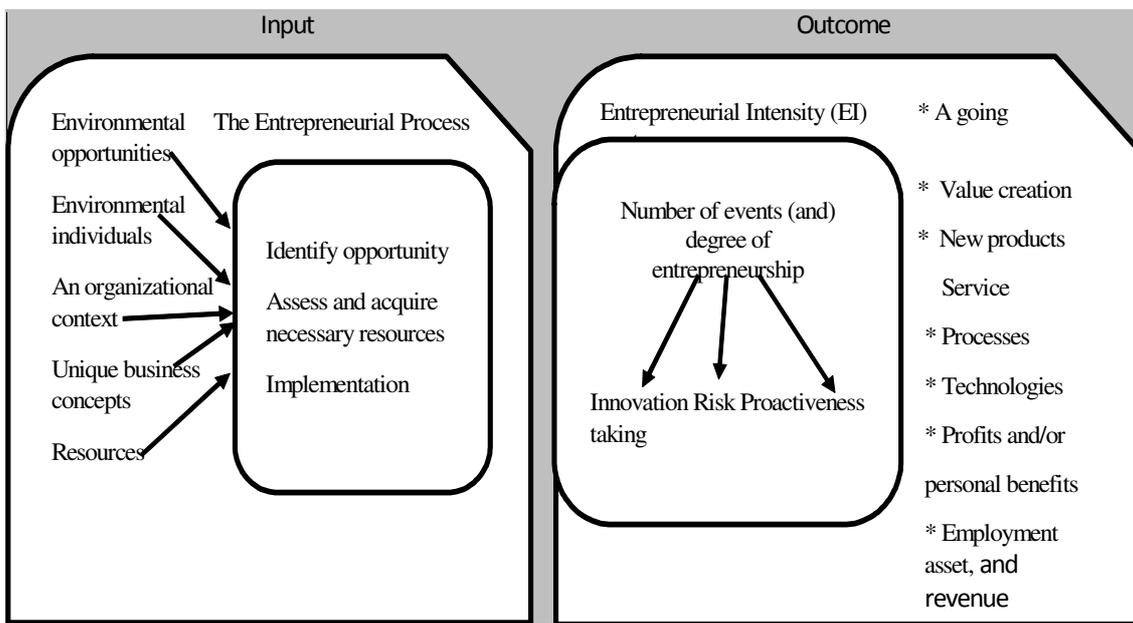
CONCEPT OF ENTREPRENEURSHIP

Entrepreneurship is a creative human act involving the mobilization of resources from a lower level of productive use to a higher level of use. “It is the process by which the individuals pursue opportunities without regard to resources currently controlled.” Entrepreneurship involves willingness to take responsibility and ability to put mind to a task and see it through from inception to completion. Another ingredient of entrepreneurship is exploiting opportunities, while others see chaos, contradiction and confusion. Essence of Entrepreneurship is going against time with maturity and serving as a change agent. Entrepreneurship is an outcome of the development process, which also encompasses the emergence of economic and social innovations.

An “Integrative” Approach

A more integrative picture of the entrepreneurial process is provided by Morris et al. Presented in Figure, this model is built around the concepts of input to the entrepreneurial process and outcomes from the entrepreneurial process. The input component of Figure focuses on the entrepreneurial process itself and identifies five key elements that contribute to the process. The first is environmental opportunities, such as a demographic change, the development of a new technology or a modification to current regulations. Next is the individual entrepreneur, the person who assumes personal responsibility for conceptualizing and

implementing a new venture. The entrepreneur develops some type of business concept to capitalize on the opportunity (e.g., a creative approach to solving a particular customer need). Implementing this business concept typically requires some type of organizational context, which could range from a sole proprietorship run out of the entrepreneur's home or a franchise of some national chain to an autonomous business unit within a large corporation. Finally, a wide variety of financial and nonfinancial resources are required on an on-going basis. These key elements are then combined throughout the stages of the entrepreneurial process. Stated differently, the process provides a logical framework for organizing entrepreneurial inputs.



An Integrative Model of Entrepreneurial Inputs and Outcomes

Source: Michael H Marris, P. Lewis and Donald L Sexton, "Reconceptualizing *Entrepreneurship*: An Input-output perspective," SAM advanced management journal 59(1) (winter 1994): 21-31.

The output component of figure first includes the level of entrepreneurship being achieved. Entrepreneurship is a variable. Thus, the process can result in any number of entrepreneurial events and can produce events that vary considerably in terms of how entrepreneurial they are. Based on this level of "entrepreneurial intensity," final outcomes can include one or more going ventures, value creation, new products and processes, new technologies, profit, jobs, and economic growth. Moreover, the outcome can certainly be failure and thereby bring about the economic, psychic, and social costs associated with failure.

This model not only provides a fairly comprehensive picture regarding the nature of entrepreneurship, but can also be applied at different levels. *For example*, the model describes the phenomenon of entrepreneurship in both the independent start-up company and within a department, division or strategic business unit of large corporation.

NEED FOR ENTREPRENEURSHIP

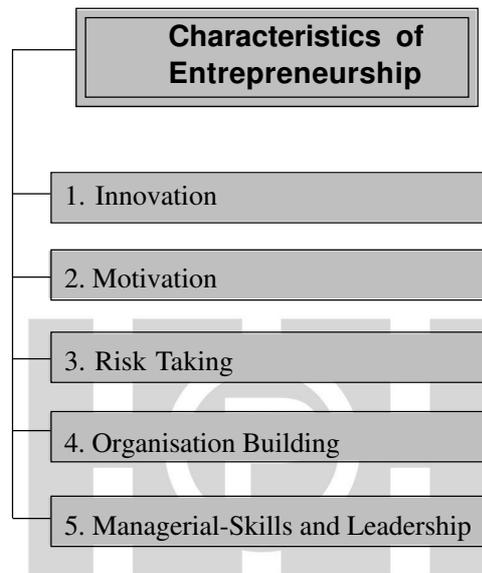
In a country like India social and cultural issues hold their importance besides issues related to infrastructure. Any innovation to succeed in our society needs to be accepted by our value systems and cultural issues. An acceptance by the mass in itself is a kind of social innovation. Further, in our country, where the population is more concerned about making both ends meet, entrepreneurial activity will achieve sustainability only when support is provided both at the societal and governmental levels.

Entrepreneurial competence makes all the difference in the rate of economic growth. In India, state and private entrepreneurship coexist. The small scale industrial sector and business are left completely to private entrepreneurs. It is, therefore necessary to identify some the vital needs of entrepreneurship. Some are listed below:

1. **Prompting entrepreneurship:** In India, where over 70 percent of the people are living below the poverty line. It is simply impossible for any government to provide means of livelihood to everyone. Such situations surely demand for a continuous effort from the society, where the people are encouraged to come up with their entrepreneurial initiative.
2. **Encouragement at attitudinal and social level:** In the future innovation and entrepreneurship needs to be encouraged at social levels, governmental levels and managerial levels. There must be a social attitude that views innovations with positive attitude and reject an innovation only when it is not acceptable.
3. **Encouragement at physical level:** At this level the encouragement will refer to two aspects necessary for entrepreneurship to thrive, one is the provision of venture capital and the other being infrastructure rural support. *For example*, is Export Processing Zones which are performing extremely well when given the support.
4. **Entrepreneurship in the future:** The transformation of opportunity into performance is contingent on several factors like industry attractiveness, strategy, execution and required resources. These factors in effect are again influenced by social and physical factors.
5. **Opportunities:** There can be various avenues for innovation like:
 - (i) Education is a sector, which is waiting for an entrepreneur to exploit the possibilities; especially in the country like India where in addition to the rural areas the small towns also are found lacking the right kind of infrastructure for education.
 - (ii) In the area of health, the entrepreneur may look into establishing hospital.
 - (iii) There is a opportunity of entrepreneurial activity in India because even today only 30% of the agricultural area is irrigated and the rest depends on monsoon.
 - (iv) Small entrepreneurship has tremendous potentials. Association like self-help guys, Self-Employed Women Association (SEWA) is a striking example of entrepreneurship at the grass root level.
 - (v) An initiative of marketing in traditional sectors like handloom and the unorganized industries will bring in ways for development of entrepreneur ship.

6. **Future perspective:** Entrepreneurship as in the past will determine technical innovations, status of social institutions and political management systems. On the basis of these factors, one can expect the future to be a place where basic needs will remain and only the wants will change.
7. **Social and economic perspectives on entrepreneurship:** Entrepreneurship is reflected in all the major dimensions of civilization viz. social, political and economic. It involves creativity that is consistent with the healthy edge required to change the basis of competition.

CHARACTERISTICS OF ENTREPRENEURSHIP



The Characteristics of entrepreneurship are as follows:

1. **Innovation:** The process of commercialising an invention is innovation. *For example*, Steam as an alternative source of energy was invented as early as AD 100. Later, in 1712, when it was used to run engines then the process was called innovative.

Innovation is a critical aspect of entrepreneurship. Entrepreneurs always try to create new and different values and get satisfaction in doing so. They try to convert a material into a resource or, combine the existing resources in a new and more productive manner. The act of innovation thus provides resources with a new capacity to create wealth.

In simple words, in business activity, novelty may take any one or a combination of the following:

- a) New products;
- b) New methods of production;
- c) New markets;
- d) New sources of raw material; or
- e) New forms of organisation.

2. **Motivation:** It is the need to achieve that motivates a person. Entrepreneurs generally are highly active. They struggle constantly to achieve something better than what they already have. They like to be different from others and are ready to work hard to reach their goal. Persons experiencing constant need to achieve always try to understand their strengths and weaknesses. This enables them to seek external help whenever needed. Entrepreneurial persons seek rewards or returns earned through their own efforts and do not depend upon 'luck'.
3. **Risk Taking:** Risk-taking implies taking decisions under conditions where the reward on a certain action is known, but the occurrence of the event is uncertain. While doing so, an entrepreneur becomes responsible for the result of the decision. This responsibility however cannot be insured against failure.
4. **Organisation Building:** Organisation building ability is the most critical skill required for industrial development. This skill means the ability to 'multiply oneself by effectively delegating responsibility to others. Entrepreneurs need not necessarily be the men with ideas or men who try new combinations of resources but they may simply be good leaders and excellent administrators.
5. **Managerial-Skills and Leadership:** According to Hoselitz, managerial skills and leadership are the most important facets of entrepreneurship. Financial skills are only of secondary importance.

Only a strong desire to make profit is not enough to succeed in entrepreneurship. Entrepreneurship can develop in a society where its culture permits a variety of choices and where social processes are not rigid. The social conditions should encourage the development of enterprise. There are innumerable cases, in entrepreneurial history, of firms, which failed because their founders could not function as managers or feared to enlist the services of managers when required.

NATURE OF ENTREPRENEURSHIP

Entrepreneurship is the process of creating something new with values by devoting the necessary time and effort, starting new organizations, particularly new businesses generally in response to identified opportunities. Entrepreneurship is often a difficult undertaking, as a majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organization that is being started. Entrepreneurship may involve creating many job opportunities, assuming the accompanying financial, psychic, social risks and receiving the resulting rewards of monetary and personal satisfaction and independence.

Many "high-profile" entrepreneurial ventures seek venture capital in order to raise capital to build the business. Many kinds of organizations now exist to support would-be entrepreneurs, including specialized government agencies, business incubators, science parks, and some NGOs.

According to *Peter Drucker* entrepreneurship is about taking risk. The entrepreneur is the kind of person that is willing to put his career and financial security on the line for an idea, spending his time and capital in an uncertain venture. Entrepreneurship is that it is the process of

discovering, evaluating and exploiting opportunities. Entrepreneurship is a creative human act involving the mobilization of resources from one level of productive use to a higher level of use. "It is the process by which the individual pursue opportunities without regard to resources currently controlled." Entrepreneurship involves willingness to take responsibility and ability to put mind to a task and see it through from inception to completion. Another ingredient of entrepreneurship is sensing opportunities, while others see chaos, contradiction, and confusion. Essence of Entrepreneurship is going against time with maturity and serving as a change agent. Entrepreneurship is an outcome of the development process, which also encompasses the emergence of economic and social innovations.

i) Interest and Vision

The first factor for entrepreneurial success is interest. Since entrepreneurship pays off according to performance rather than time spent on a particular effort, an entrepreneur must work in an area that interests her. Otherwise, she will not be able to maintain a high level of work ethic, and she will most likely fail. This interest must also translate into a vision for the company's growth. Even if the day-to-day activities of a business are interesting to an entrepreneur, this is not enough for success unless she can turn this interest into a vision of growth and expansion. This vision must be strong enough that she can communicate it to investors and employees.

ii) Skill

All of the interest and vision cannot make up for a total lack of applicable skill. As the head of a company, whether he has employees or not, an entrepreneur must be able to wear many hats and do so effectively. For instance, if he wants to start a business that creates mobile games, he should have specialized knowledge in mobile technology, the gaming industry, game design, mobile app marketing or programming.

iii) Investment

An entrepreneur must invest in her company. This investment may be something less tangible, such as the time she spends or the skills or reputation she brings with her, but it also tends to involve a significant investment of assets with a clear value, whether they be cash, real estate or intellectual property. An entrepreneur who will not or cannot invest in her company cannot expect others to do so and cannot expect it to succeed.

iv) Organization and Delegation

While many new businesses start as a one-man show, successful entrepreneurship is characterized by quick and stable growth. This means hiring other people to do specialized jobs. For this reason, entrepreneurship requires extensive organization and delegation of tasks. It is important for entrepreneurs to pay close attention to everything that goes on in their companies, but if they want their companies to succeed, they must learn to hire the right people for the right jobs and let them do their jobs with minimal interference from management.

v) Risk and Rewards

Entrepreneurship requires risk. The measurement of this risk equates to the amount of time and money you invest into your business. However, this risk also tends to relate directly to the rewards involved. An entrepreneur who invests in a franchise pays for someone else's business plan and receives a respectable income, while an entrepreneur who undertakes groundbreaking innovations risks everything on an assumption that something revolutionary will work in the market. If such a revolutionary is wrong, she can lose everything. However, if she is right, she can suddenly become extremely wealthy.

DIFFERENT PHASE OF ENTREPRENEURSHIP

Like all processes, the entrepreneurial decision process entails a movement from something to something new - a movement from the present lifestyle to forming a new enterprise.

Stage I: Change from Present Lifestyle

This is the first stage in the entrepreneurial process. It involves some change in the socio-economic environment leading to changes in every aspect of life. The change creates needs for new goods and services. This leads to a decision to start a new company. It occurs when an individual perceives that forming a new enterprise is both desirable and possible.

Stage II: New Venture formation

The second stage involves starting the new venture. The perception that starting a new company is desirable results from an individual's culture, subculture, family, teachers and peers. A culture that values an individual who successfully creates a new business will spawn more venture formations than one that does not. An area with an entrepreneurial pool and a meeting place where entrepreneurs and potential entrepreneurs can discuss ideas, problems, and solutions spawns more new companies than an area where these are not available.

Stage III: Possibility of New Venture formation

The third stage centers around the question, "what makes it possible to form a new company". It is the process of extending the enterprise's domain of competence by exploiting new opportunities through new combinations of available resources. Several factors and resources-government, background, role models, and finances contribute to the creation of a new venture. The government contributes by providing the infrastructure to help and support a new venture. Formal education and previous business experience give a potential entrepreneur the skills needed to form and manage a new enterprise. Marketing also plays a critical role in forming a new company. In addition to the presence of a market of sufficient size, there must also be a level of marketing knowhow to put together the best total package of product, price, distribution and promotion needed for successful product launch. Financial resources must also be readily available. Risk-capital availability plays an essential role in the development and growth of entrepreneurial activity.

Stage IV: Co-ordination

The last and final stage is to co-ordinate the varied activities to achieve the entrepreneurial goals.

IMPORTANCE OF ENTREPRENEURSHIP

Importance of Entrepreneurship can be summarized as follows:

- 1. Wealth Creation and Sharing:** By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.
- 2. Create Jobs:** Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as Start-up India to promote and support new start-up, and also others like the Make in India initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities, and is helping in augmenting our standards to a global level.
- 3. Balanced Regional Development:** Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.
Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.
- 4. GDP and Per Capita Income:** India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.
- 5. Standard of Living:** Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

6. **Exports:** Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.
7. **Community Development:** Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

A good example of how this kind of community development can be promoted is Azim Hashim Premji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the Azim Premji Foundation. This foundation works with more than 350,000 schools in eight states across India.

ENTREPRENEUR

The word “entrepreneur” is derived from the French word “entreprendre” which means to initiate or undertake. In the early sixteenth century, the Frenchmen who organised and led military expeditions were referred to as “entrepreneurs”. The term entrepreneur was applied to business in the early eighteenth century by French Economist Richard Cantillon. According to him, the entrepreneur buys factor services at certain prices with a view to sell their products at uncertain prices in the future. Richard Cantillon conceived of an entrepreneur as a bearer of non-insurable risk. 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 J.B. Say, an entrepreneur is the economic agent who unites 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 utilise 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 co-ordination, 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 high productivity and greater yield.

Cunningham and Lischerson in their recent work have described six possible schools of thought on entrepreneurs:

- a) The first school of thought i.e. 'Great Person School' says that an entrepreneur is born with an intuitive ability a sixth sense and this sense helps him in start up stage.

- b) The second school of thought, i.e. 'Psychological Characteristics School' explains that entrepreneurs have unique values attitudes, and needs which drive them and help them especially in start-up stage.
- c) The third school, i.e. 'Classical School of Thought' says that central characteristic of entrepreneurial behaviour is innovation. This characteristic helps the entrepreneur much in start-up and early growth.
- d) 'Management School' is the fourth school of thought and it says entrepreneurs are organisers of economic venture and they organise, own, manage and assume its risk. Such functional orientation helps them in early growth and maturity.
- e) The fifth school of thought is the 'Leadership School'. According to this school, entrepreneurs are leaders of people and they have the ability to adopt their style to the needs of people. Such leadership personality suits them most during early growth and maturity situations.
- f) 'Intrapreneurship School' is the sixth school of thought. Intrapreneurship is the act of developing independent units, to create, market and expand services within the organisation. Intrapreneurship is needed by an entrepreneur during the situation of maturity and change.

Whatever be the definition, across the world, entrepreneurs have been considered instrumental in initiating and sustaining socio-economic development. There are evidences to believe that countries which have proportionately higher, percentage of entrepreneurs in their population have developed much faster as compared to countries which have lesser percentage of them in the society, discover new sources of supply of materials and markets and they establish new and more effective forms of organisations. Entrepreneurs perceive new opportunities and seize them with super normal will power and energy, essential to overcome the resistance that social environment offers. In conclusion, the concept of entrepreneurs is intimately associated with the three elements-risk bearing, organizing and innovating.

Meaning of Entrepreneur

Entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is a specific tool of entrepreneurs, the means by which they exploit change as an opportunity for different business or service.

In general, an entrepreneur is one who innovates, raises money, assembles inputs, undertakes, risks, bears uncertainties and also performs the managerial functions of decision making and co-ordination.

Definition of of Entrepreneur

According to *F. A. Walker*, "Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises".

According to *Gilbraith*, "An entrepreneur must accept the challenge and should be willing hard to achieve something".

According to *E. E. Hagen*, “An entrepreneur is an economic man who tries to maximize his profits by innovation, involve problem solving and gets satisfaction from using his capabilities on attacking problems”.

According to *Mark Casson*, “An entrepreneur is a person who specializes in taking judgmental decision about the coordination of scarce resources”.

According to *Max Weber*, “Entrepreneurs are a product of particular social condition in which they are brought up and it is the society which shapes individuals as entrepreneurs”.

International Labour Organization (ILO) defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success.

FEATURES OF ENTREPRENEURS

The features of successful entrepreneur are:

1. Disciplined

Disciplined entrepreneurs are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

2. Confidence

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

3. Desire to Excel

The first and foremost quality an entrepreneur should possess refer to a burning desire to excel. The entrepreneur should always engage in competitions with self imposed standards with himself to beat his last best performance. According to Mc Clelland, this high achievement motive strengthened him to surmount the obstacles, suppress anxieties, repair misfortunes and devise expedients. The entrepreneur must have a strong desire to be a winner.

4. Hard Work

Entrepreneurs who successfully build new enterprises possess an intense level of strong determination and willingness to work hard. They possess a capacity to work for long hours and in spurts of several days with less than normal amount of sleep. Through their hard work and intense desire to complete a task or solve a problem or overcome hurdles, they can able to achieve the never ending goal of excellence.

5. Self Confidence

Entrepreneurs must have confidence and belief in themselves to achieve their desired objectives. They strongly believe that they can beat any one in the field. They do not believe in status quo, rather they believe that the events in their life are self-determined and have little belief in fate.

6. Initiative

An entrepreneur must have initiative seeking personal responsibility for actions and use the available resources for optimisation of objectives. They take full credit for the success and assume full responsibility for the failure of the enterprise.

7. Moderate Risk-Taker

An entrepreneur must be a moderate risk taker and learn from failures. The successful entrepreneurs are neither high risk takers, nor gamblers. They work in between the two extremes. They take moderate challenging risk to attain moderate returns which are influenced within their abilities and decisions.

8. Innovative

An entrepreneur must be innovative and creative. Through his innovative ideas and creative thinking an entrepreneur can be able to engage himself in the analysis of various problems and situations in order to deal with them. An innovative entrepreneur introduces new products, develops new method of production, discovers new market and reorganise the enterprise.

9. Motivation

An entrepreneur 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. He should be a person who likes working with people and has skills in dealing with them. He has to motivate people to act, through his interpersonal skills.

10. Optimistic

Entrepreneurs do not believe that the success or failure of a new business venture depends mostly upon luck or fate or external uncontrollable factors. They are highly optimistic about the success of the enterprises. They use positive knowledge to support their thinking. They are rarely negative. They always look at the brighter side of the situation. They are never disturbed by any internal or external threat to their business or intermittent problems in accomplishing their goals.

CHARACTERISTICS OF ENTREPRENEURS

A successful entrepreneur must be a person with the following characteristics:

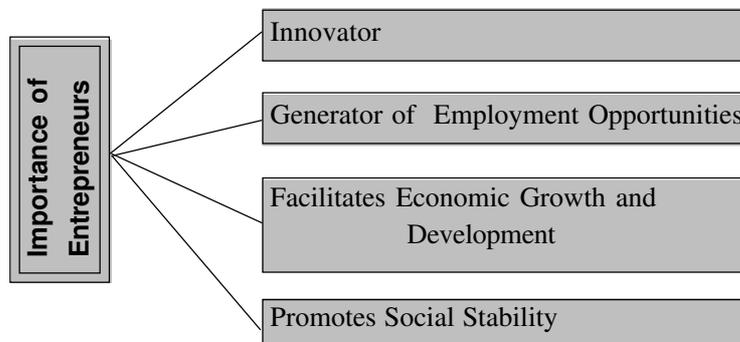
- a) **Mental ability:** It consists of intelligent and creative thinking and analysis of various problems, situations and anticipating change.

- b) **Clear objectives:** He 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 under take to make profit.
- c) **Secrecy:** He must be able to guard business secrets. He should be able to make a proper selection of his subordinates.
- d) **Human relations ability:** An entrepreneur must maintain good relations with his customers and employees.
- e) **Communication ability:** An entrepreneur who can communicate efficiently with customers, employees, suppliers and creditors will be more likely to succeed in his business than the entrepreneur who cannot.
- f) **Technical knowledge:** An entrepreneur must have reasonable level of technical knowledge.

Robert D Hisrich has identified a few more capabilities or personal characteristics that an entrepreneur should possess:

- a) **Motivation:** He must build a team, keep it motivated and provide an environment for individual growth and career development.
- b) **Self-confidence:** Entrepreneurs must have belief in themselves and the ability to achieve their goals.
- c) **Long-term involvement:** An entrepreneur must be committed to the project with a time horizon of 5 to 7 years.
- d) **High energy level:** He should have the ability to work for long hours for sustained periods of time.
- e) **Initiative:** He must have initiative, accepting personal responsibility for actions, and above all he must make good use of resources.
- f) **Persistent problem solver:** He must have an intense desire to complete a task or solve a problem.
- g) **Goal setter:** He should be able to set challenging but realistic goals.
- h) **Moderate risk taker:** An entrepreneur must be a moderate risk taker and he should learn from failures.

IMPORTANCE OF ENTREPRENEURS



Entrepreneurs play an important role in economic development of a country. Economic development greatly depends upon entrepreneurial and industrial development. In western countries entrepreneurs have contributed a great deal in making their country developed. Entrepreneur is the person who perceives business opportunity and converts it into a viable business plan, culminating into a business venture ultimately. The entrepreneur, therefore, not only launches a venture but also contributes to the objectives of employment generation, output growth, technological up gradation, improvement in the quality of production, export promotion, import substitution and supply of goods at a reasonable price to the customers.

The important role that an entrepreneur in initiating economic development:

1. Importance of entrepreneur as an innovator

As an entrepreneur is an innovator, he finds new opportunities in the market and exploits them for generating profit. He helps to develop new products, new methods of production, identify new markets and new sources of raw materials thereby contributing to improving the economy of the region.

2. Importance of entrepreneur in generation of employment opportunities

Entrepreneur plays a significant role in generation of employment opportunities. The development of a country depends on two critical factors reducing unemployment and removal of poverty. These problems can be minimized by encouraging hidden human potential through entrepreneurship. Creation of tiny, micro and small enterprises by the entrepreneurs can lead to creation of both self employment and wage employment opportunities, thereby solving the problem of unemployment in the country.

3. Role of an entrepreneur economic growth

Through constant creativity, new entrepreneurs assure a strong economy and rising national income. Entrepreneurs initiate, increase and sustain economic growth in the following ways:

- i) **Employment generation:*** Entrepreneurs generate employment opportunities, both direct and indirect. Directly, self employment as entrepreneurs. Indirectly, by setting up large and small scale business units they offer jobs to millions.
- ii) **Capital formation:*** Entrepreneurs mobilize the idle savings of the public through the issue of industrial securities. Investment of public savings in industry results in productive utilization of natural resources.
- iii) **Increase in per capita income:*** Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase the Net National Product and per capita income in the country, which are important yardsticks for measuring economic growth.
- iv) **Improvement in physical quality of life:*** Improvement in physical quality of life implies increase in life expectancy and increase in literacy. Establishment of enterprise by entrepreneurs leads to increase in employment, consequently, poverty is alleviated and per

capita income grows. This results in improving the physical quality of life, which is an indicator of economic growth.

- v) **Improvement in standard of living:** Entrepreneurs produce innovative products and help to improve the standard of living of the common man.
- vi) **Growth of infrastructural facilities:** Entrepreneurs play an important role in the growth of infrastructural facilities such as roads, bridges, buildings and factories etc. which are the cornerstones of economic growth. Establishment of factories and industries in a particular locality promotes the growth of infrastructural facilities.
- vii) **Balanced regional development:** Entrepreneurs in the public and private sectors help to remove regional disparities in regional development.
- viii) **Economic independence:** Entrepreneurship is essential for economic independence. Industries help to manufacture indigenous substitutes for imported products, thereby reducing dependence on foreign countries. Entrepreneurs can also export their goods and services and thereby earn foreign exchange for the country.
- ix) **Backward and forward linkages:** Entrepreneurs initiate change which has a chain reaction. Establishment of a large unit generates several ancillary industries on one hand and other industries which grow by utilizing the raw materials and by products produced by the mother plant on the other.

4. Importance of entrepreneur in bringing social stability

In each and every country, an entrepreneur is considered as a valuable human resource. The responsibility of social responsibility of social stability lies on his shoulders. Entrepreneur, as a catalyst of change, tries to bring about social stability in the following ways:

- i) **Absorption of workforce in industries:** Establishment of small scale units by the entrepreneurs leads to absorption of a large number of workforce at a relatively small capital cost and ensures social stability.
- ii) **Alleviation of poverty:** Entrepreneurs help in alleviating poverty by reducing unemployment through creation of large number of jobs. Thus social stability is maintained.
- iii) **Glorification of self help:** Enterprise creation glorifies the maxim of self help. Self help is the best help because it is a binding factor to unite family, clan, village communities etc., and thus ensures stability.
- iv) **Checking expansion of monopolies:** Small scale enterprises help to bring about social stability by diffusing prosperity and checking the expansion of monopolies.
- v) **Equitable distribution of income:** Small scale enterprises explore business opportunities in both rural and urban areas, thereby leading to equitable distribution of income and wealth in the society.
- vi) **Creation of social infrastructure:** Entrepreneurs facilitate economic development and social stability through creation of social infrastructures like schools, colleges, health care centers, vocational training institutes, banking and insurance facilities, roads and buildings, etc.

vii) **Empowerment of women through enterprise:** Women entrepreneurs are the prime benefactors of women empowerment leading to equality among men and women.

viii) **Supply of qualitative goods and services:** Entrepreneurs by manufacturing both consumer's and producer's goods can bring about the supply of quality goods and services to society.

To conclude, the entrepreneur is one of the most important components in the economic development of a nation. He is a catalyst of development. Entrepreneurial competence makes a significant difference in the rate of economic growth. In India, an increasingly important role has been assigned to the identification and promotion of entrepreneurs in the small scale industrial sector, since this sector is completely left to private entrepreneurs. An entrepreneur is an initiator of action, stimulator of social economic change and a harnesser of resources. An entrepreneur is an independent person and has enough scope for innovation. An entrepreneur generates employment for others. An entrepreneur realizes his personal goals and contributes ultimately to the welfare of society.

ENTERPRISE

Enterprise is an organisation engaged in a business activity. It is an integrated whole of values, orientation, vision of entrepreneur and his workforce, mission, major objectives and strategic interest.

Essential features of enterprise are:

- a) It consists of people who work together to produce products or services for consumption.
- b) An enterprise utilizes raw materials, machinery, space and other inputs to produce or sell.
- c) It makes comparison between its costs (inputs) and gains (outputs).
- d) It is a continuing entity: It is not an adhoc effort to produce a single product but rather a recurring effort to produce a stream of products.

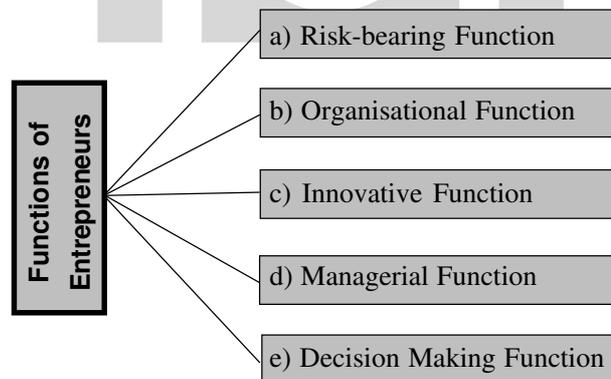
In short, an enterprise is an undertaking involving some economic activity, particularly a new idea not necessarily an unknown activity. It may or may not involve innovation. But always involves risk-taking, decision-making and coordination for resources. The success of an enterprise depends upon several factors, internal and external to the business world. Entrepreneurs try to monitor and cope with business environment through techniques like business forecasting, contingency planning etc.

RELATIONSHIP/DIFFERENCE BETWEEN ENTREPRENEUR AND ENTERPRISE

Entrepreneur	Enterprise
1. Entrepreneur is a person.	1. Enterprise is the business unit.
2. Entrepreneur is a risk taker.	2. Enterprise is the business unit involving risk and uncertainty.
3. Entrepreneur is a decision maker.	3. Enterprise serves as the frame work within which decision concerning what to produce, how much to produce, where to produce are taken by the entrepreneurs.
4. Entrepreneur procures raw materials and other inputs for production.	4. Enterprise utilizes the raw materials and other inputs in the process of production.

FUNCTIONS OF AN ENTREPRENEUR

A successful entrepreneur reconciles commercial potential of a product or service, decides the organization structure and operating policies in product development, production and marketing. He carries out all the sets of activities of the business. According to some writers the functions of an entrepreneur are co-ordination of business, management of enterprise, risk taking, controlling the enterprise, innovation for change, motivation and other related activities. In fact, an entrepreneur has to carry out a combination of these in keeping with time and environment.



Broadly the functions of an entrepreneur can be classified as:

a) Risk-bearing function

The functions of an entrepreneur as risk bearer are specific in nature. The entrepreneur assumes all possible risks of business which emerges due to the possibility of changes in the tastes of consumers, modern techniques of production and new inventions. Such risks are not insurable and incalculable. In simple terms such risks are known as uncertainty concerning a

loss. The entrepreneur, according to Knight, "is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured or capitalised or salaried too.

b) Organisational function

An Entrepreneur as an organiser and his organising function is described by J.B. Say as a function whereby the entrepreneur brings together various factors of production, ensures continuing management and renders risk-bearing functions as well. Marshall also advocated the significance of organisation among the services of special class of business undertakers.

c) Innovative function

The basic function an entrepreneur performs is to innovate new products, services, ideas and information for the enterprise. As an innovator, the entrepreneur foresees the potentially profitable opportunity and tries to exploit it. According to Peter Drucker, "Innovation is the means by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth". Whenever a new idea occurs entrepreneurial efforts are essential to convert the idea into practical application.

d) Managerial function

An Entrepreneur also performs a variety of managerial functions like determination of business objectives, formulation of production plans, product analysis and market research, organization of sales procuring machine and material, recruitment of men and undertaking, of business operations.

e) Decision making function

The most vital function an entrepreneur discharges refers to decision making in various fields of the business enterprise. He is the decision maker of all activities of the enterprise. A. H. Cole described an entrepreneur as a decision maker and attributed the following functions to him.

- (i) He determines the business objectives suitable for the enterprise.
- (ii) He develops an organization and creates an atmosphere for maintaining a cordial relationship with subordinates and all employees of the organization.
- (iii) He decides in securing adequate financial resources for the organisation and maintains good relations with the existing and potential investors.
- (iv) He decides in introducing advanced modern technology in the enterprise to cope up with changing scenario of manufacturing process.
- (v) He decides the development of a market for his product, develops new product or modify the existing product in accordance with the changing consumer's fashion, taste and preference.
- (vi) He also decides to maintain good relations with the public authorities as well as with the society at large for improving the firms image before others.

ENTREPRENEURS – BORN OR MADE?

Entrepreneurial quality is innate. But some of the creative qualities are also acquired in the process of execution of a task. Innovative idea is an inborn quality. Imagination, one of the qualities of an entrepreneur, is inherited by birth, but ‘foresight’ another quality can be improved by experience.

An urge to exercise control and power over things and objects persists among all human beings. The urge may vary in degree from person to person. This urge is an intrinsic quality of an entrepreneur. An entrepreneur is leader and a visionary. He has the capability and the urge to lead and to innovate. These qualities are inborn. However, there are certain other qualities necessary for the making of an entrepreneur. These include risk taking ability, decision making and the like. Some of these qualities can be acquired and improved by experience over a period of time. It is true that entrepreneurs are born not made. Everyone cannot become an entrepreneur. One should have the urge and desire to do something, one should have the courage and the ability to bear risks and assume responsibility for one’s own actions. Knowledge and skill can be acquired but the initial urge and desire is innate and inborn.

INTRAPRENEUR

A new breed of entrepreneurs is coming to the fore in large industrial organizations. They are called ‘intrapreneurs’. They emerge from within the confines of an existing enterprise. In big organizations, the top executives are encouraged to create new ideas and then convert these into products through research and development activities within the framework of organization. The concept of intrapreneurship has become very popular in developed countries like America. It is found that an increasing number of intrapreneurs are leaving their jobs in big organizations and starting their own enterprises. Many such intrapreneurs have become exceedingly successful in their ventures.

Difference	Entrepreneur	Intrapreneur
1. Dependency	An entrepreneur is independent in his operations	An intrapreneur is dependent on the entrepreneur, i.e the owner.
2. Raising of funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the intrapreneur.
3. Risk	Entrepreneur bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in the enterprise.
4. Operation	An entrepreneur operates from outside.	On the contrary, an intrapreneur operates from within the organization itself.

DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER

Difference	Entrepreneur	Manager
1. Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He understands the venture for his personal gratification.	The main motive of a manager is to render his services in an enterprise already set up by someone else.
2. Status	An entrepreneur is the owner of the enterprise.	A manager is the employee in the enterprise owned by the entrepreneur.
3. Risk-bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise.	A manager does not bear any risk involved in the enterprise.
4. Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain.	A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
5. Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an innovator also called a 'change agent'.	A manager simply executes the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's ideas into practice.
6. Qualifications	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in	On the contrary, a manager needs to possess distinct qualifications in terms

PROBLEMS FACED BY ENTREPRENEURS

1. Bureaucracy

The word bureaucracy comes from the French word bureau, which refers to an 'office' and the Greek suffix kratos, which means 'power' or 'rule.' So, bureaucracy refers to the 'rule of the office.'

Max Weber is one of the most influential social thinkers to have studied bureaucracy in detail. According to Weber, some of the main characteristics of bureaucracy are as follows:

- a. Official business is conducted on a continuous basis.
- b. Official business is conducted according to written rules.

c. Roles and responsibilities are defined within a hierarchy, with rights of super-vision and appeal.

d. Official and private business and income is strictly separate.

Public offices are set up for the good of the people and the officials manning the posts are referred to as public servants. But, if left unchecked, these public officials can become self-serving and corrupt.

Firstly, there are a large number of procedures to be followed and clearances to be obtained to start and operate a business. Secondly, each of these procedures can take an inordinately large amount of time.

Procedures are established to safeguard the interest of the common man. But, sometimes, the rules and regulations stop serving the purpose they were designed for. Rules become tyrannical in nature and an enormous wasted effort is directed towards compliance with rules and regulations.

Lack of resources is one of the major problems faced by entrepreneurial firms. In this situation, new ventures find it extremely taxing to divert time and attention to time-taking procedural issues.

2. Corruption

While under no circumstances, corruption can be justified, it is a bitter truth that it is rampant in many government departments. Even private sector is not spared by it. We have to make a collective effort to curb this social evil. As it hampers growth of the business, it is a challenge for budding entrepreneurs.

Sometimes, people pay money to just hasten processes and do not ask for any undue favours. According to Kauffman and Wei (1999), in an environment in which bureaucratic burden and delay are exogenous, an individual firm may find bribes helpful to reduce the effective red tape it faces.

For example, the bank is not releasing money even though it has sanctioned release of funds. There might be some official who has raised an unwarranted objection. In such cases, some people are tempted to grease the palms to get things flowing.

Some people also pay bribes to get something beyond the scope of what is fairly due to them, for example paying bribe to get money released from bank even though the paperwork is not in order. Sometimes, this is carried to a ridiculous extent such as paying money to ensure that the competitor's funds are not released from the bank.

Many entrepreneurs have experienced a higher degree of corruption among employees of large private-sector companies than in the government. How you prefer to deal with corruption is your personal choice. There are some entrepreneurs who have taken the difficult path and have played it by the book.

Many entrepreneurs have chosen the middle path and have given in to corruption in some instances but later have fought vehemently against it and succeeded. There are also some

dangerous entrepreneurs who use their access to corrupt officials as a competitive edge. But, such practice does not give them success in the long run.

Corruption has also spawned a business of ‘consultants’ whose only activity is to mediate between the corrupt officials and those seeking favours from them. Some entrepreneurs use them to secure funding from banks, get approvals for constructions, and for periodic submissions relating to labour laws, taxes, and industrial approvals.

The situation is now changing rapidly and there is hope that corruption will come down in the near future. The factors likely to lead to a lesser degree of corruption are as follows:

- a. There is greater transparency in procedures to be seen across government departments. A number of departments have initiated e-governance initiatives, which decrease public interface with officials by enabling registration, filing, payments, and registering complaints through the Internet.
- b. The right to information (RTI) Act has significantly changed the situation by giving greater access of government records to interested or affected members of the general public.
- c. The media too has played an active and visible role by conducting sting operations to expose corruption at many levels. The public humiliation suffered by officials caught in these operations has served as a deterrent to corruption.

3. Labour:

Lack of manufacturing capability in India has been attributed to red tapism and corruption, but the low productivity of labour is also a big factor. In the early days of offshoring, firms from the US and Western Europe preferred to set up manufacturing facilities in Thailand, Mexico, and China, rather than in India. Though these countries too had an equally bad record of red tapism and corruption, the labour in these countries was found to be more productive.

In spite of our huge population and high economic growth, it was only in 2006 that the economy of India overtook that of Mexico in terms of GDP.

An active workers’ union is not bad, but sometimes, in India, there may be more than one union (Example, one affiliated to CITU and the other to AITUC), with differing agendas, claiming to represent the workers’ interests.

Since India is a secular country, religious beliefs of every religion are respected. So, it has holidays on occasions such as Christmas, Good Friday, Holi, Diwali, Muharram, Id-ul-Zuha, Guru Nanak’s Birthday, Buddha Jayanti, and Mahavir Jayanti. There are also holidays on occasions of national importance.

As a result, the number of working days in a year is reduced. Furthermore, long breaks in work brought about by bandhs, regional unrest, and breakdown of supporting infrastructure in times of floods, earthquakes, and other natural calamities also disrupt the work.

Welfare measures that restrict long hours of work, protect women workers, and prohibit underage employees are desirable; but, misuse of these clauses to halt legitimate business practices is harmful for the growth of industry.

The Indian labour is cheap because of a comparatively low wage structure. But, the productivity of the cheap labour is not always satisfactory. Employers often need to keep a regular check on their employees.

The manufacturing sector is now beginning to take off, and there has been a spectacular growth in the services sector. There is a tremendous shortage of skilled and semi-skilled manpower. There are not enough institutions in India geared to train employable youth on skills that are in demand in the job market.

The manufacturing sector is facing a dearth of fitters, welders, draftsmen, and machine operators. The lack of elementary skills in many call centre and BPO employees has been very well documented by NASSCOM and other industry watchers.

Finally, stringent laws governing lay-off of employees make it very difficult to fire workers in case of non-performance or during times of financial distress when it becomes imperative to lay-off workers to maintain the financial viability of the business operations.

4. Regional Sentiments

Many businesses have failed because they failed to take into account the sentiments of the local population. Many successful businesses have managed to identify and respond to local sentiments. Many outlets of international fast food chains such as Pizza Hut and McDonald's do not serve beef or pork as a sign of respect for local mores. On the other hand, scores of businesses suffer because of anti-social elements trying to score political points by going on a rampage.

The local community expects to gain from every business being set up in its vicinity. This is especially true when businesses come up in economically backward areas with very little industrialization. The local community expects employment in the firm and does not react favourably to employment of migrant workers.

In case the business is also planning on marketing its end products in that area, some local businesses will be adversely affected. It is important to address the concerns of those who fear for their businesses. Otherwise, they are likely to try their best to drum up for an organized opposition to your business.

For example, if you are setting up a large biscuit factory, some local bakery owner will fear that his/her unit will have to close down. The local biscuit factory owner has to be reassured that the biscuits from your factory are aimed at a different market and are going to compete with Britannia and Parle and not with him/her. You have to be truthful; lying at this stage will not be of much use in the long run.

Sometimes, setting up an industrial unit will put pressure on the availability of scarce resources or might adversely affect the quality of the resources. For example, pollution can affect the quality of the ground water, or if it is a power-intensive unit, it might affect the availability of power in the area.

In case such adverse reactions from the local population are foreseen, it is usually desirable to spread the word about the advantages of having the business in the vicinity. Some of the

advantages that can be presented to the local community are growth in employment, possibility of generating business for service providers such as small transporters and welding shops, long-term possibility of small ancillary units, and improvement of some local infrastructure such as roads.

Sometimes, entrepreneurs make goodwill gestures such as donating money to the local puja committee, buying a computer for the school, or something similar. Overdoing this can backfire as it can raise the expectation of the local community.

5. Grey Market and Counterfeit Goods

The grey market refers to the flow of goods through a distribution channel not authorized or intended by the manufacturer. Usually, this happens when the price of a product in the domestic market is much higher than in other nearby markets.

Sometimes, this may be because of high local taxation. In India, the goods that are usually smuggled in are cell-phones, electronic goods, jewellery, and alcohol. Chen (2002) even suggests that grey marketing activities can develop a situation of fair competition in which social welfare increases. In India, the prices of cell-phones used to be very high but rampant smuggling has prompted a change in taxes and prices, greatly reducing the differential between India and Singapore or Dubai.

Another problem is that of counterfeit goods. Even though, strictly speaking counterfeit goods are not part of the grey market, increasingly people are clubbing the two together and including counterfeit goods in the definition of 'grey' products.

The existence of a well-entrenched grey market is a truth in the Indian business scene. The problem of 'grey markets' can be visualized as existing at various levels. Let us look at the following situations to have a clearer perception.

Suppose a customer is interested in buying a DVD player. She goes to an authorized dealer and the authorized dealer tries to sell her a spurious product. This is common in the case of branded electronic items, clothes, perfumes, and accessories. It is very easy for unscrupulous manufacturers to make imitation of the actual product and try to sell it as the real thing.

Sometimes, in the case of pirated products, the buyers know that they are buying fake items. They are willing to buy a product that gives them the same utility as the real product at a much lower cost. In many parts of India, people make a living by selling pirated copies of software, movies, and video games to customers who know that they are buying a pirated copy for a fraction of the cost of a legally procured copy.

Now, a range of proactive measures are taken by companies to stamp out counterfeit and grey goods. Some of these are outlined here:

- a. Manufacturers are drastically reducing prices to narrow the gap in prices in local and overseas markets.
- b. Warranties may not be extended to products not purchased through the regular channels. So, a Nokia service centre will not honour a manufacturer's warranty on a Nokia product that has not been bought from a bona-fide dealer paying all taxes.

c. Some high-tech solutions have also been devised such as the use of DVD regional codes to protect movies and other digital content.

A new enterprise desirous of building a brand or an image of a manufacturer of high-quality goods needs to think about a strategy to tackle the problems posed by the grey market.

Fake products are an industry by themselves. There are many shady enterprises manufacturing fake labels, packaging, etc. There are many products that carry a name similar to that of the successful product. HUL has identified dozens of manufacturer of washing powder who sell using a brand name very similar to Surf. This is a direct contravention of the intellectual property rights of HUL.

6. Social Capital

It is also loosely defined as Pehchaan in India or Guanxi in China. Social capital has been defined as the aggregate of the actual or potential resources that are linked to relationships of mutual acquaintance and recognition (Bourdieu 1983). It can also be referred to as connections or relationships. Unlike other forms of capital, social capital is not depleted by its use; rather, it is depleted by its non-use.

People like to do business with people they know. Conversely, it becomes easier to do business if you know the right people. They may be the people either in the industry or in the bureaucracy. When relationships take precedence over the principles of fair play and rules, it leads to cronyism and nepotism. Sometimes, these relationships extend to doing special favours to others in your social group or caste and those connected by kinship.

Portes (1998) has identified the following negative consequences of misuse of social capital:

- i) Exclusion of meritorious outsiders
- ii) Excessive claims on group members
- iii) Restrictions on individual freedom
- iv) Norms aimed at downward levelling

Measuring social capital can prove to be tricky, but it depends on how many people you know, how powerful are those people, and what they are willing to do for you. There are a number of cases of entrepreneurs who have benefited by knowing the right people and using it to their advantage.

Similarly, there will be a lot of cases of business failure that can be attributed to not having a close relationship with some significant individuals. Whether use of social capital for business purpose is right or wrong, can be argued for long, but its existence is a reality that every entrepreneur has to deal with.

MYTHS AND MINDSET OF ENTREPRENEURS

Myth 1: Entrepreneurs Are High Risk Takers

Entrepreneurs, Rye states, are often thought of in terms of the risk they assume. Even the dictionary describes an entrepreneur as one who assumes business risks. However, like all prudent business people, entrepreneurs know that taking high risks is a gamble. Entrepreneurs are neither high nor low risk takers. They prefer situations in which they can influence the outcome, and they like challenges if they believe the odds are in their favor.

Myth 2: Entrepreneurs Are Born

Many people, Rye says, believe that entrepreneurs possess innate, genetic talents. However, experts generally agree that most entrepreneurs were not born; they learned to become entrepreneurs. The recent proliferation of college and university courses on the subject supports this point. Entrepreneurship is currently being successfully taught.

Myth 3: Entrepreneurs Are Mainly Motivated to Get Rich

Any successful entrepreneur, argues Rye, will tell you that starting a business is not a get-rich-quick alternative. New businesses usually take from one to three years to turn a profit. In the meantime, you're considered to be doing well if you break even. During the business start-up stage, entrepreneurs do not buy anything they do not need, such as fancy cars. Most drive junk cars and use their surplus money to pay off debt or reinvest it in the business. Their focus is on creating a company with a strong financial base for future expansion.

Myth 4: Entrepreneurs Give Little Attention to Their Personal Life

All successful entrepreneurs, Rye says, work long hours, which cuts into their personal life. However, long working hours are not unique to entrepreneurs. Many corporate managers and executives work well beyond the average 40-hour workweek. The primary difference between the entrepreneur and his or her corporate counterpart is schedule control.

In the corporate world, you may not have control over your schedule. If some higher-level manager calls a Saturday meeting, you've got no choice but to be there. Entrepreneurs don't mind working 60- to 70-hour weeks, but they will do everything they can to preserve their private time. They schedule important meetings during the week so that they can have weekends off for their personal life, which is very important to them.

Myth 5: Entrepreneurs Are Often High-Tech Wizards

We are all aware, says Rye, of a few high-tech entrepreneurial wizards who have made it. Media attention overplays the success of these few high-tech entrepreneurs. Only a small percentage of today's personal businesses are considered high tech, and what was considered high tech just a few years ago is not considered high tech by today's standards.

It takes high profit margins, not high tech, to make it as an entrepreneur. One has only to look at the recent problems that have plagued the computer industry to understand this basic

principle. High-tech personal computers did very well when they made high profit margins. The industry then went into a nosedive when profits fell.

Myth 6: Entrepreneurs Are Loners and Introverts

Initially, Rye says, entrepreneurs might work alone on a business idea by tinkering in the solitude of their garage or den. On this myth, I don't totally agree with Rye. The astute entrepreneur knows that he or she must draw on the experience and ideas of others in order to succeed. Entrepreneurs will actively seek the advice of others and will make many business contacts to validate their business ideas. The entrepreneur who is a loner and will not talk to anybody will never start a successful business.

Myth 7: Entrepreneurs Are Job Hoppers

A recent study of successful entrepreneurs, notes Rye, showed that most of them worked for a large corporation for a number of years before they started their own business. In every instance, they used the corporate structure to learn everything they could about the business they intended to establish before they started their own. Entrepreneurs are not job hoppers.

Myth 8: Entrepreneurs Finance Their Business with Venture Capital

Entrepreneurs, Rye says, know that venture capital money is one of the most expensive forms of funding they can get. Consequently, they will avoid venture capitalists, using them only as a last resort. Most entrepreneurs fund their business from personal savings, or by borrowing from friends or lending institutions.

Myth 9: Entrepreneurs Are Often Ruthless or Deceptive

Rye thinks that some people believe that to make it as an entrepreneur, you have to be deceptive and step on anybody who gets in your way. On the contrary, this mode of operation doesn't work for the entrepreneur. The truly ruthless or deceptive entrepreneur will often alienate others and be forced to waste time and energy repairing relationships with employees, customers, and suppliers, or simply fail.

Myth 10: Entrepreneurs Have Limited Dedication

Rye says it is a myth that entrepreneurs are not dedicated to any one thing. But he adds that dedication is an attribute that all successful entrepreneurs exhibit. They are dedicated to becoming their own boss. To this end, they'll work like a dog to make their business succeed.

THEORIES OF ENTREPRENEURSHIP

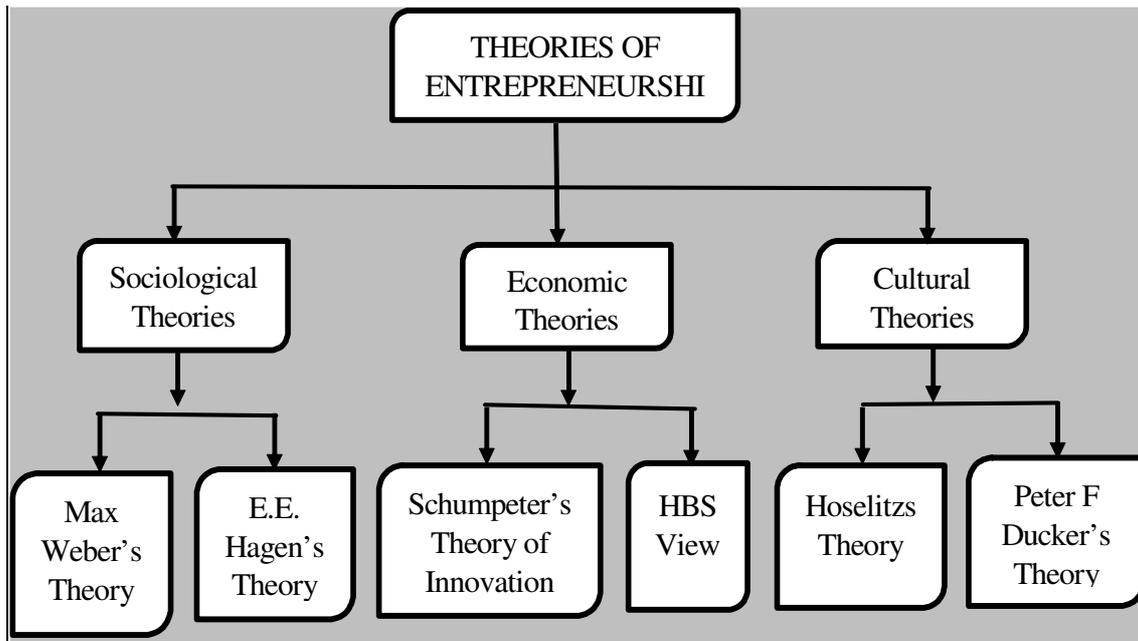
Various theories of Entrepreneurship have been propounded by thinkers. These can be classified mainly in three categories:

1. Sociological
2. Economic
3. Cultural

1. Sociological Theories of Entrepreneurship

a) Max Weber's Theory

- (i) Spirit of Capitalism is highlighted.
- (ii) Adventurous spirit facilitate taking risk.



- (iii) Protestant ethic embodying rebellion is conducive.
- (iv) Inducement of profit is the criterion.

b) E.E. Hagen's Theory

- (i) Reveals general model of the social- interrelationship among physical environment, social structure, personality and culture.
- (ii) Thinks economic theories are inadequate.
- (iii) Political and social change serve as catalysts for entrepreneurs.
- (iv) Rejects follower's syndrome imitating western technology. Technology is an integral part of socio- cultural complex.
- (v) Historic shift as a factor initiates change.

2. Economic Theories of Entrepreneurship

a) Schumpeter's Theory of innovation

Entrepreneur is an innovator-who carry new combination of:

- (i) New goods/services.
- (ii) New method of production.
- (iii) New market.
- (iv) New source of supply of raw materials.
- (v) New organization.

b) HBS (Harvard Business School View)

Considers entrepreneurship is the outcome of the combination of internal and external Forces.

I) Internal forces-Individual's traits and qualities viz:

- Intelligence
- Skill
- Knowledge
- Intuition
- Experience

II) External forces-Surrounding's conditions viz:

- Economic
- Political
- Social and Cultural
- Legal frame-work.



3. Cultural Theories of Entrepreneurship

- a) **Hoselitzs Theory:** He explains that the supply of Entrepreneurship is governed by cultural factors and culturally minority groups are the spark-plugs of entrepreneurial economic development.
 - (i) **Marginal men:** Reservoir of entrepreneurial development. Ambiguous positions from a cultural or social statement make them creative.
 - (ii) **Emphasis on skills:** Who possess extra-ordinary skills. Function of managerial additional personal traits and leadership skills.
 - (iii) **Contribution of social classes:** Socio-economic economic background of specific classes makes them entrepreneurs. Family patterns in France, Protestants in UK/USA and Parsees in India.
- b) **Peter F Drucker on Entrepreneurship:** “An entrepreneur is one who always searches for change and exploits it as an opportunity.” He emphasizes on:
 - (i) **Innovation**
 - (ii) **Resource:** A thing is regarded as resource when its economic value is recognized.

ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Entrepreneurship has been identified by many economists as a vital force in the process of industrialisation in particular and economic development in general. Economic development essentially means a change. But, at the same time, it is very difficult to define precisely the phrase 'economic development'. One should realise that the term economic development does not convey the idea of total development of the society. It only focuses itself on one aspect and one dimension of general development. Economic development can be defined as a move towards even more efficient and differentiated methods of supplying people with the requirements for survival and improvement. Many a times economic development is interpreted as synonymous with industrialisation because it is viewed by the poor regions as a superior way of life. But economic development cannot be equated with industrialisation. When economic development is analysed with the yard stick of extent of industrialisation, it implicitly undermines the importance of primary sectors like agriculture. The high dependency ratio of people on the primary sector is not the cause of underdevelopment but the consequence of it. These two sectors are complementary to each other in the development process. Moreover, economic development is much more than industrialisation, it is an upward movement of the entire social system. Economic development includes increase in productivity, social and economic equalization, improved institutions, attitudes, rationally coordinated system of policy measures and removal of undesirable conditions and systems that perpetuated a state of underdevelopment. It appears that economic development involves something more than economic growth and it includes both growth and change. Moreover, economic development is not only a quantitative phenomenon but has qualitative dimensions too.

The criterion of per capita income can be considered as a good indicator of regional variations in economic development. As the economic development is essentially a process of increase in per capita income, it should not appear as a temporary or short sustained phenomenon. There are other sub-criteria which have to be considered along with the primary criterion. The nature of distribution of income in the society is an integral part of the development. The secondary objectives like level of consumption, level of employment, diversification against concentration of the economy are also important. Economic development is not to be considered as an end in itself, but is a means to an end. Economic development is concerned, ultimately, with the achievement of better nourishment, better education, better health, better living conditions and an expanded range of opportunities in work and leisure for the people. Therefore, a rise in real per capita income is a relevant criterion to judge the extent of development in a region as it is a means for the attainment of desired standards in nourishment, education, health, and living conditions.

The entrepreneur is the key to the creation of new enterprises that energise the economy and rejuvenate the established enterprises that make up the economic structure. Entrepreneurs initiate and sustain the process of economic development in the following ways: