

Foundation of Entrepreneurship

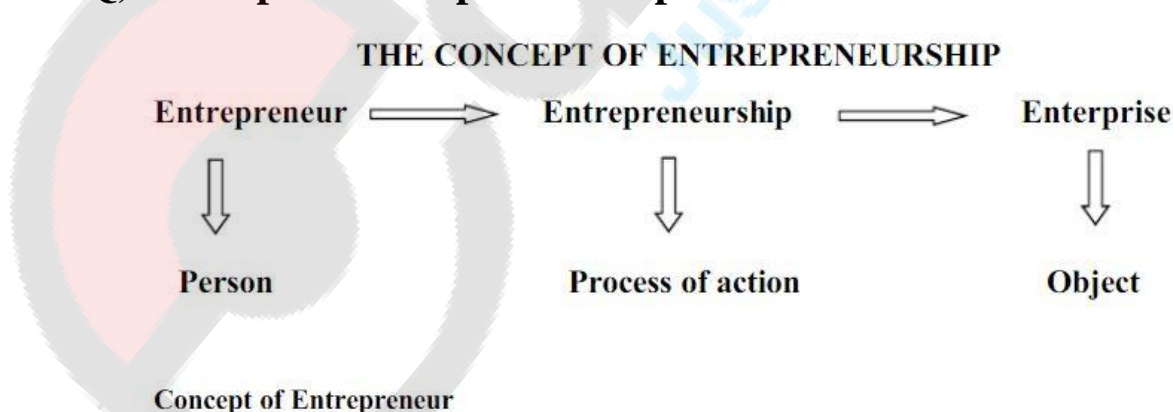
Q) Meaning and Definition of Entrepreneur and Entrepreneurship.

Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called entrepreneurs.

Entrepreneurship has been described as the "capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of start-up businesses have to close due to "lack of funding, bad business decisions, an economic crisis, lack of market demand—or a combination of all of these.

The concept of entrepreneurship has been noted as a factor in microeconomics since the 17th century, with the work (Essai sur la nature du commerce en general” first published in 1755) of Richard Cantillon who anticipated the belief that the entrepreneur brought equilibrium to a market by correctly predicting consumer preferences. From this concept, the meaning of entrepreneurship has evolved through the development of business and economics in the recent years and decades.

Q) Concept of Entrepreneurship.



Basically an entrepreneur is a person responsible for setting up a business or an enterprise. He has the initiative, skill for innovation and who looks for high achievements. He is a catalytic agent of change and works for the good of people. He puts up new green field projects that create wealth, open up many employment opportunities and leads to growth of other sectors.

- He is a person who develops and owns his own enterprise
- He is a moderate risk taker and works under uncertainty for achieving the goal.
- He is innovative
- He peruses the deviant pursuits
- Reflects strong urge to be independent.
- Persistently tries to do something better.
- Dissatisfied with routine activities
- Prepared to withstand the hard life.
- Determined but patient
- Exhibits sense of leadership
- Also exhibits sense of competitiveness
- Takes personal responsibility
- Oriented towards the future.
- Tends to persist in the face to adversity
- Convert a situation into opportunity.

Q) Importance and Significance of Growth of Entrepreneurial Activity

There are three things stated below, that define why entrepreneurship management is important.

1. **Innovation** is a process of experimenting, changing, transforming, and revolutionizing an entrepreneurial activity.
2. **New Startups** can contribute to the reshaping the new firms through performing sufficient duties with innovative practices that may result in growth as well as profitability of the entire firm.
3. **Job Creation** is another aspect that states the importance of entrepreneurship. New startups may require new staff, so the outcome will be much more beneficial for unemployed applicants.

Q) Traits of an Entrepreneur

- **Not afraid to take risks**

Some of the most successful entrepreneurs took major risks, and they paid off in a big way. *Shark Tank's* Barbara Corcoran turned a \$1,000 loan into a \$5 billion-dollar real estate business that she sold for \$66 million back in 2001.

When most people hear the word “risk” they relate it to a financial risk, but in the case of Corcoran, the initial financial investment wasn't very risky. The risk came into play when she went all in, devoting 100 percent to making her business work with such a small amount of seed capital. Many would assume it isn't possible to start a business with very little money, but those who aren't afraid to take risks don't see things such as limited funding as a handicap.

- **High level of confidence**

Entrepreneurs that have a high level of confidence are able to get the job done even under the most stressful conditions. They understand that big challenges breed big rewards. This is the same mentality that allows successful entrepreneurs to spot an opportunity when most just see a possible challenge. When most focus on the challenge, a successful entrepreneur focuses on the finish line and the end reward.

- **Craves learning**

You have to stay sharp, and that requires that you are constantly learning. Industries constantly change and evolve -- only those that are also growing through constant learning will stay ahead. You will always have competitors breathing down your neck trying to surpass you. There will always be someone claiming to be the next greatest thing.

Staying sharp, through constant learning, will enable you to stay ahead and avoid getting passed. Read books and wake up earlier in the morning to read industry news -- do everything you can to constantly learn and absorb new information.

- **Understands failure is part of the game**

Richard Branson said it best: “Few first ventures work out. It is how a beginning entrepreneur deals with failure that sets that person apart. In fact,

failure is one of the secrets to success, since some of the best ideas arise from the ashes of a shuttered business.”

If you understand that failure is part of being an entrepreneur, you will take those failures and use them as learning experiences. Real world experience, even failing, will teach you more than you would ever learn in a classroom.

- **Passionate about his or her business**

Passion fuels the drive and determination required to be successful, whether you are building a company from the ground up or buying an Internet business that already has a proven track record.

You have to thoroughly enjoy what you are doing -- there will be long days and nights and at some points along the way your business will consume you. If you aren't fully passionate about what you are doing the added stress and obstacles will build up on your shoulders and eventually be responsible for your collapse.

- **Highly adaptable**

If entrepreneurs had the ability to see what was hiding around each turn it would make it much easier -- but unfortunately that is not the case. There can be surprises around every corner, even with a well thought out plan and strategy.

If you are extremely adaptable it gives you the ability to respond quickly in any situation. This allows you to make decisions that will navigate you out of trouble and allow you to thrive in environments that would sink those that aren't adaptable.

- **Good understanding of money management**

It doesn't matter if you are bootstrapping your business, using personal credit cards or have millions of dollars from investors -- you must have excellent money management skills. Poor financial decisions, such as overspending or allocating funds to less important tasks can quickly ruin a business.

Have a clear financial map drawn out -- what are your essential monthly expenses and obligations? How much can you allocate monthly for items that fall outside of the “essential” category? Stick to your plan and make sure all founders and shareholders are on the same page. Money problems can destroy a business the same way they can ruin a marriage.

- **Expert at networking**

A large collection of business cards and a huge contact list doesn't make you an expert at networking. Building value-based relationships that are truly meaningful is what networking is all about -- these are the relationships that lead to business opportunities and long-term relationships that are mutually beneficial.

I am constantly networking with people that can not only help my business currently, but also have the potential to help me in the future as well. Don't be selfish when networking. You should always know how you can help someone and provide value to them before even thinking about how the relationship will be potentially beneficial to you.

- **Ability to sell and promote**

If you watch the TV show Shark Tank then you have certainly heard Mark Cuban tell entrepreneurs on several occasions that knowing how to sell is an absolutely essential part of being a successful business owner.

If you can't express what it is that makes your product or service a solution to a problem, you will be in for a rough ride. If you, the creator, can't explain it, then who will?

Q) Characteristics of an Entrepreneur

Some business experts suggest that the entrepreneurial drive is innate, a trait acquired at birth, while others believe that anyone can become an entrepreneur. Whether a person is born to it or develops it, there are characteristics and traits required for successful entrepreneurship including:

Passion - Talk to successful entrepreneurs and you'll nearly always hear the word passion when they describe what they do. Following your passion is one of the best predictors of success.

Independent thinking - Entrepreneurs often think outside the box and aren't swayed by others who might question their ideas.

Optimism - It's difficult to succeed at anything if you don't believe in a good outcome. Entrepreneurs are dreamers and believe their ideas are possible, even when they seem unattainable.

Self-confidence - This is not to say entrepreneurs never have self-doubt, but they're able to overcome it, and believe they can achieve their goal.

Resourceful and problem solvers - Lack of assets, knowledge, and resources are common, but entrepreneurs are able to get what they need or figure out how to use what they've got in order to reach their business goals. They never let problems and challenges get in the way, and instead find ways to achieve success despite hardships.

Tenacity and ability to overcome hardship - Entrepreneurs don't quit at the first, second or even hundredth obstacle. For them, failure is not an option, so they continue to work toward success, even when things go wrong.

Vision - Some of the more stringent definitions of entrepreneurship include vision as a necessary element. It helps to know your end goal when you start. Further, vision is the fuel that propels you forward toward your goal.

Focus - It's easy in this fast paced, constant info-in-your-face world to get distracted. This is especially true for business start-ups that often get side-tracked by the shiny object syndrome (i.e. products and services that promise fast results), or bogged down in unimportant busy work. Successful entrepreneurs are focused on what will bring results.

Action oriented - Entrepreneurs don't expect something from nothing and they don't wait for things to happen. They are doers. They overcome challenges and avoid procrastination.

Q) Skills and Qualities of Entrepreneurs

Successful business people have many traits in common with one another. They are confident and optimistic. They are disciplined self starters. They are open to any new ideas which cross their path (Side note: Rich20Something is a great book about this, it covers the mindset of millennial entrepreneurs). Here are ten traits of the successful entrepreneur.

1. Disciplined

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

2. Confidence

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

3. Open Minded

Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

4. Self Starter

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

5. Competitive

Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

6. Creativity

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

7. Determination

Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

8. Strong people skills

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

9. Strong work ethic

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

10. Passion

Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business

succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

Successful entrepreneurs want to see what the view is like at the top of the business mountain. Once they see it, they want to go further. They know how to talk to their employees, and their businesses soar as a result.

Q) Classification and Types of Entrepreneurs

Entrepreneurs are classified into different types based on different classifications as mentioned below:

Based on the Type of Business:

1. Trading Entrepreneur:

As the name itself suggests, the trading entrepreneur undertake the trading activities. They procure the finished products from the manufacturers and sell these to the customers directly or through a retailer. These serve as the middlemen as wholesalers, dealers, and retailers between the manufacturers and customers.

2. Manufacturing Entrepreneur:

The manufacturing entrepreneurs manufacture products. They identify the needs of the customers and, then, explore the resources and technology to be used to manufacture the products to satisfy the customers' needs. In other words, the manufacturing entrepreneurs convert raw materials into finished products.

3. Agricultural Entrepreneur:

The entrepreneurs who undertake agricultural pursuits are called agricultural entrepreneurs. They cover a wide spectrum of agricultural activities like cultivation, marketing of agricultural produce, irrigation, mechanization, and technology.

Based on the Use of Technology:

1. Technical Entrepreneur:

The entrepreneurs who establish and run science and technology-based industries are called 'technical entrepreneurs.' Speaking alternatively, these are the entrepreneurs who make use of science and technology in their enterprises. Expectedly, they use new and innovative methods of production in their enterprises.

2. Non-Technical Entrepreneur:

Based on the use of technology, the entrepreneurs who are not technical entrepreneurs are non-technical entrepreneurs. The forte of their enterprises is not science and technology. They are concerned with the use of alternative and imitative methods of marketing and distribution strategies to make their business survive and thrive in the competitive market.

Based on Ownership:

1. Private Entrepreneur:

A private entrepreneur is one who as an individual sets up a business enterprise. He / she it's the sole owner of the enterprise and bears the entire risk involved in it.

2. State Entrepreneur:

When the trading or industrial venture is undertaken by the State or the Government, it is called 'state entrepreneur.'

3. Joint Entrepreneurs:

When a private entrepreneur and the Government jointly run a business enterprise, it is called 'joint entrepreneurs.'

Based on Gender:

1. Men Entrepreneurs:

When business enterprises are owned, managed, and controlled by men, these are called 'men entrepreneurs.'

2. Women Entrepreneurs:

Women entrepreneurs are defined as the enterprises owned and controlled by a woman or women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of employment generated in the enterprises to women.

Based on the Size of Enterprise:

1. Small-Scale Entrepreneur:

An entrepreneur who has made investment in plant and machinery up to Rs 1.00 crore is called 'small-scale entrepreneur.'

2. Medium-Scale Entrepreneur:

The entrepreneur who has made investment in plant and machinery above Rs 1.00 crore but below Rs 5.00 crore is called 'medium-scale entrepreneur.'

3. Large-Scale entrepreneur:

The entrepreneur who has made investment in plant and machinery more than Rs 5.00 crore is called 'large-scale entrepreneur.'



Q) Entrepreneur vs Professional Manager.

1. Risk Bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise.	A manager as a servant does not bear any risk involved in the enterprise.
2. Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain.	A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
2. Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an innovator also called a 'change agent'	But, what a manager does is simply to execute the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's ideas into practice.
3. Qualifications	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight,	On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

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