

Entrepreneurship Development and Business Communication



Course no. ASEE3103

Credit - 2(1+1)

Centurion
UNIVERSITY

1. Entrepreneur¹

CONCEPT

Entrepreneur is an Economic Agent who plays a vital role in the economic development of a country. Economic development of a country refers steady growth in the income levels. This growth mainly depends on its entrepreneurs. *An Entrepreneur* is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals. An entrepreneur identifies opportunities and seizes opportunities for economic benefits.

The word “Entrepreneur” is derived from *the French verb ‘entrepredre’*. It means ‘to undertake’. In the early 16th century the Frenchmen who organized and led military expeditions were referred as ‘Entrepreneurs’. *In the early 18th century French economist Richard Cantillon used the term entrepreneur to business.* Since that time the word entrepreneur means one who takes the risk of starting a new organization or introducing a new idea, product or service to society.

MEANING

An entrepreneur can be regarded as a person who has the initiative skill and motivation to set up a business or enterprise of his own and who always looks for high achievements. He is the catalyst for social change and works for the common good. They look for opportunities, identify them and seize them mainly for economic gains. An action oriented entrepreneur is a highly calculative individual who is always willing to undertake risks in order to achieve their goals.

According to *J.B. Say*, “An Entrepreneur is the economic agent who unites all means of production; land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market the pays rent of land, wages to labour, interest on capital and what remains is his profit”. Thus an Entrepreneur is an organizer who combines various factors of production to produce a socially viable product.

According to *Joseph Schumpeter*, “An entrepreneur in an advanced economy is an individual who introduces something new in the economy, a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new market and the like”.

According to *Cantillon* “An entrepreneur is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in

¹ Compiled and developed by Dr. Satarupa Modak

Richard Cantillon, an Irish man living in France introduced the term ‘entrepreneur’, called father of Entrepreneurship.

future”. To conclude an entrepreneur is the person who bears risk, unites various factors of production, to exploit the perceived opportunities in order to evoke demand, create wealth and employment.

Evolution of the word Entrepreneur

1600 – Entrepreneur came from a French verb – Entreprenre – **to undertake**.

1700 – Entrepreneur is the person bearing Risk or Profit in a fixed price contract (**Risk**)

1803 – J. B. Say – Entrepreneur shifts economic resources out from an area of lower to higher productivity & greater yields (**Value Addition**)

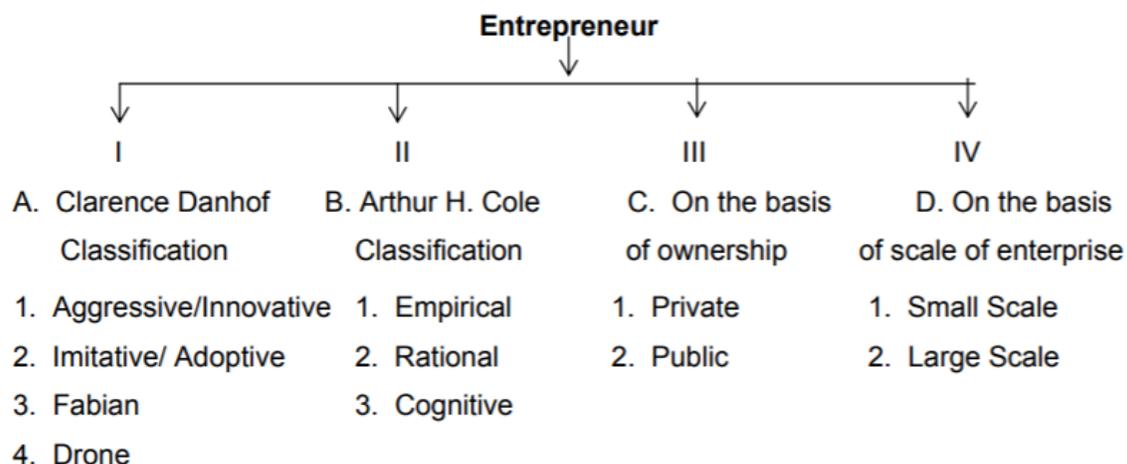
1934 – Joseph Schumpeter – Entrepreneur is innovator and develops untried technology (**Productivity & Innovation**)

1961 – David McClelland – Entrepreneur is highly motivated, energetic, moderate risk taker (**Need for achievement**)

1964 – Peter Drucker – Entrepreneur searches for change, responds to it & exploits as opportunity (**Opportunity Focused**)

TYPES OF ENTREPRENEURS

Following are the classification of entrepreneurs on the basis of common characteristics



A. Clarence Danhof Classification:

1. **Innovative:** Innovative entrepreneur is one who assembles and synthesis information and introduces new combinations of factors of production. They are characterized by the smell of innovativeness. These entrepreneurs sense the opportunities for introduction new ideas new

technology, new markets and creating new organizations. Innovative entrepreneurs are very much helpful for their country because they bring about a transformation in life style.

2. **Imitative/ Adoptive:** Imitative entrepreneur is also known as adoptive entrepreneur. He simply adopts successful innovation introduced by other innovators. These entrepreneurs imitate the existing entrepreneurs and setup their enterprise in the same manner. Instead of innovating, they just imitate the technology and methods innovated by others. These entrepreneurs are very helpful in less developed countries as they contribute significantly in the growth of enterprise and entrepreneurial culture in these countries. Further by adopting the technology, which is already tested, they generate ample employment avenues for the youth and therefore they are treated as agent of economic development.

3. **Fabian:** The Fabian entrepreneur is timid and cautious. He imitates other innovations only if he is certain that failure to do so may damage his business. They are very much skeptical in their approach in adopting or innovating new technology in their enterprise. They are not adaptable to the changing environment. They love to remain in the existing business with the age-old techniques of production. They only adopt the new technology when they realize that failure to adopt will lead to loss or collapse of the enterprise.

4. **Drone:** These entrepreneurs are conservative or orthodox in outlook. They never like to get rid of their traditional business and traditional machinery or systems of the business. They always feel comfortable with their old fashioned technology of production even though the environment as well as the society have undergone considerable changes. Thus, drone entrepreneurs refuse to adopt the changes. They are laggards as they continue to operate in their traditional way and resist changes. His entrepreneurial activity may be restricted to just one or two innovations. They refuse to adopt changes in production even at the risk of reduced returns.

B. Arthur H. Cole Classification:

1. **Empirical:** He is an entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.

2. **Rational:** The rational entrepreneur is well informed about the general economic conditions and introduces changes which look more revolutionary.

3. **Cognitive:** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

C. Classification on the Basis of Ownership:

1. **Private:** Private entrepreneur is motivated by profit and it would not enter those sectors of the economy in which prospects of monetary rewards are not very bright.

2. **Public:** In the underdeveloped countries government will take the initiative to share enterprises.

D. Classification Based on the Scale of Enterprise:

1. **Small scale:** This classification is especially popular in the underdeveloped countries. Small entrepreneurs do not possess the necessary talents and resources to initiate large scale production and introduce revolutionary technological changes.

2. **Large scale:** In the developed countries most entrepreneurs deal with large scale enterprises. They possess the financial and necessary enterprise to initiate and introduce new technical changes. The result is the developed countries are able to sustain and develop a high level of technical progress.

In recent years, some new classifications have been made regarding entrepreneurs, which are discussed further.

1. **Solo operators:** These entrepreneurs prefer to set up their business individually. They introduce their own capital, intellect and business acumen to run the enterprise successfully. They operate their business mainly in the form of proprietorship type of concern.

2. **Active partners:** Entrepreneurs of this type jointly put their efforts to build enterprise pooling together their own resources. They actively participate in managing the daily routine of the business concern. As such, the business houses or the firms which are managed by the active partners become more successful in their operation.

3. **Inventors:** These entrepreneurs primarily involve themselves in Research and Development (R and D) activities. They are creative in character and feel happy in inventing new products, technologies and methods of production.

4. **Challengers:** Entrepreneurs of this type take challenges to establish business venture as mark of achievement. They keep on improving their standard and face boldly the odds and adversities that come in their way. They use their business acumen and talent to convert the odds into opportunities thereby making profit. According to them, if there is no challenge in life, there is no charm in life. Challenges make them bold, and thus, they never hesitate to plunge themselves into uncertainties for earning profit.

5. **Buyers (entrepreneurs):** These entrepreneurs explore opportunities to purchase the existing units which may be seized or are in running condition. If the units they purchase are sick they turn them around using their experiences, expertise and business acumen. By purchasing these units they make themselves free from the hassles of building infrastructures and other facilities.

6. **Life timers:** These entrepreneurs believe that business is the part and parcel of their life. They take up the business to reunite successfully as a matter of ego satisfaction. They have a strong desire for taking personal responsibility. Family enterprises which thrive due to high personal skill are included under this category.

According to the Type of Business

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

Business Entrepreneur

Business entrepreneurs are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap both production and marketing resources in their search to develop a new business opportunity. They may set up a big establishment or a small business unit. Trading entrepreneur is one who undertakes trading activities and is not concerned with the manufacturing work. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among buyers to go in for his product. He is engaged in both domestic and overseas trade.

Industrial Entrepreneur

Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailor product or service to meet the marketing needs. He is a production-oriented person who starts in an industrial unit because of the possibility of making some new product.

Corporate Entrepreneur

Corporate entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailor product or service to meet the marketing needs. He is a product-oriented man who starts in an industrial unit because of the possibility of making some new product. Corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking. A corporate undertaking is a form of business organisation which is registered under some statute or Act which gives it a separate legal entity.

Agricultural Entrepreneur

Agricultural entrepreneurs are those entrepreneurs who undertake such agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture.

According to the use of Technology.

Technical Entrepreneur

A technical entrepreneur is essentially an entrepreneur of “Craftsman type”. He develops a new and improved quality of goods because of his craftsmanship. He concentrates more on production than marketing. He does not care much to generate sales by applying various sales promotional techniques. He demonstrates his innovative capabilities in matters of production of goods and rendering services.

Non-technical Entrepreneur

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

Professional Entrepreneur

Professional entrepreneur is a person who is interested in establishing a business but does not have interest in managing or operating it once it is established.

According to Motivation

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

Pure Entrepreneur

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

Induced Entrepreneur

Induced entrepreneur is one who is being induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead facilities to start a venture. Most of the entrepreneurs are induced entrepreneurs who enter business due to financial, technical and several other several other provided to them by the state agencies to promote entrepreneurship.

Motivated Entrepreneur

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

Spontaneous Entrepreneur

These entrepreneurs start their business out of their natural talents and instinct. They are persons with initiative, boldness and confidence in their ability which motivate them to undertake entrepreneurial activity.

Growth Entrepreneur

Growth entrepreneurs are those who necessarily take up a high growth industry. These entrepreneurs choose an industry which has substantial growth prospects.

Super-Growth Entrepreneur

Super-growth entrepreneur is those who have shown enormous growth of performance in their venture. The growth performance is identified by the liquidity of funds, profitability and gearing.

According to Stages of Development

First-Generation Entrepreneur

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

Modern Entrepreneur

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

Classical Entrepreneur

A classical entrepreneur is one who is concerned with the customers and marketing needs through the development of a self-supporting venture. He is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the firm with or without an element of growth.

FUNCTIONS OF ENTREPRENEURS

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

1. **Idea generation:** This is the most important function of the entrepreneur. Idea generation can be possible through the vision, insight, observation, experience, education, training and exposure of the entrepreneur. Idea generation precisely implies product selection and project identification. Ideas can be generated through environmental scanning and market survey. It is the function of the entrepreneurs to generate as many ideas as he can for the purpose of selecting the best business opportunities which can subsequently be taken up by him as a commercially-viable business venture.

2. **Determination of objectives:** The next function of the entrepreneur is to determine and lay down the objectives of the business, which should be spelt out on clear terms. In other words, entrepreneur should be very much clear about the following things:

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

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

3. **Raising of funds:** Fund raising is the most important function of an entrepreneur. All the activities of a business depend upon the finance and its proper management. It is the responsibility

of the entrepreneur to raise funds internally as well as externally. In this matter, he should be aware of the different sources of funds and the formalities to raise funds. He should have the full knowledge of different government sponsored schemes such as PMRY, SGSY, REGP, etc. by which he can get Government assistance in the form of seed capital, fixed and working capital for his business.

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

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

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

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

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

7. Determination of form of enterprise: The function of an entrepreneur in determining the form of enterprise is also important. Entrepreneur has to decide the form of enterprise based upon the nature of the product, volume of investment, nature of activities, types of product, quality of product, quality of human resources, etc. The chief forms of ownership organizations are sole proprietorship, partnership, Joint Stock Company and cooperative society. Determination of ownership right is essential on the part of the entrepreneur to acquire legal title to assets.

8. Recruitment of manpower: Entrepreneur has to perform the following activities while undertaking this function:

- (a) Estimating manpower need of the organization
- (b) Laying down of selection procedure
- (c) Devising scheme of compensation

(d) Laying down the rules of training and development

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

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

(i) Innovation

(ii) Risk bearing

(iii) Organization and

(iv) Management

CHARACTERISTICS OF ENTREPRENEUR

Entrepreneur is a key figure in economic progress. He is the person who introduces new things in the economy. He is considered as the business leader and not as simple owner of capital. He is a person with telescopic faculty, drive and talent who perceives business opportunities and promptly seizes them for exploitation. M.M.P. Akhouri, formerly Executive Director, National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi, describes entrepreneur “as a character who combines innovativeness, readiness to take risk, sensing opportunities, identifying and mobilizing potential resources, concerns for excellence and who is persistent in achieving the goal.” To be successful, an entrepreneur should have the following characteristic features.

- 1. Hard work:** Willingness to work hard distinguishes a successful entrepreneur from unsuccessful one. The entrepreneur with his/ her tedious, sweat-filled hours and perseverance revive their business even from on verge of failure. In nut-shell, most of the successful entrepreneurs work hard endlessly, especially in the beginning and same becomes their whole life.
- 2. Desire for High Achievement:** Entrepreneurs have got strong desire to achieve higher goals. Their inner self motivates their behaviour towards high achievement: most of the people dream of success but do not take any action towards achieving these dreams. Entrepreneurs with high n-Ach factor act continuously to achieve the goal and make their dreams come true. For them, winning is achievement.
- 3. Highly optimistic:** The successful entrepreneurs are not disturbed by the present problems faced by them. They are optimistic for future that the situation will become favourable to business in future. Thus, they can run their enterprise successfully in future.

4. **Independence:** Most of the entrepreneurs start on their own because they dislike to work for others. They prefer to be their own boss and want to be responsible for their own decisions.
5. **Foresight:** The entrepreneurs have a good foresight to know the future business environment. In the other word, they well visualize the likely changes to take place in market, consumer attitude, technological development, etc. and take timely actions accordingly.
6. **Good Organiser:** Different resources required for production are divorced from each other. It is the ability of the entrepreneurs that brings together all resources required for stating up an enterprise and then to produce goods.
7. **Innovative:** Successful entrepreneurs are innovators. They constantly put their efforts in introducing new products, new method of production, opening new markets and recognizing the enterprise.

DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER

Point for	Distinction	Entrepreneur Manager
1. Goal Management	An entrepreneur starts a venture by setting up a new enterprise for his personal gratification	But the main aim of a manager is to render his service in an enterprise already set up by someone.
2. Status	Entrepreneur is the owner of enterprise	A manager is the servant in the enterprise.
3. Risk	An entrepreneur bears all risks and uncertainty involved in the enterprise.	A manager being a servant does not bear any risk involved in the enterprise.
4. Rewards	Entrepreneur for his risk bearing role he receives profits. It is not only uncertain and irregular but can at times be negative.	A manager receives salary as reward for service rendered which is fixed and regular can never be negative
5. Innovation	As an entrepreneur, individual need to be innovative to meet changing needs of customer demands	A manager needs to execute plans of an entrepreneur

Intrapreneur: The entrepreneurs emerging from within the confines of organization are called ‘intrapreneur’. The intrapreneurs are top executives encouraged to catch hold of new ideas to convert them into products. Intrapreneurship serves as a seed-bed for the development of innovative entrepreneurship. Innovation is the hallmark of entrepreneurship.

Extrapreneur: A person who is passionate about an idea and convinces others to make it happen

Ultrapreneur: Individual who needs to have different mindset about establishing and operating a company.

Mobile Entrepreneur: Entrepreneur leaves the venture when it reaches its final stage of venture creation and looks for a new opportunity to create another one

Eg. Sam Pitoda, who revolutionized Tele-Communication in India

Managerial Entrepreneur: Entrepreneur who continues in the same venture by assuming the responsibility of managing and maintaining the venture, rather than continuing in the innovative and creative role

Eg. Md. Yunus, founder of Grameen Bank in Bangladesh

Empire Builder: Entrepreneur goes on creating a chain of new ventures one after another and builds a sort of empire.

Eg. G.D. Birla, J.N. Tata, Dr. V. Kurien of Amul