

**T.Y.Bcom Notes for FBM  
Mruga Joshi**

**Entrepreneurship**

**INTRODUCTION**

**Entrepreneurship is defined as the process of making money, earning profits and increasing the wealth while posing characteristics such as risk taking, management, leadership and innovation.** The term Entrepreneurship is a complicated term and gives various meaning depending on the situation.

**The word entrepreneur has a French origin.** It originated during the Middle Ages when the term entrepreneur was applied to *“the man in charge of the great architectural works: castles and fortifications, public buildings, abbeys and cathedrals”*.

**It is derived from the French word, *entreprendre*, which means “to undertake.”**

In a business context, it means to undertake a business activity or simply to start a business. The Merriam Webster Dictionary defines an entrepreneur as ‘one who organizes, manages, and assumes the risks of a business or enterprise’. The concept of Entrepreneurship has wide range of meanings. On one extreme an entrepreneur is a person of very high aptitude who pioneers change, possessing characteristics found in only a very small fraction of the population.

On the other extreme, anyone who wants to work for himself is considered to be an entrepreneur. That is, entrepreneurship is equated to simply starting one’s own business. To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur plays a role of an innovator who markets his innovation. Still other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Various economists and philosophers termed this differently in their own unique ways. Cantillon referred entrepreneurs as one of the classes of ‘landowners’ who are financially independent aristocrats. For him; individuals who purchased a good at a certain price, used that good to produce a product and then sold that product at an uncertain price could be considered ‘entrepreneurs’. Risk and uncertainty play central parts in his theory of the economic system. Successful entrepreneurs were those individuals who made better judgments about changes in the market and who coped with risk and uncertainty better than their counterparts.

**The entrepreneurial motivation is one of the most important factors which accelerate the pace of economic development by bringing the people to undertake risk bearing activities.**

**Four Key Elements of Entrepreneurship**

- Innovation
- Risk taking
- Vision
- Organising skill

In many of the developing countries a lot of attention is being paid to the development of entrepreneurship because it is not the proprietary quality of any caste and community. The entrepreneurship is usually understood with reference to individual business.

Entrepreneurship has rightly been identified with the individual, as success of enterprise depends upon imagination, vision, innovativeness and risk taking.

The production is possible due to the cooperation of the various factors of production, popularly known as land, labour, capital, market, management and of course entrepreneurship. The entrepreneurship is a risk taking factor, which is responsible for the end result in the form of profit or loss. The early history of entrepreneurship in India reflects from the culture, customs and tradition of the India people. The Baliyatra Festival of Cuttack, Orissa reminiscence of past glory of International trade.

The process of entrepreneurship therefore passed through the potential roots of the society and all those who accepted entrepreneurial role had the cultural heritage of trade and business. Occupational pursuits opted by the individual under the caste system received different meaning of value attached to entrepreneurship, which is based on social sanctions.

As society grew and the process of business occupation depended and the value work tended towards change and the various occupational role interchanged with non-role group and sub-groups. People from different castes and status also entered into the entrepreneurial role.

The emergence of entrepreneurship in this part of the country got localized and spread effect, took its own time. The concept of growth theory seems to be closely related in explaining the theory of entrepreneurship development as well. In the 20th century, economist Joseph Schumpeter (1883-1950) focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change.

**Schumpeter viewed entrepreneurship as a force of “creative destruction.”**

The entrepreneur carries out “new combinations,” thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them. According to A Schumpeter **“The entrepreneurship is essentially a creative activity or it is an innovative function”**.

After the Second World War, entrepreneurship received new meaning for attaining economic development within the shortest possible time; as concern for economic development became all-pervasive. There was a growing concern for economic development and this strengthened interest in enterprises. This led to the development of the entrepreneurship in India. Business expert Peter Drucker (1909-2005) took this idea further, describing the entrepreneur as someone who actually searches for change responds to it, and exploits those changes as an opportunity. For instance; a change converted from typewriters to personal computers to the Internet.

**According to Peter P Drucker,**

**“Entrepreneurship is neither a science nor an art. It is a practice. It is knowledge based. Knowledge in entrepreneurship is a means to an end, that is, by the practice.”**

- The culture of a community also may influence how much entrepreneurship there is within it.
- Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding personally.
- A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship.

- A culture or policy that accords high status to the “self-made” individual is more likely to encourage entrepreneurship.
- In crux these are various interchangeable meanings of what is entrepreneurship.
  - A theory of evolution of economic activities.
  - A continuous process and an ingredient of economic development.
  - Essentially a creative activity or an innovative function.
  - A risk taking factor which is responsible for an end result.
  - The name given to the factor of production, which performs the functions of enterprise.
    - Creates awareness among people about economic activity.
    - Generates Self-employment and additional employment

### **TRAITS OF AN ENTREPRENEUR**

- He is a person who develops and owns his own enterprise.
- He is a moderate risk taker and works under uncertainty for achieving the goal.
- He is innovative.
- He peruses the deviant pursuits.
- Reflects strong urge to be independent.
- Persistently tries to do something better.
- Dissatisfied with routine activities.
- Prepared to withstand the hard life.
- Determined but patient.
- Exhibits sense of leadership.
- Also exhibits sense of competitiveness.
- Takes personal responsibility.
- Oriented towards the future.
- Tends to persist in the face to adversity.
- Convert a situation into opportunity.

## Who is an Entrepreneur?

Entrepreneurship is a very famous word amongst the business community life. But, there are many common people still cannot get the definition and the meaning for who is the entrepreneur. **'One who undertakes an endeavor' is the meaning of the French word entrepreneur.** There is no one definitive profile. Successful entrepreneurs come in various ages, income levels, gender, and race. They differ in education and experience.

But research indicates that most successful entrepreneurs share certain personal attributes, including: creativity, dedication, determination, flexibility, leadership, passion, self-confidence, and "smarts."

### **Creativity is the spark that drives the development of new products or services or ways to do business.**

- It is the push for innovation and improvement.
- It is continuous learning, questioning, and thinking outside of prescribed formulas.
- Dedication is what motivates the entrepreneur to work hard, 12 hours a day or more, even seven days a week, especially in the beginning, to get the endeavour off the ground.
- Planning and ideas must be joined by hard work to succeed.
- Dedication makes it happen.
- Determination is the extremely strong desire to achieve success.
- It includes persistence and the ability to bounce back after rough times.
- It persuades the entrepreneur to make the 10th phone call, after nine have yielded nothing.
- For the true entrepreneur, money is not the motivation.
- Success is the motivator; money is the reward.
- Flexibility is the ability to move quickly in response to changing market needs.
- It is being true to a dream while also being mindful of market realities.
- A story is told about an entrepreneur who started a fancy shop selling only French pastries.
- But customers wanted to buy muffins as well. Rather than risking the loss of these customers, the entrepreneur modified her vision to accommodate these needs.
- Leadership is the ability to create rules and to set goals.
- It is the capacity to follow through to see that rules are followed and goals are accomplished.
- Passion is what gets entrepreneurs started and keeps them there.
- It gives entrepreneurs the ability to convince others to believe in their vision.
- It can't substitute for planning, but it will help them to stay focused and to get others to look at their plans.
- Self-confidence comes from thorough planning, which reduces uncertainty and the level of risk.
- It also comes from expertise.

**Self-confidence gives the entrepreneur the ability to listen without being easily swayed or intimidated.**

**"Smarts" consists of common sense joined with knowledge or experience in a related business or endeavour.** The former gives a person good instinct, the latter, expertise. Many people have smarts they don't recognize.

A person who successfully keeps a household on a budget has organizational and financial skills.

Employment, education, and life experiences all contribute to smarts.

Every entrepreneur has these qualities in different degrees.

But what if a person lacks one or more? Many skills can be learned. Or, someone can be hired who has strengths that the entrepreneur lacks.

**The most important strategy is to be aware of strengths and to build on them.**

## **Characteristics of an Entrepreneur**

### **(i) Mental Ability:**

- Entrepreneur must have creative thinking and must be able to analyse problems and situations.
- He should be able to anticipate changes.

### **(ii) Business Secrecy:**

- He should guard his business secrets from his competitors.

### **(iii) Clear Objectives:**

- He must have clear objectives as to the exact nature of business or the nature of goods to be produced.

### **(iv) Human Relation:**

- He must maintain good relations with his customers, employees etc. to maintain good relationship
- He should have emotional stability, personal relations, tactfulness and consideration.

### **(v) Communication Ability:**

- He should have good communication skills means both the sender and the receiver should understand each other message.

## **Why Entrepreneurship???**

What leads a person to strike out on his own and start a business? The answer lies in the advantages of entrepreneurship.

### **1. Doing What You Love**

- If an entrepreneur is going to start his business it is assured he will get better odds to succeed if he is doing something he loves
- Because, passion is the fuel that is needed to face all the obstacles.
- It is natural to feel fearful to fail. **But to start with ones own business is like leaving Comfort Zone and entering a Twilight Zone.**
- It is an activity where it should be ensured to strike balance between the business what you love to do and which is profitable as well.
- Additionally in the business jungle; it is of utter most importance to survive being one of the best and that is easier if the entrepreneur is passionate about what he is doing.
- Therefore, one of the advantages of being an entrepreneur is doing what one loves.

- “Choose a job that you like and you will never have to work a day in your life.”

## 2. Independence and Freedom

- Entrepreneurship allows undertaking the activities of one’s choice and comfort which offers independence and freedom in return.
- Many people think independence and freedom means going to work or take vacations when you want or need.
- The truth is that is not possible at least in the earlier years of business.
- On the other hand, when business is mature, strong and self sufficient, it begins to offer independence and financial freedom.
- **“Entrepreneurship is living a few years of your life like most people won’t, so that you can spend the rest of your life like most people can’t” –**

## 3. Recognition and Self Fulfilment

- Entrepreneurship provides the ability to be involved in the total operation of the business, from concept to design and creation, from sales to business operations and customer response.
- It offers the prestige of being the person in charge.
- In line with the Maslow’s hierarchy of needs, it is human to desire for recognition and strive for self fulfillment and achievement.
- Entrepreneurship offers excitement compared to being regular employees.
- Entrepreneurs enjoy much excitement beginning from the planning stage of the business up to development and realization.
- Thrillseekers obviously love being entrepreneurs as they are exposed to too much risk.
- **“What a man can be, he must be. This need we call self actualization.” – Maslow**
- **“I have wandered all my life, and I have also traveled; the difference between the two being this, that we wander for distraction, but we travel for fulfillment.” – Hilaire Belloc**

## 4. Income Potential

- Entrepreneurship offers a greater possibility of achieving significant financial rewards than working for someone else.
- This is a big one because when you’re an entrepreneur you can create a direct relationship between your efforts and your income.
- In other words: if your efforts are higher your reward should be higher too.
- Of course that happens if your efforts are well planned, effective and well focused.
- Many people really believe that of all the advantages of being an entrepreneur this is the best.
- That’s probably because in comparison to a job where employer, the company’s financial budget, the Board and the economy decides salary.
- In case of an entrepreneur nobody except the market forces defines returns and income.
- **“A large income is the best recipe for happiness I ever heard of.” – Jane Austen quotes**

## 5. Own Boss

- Entrepreneurs are their own bosses.
- They make the decisions.
- They choose whom to do business with and what work they will do.

- They decide what hours to work, as well as what to pay and whether to take vacations.
- **“Your real boss is the one who walks around under your hat.” –Napoleon Hill**

## 6. Innovation

- Entrepreneurship creates an opportunity for a person to make a contribution.
- Most new entrepreneurs help the local economy.
- A few – through their innovations – contribute to society as a whole.
- **One example is entrepreneur Steve Jobs, who co-founded Apple in 1976, and the subsequent revolution in desktop computers.**
- It gives an individual the opportunity to build equity, which can be kept, sold, or passed on to the next generation.

## TYPES OF ENTREPRENEUR

- Starting and growing one’s own business requires many skills to be successful.
- **One could be a visionary like Bill Gates or a superstar like Peter Sematimba.**
- The entrepreneur personality types are the traits and characteristics that blend with the needs of the business.
- Understanding the types of entrepreneur personality type helps in enjoying business as well as providing with what it needs to grow in best.
- Each entrepreneur personality type can succeed in the business environment if it is true to character.
- Identifying strong traits is essential and can act as a compass for the business.

### 1. Idealist

- **The idealist entrepreneur is the most common type of entrepreneur.**
- He likes innovation and enjoys working on something new or creative.
- He is guided by more ideals while keeping in view the ideas that are formulated by him in order to pursue his innovation.

### 2. Optimizers

- The optimizer entrepreneur comes in a close second and is content with the **personal satisfaction of simply being a business owner.**
- It is derived from being optimistic.

### 3. Hard Workers

- **The hard workers entrepreneur category includes persons who enjoy putting in long hours to build a larger and more profitable business.**
- They like to challenge themselves and strive harder to attain the same.
- They reap the most rewards if the business turns out to be a multi-million dollar enterprise.
- Hard work comes with all businesses but not everyone works hard for the business to grow as this type of entrepreneurs does.

### 4. Sustainers

- As the meaning of the word itself implies, sustain is to maintain; the sustainer type of entrepreneurs **comprise of people who like to maintain a balance between work and a personal life.**

- Most often, they do not wish the business to grow too large where it will cut into their personal life. These people just need enough to survive.

### 5. Improver

- The improver types of entrepreneur are the ones who predominantly are focused to start a business to improve the world.
- **Their motto is to work in a manner which is morally and ethically correct so as to contribute to a noble cause.**
- Improvers have an unwavering ability to run their businesses with high integrity.
- At the same time, these people need to be aware of their tendency of being over critical of employees and clients in order to be a perfectionist.

### 6. Advisor

- **These types of people believe in consumer sovereignty where they indulge excessively in providing customer services.**
- **This business personality type will provide an extremely high level of assistance and advice to customers.**
- They want to please their customers.
- Their businesses soon become customer oriented business which involves providing advisory services to them at a cost to themselves.

### 7. Superstar

- This type of entrepreneur is lead by charisma, charm and high energy.
- An entrepreneur like this has an overwhelming personality which works in his favour so does in the favour of business.
- This personality often will cause to build business around own personal brand.
- However, such people tend to become too competitive and workaholics; which can sour the workplace and the market.
- **Entrepreneur example is Peter Sematimba, CEO of Super FM.**

### 8. Artiste

- These are creativity oriented entrepreneurs.
- Thus, the type of business also are those which demand huge levels of creativity such as; advertising agencies and people in the music industry.
- The artist involves in business activity which is centered around their talents and creative fields.
- The limitation faced by such entrepreneur is that of over sensitively reacting to the customers feedbacks if such is a negative one.

### 9. Visionary

- Normally, all the businesses are founded keeping a vision in mind.
- The founding members who visualize a dream and materialize the same are known as visionary.
- These are thinkers who pursue to make their vision come true.
- Such people are curious in nature and have a long sighted vision which helps them in understanding the world around better thereby to set up plans to avoid pitfall and hurdles.

- At the same time, these people lack to relate their dreams with reality which might result in opposite results when it comes to starting up all new.
- Thus it is advisable to act before visualizing.

## 10. Analyst

- **These types of entrepreneurs excel at problem solving in a systematic way.**
- Thus businesses involving complications suit them a lot.
- They are able to crop up the solution at no cost and less time. The challenge is to realize that too much analysis can result in no action being taken.
- Secondly, they might get caught in analysis paralysis.

## 11. Fireball

- Fireball is a casual word used for an energetic person so does it imply for entrepreneurs.
- **A business owned and operated by a fireball is full of life, energy and optimism.**
- **Such businesses are life energizing and makes customers feel the firm has a get it done attitude.**
- Since every coin has two sides, such people have a downside too.
- In being too outright and energetic, they may over commit and act too impulsively.
- Maintaining a balance for impulsiveness with sensitive planning is of utter most importance.

## 12. Jugglers

- A juggler conventionally means entertainer who keeps several plates, knives, balls, or other objects in the air at once by tossing and catching them.
- The art of juggling has been practiced since antiquity.
- **The juggler entrepreneur likes the concept that the business gives them a chance to handle everything themselves.**
- They are usually people with lots of energy and exist on the pressure of meeting deadlines, paying bills and of course making payroll.

## 13. Hero

- **Hero like entrepreneurs are the people with great willingness and efficient leadership.**
- He inspires others. He has an incredible will and ability to lead the world and the business through any challenge.
- He is the essence of entrepreneurship and can assemble great companies.
- Over promising and using force full tactics to get the way out are the bane sides of being a hero entrepreneur; which definitely is not fruitful in long term.

## 14. Healer

- **Healer as the name suggest, nurtures the business by bringing harmony with a surprising ability to survive with an inner calm.**
- Healer is closely related to calmness which lets him avoid the outside harsh realities of business.
- One must keep a scenario planning to pre prepare for any kind of turmoil.

## **ENTREPRENEUR vs. MANAGER**

- For many entrepreneurs, one of the most difficult tasks is to make the successful transition from a creative, task juggling entrepreneur to a business-skill-applying manager.
- The terms Entrepreneur and Manager are considered same; but these have different meanings altogether.
- These cannot be used interchangeably.
- The following are some of the differences between a manager and an entrepreneur.
  - The main difference between the two terms is that an entrepreneur starts a business enterprise constituting of ideas he comprehends; employing personal stakes in it where as a manager provides his services in an enterprise established by entrepreneur.
  - An entrepreneur and a manager differ in their standing, an entrepreneur is the owner of the organization and he bears all the risk and uncertainties involved in running an organization where as a manager is an employee and does not undertake responsibilities for any risk.
  - An entrepreneur and a manager differ in their objectives. Entrepreneur's objective is to innovate and create and he acts as a change agent where as a manager's objective is to supervise and create routines. He implements the entrepreneur's plans and ideas.
  - An entrepreneur is faced with more income uncertainties as his income is contingent on the performance of the firm where as a manager's compensation is less dependent on the performance of the organization.
  - An entrepreneur is not induced to involve in fraudulent behavior where as a manger does. A manager may cheat by not working hard because his income is not tied up to the performance of the organization.
  - Their areas of qualifications differ in the sense that; entrepreneur is required to have certain qualifications and qualities like high accomplishment motive, innovative thinking, forethought, risk-bearing ability etc. Conversely it's mandatory for a manager to be educated in the fields of management theories and practices.

## DISTINGUISHING MANAGER ENTREPRENEUR INTRAPRENEUR

Factors	Manager	Entrepreneur	Intrapreneur
Primary Focus	Salary Promotion Traditional corporate rewards	Independent Chance to be creative Opportunity to make more money	Independent Chance to be creative To move towards organizational and personal success
Skills Required	Managing qualities like leadership, organizing, Planning, communication skills etc.	Creativity, innovative, Risk taking, Visionary , Passion, Dedication, Determination	Blend of managerial and entrepreneurial skills.
Time Focus	Short term to meet deadlines set by top management	Survival and achieving long term growth	To meet self-imposed deadlines
Activity Delegation	Delegated by top management	Delegated to oneself	Delegated to oneself
Amount of Risk Bearing	Conservative	Extreme	Moderate
Status Check	Concerned about status	Not concerned about status	Not concerned about status
Failure and Mistakes	Minimizes mistakes	Deals with mistakes	Reduces risky activities
Decision	Agrees with top management	Follows a dream	Gets help from others to achieve dream
Availability of Resources	Readily available	Needs to arrange	Provided by entrepreneur
Constituencies Served	Upper management and customers	Oneself and customers	Oneself, customers and organization
Competitors	No one	Other entrepreneurs outside the organization	Within the organization