
Chapter 1

Entrepreneur and Entrepreneurship: An Introduction

Entrepreneurship has increasingly been held out as an alternative to traditional economic development strategies and policies. Advocates for entrepreneurship-based policies suggest that entrepreneurial development generates greater returns to the public than other alternative strategies such as industrial recruitment, or retention and expansion.

The entrepreneurs are key persons of any country for promoting economic growth and technological changes. Entrepreneurs are backbone of industrial development. By accepting the importance of entrepreneur, a large amount is allotted for entrepreneurship development programs in various five-year plans of our nation. Moreover various institutions have been established at state and national level for entrepreneurship development in India. In the present era, it is being realized that entrepreneurship contributes to industrial development of a country in several ways i.e. assembling and harnessing various inputs, bearing the risks, innovating new techniques of production, increasing the level of quality etc. Entrepreneurship in the country like India is regarded as the ultimate determining factor for the economic and industrial development of the country and leads people towards self-employment. That is why various universities have introduced a paper entitled "Fundamentals of Entrepreneurship" at B.Com. Degree since some years as a compulsory paper, in order to create self-employment opportunities in commerce graduates.

Entrepreneurship as a Carrier Option

After finishing your graduation, you will be at the crossroads of life. You will face the dilemma of choosing what you have to do

in life. The vast majority of human beings direct their activities towards earning a living, generating wealth and improving their standard of living. You can choose your career from two broad categories of options – Wage Employment or Entrepreneurship. The term ‘career’ signifies a continuous, ever evolving, ever expanding opportunity for personal as well as business growth and development. We may define entrepreneurship as a career in your own business rather than wage employment. If you opt for a job then you will work for others. In case you opt for entrepreneurship you will be your own boss. In case of wage employment one is engaged in routine work carried on for others for which he receives salary or wages. He has to follow instructions and execute plans laid down by his superior. One can choose to be employed in Government Service or the Public Sector or the Private sector. Some of the main differences between entrepreneurship and wage employment career options are as under.

Wage Employment	Entrepreneurship
Work for Others	Own Boss
Follow Instructions	Make own plans
Routine Job	Creative activity
Earning is fixed, never negative	Can be negative sometimes, generally surplus
Does not create wealth	Creates Wealth, contributes to GDP
Can choose from-	Can choose from-
Government service	Industry
Public Sector	Trade or
Private Sector	Service Enterprise

Difference between Wage Employment and Entrepreneurship

In the context of employment generation the three terms—Income generation, Self-employment and Entrepreneurship are often used interchangeably.

Income generation is the initial stage in the entrepreneurial process in which one tries to generate surplus or profit. They are often taken on part-time or casual basis to supplement income e.g. a man with some surplus money might put his money in a fixed deposit account in a bank or a chit-fund to earn some interest.

Self-employment is the second stage in the entrepreneurial process and refers to an individual's full-time involvement in his own occupation. E.g. a person who starts a tea shop and remains happy and satisfied and has no plans to add on any other items like samosas, buns, soft drinks etc. or to grow in any other manner (e.g. supplying tea/coffee/sandwiches to others in the vicinity).

Entrepreneurship is the terminal stage of the entrepreneurial process wherein after setting up a venture one looks for diversification and growth. An entrepreneur is always in search of new challenges. An entrepreneur is not a routine businessman, he might not have resources but he will have ideas. He is innovative and creative. He can convert a threat into an opportunity. Small businessmen might shutdown or change his business if he anticipates losses but an entrepreneur will try again after analyzing the situation. On the other hand an entrepreneur can leave a perfectly running business to start another venture if he so desires. Functionally all entrepreneurs are self-employed and income generating persons but the reverse is not true – all self-employed and income generating persons are not entrepreneurs. If seen on a continuum, income generation, self-employment and entrepreneurship can be considered as the initial, middle and final stages of the entrepreneurial growth process. Income generating experience encourages self-employment, which in turn facilitates graduating into entrepreneurship.

Meaning and definition of entrepreneur

An entrepreneur is a person having specific skill, ability, knowledge, awareness and self-confidence who bears the risk of operating a business in the face of uncertainty about the future conditions. The term "entrepreneurship" comes from the French verb "entreprendre" and the German word "unternehmen", both means to "undertake".

The word 'entrepreneur' was applied to business initially by the French economist Richard Cantillien, who describes an entrepreneur as a person who purchases the means of production for combining them into marketable products at profit motive in future.

An entrepreneur is a person who starts an enterprise. He searches for change and responds to it. A number of definitions have been given of an entrepreneur – The economists view him as a fourth factor of production along with land, labor and capital.

The sociologists feel that certain communities and cultures promote entrepreneurship like for example in India we say that Gujaratis and Sindhis are very enterprising. Still others feel that entrepreneurs are innovators who come up with new ideas for products, markets or techniques.

To put it very simply an entrepreneur is someone who perceives opportunity, organizes resources needed for exploiting that opportunity and exploits it. Computers, mobile phones, washing machines, ATMs, Credit Cards, Courier Service and Ready to eat Foods are all examples of entrepreneurial ideas that got converted into products or services.

Some definitions of an entrepreneur are listed below

According to J.B. Say, Entrepreneur is a person who is an organizer and supervisor of a business enterprise and lifts economic resources out of an area of lower into an area of higher productivity and greater yield.

According to Joseph A. Schumpeter, an entrepreneur is a person who introduces innovative changes in an enterprise.

Adam Smith describes an entrepreneur as a person who only provides capital without taking part in the leading role in enterprise.

David McClelland has said that an entrepreneur is a person with a high need for achievement [N-Ach]. He is energetic and a moderate risk taker.

According to Peter Drucker, an entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur; hence an effective entrepreneur converts a source into a resource.

Kilby emphasizes the role of an imitator entrepreneur who does not innovate but imitates technologies innovated by others, are very important in developing economies.

Albert Shapero defines an entrepreneur as one who takes initiative, accepts risk of failure and have an internal locus of control.

Frenk Night defines entrepreneurs as a group of experts who bear the risk of operating a business in the face of uncertainty about the future conditions for taking business advantages.

In short, an entrepreneur is a person who thinks to start his own industrial enterprise for achieving planned return, implements it and manages as well as makes his unit profitable by his intelligence, skill and wealth.

Characteristics of an entrepreneur

1. Establishment of a business unit: An entrepreneur establishes his own business unit by accepting the responsibility of risk. He maintains, manages and develops it and central to its distribution and production.
2. Specific personality: A good entrepreneur has specific personality, as has ability to inspire confidence in people and to motivate them to work with him.
3. Different from manager, technician and capital provider: An entrepreneur is neither technician nor manager. But having different personality in compared to them. An entrepreneur can get technician, manager or capital from market but an entrepreneur cannot be received from the market.
4. Entrepreneur is a person or group of persons: An entrepreneur establishes a business unit for production and marketing, for which different forms of business organizations are utilized like sole proprietorship, partnership, joint stock company etc. In sole proprietorship, an entrepreneur is a person and in other forms, entrepreneur is a group of persons.
5. Risk of uncertainty: The risk of uncertainty is largely involved in a new venture. An entrepreneur bears risk in a venture, in which there is not any certainty of profit.
6. Co-ordinates means of production: Entrepreneur is the economic agent, who co-ordinates means of production – land, labor and capital for profit motive, due to which the society gets valuable goods and services.

7. Motive of economic growth: Profit is a backbone of any business activity. Entrepreneur also establishes a business unit for economic motive. Though he also fulfils social and psychological motives but the ultimate motive is profit making.
8. Innovative person: The role of entrepreneur has been recognized as a prime source of innovation. He inspires innovation. By innovation he searches new products, services, production methods, market etc. and helps rapid economic development.
9. Flexibility: Most successful entrepreneurs tend to change if the situation so demands. They do not hesitate in revising their decisions. They are the people with open mind and are not rigid.
10. Useful to society and nation: Entrepreneur plays a vital role in the development of society and nation. They are useful to us by producing innovative goods and services, promoting new enterprises, creating employment opportunities etc.
11. Creates new opportunities: An entrepreneur establishes a new business enterprise. From it, now he creates opportunities experiences and takes optimum benefit of such opportunities.
12. Burning desire to excel: An entrepreneur has a burning desire to achieve excel. He has strong self-confidence to excel achievement. He is result oriented. He enjoys in accepting challenges. He always tries to do his last best performance.
13. Adjustable to any type of environment: An entrepreneur is easily adjustable to any type of environment. More over he makes the environment suitable to his business unit.
14. Creation of self-employment: Entrepreneur establishes a business unit and there by creates self-employment opportunities.
15. Motivator: An entrepreneur must build a team, keep it motivated and provide an environment for individual growth and carrier development.
16. Decision making ability: One of the most important functions of an entrepreneur is decision making. So an entrepreneur must be reasonably intelligent and should have creative thinking for selecting the best alternative.

17 Leadership ability: An entrepreneur has to get the things done through and by his employees. So he must provide sound leadership to his employees.

In summing up, characteristics of successful entrepreneurs have been listed in the below table.

Characteristic of Successful Entrepreneurs

Self-confident and optimistic	Energetic and diligent
Able to take calculated risk	Creative, need to achieve
Respond positively to challenges	Dynamic leader
Flexible and able to adapt	Responsive to suggestions
Knowledgeable of markets	Take initiatives
Able to get along well with others	Resourceful and persevering
Independent minded	Perceptive with foresight
Versatile knowledge	Responsive to criticism

Meaning and definition of entrepreneurship

Entrepreneur is a person having technical competence, initiative, good judgment, leadership qualities, creativeness, who establishes an enterprise and while entrepreneurship is a process undertaken by an entrepreneur to establish and to develop a new enterprise. It is a process of converting the idea of establishing an enterprise into its implementation.

Bygrave and Hofer in 1891 defined the entrepreneurial process as ‘involving all the functions, activities, and actions associated with perceiving of opportunities and creation of organizations to pursue them’.

According to J.B. Say, Entrepreneurship is an effort of shifting available economic resources out of an area of lower productivity and yield into an area of great productivity and yield.

According to Joseph Schumpeter, in any creative activity , entrepreneurship is observed.

A.H. Cole defines entrepreneurship as “the purposeful activity of an individual or a group of individuals undertaken to initiate, maintain and organize a profit oriented business unit for production or distribution of economic goods and services.”