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ENTREPRENEURSHIP DEVELOPMENT

Entrepreneur

- **“Entrepreneur is a person who organizes, operates & assumes the risk for business venture”**

Entrepreneur

- **“A person who sets up a business or businesses taking on financial risks in the hope of profit”**

Entrepreneur

- “an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts”.

Evolution of the Concept

- The word entrepreneur comes from the 13th century French verb 'entreprendre', meaning to 'do something' or 'to undertake'.
- By the 16th century, the noun entrepreneur, had emerged to refer to someone who undertakes a business venture.
- The first academic usage of the term was by economist Richard Cantillon in 1730. For Cantillon, the bearing of risk engaging in business without an assurance of the profits that will be derived is the distinguishing feature of an entrepreneur.

Evolution of the Concept

- The term entrepreneur was further popularized by economist J. Baptiste Say, who in the early 1800s, used the term to refer to individuals who create value in an economy by moving resources out of areas of low productivity and into areas of higher productivity and greater yield.
- In 1848, economist John Stuart Mill used the term in his very popular book, Principles of Political Economy. To Mill, the distinguishing feature of an entrepreneur was that they assume both the risk and the management of a business.

Functions of Entrepreneurs

- ❑ 1. Innovative
- ❑ 2. Risk assumption
- ❑ 3. Decision making
- ❑ 4. All other managerial functions
 - ❑ Planning
 - ❑ Organizing
 - ❑ Staffing
 - ❑ Directing
 - ❑ Controlling

TYPES OF ENTREPRENEURS

- **A. ON THE BASIS OF TYPE OF BUSINESS.**
- **Trading Entrepreneur:**
- **Industrial Entrepreneur:**
- **Agricultural Entrepreneur:.**

TYPES OF ENTREPRENEURS

- **B. ON THE BASIS OF USE OF TECHNOLOGY:**
- **Technical Entrepreneur:**
- **Non-Technical Entrepreneur:**

TYPES OF ENTREPRENEURS

- C. ON THE BASIS OF Inheritance / other dimension
- Inherited Entrepreneurs:
- Innovative Entrepreneurs:
- Adoptive Or Imitative Entrepreneurs:

'Intrapreneurship'

- "Intrapreneurship refers to employee initiatives in organizations to undertake something new, without being asked to do so."

'Intrapreneurship'

- "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation".

'Intrapreneurship'

- Intrapreneurship involves creating or discovering new ideas or opportunities for the purpose of creating value, where this activity involves creating a new and self-financing organisation within or under the auspices of an existing company.

'Intrapreneurship'

- The distinction between entrepreneurs and intrapreneurs can be seen as a difference in the level of focus.
- While an entrepreneur should see the company as a vision from start to end; the intrapreneur is a facet of this broader vision.
- The intrapreneur works within the company to solve a specific problem.
- Thus intrapreneurs should have more directly applicable skills for a given task.
- The intrapreneur will take risks, but within the context of their job in the company.
- The intrapreneur, unlike the entrepreneur, is not focused on the entire company, but rather processes within it.

Entrepreneurship

- **Entrepreneurship is the process of translating a business idea into practice.**

Entrepreneurship

- **Entrepreneurship is a process involving various actions to be taken to establish an enterprise.**

Entrepreneurship

- All activities undertaken by an entrepreneur to bring a business unit into existence are collectively known as entrepreneurship.

Evolution of the Concept

- 19th Century During the 19th century, three economists post views on entrepreneurship: Jean Baptiste Say, John Stuart Mill, and Alfred Marshall. This is the first century in which we begin to see the definition include actions and specific skills required of entrepreneurs.
- Jean Baptiste Say determines that the entrepreneur is someone who earns profits by shifting resources from areas of low productivity to areas of high productivity. He further is known to require the entrepreneur to possess knowledge and judgment so that the entrepreneur is constantly aware of the costs and prices of his goods and can determine how to compare opportunities.
- Mid-century, John Stuart Mill describes the entrepreneur as someone who assumes not only the risk of a business venture (as a capitalist) but also the management of the business venture. It is this addition of a management component that builds on Say's judgment requirement.
- In the late 1800s Alfred Marshall emphasizes the importance of entrepreneurship by tying the resource component (from Say) and management component (from Mill) together. Marshall claims that four primary factors are necessary for production: land, labor, capital, and organization (which is the key factor to coordinate the other three resources).

Entrepreneurship Development

- **Entrepreneurship development means creating entrepreneurship attitude in individuals through searching for prospective entrepreneur and promoting that attitude to make an individual a real entrepreneur.**

Entrepreneurship Development

- **“Entrepreneurship development is a process through which entrepreneurial qualities are injected with necessary motivational drives of achievements to transform business ideas or opportunities into enterprise and to manage uncertain and risky situations of business undertakings.”**

Entrepreneurship Development

- Entrepreneurship development aims at making selection of such persons who has creativity and innovative ideas and to develop their entrepreneurial qualities through training.

Features of entrepreneurship development

- 1. It is a process of identifying prospective entrepreneurs and their entrepreneurial qualities.
- 2. It is a process of training through which new ideas of business and investment opportunities are exposed to these prospective entrepreneurs.
- 3. It is motivation for transforming idea or opportunity into business enterprise.
- 4. It is about boosting confidence among prospective entrepreneurs by providing counselling on management, marketing, finance and technical aspects of business enterprise.
- 5. It is an instrumental tool for making an individual a real entrepreneur.
- 6. It is a continuous and on-going activity of government and non-government organisations.
- 7. It aims at industrial and economic growth of the country.

Objectives of Entrepreneurship Development

- (1) To promote entrepreneurial qualities among youth through training and expert consulting.
- (2) To search and develop entrepreneurial opportunities and business ideas for potential entrepreneurs.
- (3) To motivate and encourage individuals for launching new business undertakings.
- (4) To provide and conduct new programmes for stimulating new ventures in rural and urban areas.
- (5) To provide technical knowhow for prospective and existing entrepreneurs
- (6) To make available different kinds of project reports for new ventures.
- (7) To provide information regarding different facilities, concessions, schemes sponsored by State Government, Central Government, Institutes etc. for promoting entrepreneurship.
- (8) To promote and maintain entrepreneurial culture among different sections of society in particular and in the nation in general.
- (9) To promote the development of small and medium enterprises in different sectors of economy.
- (10) To generate employment and self-employment through entrepreneurial development and growth of small-scale industries.
- (11) To contribute for economic and industrial development of the country through first-generation entrepreneurs.

Entrepreneur Culture

- Culture can be defined as the mix of norms, values and beliefs that are shared by a particular community [be it a business community, a cultural (or ethnic) community, a country, or a geographical region].
- An **entrepreneurial culture** is an environment where someone is motivated to innovate, create and take risks. In a business, an **entrepreneurial culture** means that employees are encouraged to brainstorm new ideas or products. When work time is dedicated to these activities, it is called intrapreneurship.
- Entrepreneurial culture can be made to enable democratisation of the capacity to create and manage (business) towards wealth creation, thereby eradicating poverty.

Entrepreneur Culture

- When people are empowered to create and manage their own businesses,
- wealth creation is possible;
- jobs are created;
- individual and collective well being becomes a reality; and
- it becomes easier for the State to better redistribute wealth to those who cannot work (disabilities for instance) when all those who can work are empowered to do so.

Entrepreneur Culture

- Culture refers to attitudes and values which in the case of entrepreneurship may be linked with autonomy, creativity and sense of responsibility (soft skills) and so on. It also refers to entrepreneurial knowledge and skills and management competencies which have to be acquired (hard skills).
- The hard aspects of culture apply to entrepreneurship because without them, an entrepreneurial culture would not develop into a tangible act.
- Sustaining an entrepreneurial culture starts with who you hire. It is essential to carefully screen prospective employees to ensure that they will fit within your culture. An entrepreneurial culture is also sustained by your reward system, by the autonomy and respect you give to your employees, and by consistent communication about your ongoing entrepreneurial vision for the company.

Entrepreneur Culture

- Creating an entrepreneurial culture creates a business that will continue to grow by adapting to change and by actively pursuing new opportunities in the market.
- **1. Hire Aspiring Entrepreneurs**
- **2. Make Employees Feel Like Partners**
- **3. Empower and Encourage Employees**
- **4. Be Open to Micro-failures**
- **5. Give Incentives to Employees**
- **6. Lead by Example**
- **7. Give Employees a Voice**
- **8. Make It Safe to Share Ideas**
- **9. Give Employees Ownership**
- **10. Ask Them for Their Recommendation**
- **11. Create a Startup Culture**

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

- (A) **Personal factors**
- • **Age**
- • **Education**
- • **Personality**
- • **Intrapersonal communication ability**
- • **Achievement motivation**
- • **Self-confidence**
- • **Competence**
- • **Emotion**
- • **Understanding capacity**

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

- **(B) Political and legal factors**
- **Gov't policies**
- **Rules and laws related to the industry**

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

- (C) Institutional factors:
 - • Financial institution
 - • Training and development institution

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

- **Others:**
 - **Availability of land facilities**
 - **Accessibility of transportation**
 - **Capital intensiveness**
 - **Competitive situation**
 - **Infrastructural Facilities**

STAGES IN THE ENTREPRENEURIAL PROCESS

- 1. Identification and valuation of the opportunity
- Real and perceived value of opportunity
- Risk and return of opportunity
- Competitive situation
- Length of opportunity

STAGES IN THE ENTREPRENEURIAL PROCESS

- 2. Development of the business plan
 - Description of business
 - Marketing plan
 - Financial plan
 - Production plan
 - Other organizational plan

STAGES IN THE ENTREPRENEURIAL PROCESS

- 3. Determination of the required resources
- Existing resources
- Need resources

STAGES IN THE ENTREPRENEURIAL PROCESS

- 4. Management of the resulting enterprise
 - Management style
 - Key variables for success
 - Identification of existing and potential problems
 - Implementation of control systems

Significance of Entrepreneur in Economic Development

- **Balanced growth:**
- **Capital formation:**
- **Self-employment:**
- **Employment generation:**
- **Optimum utilization of natural resources:**
- **Variety of production and technology:**
- **Export promotion:**
- **Quality enhancement through Research and Development:**
- **Entrepreneurship brings social stability:**
- **Economic development:**

CAUSES OF SLOW GROWTH OF

ENTREPRENEURSHIP IN INDIA

- ❑ **Agriculture:**
- ❑ **Educational System:**
- ❑ **Colonial Rules:**
- ❑ **Joint Family System:**
- ❑ **Mindset:**
- ❑ **Recognition by the society:**
- ❑ **Family Background:**

Economic, Social and Psychological Need for Entrepreneurship

- a. Entrepreneurs promote capital formation by mobilising the idle saving of the people.
- b. They create immediate and large-scale employment by establishing small-scale enterprises. Thus, they reduce the unemployment problem in the country, i.e. root cause of all socio-economic problems.
- c. They promote balanced regional development by establishing small-scale enterprises in rural, remote and less developed regions.
- d. They help reduce the concentration of economic power.
- e. They promote the equitable redistribution of wealth, income and even political power in the interest of the country.
- f. They encourage effective resource mobilization of capital and skill which might otherwise remain unutilized and idle.
- g. They, by establishing industries, induce backward and forward linkages which stimulate the process of economic development in the country.
- h. they also promote country's export business, i.e. an important ingredient to economic development.

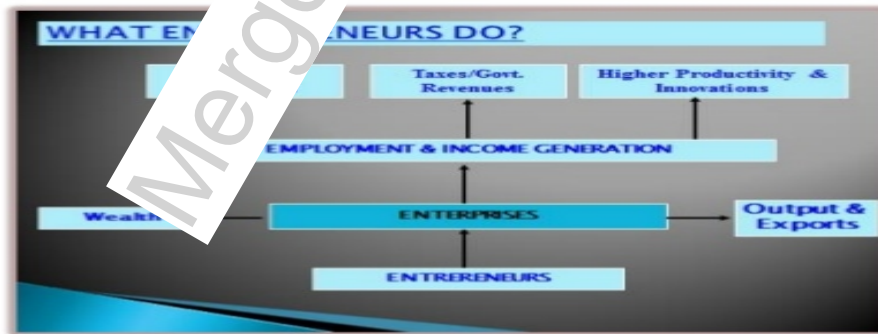
CHARACTERISTICS OF AN ENTREPRENEUR

- 1) Entrepreneur is action-oriented, highly motivated individual who takes risk to achieve goals.
- 2) Entrepreneur is a thinker and doer, planner and worker.
- 3) Entrepreneur can foresee the future
- 4) Entrepreneur undertakes venture not for his personal gain alone but for the benefit of consumers, government and the society as well.
- 5) Entrepreneur finds the resources required to exploit opportunities.
- 6) An entrepreneur brings about change in the society.
- 7) Entrepreneur accepts responsibilities with enthusiasm and endurance.
- 8) Entrepreneur builds new enterprises.

Qualities and Pre-requisites of Successful Entrepreneur

- ❑ Risk taking ability
- ❑ Hard work
- ❑ Analytical mind
- ❑ Presence of vision
- ❑ Courageous and tactful
- ❑ Foresighted
- ❑ Innovativeness
- ❑ Self confidence
- ❑ Loves new ideas
- ❑ Team builder
- ❑ Optimistic
- ❑ Highly motivated
- ❑ Empathy

Function / Role of Entrepreneurs in Economic Development



ROLE OF ENTREPRENEURSHIP IN DEVELOPMENT OF ECONOMY

Entrepreneurship is one of the most important inputs in the economic development of a country. Entrepreneur plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy are discussed as follows.

(1) Promotes Capital Formation:

Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(2) Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in

Function / Role of Entrepreneurship in Development of Economy

the country which clears the path towards economic development of the nation.

(3) Promotes Balanced Regional Development:

Entrepreneurs help to move regional disparities through setting up of industries in less developed backward areas. The growth of industries and business in these areas leads to a large number of public benefits like road transport, health, education, etc. Setting up of more industries leads to more development in backward regions and thereby promotes balanced regional development.

(4) Reduces Concentration of Economic Power:

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

(5) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(6) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities, encourage effective resource mobilisation of capital and skill, bring in new products and services and develop markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

(6) Improvement in the Standard of Living:

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

(7) Promotes Country's Export Trade:

Function / Role of Entrepreneurship in Development of Economy

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose of earning huge amount of foreign exchange from export in order to combat foreign trade deficit. Hence import substitution and export promotion ensure economic independence and development.

(8) Induces Backward and Forward Linkages:

Entrepreneurs work in an environment of change and try to maximize profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

(9) Facilitates Overall Development:

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

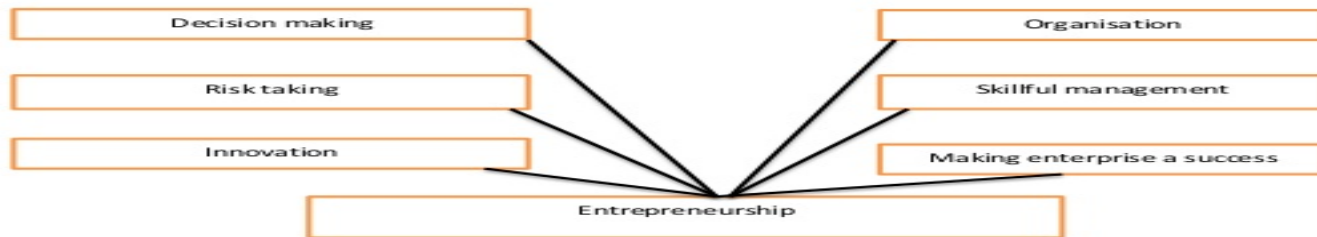
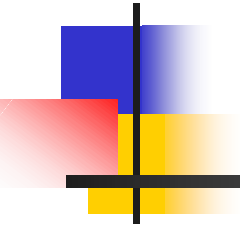


Diagram of characteristics of entrepreneurship

Entrepreneurship





Overview

- What is an entrepreneur?
- Characteristics of an entrepreneur
- Planning to be an entrepreneur
- Growth pressures, managing a family business, and corporate intrapreneurship



Entrepreneurs V. Intrapreneurs

- Entrepreneurs are people that notice opportunities and take the initiative to mobilize resources to make new goods and services.
- Intrapreneurs also notice opportunities and take initiative to mobilize resources, however they work in large companies and contribute to the innovation of the firm.
- Intrapreneurs often become entrepreneurs.



Intrapreneurship

- Learning organizations encourage intrapreneurship.
- Organizations want to form:
 - Product Champions: people who take ownership of a product from concept to market.
 - Skunkworks: a group of intrapreneurs kept separate from the rest of the organization.
 - New Venture Division: allows a division to act as its own smaller company.
 - Rewards for Innovation: link innovation by workers to valued rewards.



Small Business Owners

- Small business owners are people who own a major equity stake in a company with fewer than 500 employees.
- In 1997 there were 22.56 million small business in the United States.
- 47% of people are employed by a small business.



Employee Satisfaction

- In companies with less than 50 employees, 44% are satisfied.
- In companies with 50-999 employees, 31% are satisfied.
- Business with more than 1000, only 28% are satisfied.



Employee Satisfaction



Advantages of a Small Business

- Greater opportunity to get rich through stock options
- Feel more important
- Feel more secure
- Comfort Level



Disadvantages of a Small Business

- Lower guaranteed pay
- Fewer benefits
- Expected to have many skills
- Too much cohesion
- Hard to move to a big company
- Large fluctuations in income possible

Who are entrepreneurs?

■ Common traits

- Original thinkers
- Risk takers
- Take responsibility for own actions
- Feel competent and capable
- Set high goals and enjoy working toward them

■ Common traits

- Self employed parents
- Firstborns
- Between 30-50 years old
- Well educated – 80% have college degree and 1/3 have a graduate level degree



Successful and Unsuccessful Entrepreneurs

■ Successful

- Create and Innovative
- Position themselves in shifting or new markets
- Create new products
- Create new processes
- Create new delivery

■ Unsuccessful

- Poor Managers
- Low work ethic
- Inefficient
- Failure to plan and prepare
- Poor money managers



Characteristics of Entrepreneurs

Key Personal
Attributes

Strong Managerial
Competencies

Good Technical Skills



**Successful
Entrepreneurs**



Key Personal Attributes

- **Entrepreneurs are Made, Not Born!**
 - Mar., these key attributes are developed early in life, with the family environment playing an important role
 - Entrepreneurs tend to have had self employed parents who tend to support and encourage independence, achievement, and responsibility
 - Firstborns tend to have more entrepreneurial attributes because they receive more attention, have to forge their own way, thus creating higher self-confidence



Key Personal Attributes (cont.)

■ Entrepreneurial Careers

- The idea that entrepreneurial success leads to more entrepreneurial activity may explain why many entrepreneurs start multiple companies over the course of their career
- Corridor Principle- Using one business to start or acquire others and then repeating the process
- Serial Entrepreneurs- A person who founds and operates multiple companies during one career



Key Personal Attributes (cont.)

■ Need for Achievement

- A person's desire either for excellence or to succeed in competitive situations
- High achievers take responsibility for attaining their goals, set moderately difficult goals, and want immediate feedback on their performance
- Success is measured in terms of what those efforts have accomplished
- McClelland's research



Key Personal Attributes (cont.)

■ Desire Independence

- Entrepreneurs often seek independence from others
- As a result, they generally aren't motivated to perform well in large, bureaucratic organizations
- Entrepreneurs have internal drive, are confident in their own abilities, and possess a great deal of self-respect



Key Personal Attributes (cont.)

■ Self-Confidence

- Because of the high risks involved in running an entrepreneurial organization, having an “upbeat” and self-confident attitude is essential
- A successful track record leads to improved self-confidence and self-esteem
- Self-confidence enables that person to be optimistic in representing the firm to employees and customers alike



Key Personal Attributes (cont.)

- Self-Sacrifice

- Essential
- Nothing worth having is free
- Success has a high price, and entrepreneurs have to be willing to sacrifice certain things



Technical Proficiency

- Many entrepreneurs demonstrate strong technical skills, typically bringing some related experience to their business ventures
- For example, successful car dealers usually have lots of technical knowledge about selling and servicing automobiles before opening their dealerships
- Especially important in the computer industry
- NOT ALWAYS NECESSARY



Planning

- Business Plan – A step-by-step outline of how an entrepreneur or the owner of an enterprise expects to turn ideas into reality.



Questions to Keep In Mind

- What are motivations for owning a business?
- Should I start or buy a business?
- What and where is the market for what I want to sell?
- How much will all this cost me?
- Should my company be domestic or global?



Motivati

- Deciding what your motivations are will direct you toward what type of business fits you best.
- Types:
 1. Lifestyle Venture
 2. Smaller Profit Venture
 3. High Growth Venture



1. Lifestyle Venture

- Small company that provides its owner independence, autonomy, and control.
- Is often run out of household
- Provides flexibility (hours, meeting places, attire)
- Aligns your personal interests and hobbies with your desire to make a profit.



2. Small Profit Venture

- Small company not concentrated on pushing the envelope and growing inordinately large.
- Making millions of dollars not important.
- Content with making a decent living.
- Ex. Mom and Pop Stores



3. High Growth Ventures

- Goal is maximum profit and growth.
- Concentrated on pushing envelope and growing as large as possible.
- Focus on innovation



Start or Buy?

- Start – cheapest, but very difficult
 - requires most planning/research
- Buy – expensive – may be out or reach
 - requires less planning and research
- Franchise (middle ground) – a business run by an individual (the franchisee) to whom a franchiser grants the right to market a certain good or service.



The Market???

- Planning & Research essential
- Extensive market surveys (family, friends, neighbors...)
- Magazines and Polls offer some information on the market
 - Businessweek, Harris Poll



What about the cost?

- Plan realistically, not optimistically
 - Don't overestimate your profits
 - Don't underestimate your costs
- Sources of Funds
 - Banks
 - Venture Capitalists – filthy rich, high risk investors looking for a many-times-over yield
 - Angels – seem to have altruistic motives and less stringent demands than venture capitalists



Domestic or Global?

- Drawbacks to Global – more research and less accessible connections in startup phase, more travel time required, more considerations.
- Advantages to Global – more human resources, more demand, more financing, easier to start global than go from domestic to global.



Entrepreneurship: Growth Pressures

Entrepreneurs often find that as their business ***grows***, they feel more pressure to use ***formal*** methods to lead their organizations.

Although this ***formalization*** process may compromise some entrepreneurs spirit, it often leads to more ***focus***, ***organization***, and greater ***financial returns***.

Basically, it's a movement from a “seat-of-the-pants” operation to a more structured, legitimate and recognizable business.



Entrepreneurship: Growth Pressures

Entrepreneur and Formal Organizations differ in six business dimensions:

- Strategic orientation
- Commitment to opportunity
- Commitment to resources
- Control of resources
- Management structure
- Compensation policy

Entrepreneurs' Growth Pressures

Business Dimension	Entrepreneurial Organization	Formal Organization
Strategic orientation	Seeks opportunity	Controls resources
Commitment to opportunity	Revolutionary Short duration	Evolutionary Long duration
Commitment to resources (capital, people, and equipment)	Lack of stable needs and resource bases	Systematic planning systems
Control of resources	Lack of commitment to permanent ventures	Power, status, financial rewards for maintaining status quo
Management Structure	Flat Many informal networks	Clearly defined authority and responsibility
Compensation policy	Unlimited; based on team's accomplishments	Short-term driven; limited by investors