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Lecture : 2

Characteristics of an Entrepreneur





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Need to achieve: Entrepreneurs have got strong desire to achieve **higher goals**. Entrepreneurs with **high n-Ach factor** (David McClelland) act continuously to achieve the goal and make their dreams come true.

For them, **winning is achievement**.





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Independence: They prefer to be their **own boss** and want to be responsible for their own decisions.



Risk-bearing: They choose **moderate risk** rather than play wild risk





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Locus of control: Entrepreneurs **believe in their own ability to control** the consequences of their endeavour by influencing their socio-economic environment rather than leave everything to luck.



Positive self-concept: Entrepreneurs are always **positive in their action**. He utilizes his positive knowledge to support his thinking.





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Hope of success: Entrepreneurs set their goals with a hope of success rather than fear of failure.



Analytical ability of mind: Entrepreneurs are unaffected by personal likes and dislikes. They usually avoid emotional and sensitive attitude towards their business or problem



Flexibility: Most of the successful entrepreneurs measure the pros and cons of a decision and tend to change if the situation demands.





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Interpersonal skills: They interact with raw material suppliers, customers, bankers, etc.. for different activities



Need to influence others: For influencing others (**n Power**), a low need to establish emotional relationship (**low n Affiliation**).

Business planning: Planning implies deciding in advance what, when and how to do a thing.

Innovators: They constantly put their efforts in introducing new products, new method of production, opening new markets and recognizing the enterprise.



Leadership: Entrepreneurs should possess the quality of leadership.



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Decision making: Decision-making skill is a **fundamental characteristic** of an entrepreneur. (It helps to choosing a particular course of action at every stage of creation of an enterprise out of **several alternative courses** for the purpose of achieving specified goals)

Ability to mobilize resources: They have to mobilize 6Ms, *i.e.* Man, Money, Material, Machinery, Market and Method effectively to realize the final product.

Self-confidence: Entrepreneurs **must** have self-confidence to accomplish the task effectively and efficiently



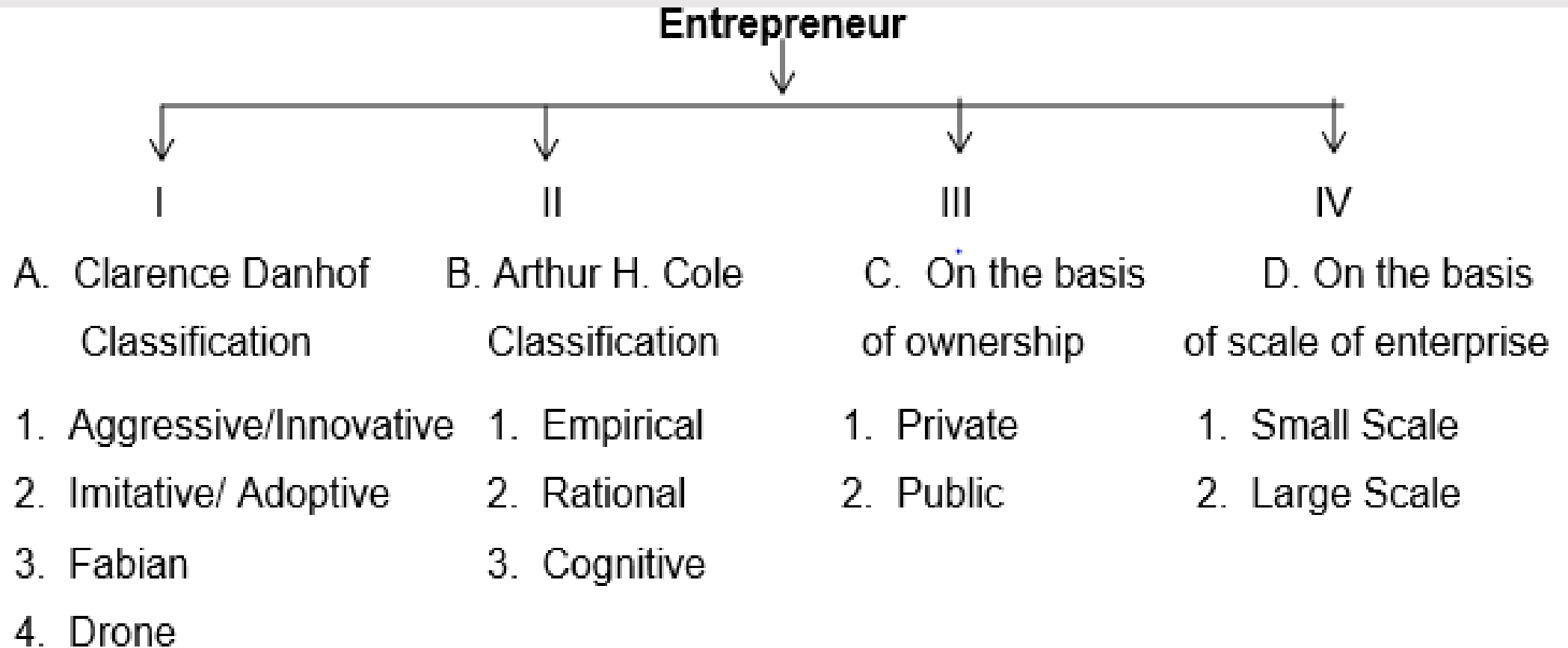
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TYPES OF ENTREPRENEUR



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TYPES OF ENTREPRENEUR





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Clarence Danhof classifies entrepreneurs into four types

- 1. Innovative:** Innovative entrepreneur is one who **introduces new combinations of factors of production.** Introduction new ideas new technology, new markets and creating new organizations.



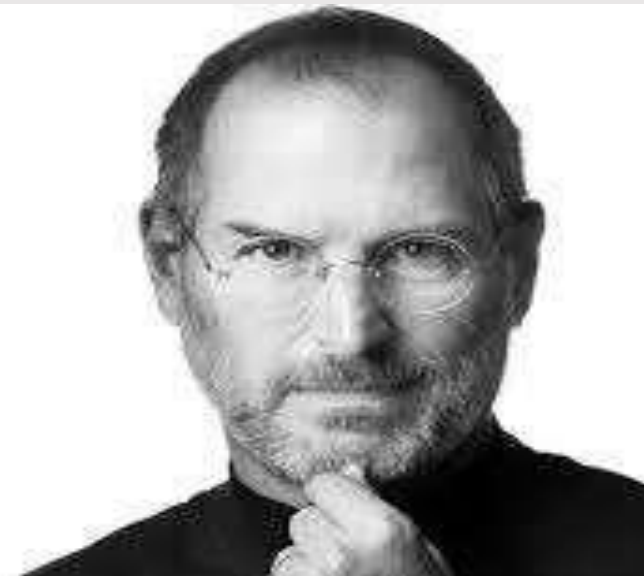
Innovative entrepreneurs are very much helpful for their country because they **bring about a transformation in life style.**



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Steve Jobs
1955-2011



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2. Imitative/ Adoptive: He simply **adopts** successful innovation introduced by **other innovators**. They just **imitate** the technology and methods innovated by others.



These entrepreneurs are very **helpful in less developed countries**. They generate ample employment avenues for the youth and therefore they are treated as **agent of economic development**.



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3. Fabian: The Fabian entrepreneur is **timid and cautious**.

- ❑ They are **not adaptable** to the changing environment.
- ❑ They love to remain in the existing business with the age-old techniques of production.





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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.



Drone entrepreneurs **refuse** to adopt the changes. They are **laggards** as they continue to operate in their traditional way and resist changes.



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Drone Entrepreneur



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Arthur H. Cole classifies entrepreneurs as

Empirical: He is an entrepreneur **hardly** introduces anything **revolutionary**

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

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.



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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.



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Classification Based on the Scale of Enterprise

1. Small scale: 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. The result is the developed countries are able to sustain and develop a high level of technical progress



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Some new classifications

1. Solo operators: entrepreneurs prefer to set up their business **individually**.

They introduce their own **capital, intellect and business insight** to run the enterprise successfully



They operate their business mainly in the form of **proprietorship**
type of concern



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- ❑ Do you know that the world's most subscribed individual **YouTuber** is Swedish comedian and gamer **PewDiePie** who has more than **100 million subscribers**.
- ❑ His YouTube videos primarily comprise of comedy **shows and gaming videos** and are relished by millions of people across the world.
- ❑ YouTubers are one of the newest breeds of **solopreneurs**. They attract and engage a large audience through their talent or informative videos.





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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.**



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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



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4. Challengers: Entrepreneurs of this type **take challenges** to establish business venture as mark of achievement.

❑ They use their business **insight 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.





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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.



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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.





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According to the Type of Business (business occupations)

1. 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.





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2. 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**



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3. Corporate Entrepreneur

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 Act which gives it a separate legal entity



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4. Agricultural Entrepreneur

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





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According to the use of Technology

1. 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.





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2. Non-technical Entrepreneur

❑ 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.

3. Professional Entrepreneur

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





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According to Motivation

1. 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.





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2. Induced Entrepreneur

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.



3. Growth Entrepreneur

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





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4. 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.





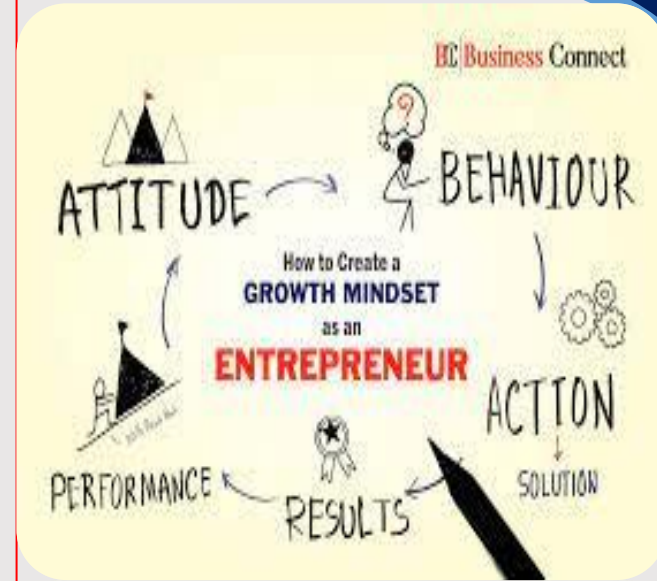
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5. Spontaneous Entrepreneur

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.



6. Super-Growth Entrepreneur

Those who have shown *enormous growth of performance* in their *venture*. The growth performance is identified by the liquidity of funds, profitability and gearing.





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According to Stages of Development

1. 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*.



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2. 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*.





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3. 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.





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Functions of entrepreneurs

- 1. Idea generation:** Idea generation can be possible through the vision, insight, observation, experience, education, training and exposure of the entrepreneur. Ideas can be generated through **environmental scanning and market survey**.
- 2. Determination of objectives:** Entrepreneur should be very much clear about the following things: (i) The nature of business (ii) The type of business
- 3. Raising of funds:** All the activities of a business depend upon the **finance and its proper management**.
- 4. Procurement of 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.



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5. Procurement of machinery: While procuring the machineries, he should specify the following details:

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.

6. Market research: 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: 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. (forms of ownership organizations are sole proprietorship, partnership, Joint Stock Company and cooperative society)



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8. Recruitment of manpower: (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.



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Entrepreneurial Opportunities in Agriculture:

- Diversification:
- Organic farming:
- Food preservation, processing and packaging:
- Production of agro-inputs
- Floriculture
- Agro-tourism



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Rural Entrepreneurship



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DEFINITION OF RURAL ENTREPRENEURSHIP

- According to Khadi and Village Industries Commission (KVIC) rural industry is industry located in rural area, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees.



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AREAS OF RURAL INDUSTRIES CATEGORIES

- Mineral-based industry
- Forest-based industry
- Agro-based industry
- Polymer and chemical –based industry
- Engineering and non-conventional industry
- Textile industry including khadi
- Service industry



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PROBLEMS OF RURAL ENTREPRENEURSHIP

1. Financial Constraints
2. Lack of technical know-how
3. Lack of training services
4. Management problems
5. Lack of quality control
6. Lack of communication and marketing information
7. Poor quality of raw materials
8. Lack of storage and warehousing facilities
9. Lack of latest technology
10. Lack of promotional strategy



HOW TO DEVELOP RURAL ENTREPRENEURSHIP

1. Set up plant near raw materials to generate more employment
2. Finance-funds
3. Common production and marketing centers should set up.
(Govt. Purchase mandatory)
4. EDPs and Women Entrepreneurship Development Programmes
5. Subject in Schools, colleges.
6. NGOs