

# CHAP 4 ENTREPRENEURSHIP

## Concept of Entrepreneurship

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. Entrepreneurship is connected with land, labour, natural resources and capital can generate a profit. The entrepreneurial vision is defined by discovery and risk-taking and is an indispensable part of a nation's capacity to succeed in an ever-changing and more competitive global marketplace.

## Meaning of Entrepreneur

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. E.g.: Starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention. It can be classified into small or home business to multinational companies. In a nutshell, anyone who has the will and determination to start a new company and deals with all the risks that go with it can become an Entrepreneur.

## What are the 4 Types of Entrepreneurship?

It is classified into the following types:

### Small Business Entrepreneurship-

These businesses are a hairdresser, grocery store, travel agent, consultant, carpenter, plumber, electrician, etc. These people run or own their own business and hire family members or local employee. For them, the profit would be able to feed their family and not making 100 million business or taking over an industry. They fund their business by taking small business loans or loans from friends and family.

### Scalable Startup Entrepreneurship-



WHAT IS  
ENTREPRENEURSHIP?

This start-up entrepreneur starts a business knowing that their vision can change the world. They attract investors who think and encourage people who think out of the box. The research focuses on a scalable business and experimental models, so, they hire the best and the brightest employees. They require more venture capital to fuel and back their project or business.

### **Large Company Entrepreneurship-**

These huge companies have defined life-cycle. Most of these companies grow and sustain by offering new and innovative products that revolve around their main products. The change in technology, customer preferences, new competition, etc., builds pressure for large companies to create an innovative product and sell it to the new set of customers in the new market.

### **Social Entrepreneurship-**

This type of entrepreneurship focuses on producing product and services that resolve social needs and problems. Their only motto and goal is to work for society and not make any profits.

### **Characteristics of Entrepreneurship:**

Not all entrepreneurs are successful; there are definite characteristics that make entrepreneurship successful. A few of them are mentioned below:

- **Ability to take a risk-** Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.
- **Innovation-** It should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.
- **Visionary and Leadership quality-** To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.
- **Open-Minded-** In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, Paytm recognized the gravity of demonetization and acknowledged the need for online transactions

would be more, so it utilized the situation and expanded massively during this time.

- **Flexible-** An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.
- **Know your Product-** A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.

## Qualities of an entrepreneur

- **Hard working:** In order to be successful, an entrepreneur must be very hard working. Successful entrepreneurs adapt to the
- habit of hard work from a very early stage.
- **Optimistic:** Successful entrepreneurs should have a positive approach to life. They should not be afraid of any adverse
- situations in business. They should think optimistically about the future of the business.
- **Independent:** Successful entrepreneurs like to function at their own will and rules. They dislike being guided by others.
- They do not prefer working for others and are the masters of their own.
- **Energetic:** Entrepreneurs should possess a high level of energy as they have to put in more hard work and time for making their venture a success.
- **Self-confident:** An entrepreneur should have a strong belief in his/her abilities. He must not deviate from his/her decisions too early in case success is delayed rather he must trust his/her competencies and hard work.
- **Perseverant:** Successful entrepreneurs never quit his/her venture even if s/he fails. They keep on finding ways to succeed. They show perseverance in their pursuit. They never give up easily.

## Entrepreneurial functions

**Organisation Building and Management:** Organization building is about bringing together different factors of production and allocating these resources to bring down costs and losses. All decisions relating to an enterprise are taken by the entrepreneur. An entrepreneur builds the organization by taking various steps such as hiring employees, organizing the factors of production, sourcing finance etc.

**Risk taking:** Risk taking is about taking responsibility and planning for a loss or mishap that may occur in the future due to unforeseen contingencies. Some common risks entrepreneurs take are around return on investment, hiring of new employees, working with vendors etc. An entrepreneur plays the function of developing a certain risk-taking appetite and taking calculative risks to reduce adverse consequences.

**Innovation:** Entrepreneurs innovate by introducing new concepts, products, services, designs, ideas etc. They may introduce something new and innovative in any branch of economic activity. In today's world, a new business cannot survive and sustain without innovating in some manner. An entrepreneur foresees a potentially profitable opportunity and innovates in the effort to exploit it.

### Promotional functions

**Idea Discovery:** The first step towards entrepreneurship is discovery of a business idea. An entrepreneur comes up with a business idea and thinks about ways to implement it. It is about seeking opportunities for a specific type of business and finding ways to commercialize on it. Usually, entrepreneurs work around the process of idea discovery by exploiting natural resources, finding a market need or calculating the profit potential.

**Detailed Investigation:** An entrepreneur conducts research, investigates and evaluates an idea considering various factors and estimates the total demand for a new product or service.

**Assembling the Requirements:** Some basic business requirements include infrastructure or office space, human resources, key vendors or partners, working capital etc. Entrepreneur has to work towards assembling and organizing all the requirements once he/she is sure about the practicality and profitability of the proposition

**Financing:** Raising capital for a business is one of the core functions that entrepreneurs perform themselves. First, the requirements of finances are estimated. Next, the sources from which capital will come are determined. This includes calculating the long-term and short-term financial requirements and considering the debt equity ratio.

### Managerial functions

**Planning:** An entrepreneur documents a business idea in the form of a business plan, to detail each element of the business such as product or service description, operations, marketing, finance, accounting, growth plan etc. A business plan serves as a guide to determine the business objectives and the course of action. It helps to detail the “what, when, how and who” of doing every specific task.

**Organizing:** It refers to setting specific and attainable goals and objectives to be achieved by different departments and by each employee. It is about arranging, directing, guiding, coordinating and controlling the key business activities.

**Directing:** Is about initiating planned action and ensuring that each employee is performing effectively. This also includes doing continuous performance reviews and organizing tasks according to plans.

**Staffing:** Refers to different sub-processes around human resource management, such as manpower planning, recruitment, selection, placement, training, transfer, salary, promotion, payroll, appraisal etc. The objective of staffing is to fill a particular position with the right employee at the right time.

**Leadership:** Leadership is more of a skill than a function for an entrepreneur as he or she has to lead, guide and supervise people who work for the business. It is the process by which an entrepreneur directs guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organization in such a manner that both get maximum satisfaction.

**Communication:** An entrepreneur has to communicate every single day, in the form of writing, responding, drafting emails, verbal instruction, discussion etc. It has been established that entrepreneurs spend 75% to 90% of their working time communicating with others. It refers to the exchange of ideas, feelings, emotions, knowledge and information between two or more persons.

**Supervision:** After issuing instructions, the entrepreneur has to see that the given instructions are carried out. Supervision refers to the job of overseeing subordinates at work to ensure the maximum utilization of resources, to get the required and directed work done, and to correct the subordinates whenever they go wrong and ensure each function of the business runs smoothly.

**Motivation:** Along with guiding employees, an entrepreneur also plays a role of motivating them and encouraging positive behavior and culture within the organization. The importance of motivation can be realized from the fact that the performance of a worker depends upon his/her ability and the motivation.

**Co-ordination:** Co-ordination between different departments of the business helps to ensure that work happens in a timely manner. It is essential to channelize the activities of various individuals in the organization, for the achievement of common goals. The entrepreneur has to make sure that the work of different segments is going according to pre-determined targets and corrective measures have to be initialized if there is any deviation.

**Controlling:** The process begins with establishing standards of performance, measuring actual performance, comparing the actual performance with the standard, finding variations and finally, taking corrective action.

**Negotiation:** An entrepreneur negotiates terms and conditions for many parts of the business such as payment terms and timelines, salaries of employees, vendor quotations etc.

## Commercial Functions

**Production and Operations:** The activities of production are independent of the size of the undertaking. In a small concern, one person may be undertaking this function whereas, in large organizations, this activity may be undertaken by various individuals or separate teams. It is the creation of goods and services. It consists of manufacturing, ancillary and advisory activities.

**Finance and Accounting:** While finance is more focused on raising funds and managing them, accounting helps to record and analyse the financial position of the business. Thus, an entrepreneur has to prepare and analyse cash flow statements, income sheet, balance sheet etc.

**Marketing:** Marketing refers to promoting products and services. It is primarily concerned with the movement of goods and services from the producer to the ultimate consumer. It is directed towards the satisfaction of consumer wants. Marketing plays a significant role in promoting the well-being of the business enterprise.

**Human Resource Management:** Human Resource Management (HRM) refers to recruitment, employment, selection, training, development and compensation of the employees with an organization.

## Role of Entrepreneurs

🏢 **Coordinating role:** An entrepreneur has to coordinate the various factors for production. It involves selection of the best possible combination of factors.

🏢 **Agent's role:** Entrepreneurs are perceived as 'Agents of Change'. They identify the opportunities; establish enterprises and build-up industries which in turn lead to overall development of the economy.

🏢 **Innovator's Role:** Entrepreneurs as innovators bring new products or service to the market or improve existing products or services. They act as market leaders and play the role of pioneers.

🏢 **Risk assumption role:** A risk is involved in every venture. The economic reward of risk bearing is profit.

🏢 **Capital formation role:** Entrepreneurs enable the formation of capital by mobilizing the idle savings for the purpose of carrying on business. The mobilization of wealth leads to an increase in capital of company and

development of assets. This helps in carrying on trade and development of the economy.

🏭 **Balancing role:** Entrepreneurs provide for the regional developments by starting small-scale industries. India needs the decentralized structures to remove regional imbalances in the economic development.

🏢 **Employment Generation role:** Establishment of business enterprises leads to the generation of employment opportunities as various human resource professionals are needed to run the business effectively. Thus, entrepreneurship leads to the reduction in unemployment levels which is a known cause for hindrance in the development of the economy.

## **Myths of Entrepreneurship**

- ❖ **Entrepreneurs are born that way**
- ❖ **All entrepreneurs have great ideas**
- ❖ **The only requirement is a good idea**
- ❖ **Businesses either flourish or fail**
- ❖ **Entrepreneurs take lots of risks**
- ❖ **One must know everything before starting a business**
- ❖ **A lot of money is required to start any business**

