

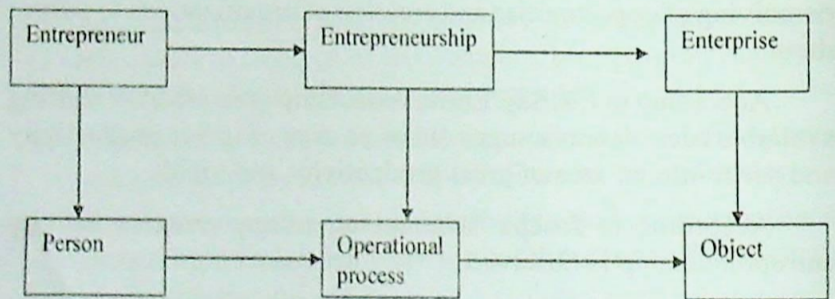
Peter Drucker defines entrepreneurship as "Entrepreneurship is neither a science nor an art but it is a practice, which has a knowledge base."

The evolution of the concept has generated many definitions, but perhaps a recent one by writer Robert Ronstad captures its essence. Ronstad's definition of entrepreneurship:

Entrepreneurship is the dynamic process of creating incremental wealth. This wealth created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources.

Entrepreneurship begins with action, creation of new organization. This organization may or may not become self-sustaining and in fact, may never earn significant revenues. But, when individuals create a new organization, they have entered the entrepreneurship paradigm.

In short entrepreneurship is an operational process initiated by an entrepreneur, by which he reaches to his ultimate objective of establishing an enterprise and managing it profitable. This entire process can be termed as "Entrepreneurship" can be better understood by following diagram.



#### **Characteristics of entrepreneurship**

1. Entrepreneurship is a process: It is a process undertaken by an entrepreneur to establish and develop a new enterprise. Such

process consists opportunity analysis, environmental analysis, change management etc.

2. It is a creative activity: Entrepreneurship is directly related with creativity. It tries to apply new methods rather just following routines methods.
3. It is objective oriented activity: Entrepreneurship process converts the idea of business establishment into its implementation for profit motive. It integrates means of production and distribution, develops them and does various objective oriented activities with the medium of innovation and risk.
4. It is moderate risk taking activity: Entrepreneurship process begins with risk of uncertainty. Though it is moderate risk taking activity and manages risk from any failure.
5. It has an objective of economic welfare also: Entrepreneurship is not only profit oriented but it is aimed at economic welfare also. By optimum economic utilization of unused means of production, it brings rapid regional as well as national industrial and economic development and creates many opportunities of employment.
6. Closely related with innovation: Entrepreneurship and innovation can be said two sides of a coin. Success of entrepreneurship largely depends on ability to respond innovation.
7. It is organizing function: Entrepreneurship is a process of promotion of a new enterprise. Hence an entrepreneur collects means of production and forms organization structure, develops the structure and controls it. So it can be termed as organizing function.
8. Management is the vehicle of entrepreneurship: Entrepreneurship is a management agent. Because in order to develop an enterprise, an entrepreneur has to perform all management functions from planning to controlling.
9. It is a profession: In the present era, entrepreneurship has been accepted as a profession like doctor, engineer, lawyer etc. Because like other profession skills of entrepreneurship can be developed by depth study, experience and intelligence.

10. It is result-oriented activity: It emphasises on result received, high achievements and performance. It deals with what is achieved rather what to achieve.
11. Many forms of business organization can be used by it: Entrepreneurship process deals with establishment of an enterprise and for establishment of a new enterprise, various forms of business organization like sole proprietorship, partnership, joint stock company etc. can be used.
12. Qualities of entrepreneurship can be developed: In the present era, entrepreneurs are made, not born. By entrepreneurship development training, qualities of entrepreneurship can be developed.
13. Many subsidiary services are necessary for entrepreneurship development: For entrepreneurship development, only entrepreneur's intelligence, leadership qualities, self-confidence, creativeness etc. are not needed. But along with these, many subsidiary services like basic structural facilities, financial facilities, marketing facilities, govt. incentive plans, legal environment, insurance facilities, banking and transportation facilities etc. are also of prime requirement.

#### **Entrepreneur, entrepreneurship and enterprise**

Entrepreneur is a person who starts an enterprise. The process of creation is called entrepreneurship. The entrepreneur is the actor and entrepreneurship is the act. The outcome of the actor and the act is called the enterprise. An enterprise is the business organization that is formed and which provides goods and services, creates jobs, contributes to national income, exports and over all economic development.

#### **COMPARISON OF DIFFERENT TERMS**

##### **Entrepreneur v/s Entrepreneurship**

The term entrepreneur is used to describe men and women who establish and manage their own business. The process involved is called entrepreneurship. Entrepreneurship is an abstraction whereas entrepreneurs are tangible people. Entrepreneurship is a process

and an entrepreneur is a person. Entrepreneurship is the outcome of complex socio-economic, psychological and other factors. Entrepreneur is the key individual central to entrepreneurship who makes things happen. Entrepreneur is the actor, entrepreneurship is the act. Entrepreneurship is the most effective way of bridging the gap between science and the market place by creating new enterprises. An entrepreneur is the catalyst who brings about this change. Basic difference between entrepreneur and entrepreneurship has been presented below.

1. **Meaning:** Entrepreneur is a person who purchases means of production for combining them into marketable products at profit motive in future, with being the risk of uncertainty. So entrepreneur refers to a person.

Entrepreneurship is a process of converting the idea of establishing a new enterprise into its implementation. So entrepreneurship refers to a process.

2. **Specific qualities:** Entrepreneur needs qualities like creativity, decision-making ability, leadership, management efficiency, flexibility etc.

Entrepreneurship is the specific quality shown in an entrepreneur due to which he can establish a new enterprise.

3. **Function:** The prime function of an entrepreneur is establishment of an enterprise. So he is the engine of organization.

The prime function of entrepreneurship is to motivate entrepreneur. So it is energy like petrol or diesel that creates energy into the engine of an entrepreneur.

4. **Economic point of view:** From economic point of view, for entrepreneur the words like initiator, innovator, leader, planner; risk taker, motivator, organizer etc. are used.

From economic point of view, for entrepreneurship the words like initiative, innovation, leadership, planning, risk-taking, motivation etc. are used.

Thus entrepreneur and entrepreneurship are the wheels of industrial sector, around which industrial activities are moving.

**Entrepreneur v/s Intrapreneur**

1. Risk of business; Entrepreneur is an independent industrialist who bears complete risk of business.

Intrapreneur is semi-independent who does not bear complete risk of business.

2. Guarantee of return: Entrepreneur collects capital from different sources and he has to give guarantee of return.

Intrapreneur does not collect capital. So he does not need to give guarantee to lenders.

3. Scope: Entrepreneur manages an enterprise internally as well as externally. So his scope is widely extended.

Intrapreneur is a person of the enterprise, having higher designation in the company. So his scope is comparatively limited than entrepreneur.

Thus entrepreneur and intrapreneur both are innovator. Both establish an enterprise and also manage it. But both's reference of working is different and the level of bearing risk in business is different.

**Entrepreneurship v/s Self-employment**

1. Meaning: Entrepreneurship means risk bearing ability, desire to establish industrial unit, creativity and innovative ability shown in an entrepreneur.

Self-employment means to establish a business or industrial unit by own self, organize it and manage for profit motive.

2. Size of unit: Entrepreneurship leads entrepreneur from small-scale industry to large-scale industry.

In self-employment generally the size of unit is comparatively small. By self-employment tiny scale, cottage or home industry is started on small scale.

3. Creation of new opportunities: By entrepreneurship new and new opportunities can be created continuously.

In self-employment there is lower probability of creating new and new opportunities continuously.

**Entrepreneur v/s Capitalist**

1. Meaning: Entrepreneur is a person, who always searches for change, responds to it and exploits it as an opportunity.

While Capitalist is a person who provides financial sources.

2. Function: The prime function of an entrepreneur is to establish an enterprise and to manage it.

While the prime function of a capitalist is to provide capital in various forms to an entrepreneur for starting a new enterprise and to develop it.

3. Risk of uncertainty: There is higher degree of risk of uncertainty in entrepreneur. While there is lower degree of risk of uncertainty in capitalist.

4. Qualities: In entrepreneur creativity, motivation, clarity, intelligence etc. qualities are shown.

While in capitalist qualities other than lending capital is not shown.

5. Role: The role of entrepreneur is very wider than the role of capitalist.

While the role of capitalist is very limited than the role of entrepreneur.

**Entrepreneur v/s Manager**

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Are all small entrepreneurs managers? Are all small business managers entrepreneurs? The terms entrepreneur and manager are many times used interchangeably yet they are different. An entrepreneur starts a venture then a manager takes over to organize and co-ordinate continuous production. An entrepreneur is being enterprising as long as he starts something new then the routine day-to-day management of the business is passed on to the manager. The main differences between the two are summed up below:

Difference between entrepreneur and manager can also be presented in detail as follow:

1. Meaning: Entrepreneur is a person who establishes a business unit and manages it for profit motive.

Entrepreneur	Manager
An entrepreneur is involved with the start-up process	A manager with running the business over a long period of time
An entrepreneur assumes financial, material and psychological risks	A manager does not have to bear risks
An entrepreneur is driven by perception of opportunity	A manager by the resources he currently possesses
An entrepreneur initiates change	A manager follows rules & procedures
An entrepreneur is his own boss	A manager is a hired employee
An entrepreneur gets uncertain rewards	A manager gets fixed rewards and salary

While manager is a person who manages a business unit established by an entrepreneur.

2. **Function:** Important functions of an entrepreneur are promotion of a new unit, risk taking, decision-making, leadership and planning.

While important functions of a manager are planning, organizing, staffing, co-coordinating and controlling.

3. **Risk and uncertainty:** Risk and uncertainty are largely involved in entrepreneur.

While the level of risk and uncertainty are comparatively lower in manager.

4. **Involvement:** Manager is involved in entrepreneur.

While entrepreneur is not involved in manager.

5. **Prime motives:** Entrepreneur wants freedom, goal oriented, self-reliance and self-motivated.

While manager wants promotion, traditional corporate rewards and he is power motivated.

### **Role of entrepreneur in economic development**

The industrial health of a society depends on the level of entrepreneurship existing in it. A country might remain backward

not because of lack of natural resources or dearth of capital (as it is many times believed) but because of lack of entrepreneurial talents or its inability to tap the latent entrepreneurial talents existing in that society. Entrepreneurs historically have altered the direction of national economies, industry or markets – Japan, Singapore, Korea, Taiwan to name a few.

Entrepreneurship is basically concerned with creating wealth through production of goods and services. This results in a process of upward change whereby the real per capita income of a country rises overtime or in other words economic development takes place. Thus entrepreneurial development is the key to economic development. In fact it is one of the most critical inputs in the economic development of a region. It speeds up the process of activating factors of production leading to a higher rate of economic growth, dispersal of economic activities and development of backward regions. If a region is unable to throw up a sufficient number of entrepreneurs then alien entrepreneurs usually step in to provide goods and services needed by the people. However the profits earned by these entrepreneurs are usually not ploughed back but repatriated to their place of origin. As a result development in that region cannot take place. The above reiterates the importance of entrepreneurship development for fuelling economic growth of a region. Entrepreneurship begets and also injects entrepreneurship by starting a chain reaction when the entrepreneur continuously tries to improve the quality of existing goods and services and add new ones. E.g. when computers came into the market there was continuous improvement in the models, their functions etc. like first generation computers, personal computers, laptops, palmtops etc. Not only had this fostered the development of the software industry, computer education institutes, computer maintenance and stationery units etc. but also other industries like banking, railways, education, travel, films, medical and legal transcriptions, business process outsourcing (BPO) etc. In this manner by harnessing the entrepreneurial talent a society comes out of traditional lethargy to modern industrial culture. India needs entrepreneurs to capitalize on new opportunities and to create wealth and new jobs. Importance of entrepreneurship in this context is mentioned below.