
Course 1: THE NATURE OF ENTREPRENEURSHIP

1. INTRODUCTION

The word 'entrepreneur' is widely used, both in everyday conversation and as a technical term in management and economics. Its origin from a French word, *entreprenuer*, where an entrepreneur was an individual commissioned to undertake a particular commercial project. A number of concepts have been derived from the idea of the entrepreneur such as entrepreneurial, entrepreneurship and entrepreneurial process. The idea that the entrepreneur is someone who undertakes certain projects offers an opening to developing an understanding of the nature of entrepreneurship. Undertaking particular projects demands that particular tasks be engaged in with the objective of achieving specific outcomes and that an individual take charge of the project. Entrepreneurship is then what the entrepreneur does. Entrepreneurial is an adjective describing how the entrepreneur undertakes what he or she does. The entrepreneurial process in which the entrepreneur engages is the means through which new value is created as a result of the project: the entrepreneurial venture.

course Objectives

This course is concerned with developing a predominant and integrated perspective of the entrepreneur and entrepreneurship. It reviews the great variety of definitions given for the word entrepreneurship and also the different activities performed by the entrepreneur.

After completing this course, students will be able to:

- Define the term entrepreneurship and entrepreneur
- Identify types of entrepreneur
- Recognize the role of entrepreneurship in the economy
- Analyze the entrepreneurial competences
- Understand creativity and innovation

2. Historical Origin of Entrepreneurship

What is entrepreneurship? And who is an entrepreneur? These two questions are asked more frequently reflecting the increasing demand in the field of entrepreneurship. Offering a specific and unambiguous definition of the term entrepreneurship /entrepreneur presents a challenge. This

is not because definitions are not available, but because there are so many. Here let us look into the historical development of entrepreneurship so as to grasp the meaning of the word entrepreneurship.

During the ancient period the word entrepreneur was used to refer to a person managing large commercial projects through the resources provided to him.

In the 17th Century a person who has signed a contractual agreement with the government to provide stipulated products or to perform service was considered as entrepreneur. In this case the contract price is fixed so any resulting profit or loss reflects the effort of the entrepreneur. In the 18th Century the first theory of entrepreneur has been developed by Richard Cantillon. He said that an entrepreneur is a risk taker. If we consider the merchant, farmers and /or the professionals they all operate at risk. For example, the merchants buy products at a known price and sell it at unknown price and this shows that they are operating at risk. The other development during the 18th Century is the differentiation of the entrepreneurial role from capital providing role. The later role is the base for today's venture capitalist.

In the late 19th and early 20th Century an entrepreneur was viewed from economic perspectives. The entrepreneur organizes and operates an enterprise for personal gain. In the middle of the 20th Century the notion of an entrepreneur as an inventor was established. "The function of the entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or more generally untried technological possibility for producing new commodities or producing an old one in a new way or opening a new outlet for products by reorganizing a new industry."

The concept of innovation and newness are at the heart of the above definition. From the historical development it is possible to understand the fact that the perception of the word entrepreneur was evolved from managing commercial project to the application of innovation (creativity) in the business idea.

1.3 Definitions of Entrepreneurship and Entrepreneur

Here we will see some definitions of entrepreneurship and entrepreneur. Intuitively, it is known that entrepreneurship is the process and entrepreneur is the person undertaking entrepreneurial activity such as undertaking own business. Finally we will see the common attributes of the definitions of entrepreneurship and entrepreneur.

1. Entrepreneurship is the process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploit the

opportunities for long term gains. It involves creating incremental wealth by bringing together resources in new ways to start and operate an enterprise.

2. Entrepreneurship is the processes through which individuals become aware of business ownership then develop ideas for, and initiate a business.
3. Entrepreneurship can also be defined as the process of creating something different and better with value by devoting the necessary time and effort by assuming the accompanying financial, psychic and social risks and receiving the resulting monetary reward and personal satisfaction. In this case an individual should come up with something different and better in order to be named as entrepreneur.
4. Entrepreneurship is the art of identifying viable business opportunities and mobilizing resources to convert those opportunities into a successful enterprise through creativity, innovation, risk taking and progressive imagination.

Entrepreneurship is a practice and a process that results in creativity, innovation and enterprise development and growth. It refers to an individual's ability to turn ideas into action involving and engaging in socially-useful wealth creation through application of innovative thinking and execution to meet consumer needs, using one's own labor, time and ideas. Engaging in entrepreneurship shifts people from being "job seekers" to "job creators", which is critical in countries that have high levels of unemployment. It requires a lot of creativity which is the driving force behind innovation.

In general, the process of entrepreneurship includes five critical elements. These are:

- 1) The ability to perceive an opportunity.
- 2) The ability to commercialize the perceived opportunity i.e. innovation
- 3) The ability to pursue it on a sustainable basis.
- 4) The ability to pursue it through systematic means.
- 5) The acceptance of risk or failure.

Based on the above concepts of entrepreneurship, an entrepreneur can be defined as follows:

- 1) An entrepreneur is any person who creates and develops a business idea and takes the risk of setting up an enterprise to produce a product or service which satisfies customer needs.
- 2) An entrepreneur can also be defined as a professional who discovers a business opportunity to produce improved or new goods and services and identifies a way in which resources required can be mobilized.

- 3) An entrepreneur is an individual who: has the ability to identify and pursue a business opportunity; undertakes a business venture; raises the capital to finance it; gathers the necessary physical, financial and human resources needed to operate the business venture; sets goals for him/herself and others; initiates appropriate action to ensure success; and assumes all or a major portion of the risk!
- 4) An entrepreneur is a person who: create the job not a job-seeker; has a dream, has a vision; willing to take the risk and makes something out of nothing
- 5) Other definition, views the term entrepreneur from three perspectives; i.e. from the economist, psychologist and capitalist philosopher's point of view.
 - i) To an economist an entrepreneur is one who brings resource, labor, materials, and other assets into combination that makes their value greater than before and also one who introduces changes innovations.
 - ii) To a psychologist an entrepreneur is a person typically driven by certain forces need to obtain or attain something, to experiment, to accomplish or perhaps to escape the authority of others.
 - iii) For the capitalist philosopher an entrepreneur is one who creates wealth for others as well, who finds better way to utilize resources and reduce waste and who produce job others are glad to get.

In general, entrepreneur refers to the person and entrepreneurship defines the process. Both men and women can be successful entrepreneurs; it has nothing to do with gender. All entrepreneurs are business persons, but not all business persons are entrepreneurs.

4. Types of Entrepreneurs

Entrepreneurship can take three different forms. They are:

- 1. The individual entrepreneur:** An individual entrepreneur is someone who started; acquired or franchised his/her own independent organization. The major portion of this module is also devoted to describe the basic features and activities of the individual entrepreneur.
- 2. Intrapreneur:** An Intrapreneur is a person who does entrepreneurial work within large organization. The process by which an intrapreneur affects change is called Intrapreneurship.

There are two facts about intrapreneurship

- a. The Intrapreneur's context is often large and bureaucratic organization whereas the individual entrepreneur operates in the broader, more flexible economic market place.
- b. Intrapreneurs are individuals who often engage in the entrepreneurial actions in large organizations without the blessing of their organizations.

3. The Entrepreneurial Organization: The entrepreneurial function need not be embodied in a physical person. Every social environment has its own way of filling the entrepreneurial function.

Individuals working in organizations have the potential for being, as do those working independently to start their own business. An organization can create an environment in which all of its members can contribute in some function to the entrepreneurial function.

An organization that creates such an internal environment is defined as entrepreneurial organization.

1.5 Role of Entrepreneurs in Economic Development

Entrepreneurial development is the most important input in the economic development of any country. The objectives of industrial development, balanced regional growth, and generation of employment opportunities are achievable through entrepreneurial development. Entrepreneurs are at the core of industrial development which results in greater employment opportunities to the unemployed youth, increase in per capita income, higher standard of living and increased revenue to the government in the form of income, sales tax, export duties, import duties etc. The entrepreneurs serve as a key to the creation of new enterprises, thereby rejuvenating economy and sustaining the process of economic development in the following ways:

- 1) Improvement in per capita Income/Wealth Generation:** Entrepreneurs play a vital in the economic development of a region. From the fall of Rome (AD 476) to the eighteenth century, there was virtually no increase in per capita wealth generation in the West. With the advent of entrepreneurship, however, per capita wealth generation and income in the west grew exponentially by 20 Percent in the 1700s, 200 percent in the 1800s, 740 percent in the 1900 (Drayton, 2004).
- 2) Generation of Employment Opportunities:** By creating a new business enterprise, entrepreneurs generate employment opportunities for others. Unemployment is a major issue, especially in the context of developing economies like region. Educated youth often

are unable to get to get a suitable employment themselves. Thus, entrepreneurs not only self-employ themselves, but also create jobs for others.

- 3) **Inspire others Towards Entrepreneurship:** The team created by an entrepreneur for his new undertaking often provides the opportunity for the employees to have a first-hand experience of getting involved in an entrepreneurial Venture. An existing venture provides a number of entrepreneurial opportunities through forward and backward linkages, to these employees even to become entrepreneurs themselves. Thus, this process helps in forming a chain reaction of entrepreneurial activity which directly contributes to the health of the economy.
- 4) **Balanced Regional Development:** Entrepreneurs help to remove regional disparities in economic development. They set up the industries in the backward areas to avail various subsidies and incentives offered by the Central and State Governments, thereby balancing the economic growth in different regions in the country.
- 5) **Enhance the Number of Enterprise:** When new firms are created by entrepreneurs, the number of enterprises based upon new ideas/ concepts/ products in a region increases. Not only does an increase in the number of firms enhance the competition for new ideas, but greater competition across firms also facilitates the entry of new firms specializing in a particular new product or service. This is because the necessary complementary inputs are more likely available from small specialist niche firms than from large vertically integrated products (Jacobs, 1969).
- 6) **Provide Diversity in Firms:** Entrepreneurial activity often results into creation of a variety of firms in a region. These firms operate into diverse activities and it has been found that it is this diversity in firms which fosters economic development and growth rather than homogeneity. According to Jacobs (1969), it is the exchange of complementary knowledge across diverse firms and economic agents that yield an important return on new economic knowledge.
- 7) **Economic Independence:** Entrepreneurship is essential for self-reliance for a country. Entrepreneurs create industries that manufacture indigenous substitutes, thereby reducing the dependence on imports. Also, the goods are exported to other countries to earn foreign exchange. This import substitution and export promotion results in more economic independence to the country

- 8) **Combine Economic factors:** All the products bought and sold in an economy are a mix of three primary economic factors (the raw materials, nature offers up, the physical and mental labor people provide and capital (money)). Now value is created by combining these three things together in a way which satisfies human needs.
- 9) **Provide Market efficiency:** Efficient means resources are distributed in an optimal way that is the satisfaction that people can gain from them is maximized. An economic system can only reach this state if there is competition between different suppliers. If a supplier is not using competition then they will tend to demand profit in excess of what the market would allow and reduce the overall efficiency of the system
- 10) **Accepting Risk:** Risk is the potential variation in terms of future outcomes. We do not know exactly what the future will bring. This lack of knowledge creates uncertainty. No matter how we plan there is always a possibility of adverse deviation from what we expect or hoped for. Here the primary function of the entrepreneur is to accept risk on behalf of other people.
- 11) **Maximize Investor's Return:** Entrepreneurs create and run organizations which maximize long-term profit on behalf of the investors which in turn generates overall economic efficiency.

6. Entrepreneurial Competence and Environment

Under this topic entrepreneurial mindset (that will address subtopics such as, who become an entrepreneur; qualities of successful entrepreneurs; entrepreneurial skills; the entrepreneur's task and wealth of the entrepreneur), and Entrepreneurship and Environment.

1. Entrepreneurial Mindset

1. Who Becomes an Entrepreneur?

Anyone with the following characteristics can be an entrepreneur.

- 1) **The Young Professional:** Increasingly young highly educated people often with entrepreneurial qualifications are skipping the experience of working for an established organization and moving directly to work on establishing their own ventures.
- 2) **The Inventor:** The inventor is someone who has developed an innovation and who has decided to make a career out of presenting that innovation to the market. It may be a new product or it may be an idea for a new service. It may be a high-tech or it may be based on a traditional technology.

3) **The Excluded:** Some people turn to an entrepreneurial career because nothing is open to them. Displaced communities and ethnic and religious minorities have not been invited to join the wider economic community due to a variety of social, cultural and political and historical reasons. As a result they may form their own internal networks, trading among themselves and, perhaps, with their ancestral countries.

2. Qualities of an Entrepreneur

In order to be successful, an entrepreneur should have the following qualities:

- ☞ Opportunity-seeking
- ☞ Persevering
- ☞ Risk Taking
- ☞ Demanding for efficiency and quality
- ☞ Information-seeking
- ☞ Goal Setting
- ☞ Planning
- ☞ Persuasion and networking
- ☞ Building self-confidence
- ☞ Listening to others
- ☞ Demonstrating leadership

1) Opportunity-seeking: An opportunity is a favorable set of circumstances that creates a need for a new product, service or business. It includes access to credit, working premises, education, trainings etc. An entrepreneur always seeks out and identifies opportunities. He/she seizes an opportunity and converts it into a realistic and achievable goal or plan.

2) Persevering: An entrepreneur always makes concerted efforts towards the successful completion of a goal. An entrepreneur perseveres and is undeterred by uncertainties, risks, obstacles, or difficulties which could challenge the achievement of the ultimate goal.

Activity 1.1: Understanding perseverance

Objective of activity: To enable students to internalize the concept of perseverance

The story of Thomas Edison (please adapt to the context)

When he was young, Thomas Edison's parents took him out of school after his teachers declared that he was "stupid" and "unteachable." Edison spent his early years working and being fired from various jobs, culminating in his firing from a telegraph company at the age of 21. Despite these numerous setbacks, Edison was never discouraged from his true calling in life: inventing! Throughout his career, Edison obtained more than one thousand patents. And although several of these inventions such as the light bulb,

stock printer, phonograph and alkaline battery -- were groundbreaking innovations, the vast majority of them could be fairly described as failures. Edison is now famous for saying that genius is "1% inspiration and 99% perspiration."

One of Edison's best examples of perseverance occurred after he was already a successful man. After inventing the light bulb, he began seeking an inexpensive light bulb filament. At the time, ore was mined in the Midwest of the United States, and shipping costs were very high. In order to minimize his costs with ore, Edison established his own ore-mining plant in Ogdensburg, New Jersey. For nearly ten years, he devoted his time and money to the enterprise. Edison also obtained 47 patents for innovations that helped make the plant run more smoothly. And even despite those inventions, Edison's core project failed because of the low quality of ore on the East Coast.

However, despite that failing, one of those 47 inventions (a crushing machine) revolutionized the cement industry, and actually earned Edison back almost all of the money he had lost. Later, Henry Ford would credit Edison's Ogdensburg project as the main inspiration for his Model T Ford assembly line. And in fact, many believe that Edison paved the way for modern-day industrial laboratories. Edison's foray into ore-mining demonstrates that dedication can pay off even in a losing venture.

Instructions: Read the story of Thomas Edison for the students

Reflection questions:

- What are the major challenges that Thomas Edison faced?
- What were his achievements?
- What are the causes for his success?
- What do we learn from the story of Thomas Edison?

3) Risk Taking: The best entrepreneurs tend to:-

- ☞ Set their own objectives where there is moderate risk of failure and take calculated risks
- ☞ Gain satisfaction from completing a job well
- ☞ Not be afraid of public opinion, skepticism
- ☞ Take responsibility for their own actions

Importance of Risk-taking

- ☞ Build self confidence
- ☞ Create a feeling of leadership
- ☞ Create strong motivation to complete a job well

3) Demanding for Efficiency and Quality

Efficiency: Being efficient means producing results with little wasted effort.

Quality refers to:

1. The ongoing process of education, communication, evaluation and constant improvement of goods/services to meet the customer's need in a way that exceeds the customer's expectations;
2. A characteristic of the product or service that makes it fit to use. It makes a product, process, or service desirable.

3. The ability of a product or service to meet a customer's expectations for that product or service.

The importance of quality management in entrepreneurship is reflected in the income statement of the business. There is always a demand for quality products and efficient services. Quality plays an important role in this new era of globalization because it confers certain benefits which include:

- ☞ **Reduction of waste:** Striving to maintain quality means examining all processes that contribute to the creation of a product, to remove non-productive processes and waste. If businesses keep to their standard of maintaining the quality of the product, the number of defective products will be reduced. Consumers prefer to buy quality products. Hence the quality products/services help in increasing the share in market and ensure that they will not be returned.
- ☞ **Cost-effectiveness:** Striving to ensure quality helps businesses to minimize the chances that they will make mistakes. As a result, the costs of re-doing work or changing the product after it has been sold are greatly reduced.
- ☞ **An increase in market share:** Customers prefer to buy the same product again and again if they are satisfied with the quality. If they are satisfied with the quality of a product, then they will not only purchase the product/services more than once, but they will also recommend it to their friends. As a result, this contributes to an increase in the company's market share.
- ☞ **Better profitability:** Better quality of product satisfies customers. Increased customers means increase sales, increased shares in market and consequently increased profits.
- ☞ **Social responsibility:** By providing quality products and services, a company is more likely to be able to fulfill its responsibility to the community and meet standards set by government.
- ☞ **Reputation:** Quality of goods and services improves the reputation of the business for competition in the market and growth.

5) Information-seeking: Successful entrepreneurs do not rely on guesswork and do not rely on others for information. Instead, they spend time collecting information about their customers, competitors, suppliers, relevant technology and markets. Gathering relevant information is important to ensure that the entrepreneur makes well informed decisions. Information on the

area of market, supply, operations, finance, legislation, and infrastructure are important for entrepreneurs.

6) Goal Setting

A Goal - is a general direction, or long-term aim that you want to accomplish. It is not specific enough to be measured. It is large in scope, not necessarily time-bound, and is something that people strive for by meeting certain objectives which will hopefully add up to eventually achieving the goal.

Objectives - are specific and measurable. They are concise and specific. Think of the word “**object.**” You can touch it, it’s there, it’s actual, and it’s finite.

An entrepreneur must have a goal and an objective which is specific, measurable, attainable relevant, and time bound (SMART).

- ☞ **Specific:** Great goals are well-defined and focused. The moment you focus on a goal, your goal becomes a magnet, pulling you and your resources toward it. The more focused your energies, the more power you generate.
- ☞ **Measurable:** A goal without a measurable outcome is like a sports competition without a scoreboard or scorekeeper. Numbers are an essential part of business. Put concrete numbers in your goals to know if you’re on track.
- ☞ **Attainable:** Far too often, entrepreneurs can set goals which are beyond their reach. Dream big and aim for the stars but keep one foot firmly based in reality.
- ☞ **Relevant:** Achievable business goals are based on the current conditions and realities of the business climate. For example, you may desire to have your best year in business or increase revenue by 50%, but if a national economic crisis is looming and three new competitors just opened in your market, then your goals are not relevant to the realities of the market.
- ☞ **Time-Based:** Business goals and objectives just don’t get done when there’s no time frame tied to the goal-setting process. Whether your business goal is to increase revenue by 20% or to find two new clients, it is important to choose a time-frame to accomplish your goal.

7) Planning: Planning is making a decision about the future in terms of what to do, when to do, where to do, how to do, by whom to do and using what resources. An effective entrepreneur therefore usually plans his/her activities and accounts as best as they can for unexpected eventualities.

8) Persuasion and Networking

Persuasion is a way of convincing someone to get something or make a decision in your favor. It is inducing or taking a course of action or embracing a point of view by means of argument, reasoning, or entreaty; to convince; to succeed in causing a person to do or consent to something; to win someone over, as by reasoning or personal forcefulness; to cause to believe; to induce, urge, or prevail upon successfully.

Importance of Persuasion in Business

- ☞ We purchase goods from people
- ☞ We sell goods to people
- ☞ We need support from people
- ☞ We work with people.

Without people, be they are suppliers, workers, and most importantly customers, there is no business.

Networking is an extended group of people with similar interests or concerns who interact and remain in informal contact for mutual assistance or support. In a business environment where we are in, we network with customers, suppliers, competitors, various firms, different organizations, government offices and family, etc.

Factors that Affect Persuasion and Networking

- ☞ Socio-cultural background and perceptions
- ☞ Communication skills (both verbal and non-verbal).
- ☞ Negotiation skills

9) Building Self-confidence: Self-confidence is the state of being certain that a chosen course of action is the best or most effective given the circumstances. Confidence can be described as a subjective, emotional state of mind, but is also represented statistically as a confidence level within which one may be certain that a hypothesis will either be rejected or deemed plausible. Self-confidence is having confidence in oneself when considering a capability. Overconfidence is having unmerited confidence-believing something or someone is capable when they are not.

Characteristics of a Self-confident Person

A person with self-confidence may exhibit some of the following characteristics:

- ☞ Risk-taking: willing to take risks and go the extra mile to achieve better things.
- ☞ Independent: entrepreneurs like to be their own masters and want to be responsible for their own decisions.
- ☞ Perseverance: Ability to endure and survive setbacks and continue to build confidence in whatever you do in your business.
- ☞ Able to learn to live with failure. Entrepreneurs are going to make mistakes. They are human. But they learn from these mistakes and then move on.
- ☞ Ability to find happiness and contentment in work.
- ☞ Doing what you believe to be right, even if others mock or criticize you for it.
- ☞ Admitting mistakes and learning from them

Activity 1.2:

1) Think about your life so far, and list the five major achievements in personal life.

1. _____ 2. _____
 3. _____ 4. _____
 5. _____

2) Think about your strengths in running your personal life. Write four of them which you are most proud of?

1. _____ 3. _____
 2. _____ 4. _____

3) Think about what's important to you, and where you envision your business in the future.

What is the goal of your business?

4) Build the knowledge and skills that you need to succeed. What do you need to know, do or learn in order to accomplish the business goal stated above?

5) How do you think you can acquire this knowledge and these skills so that you will be able to move forward confidently?

6) When you are starting, do not try to do anything clever or elaborate. There is no need to be perfect – just enjoy doing simple things successfully and well. Focus on the basics, set small goals and achieve them, and you will find yourself accelerating towards success! So, what basics or initial steps will you take towards reaching your goal?

10) Listening to Others: An entrepreneur does not simply impose his/her idea on others. Rather, he/she listens to other people in their sphere of influence, analyses their input in line with his/her own thinking and makes an informed decision.

11) Demonstrating Leadership: An entrepreneur does not only do things by him/herself, but also gets things done through others. Entrepreneurs inspire, encourage and lead others to undertake the given duties in time.

Self-assessment

Activity 3: Complete a self-assessment of your entrepreneurial qualities

Go through the statements below and score yourself to the best of your ability and as honestly as possible. Do not take too long thinking about any one answer, your first guess is probably the most accurate. Use the scoring key below.

Scoring:

5 – Always 4 – Often 3 – Sometimes 2 – Rarely 1 – Never

S. No	Characteristic	1	2	3	4	5
1.	I enjoy doing things on my own. Nobody has to motivate me to get started on a task.					
2.	If I make up my mind to do something, I don't let anything stop me.					
3.	I do not hesitate to undertake risks related to creating and operating an enterprise.					
4.	I plan my time and resources well so I produce high quality products.					
5.	I assess the time and capacity I have before I commit to accomplishing a job.					
6.	I act upon the opportunities that needs and problems present.					
7.	I keep trying again and again despite great challenges and failure.					
8.	I work hard to try to foresee potential risks so as to prevent future risk.					
9.	I make personal sacrifices to complete jobs in order to keep my word and meet promised deadlines.					

10.	I always strive for improvement and progress despite feedback from people that they are satisfied with my work.						
11.	Before undertaking my job I try to gain as much information about it as I can, and verify the accuracy of the information I am receiving.						
12.	I set short and long-term goals for my personal life and business.						
13.	I do everything I can to accomplish set business goals, through careful planning and implementation.						
14.	I team up well with others for tasks which I cannot accomplish on my own.						
15.	I am able to make decisions on my own, incorporating the suggestions and ideas of others as part of that process.						
16.	I collect all the necessary information I need before I start a job or task.						
17.	I set goals based on the resources and skills I have.						
18.	I have the skills to persuade and communicate with people.						
19.	I regularly evaluate my job performance, looking for areas of improvement.						
20.	I am happy with my work and am confident that I will make progress and improvement in the future.						

Analysis of the Result

Analysis one: Each statement is focused on different entrepreneurial qualities as stated below.

- Question 1+ Question 6 = Opportunity-seeking
- Question 2+ Question 7 = Perseverance
- Question 3+ Question 8 = Risk-taking
- Question 4+ Question 10 = Demand for efficiency and quality
- Question 5+ Question 9 = Commitment to work contract
- Question 11+ Question 16 = Information-seeking
- Question 12+ Question 17 = Goal-setting
- Question 13+ Question 19 = Planning
- Question 14+ Question 18 = Persuasion & Networking
- Question 15+ Question 20 = Self Confidence

Now evaluate how you ranked yourself for that characteristic (based on your score for each of the questions). For example, if you rated yourself a “5” for both questions 1 and 6, then according to the key above, you have a strong opportunity seeking trait. If you rated yourself a “1” or a “2” for questions 14 and 18, then perhaps persuasion and networking are not among your strengths right now – and could be skills for you to work on.

Analysis two: Add up your total score from all the numbers you wrote in each row. Write your total sum here, and then interpret it below:

Total Sum = _____

Result Interpretation:

Score	Meaning
< 50:	Limited entrepreneurial qualities at the moment. It does not mean you are not meant to be a businessperson. It only means that you should spend more time preparing yourself to handle any problems you might face once you start a business.
Between 50 – 80	Average - there are gaps that need to be filled or improved upon. You might consider upgrading your knowledge or skills. Consider taking some courses.
>80	Good entrepreneur - keep it up and continue to develop.

3. Entrepreneurial Skills

A skill is simply knowledge which is demonstrated by action. It is an ability to perform in a certain way. An entrepreneur is someone who has a good business idea and can turn that idea into reality. To be successful, an entrepreneur must not only identify an opportunity but also understand it in great depth. He or she must be able to spot a gap in the market and recognize what new products or services fill the gap. He or she must know what features it will have and why they will appeal to the customer. The entrepreneur must also know how to inform the customer about it and how to deliver the new offerings. All this calls for an intimate knowledge of a particular sector of industry. Turning an idea into reality calls upon two sorts of skills, these are:

- I. General management skills and
- II. People management skills

I) General Management Skills: These are skills required to organize the physical and financial resources needed to run the venture. Some of the most important general management business skills are:

- ☞ **Strategy Skills** – An ability to consider the business as a whole, to understand how it fits within its market place, how it can organize itself to deliver value to its customers, and the ways in which it does this better than its competitors.
- ☞ **Planning Skills** – An ability to consider what the future might offer, how it will impact on the business and what needs to be done to prepare for it now.

- ☞ **Marketing Skills** – An ability to see past the firm’s offerings and their features, to be able to see how they satisfy the customer’s needs and why the customer finds them attractive.
- ☞ **Financial Skills** – An ability to manage money; to be able to keep track of expenditure and to monitor cash-flow, but also an ability to assess investments in terms of their potential and their risks.
- ☞ **Project Management Skills** – An ability to organize projects, to set specific objectives, to set schedules and to ensure that the necessary resources are in the right place at the right time.
- ☞ **Time Management Skills** – An ability to use time productively, to be able to prioritize important jobs and to get things done to schedule.

II) People Management Skills: Businesses are made by people. A business can only be successful if the people who make it up are properly directed and are committed to make an effort on its behalf. An entrepreneurial venture also needs the support of people from outside the organization such as customers, suppliers and investors. To be effective, an entrepreneur needs to demonstrate a wide variety of skills in the way he/she deals with other people. Some of the more important skills we might include under this heading are:

- ☞ **Communication Skills** – An ability to use spoken and written language to express ideas and inform others.
- ☞ **Leadership Skills** – An ability to inspire people to work in a specific way and to undertake the tasks that are necessary for the success of the venture.
- ☞ **Motivation Skills** – An ability to enthuse people and get them to give their full commitment to the tasks in hand. Being able to motivate demands an understanding of what drives people and what they expect from their jobs.
- ☞ **Delegation Skills** – An ability to allocate tasks to different people. Effective delegation involves more than instructing. It demands a full understanding of the skills that people possess how they use them and how they might be developed to fulfill future needs.
- ☞ **Negotiation Skills** – An ability to understand what is wanted from a situation, what is motivating others in that situation and recognize the possibilities of maximizing the outcomes for all parties.

All these different people skills are interrelated. Here entrepreneurial performance results from a combination of industry knowledge, general management skills; people skills and personal motivation (see the figure shown below). The successful entrepreneur must not only use these skills but learn to use them and to learn from using them. Entrepreneurs should constantly avoid their abilities in these areas, recognize their strengths and weaknesses, and plan how to develop these skills in the future.

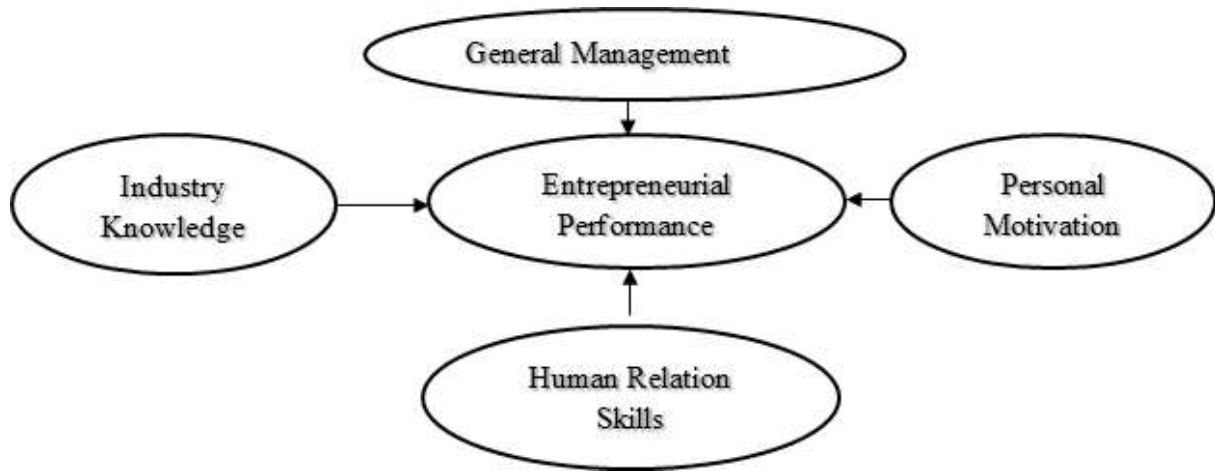


Fig1.1: entrepreneurial skills

1.6.1.4 The Entrepreneurial Tasks

We recognize entrepreneurs, first and foremost, by what they actually do – by the tasks they undertake. A number of tasks have been associated with the entrepreneur. Some of the more important are:

- 1) **Owning Organizations:** Ownership lies with those who invest in the business and own its stock – the principals, while the actual running is delegated to professional agents or managers. Therefore, if an entrepreneur actually owns the business then he is in fact undertaking two roles at the same time that of an investor and that of a manager. Here we can also recognize many people as entrepreneur even if they do not own the venture they are managing.
- 2) **Founding New Organizations:** The entrepreneur is recognized as the person who undertakes the task of bringing together the different elements of the organization (people, property, productive resource, etc.) and giving them a separate legal entity. The entrepreneur makes major changes in their organizational word.

- 3) **Bringing Innovations to Market:** The idea of innovation encompasses any new way of doing something so that value is created. Innovation can mean a new product or service but it can also include a new way of delivering an existing product or service, new methods of informing the consumer about the product or new ways of organizing the company.
- 4) **Identification of Market Opportunity:** An opportunity is the gap in a market where the potential exists to do something better and create value. New opportunities exist all the time but they do not necessarily present themselves. If they are to be exploited they must be actively sought out. Note that opportunity always takes priority over innovation.
- 5) **Application of Expertise:** A slight more technical notion is that they have a special ability in deciding how to allocate scarce resources in situations where information is limited. It is their expertise in doing this that makes entrepreneurs valuable to investors.
- 6) **Provision of leadership:** Entrepreneurs can rarely drive their innovation to market on their own. They need the support of other people both from their organizations and from people outside such as investor customer and supplier.
- 7) **The entrepreneur as manager:** At the end of the day the entrepreneur is a manager. The distinction between an entrepreneur and ordinary manager may lie on what the entrepreneur manager manages, how they manage, their effectiveness and the effect they have as a manager not by the particular tasks they undertake.

1.6.1.5 Wealth of the Entrepreneur

Wealth is money and anything that money can buy. It includes money, knowledge and assets of the entrepreneur.

Who Benefits from the entrepreneur's Wealth?

No entrepreneur works in a vacuum. The venture they create touches the lives of many other people. To drive his/her venture forward, the entrepreneur calls up on the support of a number of different groups. In return for their support these groups expect to be rewarded from the success of the venture. Peoples who have a part to play in the entrepreneurial venture generally are called stakeholder. The stakeholder groups are; employees, investor, supplier, customer, the local community and government. Let us look at the benefits of each stakeholder.

- 1) **Employees:** They contribute physical and mental labor to the business. Success of the entrepreneurial venture depends on their effort and motivation. Therefore, they are rewarded with:

- Money – their wage or salary
- The possibility of owning a part of the firm through share schemes.
- A stage of which they can develop social relationships.
- The possibility of personal development.

- 2) **Investors:** These are the peoples who provide the entrepreneur with the necessary money to start the venture and keep it running. There are two main sorts of investors: stockholders and lenders. Stockholders are those who buy the stock of the company and are true owners of the firm. The actual return of the stockholders varies depending on how the business performs. Lenders, on the other hand, are people who offer money to the venture on the basis of it being a loan. They do not actually own a part of the firm and their return is independent of the businesses performance. They also take priority for payment over shareholders and face lower level of risk than the stockholders.
- 3) **Supplier:** They are the individuals and organizations who provide the business with the materials, productive assets and information it needs to produce its output. They are paid for providing these inputs.
- 4) **Customers:** Customers may need to make an investment in using a particular supplier. Changing supplier may involve switching costs and supplier, risk of quality and expenses incurred in changing over to new inputs. The entrepreneur may reward customers by offering quality products, fair prices, regular and consistency of supply, loan arrangement etc.
- 5) **The local community:** Business has physical locations. The way they operate may affect the people who live and other businesses which operate nearby.

A business has a number of responsibilities, which may be defined or not in national laws, to this local community. Such as:

- ☞ Not polluting their shared environment
- ☞ Contributing and sponsoring local development activities
- ☞ Contribution for political and cultural stabilities and economic improvements
- ☞ Acting in an ethical way.

- 6) **Government:** The responsibility of government is to ensure that businesses can operate in an environment which has political and economic stability. In addition, it provides central services such as education and health-care. These activities cost money to provide.

Therefore, government should be rewarded for its services. Hence, government taxes individuals and businesses.

2. Entrepreneurship and Environment

Business environment refers to the factors external to a business enterprise which influence its operations and determine its effectiveness. Business environment may be healthy or unhealthy. Healthy business environment means the conditions are favorable to the growth of business whereas unhealthy environment implies conditions hostile or unfavorable to business operations. Business and its environment interact with each other. Economic system and other conditions in the environment determine the success of business enterprises. The firm and its management have to adjust to the conditions prevalent around it. However, business enterprises try to influence and shape the environment. Successful working of business concerns improves the economic and social conditions in the country.

No business concern can ignore the environment around it except at its own peril. “The penalty of environmental disregard is heavy. It not only reduces profit margins and makes opportunities for expansion slip, but it also arouses social hostility and makes social environment growingly inhospitable to business operations.”

A study of business environment offers the following benefits:

- 1) It provides information about environment which is essential for successful operation of business firms.
- 2) It opens up fresh avenues for the expansion of new entrepreneurial operations. The entrepreneurs may come forward with new ideas and with new ventures when they find environment suitable to their enterprises.
- 3) Knowledge about changing environment enables businessmen to adopt a dynamic approach and maintain harmony of business operations with the environment.
- 4) By studying the environment entrepreneurs can make it hospitable to the growth of business and thereby earn popular support.

Thus, the entrepreneur should continuously study the nature of environment and its influence on business. However, mere study is not enough. Attempts must be made to influence the environment in order to make it congenial and favorable to entrepreneurial activities. The most successful entrepreneur is one who not only adjusts to the environment but also modifies the

environment to suit his requirements through the direct and indirect influences he can exercise over the system.

1.6.2.1 Phases of Business Environment

Business environment may be classified into two broad categories; namely external; and internal environment

A) External Environment

It is the environment which is external to the business and hardly to influence independently.

The following are the components of external environment:

i) Economic Environment

Economic environment is of multidimensional nature. It consists of the structure of the economy, the industrial, agricultural, trade and transport policies of the country, the growth and pattern of national income and its distribution, the conditions prevailing in industrial, agricultural and other sectors, the position relating to balance of trade and balance of payments, and other miscellaneous conditions of the economy. There is a close relationship between a business firm and the economic environment around it. The success of a business enterprise depends considerably upon the State and growth of the economy.

ii) Legal Environment

Business must function within the framework of legal structure. Therefore, an adequate knowledge of laws and rules is necessary for efficient managerial performance. When new laws are made and controls exercised through legal enactments, the first reaction of the business community is to oppose them and disobey them. Management should try to understand what should be the right laws and strictly obey them when so made. In addition, it can influence the government to change and improve the law and make it useful to the business community.

There are several business laws in our country. A working knowledge of these laws is very helpful for the entrepreneur. Such knowledge will keep them away from innocent breaches and resultant penalties. Some laws differ from region to region and amendments are made from time to time. Therefore, the entrepreneur must always keep in touch with those who know the latest position in law. In addition, an entrepreneur should:

- b) Read the books that enlighten on the legal side of business
- c) Consult government agencies concerned with the implementation of business laws.
- d) Retain labor law consultants.

iii) Political Environment

In a democratic country, politics cannot be ignored. Managers and entrepreneurs should understand the working of the political system. Such understanding and concern for national problems will help them in the long run in discharging their responsibilities to the satisfaction of the public.

Public opinion is very important and today's public opinion becomes tomorrow's legislation. Businessmen should, therefore, learn to take public opinion into account in the decision-making process. If business does not learn how to deal adequately with public opinion, it will face a disaster. This does not mean that business should surrender itself to public opinion. Rather, it implies intelligent response in order to change wherever necessary and a constructive approach to problems.

iv) Socio-Cultural Environment

It consists the social and cultural norms of a society in a given period of time. The variables that are appraised are values, beliefs, norms, fashions and fads of a particular society. It can help in understanding the level of rigidity/flexibility of a given society towards a new product/service/concept. Traditional culture should be protected in so far as it is not a hindrance to innovation, motivation, and development.

v) Demographic Environment

It assesses the overall population pattern of a given geographical region. It includes variables like age profile, distribution, sex, education profile, income distribution etc. The demographic appraisal can help in identifying the size of target customers.

B) Internal Environment

Internal environment is the environment which is under the control of a given organization. Following are the components of internal environment of a business:

- ii) Raw Material:** It assesses the availability of raw material now and in the near future. If the availability of raw material is less now or would be less in future then the entrepreneur should give a serious thought to establishing a venture as the entire system can come to a standstill due to shortage of raw material.
- iii) Production/Operation:** It assesses the availability of various machineries, equipment, tools and techniques that would be required for production/operation.

- iv) **Finance:** It assesses the total requirements of finance in terms start-up expenses, fixed expenses and running expenses. It also indicates the sources of finance that can be approached for funding.
- v) **Human Resource:** It assesses the kind of human resources required and its demand and supply in the market. This further helps in estimating the cost and level of competition in hiring and retaining the human resources.

As stated above, the objective of environmental scanning should be to gather information from as many sources as possible and to maximize this information for enhanced probability of success in the business.

1.6.2.2 Environmental Factors Affecting Entrepreneurship

A complex and varying combination of financial, institutional, cultural and personality factors determines the nature and degree of entrepreneurial activity at any time. The personal backgrounds of the entrepreneurs are determined mainly by the environment in which they are born and brought up and work. A multitude of environmental factors determine the entrepreneurial spirit among people. The entrepreneurs in turn create impact on the environment. The interaction between the entrepreneur and his environment is an ongoing process. At any given point of time, the entrepreneurs derive meanings from the environment prevailing at that time and try to adapt and/or change the environment to suit their needs.

Some of the environmental factors which hinder entrepreneurial growth are given below:

- ☞ Sudden changes in Government policy.
- ☞ Sudden political upsurge.
- ☞ Outbreak of war or regional conflicts.
- ☞ Political instability or hostile Government attitude towards industry.
- ☞ Excessive red-tapism and corruption among Government agencies.
- ☞ Ideological and social conflicts.
- ☞ Unreliable supply of power, materials, finance, labor and other inputs.
- ☞ Rise in the cost of inputs.
- ☞ Unfavorable market fluctuations.
- ☞ Non-cooperative attitude of banks and financial institutions.

Entrepreneurship is environmentally determined. The most important essential for entrepreneurial growth is the presence of a favorable business environment. A healthy business

environment requires active social and cultural behavior of the people, efficient economic conditions, helpful motivating Government policies, etc. When environment mitigates entrepreneurship it must be modified.

7. Creativity, Innovation and Entrepreneurship

Creativity, innovation and entrepreneurship, have been recognized as important contributors to a nation's economic growth. These three terminologies are chronologically interrelated and it is very important to look in to them to get their full picture.

1. Creativity

Creativity is defined as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others.

Creativity is the ability to come up with new idea and to identify new and different ways of looking at a problem and opportunities.

It is a process of assembling ideas by recombining elements already known but wrongly assumed to be unrelated to each other. This definition has several key elements that are worth considering:

- ☞ Process: creativity is a process (implying among other things, that it is more like a skill than an attitude, and that you can get better at it with practice)
- ☞ Ideas: creativity results in ideas that have potential value.
- ☞ Recombining: the creative process is one of putting things together in unexpected ways. In order to be creative, you need to be able to view things in new ways of from a different perspective. Among other things, you need to be able to generate new possibilities or new alternatives. Tests of creativity measure not only the number of alternatives that people can generate but the uniqueness of those alternatives. The ability to generate alternatives or to see things uniquely does not occur by change; it is linked to other, more fundamental qualities of thinking, such as flexibility, tolerance of ambiguity or unpredictability, and the enjoyment of things heretofore unknown.

Thus, creativity is the development of ideas about products, practices, services, or procedures that are novel and potentially useful to the organization.

1. Steps in the Creative Process

Step1: Opportunity or problem Recognition: A person discovers that a new opportunity exists or a problem needs resolution.

Step2: Immersion: the individual concentrates on the problem and becomes immersed in it. He or she will recall and collect information that seems relevant, dreaming up alternatives without refining or evaluating them.

Step 3: Incubation: the person keeps the assembled information in mind for a while. He or she does not appear to be working on the problem actively; however, the subconscious mind is still engaged. While the information is simmering it is being arranged into meaningful new patterns.

Step 4: Insight: the problem-conquering solution flashes into the person's mind at an unexpected time, such as on the verge of sleep, during a shower, or while running. Insight is also called the Aha! Experience.

Step 5: Verification and Application: the individual sets out to prove that the creative solution has merit. Verification procedures include gathering supporting evidence, using logical persuasion, and experimenting with new ideas.

2. Barriers to Creativity

Be aware that there are numerous barriers to creativity, including:

1. searching for the one 'right' answer
2. focusing on being logical
3. blindly following the rules
4. constantly being practical
5. viewing play as frivolous
6. becoming overly specialized
7. avoiding ambiguity
8. fearing looking foolish
9. fearing mistakes and failure
10. believing that 'I'm not creative

1.7.2 Innovation

Innovation lies at the heart of the entrepreneurial process and is a means to the exploitation of opportunity. It is the implementation of new idea at the individual, group or organizational level.

Innovation is a process of intentional change made to create value by meeting opportunity and seeking advantage.

There are four distinct types of innovation, these are as follows:

- Invention - described as the creation of a new product, service or process
- Extension - the expansion of a product, service or process
- Duplication - defined as replication of an already existing product, service or process
- Synthesis - the combination of existing concepts and factors into a new formulation

1. The Innovation Process

1. **Analytical planning:** carefully identifying the product or service features, design as well as the resources that will be needed.
2. **Resources organization:** obtaining the required resources, materials, technology, human or capital resources
3. **Implementation:** applying the resources in order to accomplish the plans
4. **Commercial application:** the provision of values to customers, reward employees and satisfy the stakeholders.

2. Areas of Innovation

The following are some of the major areas in which valuable innovation might be made.

- A. **New product:** A new product can be developed through new or existing technology. The new product may offer a radically new way of doing something or it may simply be an improvement on an existing item. The new product must offer the customer an advantage if it is to be successful.
- B. **New Services:** A service is an act which is offered to undertake a particular task or solve a particular problem.
- C. **New Production Techniques:** Innovation can be made in the way in which a product is to be manufactured. A new production technique should allow the end user to obtain the product at a lower cost, or a product of higher quality or better service in the supply of the product.
- D. **New Way of Delivering the Product or Service to the Customer:** Customer can only use product/service they can access. A common innovation is to take a more direct route by cutting out distributors or middlemen.
- E. **New Operating Practices:** As with innovations in the production of physical products, innovation in service delivery must address customers need and offer them improved

benefits, for example easier access to the service, a higher quality service, a more consistent service, a faster or less time consuming service etc.

F. New Means of Informing the Customer about the Product: People will only use a product or service if they know about it. Demand will not exist if the offering is not properly promoted to them. Promotion consists of two parts; a message what is said and a means – the route by which that message is delivered.

G. New Means of Managing Relationship within the Organization: Any organization has a wide variety of communication channels running through it. The performance of the organization will depend to a great extent on the effectiveness of its internal communication channels. These communication channels are guided by the organization's structure.

H. New Ways of Managing Relationships between Organizations: Organizations sit in a complex web of relationships to each other. The way they communicate and relate to each other is very important.

1.7.3 From Creativity to Entrepreneurship

Creativity is the ability to develop new ideas and to discover new ways of looking at problems and opportunities. **Innovation** is the ability to apply creative solution to those problems and opportunities in order to enhance people's lives or to enrich society.

Entrepreneurship = creativity + innovation.



Fig 1.2: Flow of Creativity, Innovation and Entrepreneurship

1.8 Summary

In this course a brief discussion is made on the term entrepreneurship and entrepreneur. The different roles and tasks of the entrepreneurs are also part of the discussion. The word entrepreneurship is defined as a process that involves creation of something different and better

with values to target customers. Here the entrepreneur is someone who will undertake the activities of creating something different and commercialize it in a given business environment. The three forms of entrepreneurship are also distinguished as individual entrepreneurship, intrapreneurship and organizational entrepreneurship. A person to become an entrepreneur needs to possess entrepreneurial mindset through having qualities of successful entrepreneurs and entrepreneurial skills, and he/she also to understand and scan entrepreneurial environment. Now when the entrepreneur carries out the entrepreneurial process he/she will be able and expected to create wealth for him/herself and for others as well. For this the entrepreneur should have general management and people management skills. Finally, the entrepreneur should play active role in the economic development through improving in per capita income, generating of employment opportunities, inspiring others towards entrepreneurship, balancing regional development, enhancing the number of enterprise, providing diversity in firms, assuring economic independence, combining of economic factors, providing market efficiency, by accepting risk and maximizing investors return.

1.9 Review Questions

1. Give at least two definitions for entrepreneurship and two for entrepreneur.

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2. Who are the potential candidates for entrepreneurship?

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3. Identify any five qualities of a successful entrepreneur

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4. Some people argue that “the only beneficiary of the entrepreneurial wealth is the entrepreneur him/herself” Do you agree? Why or why not?

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5. How do you define creativity, innovation? Relate it with entrepreneurship.

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6. Discuss any four possible areas for innovation

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7. How do you relate entrepreneurship and environment?

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