

ENTREPRENEURIAL DEVELOPMENT

III BBA (VI SEMESTER)

Meaning

The word “entrepreneur” is derived from the French verb “entreprendre”, which means ‘to undertake’. This refers to those who “undertake” the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called “entrepreneurship”.

Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise. It is the process of starting a business, a startup company or other organization. The entrepreneur develops a business plan, acquires the human and other required resources, and is fully responsible for its success or failure. Entrepreneurship operates within an entrepreneurship ecosystem.

Definitions

According to A.H.Cole

Entrepreneurship is the purposeful activity of an individual or a group of associated individual, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services.

According to J.A.Timmons

Entrepreneurship is the ability to create and build something from practically nothing.

According to Musselman and Jackson

“Entrepreneurship is the investing and risking of time, money and effort to start a business and make it successful.

Characteristics of Entrepreneurship

Entrepreneurship is characterized by the following features:

1. Economic and dynamic activity

Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilization of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.

2. Related to innovation

Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations so that more efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.

3. Profit potential

“Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture.” Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.

4. Risk bearing

The essence of entrepreneurship is the ‘willingness to assume risk’ arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive. An entrepreneur has to have patience to see his efforts bear fruit. In the intervening period (time gap between the conception and implementation of an idea and its results), an entrepreneur has to assume risk. If an entrepreneur does not have the willingness to assume risk, entrepreneurship would never succeed.

5. Skillful management

Entrepreneurship involves skillful management. The basic managerial skill is the most important characteristic feature of entrepreneurship. For effective management of an enterprise, the role of an entrepreneur is to initiate and supervise design of organization improvement projects in relation to upcoming opportunities is very much important.

6. Accepting challenges

Entrepreneurship means accepting challenges amidst risk and uncertainty. While accepting entrepreneurship as a career the entrepreneur accepts the challenges of all odds and puts his efforts to convert the odds into viable business opportunities by pooling together the resources of building and running the enterprise.

7. Goal-oriented Activity

The entrepreneur who creates and operates enterprises seeks to earn profits through satisfaction of needs of consumers; hence, entrepreneurship is a goal-oriented activity. Entrepreneurship emphasizes results, achievements and targets achieved. It is work done not imaginary plans or paper decisions. Hence entrepreneurship is a goal-oriented activity.

8. Value Creation

Next, we find that the process of creating value is a characteristic in describing entrepreneurship. Through entrepreneurship, new products, services, transactions, approaches, resources, technologies, and markets are created that contribute some value to a community or marketplace. We can also see value created when, through entrepreneurship; resources are transformed into outputs such as products or services. During this transformation process, value is created because the entrepreneur is fashioning something worthwhile and useful. Drucker says, “Until entrepreneurial act, every plant is a seed and every mineral just another rock.”

9. Dynamic Process

Entrepreneurship is a dynamic function. Entrepreneur thrives on changes in the environment, which bring useful opportunities for business. An entrepreneur deals proactively with changing

markets and environment. He looks at the changes as the source of market advantages, not as a problem. Uncertainties are market opportunities for him. He capitalizes on fleeting market anomalies.

10. Uniqueness

Other characteristic found in entrepreneurship is that of uniqueness. Entrepreneurship involves new combinations and new approaches with which entrepreneurs are willing to experiment. Through Entrepreneurship unique products are created and unique approaches are tried. Entrepreneurship isn't merely imitating what others have done. It's doing something new, something untested and untried – something unique.

11. Interest and Vision

The first factor for entrepreneurial success is interest. Since entrepreneurship pays off according to performance rather than time spent on a particular effort, an entrepreneur must work in an area that interests her. Otherwise, she will not be able to maintain a high level of work ethic, and she will most likely fail. This interest must also translate into a vision for the company's growth. Even if the day-to-day activities of a business are interesting to an entrepreneur, this is not enough for success unless she can turn this interest into a vision of growth and expansion. This vision must be strong enough that she can communicate it to investors and employees.

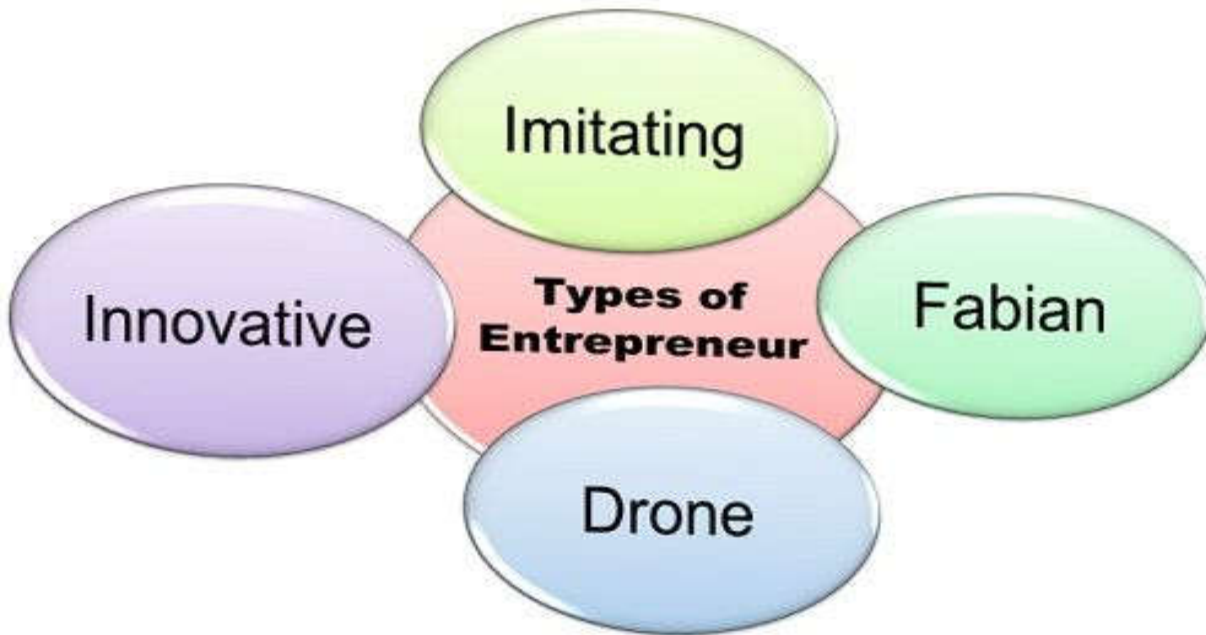
12. Risk and Rewards

Entrepreneurship requires risk. The measurement of this risk equates to the amount of time and money you invest into your business. However, this risk also tends to relate directly to the rewards involved. An entrepreneur who invests in a franchise pays for someone else's business plan and receives a respectable income, while an entrepreneur who undertakes ground breaking innovations risks everything on an assumption that something revolutionary will work in the market. If such a revolutionary is wrong, she can lose everything. However, if she is right, she can suddenly become extremely wealthy.

Types of Entrepreneurs

Definition: An **Entrepreneur** is a person who has a role of an industrialist and forms an organization for the commercial use. He is a change agent who transforms the demand into supply by forecasting the needs of the society.

TYPES OF ENTREPRENEURS



1. **Innovative Entrepreneur:** These are the ones who invent the new ideas, new products, new production methods or processes, discover potential markets and reorganize the company's structure. These are the industry leaders and contribute significantly towards the economic development of the country. The innovative entrepreneurs have an unusual foresight to recognize the demand for goods and services. They are always ready to take a risk because they enjoy the excitement of a challenge, and every challenge has some risk associated with it. Ratan Tata is said to be an innovative entrepreneur, who launched the Tata Nano car at a considerably low cost.
2. **Imitating Entrepreneurs:** The imitating entrepreneurs are those who immediately copy the new inventions made by the innovative entrepreneurs. These do not make any innovations by themselves; they just imitate the technology, processes, methods pioneered by others. These entrepreneurs are found in the places where there is a lack of resources or industrial base due to which no new innovations could be made. Thus, they are suitable for the underdeveloped regions where they can imitate the combinations of inventions already well established in the developed regions, in order to bring a boom in their industry.
3. **Fabian Entrepreneurs:** These types of entrepreneurs are skeptical about the changes to be made in the organization. They do not initiate any inventions but follow only after they are satisfied with its success rate. They wait for some time before the innovation becomes well tested by others and do not result in a huge loss due to its failure.
4. **Drone Entrepreneurs:** These entrepreneurs are reluctant to change since they are very conservative and do not want to make any changes in the organization. They are happy with their present mode of business and do not want to change even if they are suffering the losses.

Thus, this classification is done on the basis of the willingness of an entrepreneur to create and accept the innovative ideas.

UNDERSTANDING ENTREPRENEUR AND ENTREPRENEURSHIP

Entrepreneurs are visionaries who can convert an idea into a business, big or small. Entrepreneurship is the process of initiating, developing and operating a business from the ground up. Innovation and digital advancements have sped up the need and significance of entrepreneurship. It has brought forward-thinking individuals to the fore who possess the drive to turn a business vision into reality.

There are several characteristics of an entrepreneur that set them apart from others. They're creative, self-starting and flexible risk-takers who anticipate business needs and bring new ideas into the market. They play a key role in the economy as they take risks on innovative ideas. While the odds of success may not always be promising, they encourage change and out-of-the-box thinking among industries.

EXPLORING THE TYPES OF ENTREPRENEURSHIP

Although the characteristics of entrepreneurship remain universal—development, launching and running a business—there are different types of entrepreneurship.

1. SMALL BUSINESS ENTREPRENEURSHIP

People in small businesses are most likely to make profits that support their families and households. They don't seek large-scale profits or funding and often own or run their own business. The staff comprises local employees and family members. Some examples include restaurant owners, hairdressers and plumbers.

2. LARGE BUSINESS ENTREPRENEURSHIP

In some cases, big enterprises acquire smaller enterprises and expand their business into different market segments. Even small businesses can turn into large-scale enterprises as they continue to grow rapidly. Disney (the multinational mass media and entertainment conglomerate) is a common example; it acquired Pixar and grew in scale.

3. SCALABLE START-UP ENTREPRENEURSHIP

Scalable start-up businesses have become one of the most effective ways to create business solutions that are missing from the market. A majority of these businesses are technology-focused and rely on mobile-based applications to launch their products and services. They seek rapid expansion and receive venture funding to support and sustain themselves. Popular examples include Uber, Facebook and Airbnb.

4. SOCIAL ENTREPRENEURSHIP

Not all types of entrepreneurship are focused on generating profits. Many enterprises focus on solving social problems through their products and services. Such entrepreneurs are primarily dedicated to making the world a better place with their business solutions. They

dedicate themselves to working toward social good. Nonprofit organizations are perfect examples of social entrepreneurship.

5. INNOVATIVE ENTREPRENEURSHIP

People in such enterprises are constantly coming up with new ideas and inventions. They take these ideas and pursue them through business ventures. They're highly passionate and motivated and often aim to change lives for the better. They make their products and services stand out through their unique offerings. Steve Jobs, for example, revolutionized the mobile phone industry and created new benchmarks.

Various kinds of entrepreneurship act as a lens to understand different types of entrepreneurs.

EXPLORING THE TYPES OF ENTREPRENEURS

You can classify different types of entrepreneurs, depending on the nature of business, the stages of development and motivational aspects. Let's discuss each of them.

CLASSIFICATION OF ENTREPRENEURS: NATURE OF BUSINESS

In relation to the nature of businesses and business environments, here the various types of entrepreneur:

1. BUSINESS ENTREPRENEUR

They come up with new ideas for products and services and start a venture to pursue those ideas. They can be found either in small business units or big enterprises. Within large enterprises, individuals leading important projects are business entrepreneurs.

2. CORPORATE ENTREPRENEUR

They exhibit innovative skills in the organization and management of corporate undertakings. They develop new business, products and services in an existing organization. They create opportunities for business growth.

3. SERVICE ENTREPRENEUR

They are focused on providing services to customers and clients. They generate profits by rendering services. For example, someone who runs a hotel is a service entrepreneur.

4. INDUSTRIAL ENTREPRENEUR

They focus on industrial and production activities. They identify customer needs and expectations and manufacture products that meet those demands. They're product-oriented.

5. SOCIAL ENTREPRENEUR

6. They focus on changing society by solving recurring challenges that need unique business solutions. They focus on social issues and aren't profit-oriented. An example of this could be someone who creates an assisted living facility for seniors.

CLASSIFICATION OF ENTREPRENEURS: STAGES OF DEVELOPMENT

According to stages of social and economic development, there are several types of entrepreneurs.

1. FIRST GENERATION ENTREPRENEUR

They set up an enterprise, thanks to their innovative skills, idea and vision. They combine various factors of production and adopt innovative ideas to produce products and services that are suitable for the market. They start a business completely on their own.

2. INNOVATIVE ENTREPRENEUR

They're also known as dynamic or modern entrepreneurs. To meet changing industry and market demands, one needs to stay updated. Innovative entrepreneurs look for changes and ways to respond to those changes.

3. INHERITED ENTREPRENEUR

They inherit a family business or gain experience by working closely with their families. Sometimes they diversify and seek new opportunities in the family business. For example, Mukesh Ambani—one of the most successful entrepreneurs of India—grew his father's business.

CLASSIFICATION OF ENTREPRENEURS: MOTIVATIONAL ASPECTS

Depending on the role and motivations of an entrepreneur, let's see how different types of entrepreneurs run their businesses.

1. HUSTLER ENTREPRENEUR

A hustler is someone who is a self-starter and they're willing to push their boundaries. They start small and have the ultimate goal of growing and becoming bigger in the future. They're highly motivated by their dreams and aspirations and develop a laser-sharp focus to concentrate on long-term goals. They will try anything to succeed and therefore, come across both setbacks and opportunities.

2. IMITATOR ENTREPRENEUR

They are always looking to make a product or service better. They are part innovators and part hustlers. They know how to make an existing idea better. This helps them gain a competitive edge in the market. For example, before TikTok entered and dominated the market, there were several other applications such as Musically. However, the people at TikTok provided a more accessible version and secured major market shares.

3. RESEARCHER ENTREPRENEUR

Despite having an idea, researcher entrepreneurs take time to gather relevant information and make a strong case for their product or service. For them, failure isn't an option and they're focused on proving their idea from every angle. They usually take a lot of time to

launch their product and make decisions because they prioritize detailed work and deep understanding. They're a stickler for rules and have a sound plan in place.

Importance of Entrepreneurship

1. Development of managerial capabilities

The biggest significance of entrepreneurship lies in the fact that it helps in identifying and developing managerial capabilities of entrepreneurs. An entrepreneur studies a problem, identifies its alternatives, compares the alternatives in terms of cost and benefits implications, and finally chooses the best alternative. This exercise helps in sharpening the decision-making skills of an entrepreneur. Besides, these managerial capabilities are used by entrepreneurs in creating new technologies and products in place of older technologies and products resulting in higher performance.

2. Creation of organizations

Entrepreneurship results into creation of organizations when entrepreneurs assemble and coordinate physical, human and financial resources and direct them towards achievement of objectives through managerial skills.

3. Improving standards of living

By creating productive organizations, entrepreneurship helps in making a wide variety of goods and services available to the society, which results into higher standards of living for the people. Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls, etc. are pointers to the rising living standards of people, and all this is due to the efforts of entrepreneurs.

4. Means of economic development

Entrepreneurship involves creation and use of innovative ideas, maximization of output from given resources, development of managerial skills, etc., and all these factors are so essential for the economic development of a country.

5. Job Creation

We know that job creation is vital to the overall long-term economic health of communities, regions, and nations. Entrepreneurial ventures play a very important role in it. Small businesses create more jobs than large businesses do. During economic recession, when large companies are on their way to retrenchment of their work force, individuals whose jobs are eliminated find employment with small businesses. The creation of jobs by small businesses is expected to continue into the future as new firms start small and grow.

6. Innovation

Innovating is a process of creating, changing, experimenting, transforming and revolutionizing. Innovation is one of the key distinguishing characteristics of entrepreneurial activity. The passionate drive and intense hunger of entrepreneurs to forge new directions, products and processes and to take risks set in motion a series of decisions that lead to the innovations that are important for economic vitality. Without these new ideas, economic, technological, and social

progress would be slow indeed. The “creative destruction” process of innovating leads to technological changes and employment growth. Entrepreneurial firms act as these “agents of change” by providing an essential source of new and unique ideas that might otherwise go.

7. Other Contribution

1. Entrepreneurship in small businesses helps in distribution of products of large business. They, thus, support the large business houses.
2. It offers business avenues to women and minorities. Women and minorities are allowed the benefit of financial independence and a chance to exhibit the ability to manage business enterprises.
3. Dispersal of economic activities to different sectors of economy and identifying new avenues of growth.
4. Improvement of the standard of living of different weaker sections in the society.
5. Bring socio political change in the society.
6. Develop technological know-how.
7. Improve culture of business and expand commercial activities.
8. Entrepreneurship acts as a change agent to meet the requirements of the changing markets and customer preferences.
9. Develop a culture of achievement orientation.
10. It helps in bringing about change and development of the civilization through change in trade, commerce and industrialization.
11. It arouses the need for achievement in individuals, which brings about a change in the economic scenario through economic development and growth.
12. It results in exploitation of economy's resources, such as labour, capital and technology to the fullest extent.

Factors affecting Entrepreneurship

Entrepreneurship is a complex phenomenon influenced by the interplay of a wide variety of factors. The entrepreneurial activity at any time is dependent upon a complex and varying combination of economic, social, political, psychological and other factors. These factors may have been both positive and negative influences on the emergence of entrepreneurship. Positive influences constitute facilitative and conducive conducive for the emergence of entrepreneurship whereas negative influences create inhibiting milieu to the emergence of entrepreneurship. Following factors contribute to the success of entrepreneurship:



1. Personality Factors

Personality traits such as inner desire for control of their activities, tolerance for risk, high level of tolerance to function in adverse situations and background experiences such as the family environment, level of education, age and work history tolerance for ambiguity are important personal characteristics that affect entrepreneurship. Individuals who are desirous of working independently; willing to work for long hours and assume risk; are self-confident and hard-working are likely to be more successful as entrepreneurs than those who do not possess these qualities

Personal factors, becoming core competencies of entrepreneurs, include:

- (a) Initiative (does things before being asked for)
- (b) Proactive (identification and utilization of opportunities)
- (c) Perseverance (working against all odds to overcome obstacles and never complacent with success)
- (d) Problem-solver (conceives new ideas and achieves innovative solutions)
- (e) Persuasion (to customers and financiers for patronization of his business and develops & maintains relationships)

- (f) Self-confidence (takes and sticks to his decisions)
- (g) Self-critical (learning from his mistakes and experiences of others)
- (h) A Planner (collects information, prepares a plan, and monitors performance)
- (i) Risk-taker (the basic quality).

2. Environmental factors

These factors relate to the conditions in which an entrepreneur has to work. If the environment that an individual is working in is unsatisfactory, that is, not conducive to his growth needs, it is likely that the individual will quit his job and start his own business as an entrepreneur. Unsatisfied personal needs for growth and achievement in employment conditions results in successful entrepreneurship.

3. Political

Some researchers felt that the growth of entrepreneurship cannot be explained fully unless the political set-up of a country is taken into consideration. Political stability in a country is absolutely essential for smooth economic activity. Frequent political protests, strikes, etc. hinder economic activity and entrepreneurship. Unfair trade practices, irrational monetary and fiscal policies, etc. are a roadblock to the growth of entrepreneurship.

4. Socio-Economic Factors

The entrepreneurial activity at any time and place is governed by varying combination of socio-economic factors. The empirical studies have identified the following socioeconomic factors:

- 13. Cast/religion
- 14. Family background
- 15. Level of Education
- 16. Level of perception
- 17. Legitimacy of Entrepreneurship
- 18. Migratory character
- 19. Social Mobility
- 20. Social Security
- 21. Investment capacity
- 22. Ambition/motivation

Factors impacting emergence of Entrepreneurship

Various researchers world over have identified the factors that contribute to the development of entrepreneurship. Economists agree that the lack of entrepreneurs is not caused by economic conditions alone. It is also due to the whole set of socio-cultural and institutional environment prevailing in the less developed countries. Various environmental factors influencing the entrepreneurship are as follows:

I. Economic Factors

Economic environment exercises the most direct and immediate influence on entrepreneurship. The economic factors that affect the growth of entrepreneurship are the following:

1.Capital

Capital is one of the most important perquisites to establish an enterprise. Availability of capital facilitates is required to purchase the land, machine and raw material for producing goods. Capital is therefore, regarded as lubricant to the process of production. Our accumulated experience suggests that with an increase in capital investment, capital-output ratio also tends to increase. This results in increase in profit, which ultimately goes to capital formation. This suggests that as capital supply increases, entrepreneurship also increases.

2. Labor

The quality rather quantity of labor is another factor, which influences the emergence of entrepreneurship. Most less developed countries are labor rich nations owing to a dense and even increasing population. But entrepreneurship is encouraged if there is a mobile and flexible labor force. And, the potential advantages of low-cost labor are regulated by the deleterious effects of labour immobility.

3. Raw Materials

The availability of raw materials is very important for establishing any industrial activity. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged.

4. Market

The fact remains that the potential of the market constitutes the major determinant of probable rewards from entrepreneurial function.. The size and composition of market both influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market.

5.Infrastructure

Expansion of entrepreneurship depends upon properly developed communication and transportation facilities. It not only helps to enlarge the market, but expand the horizons of

business too. Take for instance, the establishment of post and telegraph system and construction of roads and highways in India.

II. Social Factors

Social factors can go a long way in encouraging entrepreneurship. In fact it was the highly helpful society that made the industrial revolution a glorious success in Europe. The main components of social environment are as follows:

Caste Factor

There are certain cultural practices and values in every society which influence the actions of individuals. These practices and value have evolved over hundred of years. For instance, consider the caste system (the varna system) among the Hindus in India. It has divided the population on the basis of caste into four divisions.

2. Family background

This factor includes size of family, type of family and economic status of family. Zamindar family helped to gain access to political power and exhibit higher level of entrepreneurship. Background of a family in manufacturing provided a source of industrial entrepreneurship. Occupational and social status of the family influenced mobility. There are certain circumstances where very few people would have to be venturesome. For example in a society where the joint family system is in vogue, those members of joint family who gain wealth by their hard work denied the opportunity to enjoy the fruits of their labor because they have to share their wealth with the other members of the family.

3. Education

Education enables one to understand the outside world and equips him with the basic knowledge and skills to deal with day-to-day problems. In any society, the system of education has a significant role to play in inculcating entrepreneurial values.

4. Attitude of the Society

A related aspect to these is the attitude of the society towards entrepreneurship. Certain societies encourage innovations and novelties, and thus approve entrepreneurs' actions and rewards like profits. Certain others do not tolerate changes and in such circumstances, entrepreneurship cannot take root and grow. Similarly, some societies have an inherent dislike for any money-making activity. It is said, that in Russia, in the nineteenth century, the upper classes did not like entrepreneurs. For them, cultivating the land meant a good life. They believed that land belongs to God and the produce of the land was nothing but god's blessing.

5.Cultural Value

Motives impel men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society.

III. Psychological Factors

Many entrepreneurial theorists have propounded theories of entrepreneurship that concentrate especially upon psychological factors. These are as follows:

1. Need Achievement

The most important psychological theories of entrepreneurship was put forward in the early 1960s by David McClelland. According to McClelland 'need achievement' is social motive to excel that tends to characterize successful entrepreneurs, especially when reinforced by cultural factors.

2. Withdrawal of Status Respect

There are several other researchers who have tried to understand the psychological roots of entrepreneurship. One such individual is Everett Hagen who stresses the psychological consequences of social change. Hagen says, at some point many social groups experience a radical loss of status. Hagen attributed the withdrawal of status respect of a group to the genesis of entrepreneurship.

3. Motives

Other psychological theories of entrepreneurship stress the motives or goals of the entrepreneur. Cole is of the opinion that besides wealth, entrepreneurs seek power, prestige, security and service to society. Stepanek points particularly to non-monetary aspects such as independence, persons' self-esteem, power and regard of the society. On the same subject, Evans distinguishes motive by three kinds of entrepreneurs: (a) Managing entrepreneurs whose chief motive is security. (b) Innovating entrepreneurs, who are interested only in excitement. (c) Controlling entrepreneurs, who above all other motives- want power and authority. Finally, Rostow has examined intergenerational changes in the families of entrepreneurs. He believes that the first generation seeks wealth, the second prestige and the third art and beauty.

4. Others

Thomas Begley and David P. Boyd studied in detail the psychological roots of entrepreneurship in the mid 1980s. They came to the conclusion that entrepreneurial attitudes based on psychological considerations have five dimensions:

1. First came 'need-achievement' as described by McClelland. In all studies of successful entrepreneurs a high achievement-orientation is invariably present.
2. The second dimension that Begley and Boyd call 'locus of control' This means that the entrepreneur follows the idea that he can control his own life and is not influenced by factors like luck, fate and so on. Need-achievement logically

implies that people can control their own lives and are not influenced by external forces.

3. The third dimension is the willingness to take risks. These two researchers have come to the conclusion that entrepreneurs who take moderate risks earn higher returns on their assets than those who take no risks at all or who take extravagant risks.
4. Tolerance is the next dimension of this study. Very few decisions are made with complete information. So all business executives must, have a certain amount of tolerance for ambiguity.
5. Finally, here is what psychologists call 'Type A' behavior. This is nothing but "a chronic, incessant struggle to achieve more and more in less and less of time" Entrepreneurs are characterized by the presence of 'Type A' behavior in all their endeavors.

IV. Political Factors

An entrepreneur, however creative he/she may be, cannot function without the supportive actions of the Government. It is for the government/society to ensure the availability of required resources for the entrepreneurs and also the accessibility to them. This is because the successful entrepreneur contributes to the well being of the society. Policies relating to various-economic aspects like prices, availability of capital, labour and other inputs, demand structure, taxation, income distribution, etc. affect growth of entrepreneurship to a large extent. Promotive government activities such as incentives and subsidies contribute substantially to entrepreneurial performance.

Difference between Entrepreneur and Intrapreneur

Entrepreneur	Intrapreneur
An entrepreneur is independent in his operations	An intraprenuer is dependent on the entrepreneur i.e. the owner.
An entrepreneur himself raises funds required for the enterprise.	The Intrapreneur does not raise funds.

Entrepreneur bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in the enterprise.
An entrepreneur operates from outside.	On the contrary, an intrapreneur operates from within the organization itself.
An entrepreneur begins his business with a newly set up enterprise.	An intrapreneur sets up his enterprise after working someone else's organization.
As an entrepreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes his business after gathering experiences through working in the other organization.
Entrepreneurs may find it difficult to get resources	Intrapreneurs have their resources readily available to them.
Entrepreneurs are found anywhere their vision takes them.	Intrapreneurs work within the confines of an organization.
Entrepreneurs know the business on a macro scale.	Intrapreneurs are highly skilled and specialized.

Difference between an Entrepreneur and a Manager

Basis of Difference	Entrepreneur	Manager
1. Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise.	But, the main motive of a manager is to render his services in an enterprise already set up by someone else i.e., entrepreneur.

2. Status	An entrepreneur is the owner of the enterprise.	A manager is the servant in the enterprise owned by the entrepreneur.
3. 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.
4. 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.
5. 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'	A manager simply execute the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's ideas into practice
6. Qualifications	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk -bearing ability and so on.	On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.
7. Focus	An entrepreneur is someone who is concerned primarily with the necessary components to start up a business	A manager is typically concerned with sustainability, and has to focus on what can be done within the framework of what he has been given to work with in an existing enterprise.

8.	Growth	An entrepreneur begins with the idea of the business from its inception and its potential for growth in the long run. An analysis of the market and available resources in relation to the original idea plays a primary role in his business decisions.	A business manager is focused on engendering growth based on available resources. A manager must get employees to perform at optimal levels, and must make use of non-human resources to create additional growth beyond basic sustainability
9.Objective		Entrepreneur's objective is to innovate and create and he acts as a change agent.	Manager's objective is to supervise and create routines. He implements the Entrepreneur's plans and ideas.

Entrepreneur Vs. Entrepreneurship

Entrepreneur	Entrepreneurship
Entrepreneur is a person.	Entrepreneurship is a process.
Entrepreneur is an organizer.	Entrepreneurship is an organization.
Entrepreneur is an innovator.	Entrepreneurship is an innovation.
Entrepreneur is a risk bearer.	Entrepreneurship is risk bearing.
Entrepreneur is a motivator.	Entrepreneurship is motivation.
Entrepreneur is a creator.	Entrepreneurship is a creation.
Entrepreneur is a visualizer.	Entrepreneurship is a vision.
Entrepreneur is a leader.	Entrepreneurship is leadership.
Entrepreneur is an imitator.	Entrepreneurship is an imitation

Traits/Qualities of Successful Entrepreneurs

1. Full of determination

To be a successful entrepreneur it is important to set clear goals along the way. Growing business, increasing sales and hiring new employees require several micro-goals within them to be executed successfully. This type of workload and challenge is enough to stop many people from pursuing the entrepreneurial career path. One has to be determined from the beginning to be successful. If one isn't fully determined there is a good chance to crumble under the pressure.

2. Risk Taking

Some of the most successful entrepreneurs took major risks, and they paid off in a big way. Entrepreneurs are risk takers ready to dive deep into a future of uncertainty. But not all risk takers are successful entrepreneurs. Successful entrepreneurs have will to risk time and money on unknowns, but they also keep resources, plans and bandwidth for dealing with “unknown” in reserve. When evaluating risk, a successful entrepreneur always thinks that is this risk worth the cost of career, time and money? And, what will he do if this venture doesn’t pay off?

3. 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.

4. Craves learning

Industries constantly change and evolve . Only those that are also growing through constant learning will stay ahead. There will always be competitors trying to surpass . There will always be someone claiming to be the next greatest thing.A successful entrepreneur always stay sharp,through constant learning about the competitors and the industry.

5. Understands failure is part of the game

Failure is one of the secrets to success, since some of the best ideas arise from the ashes of a shuttered business. A successful entrepreneur knows that failure is part of success. He will take those failures and use them as learning experiences. Real world experience, even failing, will teach more than what one would ever learn in a classroom.

6. Passionate

Passion fuels the drive and determination required to be successful. If one isn’t fully passionate about what he/she is doing the added stress and obstacles will build up on shoulders and eventually be responsible for collapse.

7. Adaptability and Flexibility

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.A successful entrepreneur is extremely adaptable and has ability to respond quickly in any situation. It’s good to be passionate or even stubborn about what you do. But being inflexible about client or market needs will lead to failure. Market needs are dynamic: changes are a recurring phenomenon. Successful entrepreneurs welcome all suggestions for optimization or customization that enhances their offering and satisfies client and

market-needs.

8. Money Management

Successful Entrepreneur must have excellent money management skills. Poor financial decisions, such as overspending or allocating funds to less important tasks can quickly ruin a business. It takes time to get to profitability for any entrepreneurial venture. Till then, capital is limited and needs to be utilized wisely. Successful entrepreneurs realize this mandatory money management requirement and plan for present and future financial obligations (with some additional buffer). Even after securing funding or going fully operational, a successful businessman keeps a complete handle on cash flows, as it is the most important aspect of any business.

9. Networking Abilities

A large collection of business cards and a huge contact list doesn't make 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. Constantly networking with people that can not only help my business currently, but also have the potential to help you in the future as well.

10. Ability to sell and promote

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.

Problems of Women Entrepreneurs

1. Family ties

Women in India are very emotionally attached to their families. They are supposed to attend to all the domestic work, to look after the children and other members of the family. They are overburdened with family responsibilities like extra attention to husband, children and in-laws, which take away a lot of their time and energy. In such a situation, it will be very difficult to concentrate and run the enterprise successfully.

2. Male dominated society

Even though our constitution speaks of equality between sexes, male chauvinism is still the order of the day. Women are not treated equal to men. Their entry to business requires the approval of the head of the family. Entrepreneurship has traditionally been seen as a male preserve. All these put a break in the growth of women entrepreneurs.

3. Lack of education

Women in India are lagging far behind in the field of education. Most of the women (around sixty per cent of total women) are illiterate. Those who are educated are provided either less or inadequate education than their male counterpart partly due to early marriage, partly due to son's higher education and partly due to poverty. Due to lack of proper education, women entrepreneurs remain in the dark about the development of new technology, new methods of production, marketing and other governmental support which will encourage them to flourish.

4. Social barriers

The traditions and customs prevailed in Indian societies towards women sometimes stand as an obstacle before them to grow and prosper. Castes and religions dominate with one another and hinders women entrepreneurs too. In rural areas, they face more social barriers. They are always seen with suspicious eyes.

5. Shortage of raw materials

Neither the scarcity of raw materials nor availability of proper and adequate raw materials sounds the death-knell of the enterprises run by women entrepreneurs. Women entrepreneurs really face a tough task in getting the required raw material and other necessary inputs for the enterprises when the prices are very high.

6. Problem of finance

Women entrepreneurs have to struggle a lot in raising and meeting the financial needs of the business. Bankers, creditors and financial institutes are not coming forward to provide financial assistance to women borrowers on the ground of their less credit worthiness and more chances of business failure. They also face financial problem due to blockage of funds in raw materials, work-in-progress finished goods and non-receipt of payment from customers in time.

7. Tough competition

Usually women entrepreneurs employ low technology in the process of production. In a market where the competition is too high, they have to fight hard to survive in the market against the organized sector and their male counterpart who have vast experience and capacity to adopt advanced technology in managing enterprises

8. High cost of production

Several factors including inefficient management contribute to the high cost of production, which stands as a stumbling block before women entrepreneurs. Women entrepreneurs face technology obsolescence due to non-adoption or slow adoption to changing technology, which is a major factor of high cost of production.

9. Low risk-bearing capacity

Women in India are by nature weak, shy and mild. They cannot bear the amount risk which is essential for running an enterprise. Lack of education, training and financial support from outsiders also reduce their ability to bear the risk involved in an enterprises.

10. Limited mobility

Women mobility in India is highly limited and has become a problem due to traditional values and inability to drive vehicles. Moving alone and asking for a room to stay out in the night for business purposes are still looked upon with suspicious eyes. Sometimes, younger women feel uncomfortable in dealing with men who show extra interest in them than work related aspects.

11. Lack of entrepreneurial aptitude

Lack of entrepreneurial aptitude is a matter of concern for women entrepreneurs. They have no entrepreneurial bent of mind. Even after attending various training programmes on entrepreneurship women entrepreneurs fail to tide over the risks and troubles that may come up in an organizational working.

12. Limited managerial ability

Management has become a specialized job which only efficient managers perform. Women entrepreneurs are not efficient in managerial functions like planning, organizing, controlling, coordinating, staffing, directing, motivating etc. of an enterprise. Therefore, less and limited managerial ability of women has become a problem for them to run the enterprise successfully.

13. Legal formalities

Fulfilling the legal formalities required for running an enterprise becomes an upheaval task on the part of an women entrepreneur because of the prevalence of corrupt practices in government offices and procedural delays for various licenses, electricity, water and shed allotments. In such situations women entrepreneurs find it hard to concentrate on the smooth working of the enterprise.

14. Exploitation by middle men

Since women cannot run around for marketing, distribution and money collection, they have to depend on middlemen for the above activities. Middlemen tend to exploit them in the guise of helping. They add their own profit margin, which result in less sales and lesser profit.

15. Lack of self-confidence

Women entrepreneurs because of their inherent nature, lack of self-confidence, which is essentially a motivating factor in running an enterprise successfully. They have to strive hard to strike a balance between managing a family and managing an enterprise. Sometimes she has to sacrifice her entrepreneurial urge in order to strike a balance between the two.

How to Develop Women Entrepreneurs?

Or

Measures for Development of Women Entrepreneurs

Right efforts on all areas are required in the development of women entrepreneurs and their greater participation in the entrepreneurial activities. Following efforts can be taken into account for effective development of women entrepreneurs.

1. Consider women as specific target group for all developmental programmes.
2. Better educational facilities and schemes should be extended to women folk from government part.
3. Adequate training programmes on management skills to be provided to women community.
4. Encourage women's participation in decision-making.
5. Vocational training to be extended to women community that enables them to understand the production process and production management.
6. Skill development to be done in women's polytechnics and industrial training institutes. Skills are put to work in training-cum-production workshops.
7. Training on professional competence and leadership skill to be extended to women entrepreneurs.
8. Training and counselling on a large scale of existing women entrepreneurs to remove psychological causes like lack of self-confidence and fear of success.
9. Counselling through the aid of committed NGOs, psychologists, managerial experts and technical personnel should be provided to existing and emerging women entrepreneurs.
10. Continuous monitoring and improvement of training programmes.
11. Activities in which women are trained should focus on their marketability and profitability.
12. Making provision of marketing and sales assistance from government part.

13. To encourage more passive women entrepreneurs the Women training programmes should be organized that taught to recognize her own psychological needs and express them.
14. State finance corporations and financing institutions should permit by statute to extend purely trade related finance to women entrepreneurs.
15. Women's development corporations have to gain access to open-ended financing.
16. The financial institutions should provide more working capital assistance both for small scale venture and large scale ventures.
17. Making provision of micro credit system and enterprise credit system to the women entrepreneurs at local level.
18. Repeated gender sensitization programmes should be held to train financiers to treat women with dignity and respect as persons in their own right.
19. Infrastructure, in the form of industrial plots and sheds, to set up industries is to be provided by state run agencies.
20. Industrial estates could also provide marketing outlets for the display and sale of products made by women.
21. A Women Entrepreneur's Guidance Cell set up to handle the various problems of women entrepreneurs all over the state.
22. District Industries Centers and Single Window Agencies should make use of assisting women in their trade and business guidance.
23. Programmes for encouraging entrepreneurship among women are to be extended at local level.
24. Training in entrepreneurial attitudes should start at the high school level through well-designed courses, which build confidence through behavioural games.
25. More governmental schemes to motivate women entrepreneurs to engage in small scale and large-scale business ventures.
26. Involvement of Non Governmental Organizations in women entrepreneurial training programmes and counselling.

Social entrepreneurship

Social entrepreneurship is the attempt to draw upon business techniques to find solutions to social problems. This concept may be applied to a variety of organizations with different sizes, aims, and beliefs.

The social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviours to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable.

Characteristics of Social Entrepreneur

1. The usual ideologies and principals do not holdback social Entrepreneurs. They are always looking at breaking them.
2. Social Entrepreneurs are impatient. They do not go well with the bureaucracy around them.

3. Social Entrepreneurs have the patience, energy and enthusiasm to teach others.
4. Social Entrepreneurs combine Innovation, Resources and Opportunity to derive solutions to Social problems.
5. This should be first in the list, Social Entrepreneurs DO NOT loose their FOCUS anytime.
6. Social Entrepreneurs always jump in before having their resources in place. They are not traditional.
7. Social Entrepreneurs ALWAYS believe that every one can Perform and have the capacity to do so.
8. Social Entrepreneurs ALWAYS display DETERMINATION
9. Social Entrepreneurs can ALWAYS measure and monitor their results.

Theories of Entrepreneurship

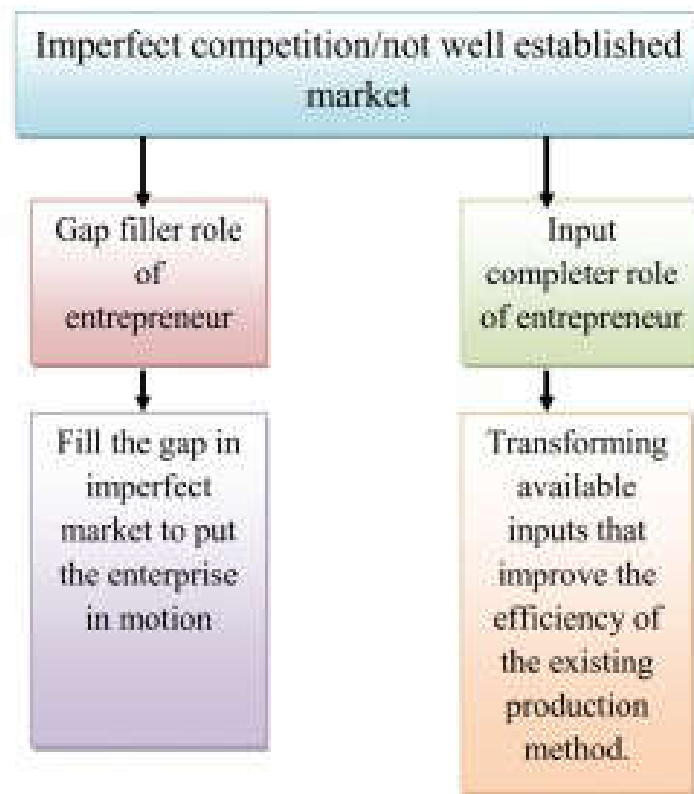
1) X-Efficiency Theory by Leibenstein

Harvey Leibenstein was a Ukrainian-born American Jewish economist. One of his most important contributions to economics was the concept of x-efficiency. The concept of x-efficiency is also used in the theory of bureaucracy.

In economics, x-efficiency is the effectiveness with which a given set of inputs are used to produce outputs. If a firm is producing the maximum output it can, given the resources it employs, such as men and machinery, and the best technology available, it is said to be technical-efficient. x-inefficiency occurs when technical-efficiency is not achieved.

This theory, originally developed for another purpose, has recently been applied to analyse the role of the entrepreneur. Basically, X-efficiency is the degree of inefficiency in the use of resources within the firm: it measures the extent to which the firm fails to realize its productive potential. According to Leibenstein, When an input is not used effectively the difference between

the actual output and the maximum output attributable to that input is a measure of the degree of



X-efficiency.

Leibenstein identifies two main roles for the entrepreneur: (i) a gap filler and (ii) an input completer. These functions arise from the basic assumptions of X-efficiency theory. Thus it is clear that “if not all factors of production are marketed or if there are imperfections in markets, the entrepreneur has to fill the gaps in the market. To put the enterprise in motion, the entrepreneur should fill enough of gaps.” The second role is input completion, which involves making available inputs that improve the efficiency of existing production methods or facilitate the introduction of new ones. The role of the entrepreneur is to improve the flow of information in the market.

The theory concludes that an entrepreneur has to act as gap filler and an input completer if there are imperfections in markets. For using there unusual skills, he gets profits as well as a variety of non-peculiar advantages. According to him there are two types of entrepreneurship.

1. Routine entrepreneurship – deals with normal business functions like co-ordinating the business activities.
2. (ii) Innovative entrepreneurship – wherein an entrepreneur is innovative in his approach. It includes the activities necessary to create an enterprise where not all the markets are well established or clearly defined.

2) Innovation Theory by Schumpeter

The innovative theory is one of the most famous theories of entrepreneurship used all around the world. The theory was advanced by one famous scholar, Schumpeter, in 1991. Schumpeter analyzed the theory proposed by Marshall, and he concluded that the theory was wrong.

Schumpeter believes that creativity or innovation is the key factor in any entrepreneur's field of specialization. He argued that knowledge can only go a long way in helping an entrepreneur to become successful.

However, Schumpeter viewed innovation along with knowledge as the main catalysts of successful entrepreneurship. He believed that creativity was necessary if an entrepreneur was to accumulate a lot of profits in a heavily competitive market.

Many business people support this theory, and hence its popularity over other theories of entrepreneurship.

A dynamic theory of entrepreneurship was first advocated by Schumpeter (1949) who considered entrepreneurship as the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development. Embarking upon 'new combinations' of the factors of production – which he succinctly terms, innovation – the entrepreneur activates the economy to a new level of development.

Schumpeter introduced a concept of innovation as key factor in entrepreneurship in addition to assuming risks and organizing factor of production. Schumpeter defines entrepreneurship as "a creative activity". An innovator who brings new products or services into economy is given the status of an entrepreneur. He regards innovation as a tool of entrepreneur, The entrepreneur is viewed as the 'engine of growth', He sees the opportunity for introducing new products, new markets, new sources of supply, new forms of industrial organization or for the development of newly discovered resources. The concept of innovation and its corollary development embraces five functions:

1. The introduction of a new product with which consumers are not yet familiar or introduction of a new quality of an existing product,
2. The introduction of new method of production that is not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially,
3. The opening of new market that is a market on to which the particular branch of manufacturer of the country in question has not previously entered, whether or not this market has existed before,
4. Conquest of a new source of supply of raw material and
5. The carrying out of the new organization of any industry.

Schumpeter is the first major theorist to put the human agent at the center of the process of economic development. He is very explicit about the economic function of the entrepreneur. The entrepreneur is the prime mover in economic development; his function, to innovate or carry out new combinations. Schumpeter makes a distinction between an innovator and an inventor. An inventor discovers new methods and new materials. On the contrary, an innovator is one who utilizes or applies inventions and discoveries in order to make new combinations. An inventor is concerned with his technical work of invention whereas an entrepreneur converts the technical work into economic performance. An innovator is more than an inventor because he does not only originate as the inventor does but goes much farther in exploiting the invention commercially.



Innovation Theory Of Entrepreneurship

To Schumpeter, entrepreneurs are individuals motivated by a will for power; their special characteristic being an inherent capacity to select correct answers, energy, will and mind to overcome fixed talents of thoughts, and a capacity to withstand social opposition. The factors that contribute to the development of entrepreneurship would essentially be a suitable environment in grasping the essential facts. It can be noted that this theory's main figure, the "innovating entrepreneur" has played an important role in the rise of modern capitalism. The entrepreneur has been the prime mover – for economic development process. On the criticism side, this theory seems one-sided as it puts too much emphasis on innovative functions. It ignores the risk taking and organizing aspects of entrepreneurship. An entrepreneur has not only to innovate but also assemble the resources and put them to optimum use. While stressing upon the innovative function of the entrepreneur, Schumpeter ignored the risk-taking function, which is equally important. When an entrepreneur develops a new combination of factors of production, there is enough risk involved. In spite of these lacking, the theory supports the "enterprising spirit" of entrepreneur to innovate. It is the act that endows resources with a new capacity to create wealth. Drucker says, "Innovation, indeed, creates a resource. It endows it with economic value." Schumpeter's views are particularly relevant to developing countries where innovations need to be encouraged. The transformation of an agrarian economy into an industrial economy required a great deal of initiative and changes on the part of businessmen and managers.

Challenges faced by new Entrepreneurs

An entrepreneur is one who plays significant role in the economic development of a country. Basically an entrepreneur can be regarded as a person who has the initiative, skill and motivation to set up a business or an enterprise of his own and who always looks for high achievement. Entrepreneurs have to face numerous challenges on the road to success, in particular with regard to access to finance. All entrepreneurs will at some point feel overwhelmed with the many responsibilities that fall on their shoulders. The common challenges faced by entrepreneurs are Overestimating Success, Misplaced Purpose, Negative Mindset, Poor Organization, Jack of All Trades, Employee Motivation, Lack of Support.

1. Finance

Entrepreneurship means having access to capital, understanding business finance and building successful relationship with lenders. When starting a venture, however, an unprepared entrepreneur may encounter cash flow problems when he doesn't have a network of dependable lenders or investors. Any successful entrepreneur needs a list of people in and out of the business world to depend on. An entrepreneur must understand business finance, or risk overpricing offered services. Overpricing your product causes insufficient sales and cash.

2. Business Management

About one-quarter of entrepreneurs cited management problems as another challenge with entrepreneurship, explains Researching Small Business and Entrepreneurship. A successful entrepreneur needs passion to get a business started and make it stable. Thus, personal problems, such as not setting goals, measuring performance and controlling your time can prohibit your from managing your business properly. In addition, an entrepreneur must have access to useful business information. Starting a business venture involves learning as much about your business and product as you can before securing capital. Managing a business also mean finding and retaining qualified employees.

3. Marketing the Business

Whether an entrepreneur plans to sell products like computers or services like repairing computers, she needs to market the business. Entrepreneurship problems can arise when an effective marketing plan doesn't exist or you don't have the ability to actually sell the products or services. Another problem involves using effective advertising. In a society where placing flyers on street poles may not gain a customer's attention, you need an effective and thorough marketing plan to inform people about your business.

4. Finding the Right Business

Location finding a good business location at the right place is definitely not easy. An efficient location that has a rapidly growing population, good road network and other amenities at a good place

5. Unforeseen Business Challenges and Expenses

Just as a sailor prepares for unexpected storm, just as a pilot is always on the watch for unpredictable bad weather and thunderstorms, so must an entrepreneur prepared for whatever comes in the form of:

6. Unexpected lawsuits
7. Inconsistent government policy
8. Not being able to make payroll
9. Unpaid bills and taxes
10. Unexpected resignation of staff from sensitive office
11. Bad debts from customers
12. Loss of market share
13. Dwindling working capital
14. Inadequate stock or inventory.

6. Finding Good Customers

The sixth challenge an entrepreneur will face in the process of starting a small business from scratch is finding good customers. In the process of building a business, an entrepreneur will come to find out that there are good customers as well as bad customers.. Good customers are really hard to find. A good customer will be loyal to the company and will be willing to forgive if the business make a mistake and apologize. A good customer will try to do the right thing that will benefit both him and company mutually.

7. Keeping Up With Industrial Changes and Trends

Change in trends is a challenge an entrepreneur must be prepared for when starting a small business. Trends have made and broken lot of businesses. Profitable businesses that have been wiped out by slight industrial changes and trends. A typical example is the Dot com trend, where many established industrial based businesses were wiped out by new web based dot com companies. Seasoned entrepreneurs know that trend is a friend and are always willing to swiftly adjust their business to the current trend.

8. Focus

One of the biggest mistakes entrepreneurs make in their early days is trying to be all things to all people. They attempt to sell their product or service to too wide of a market. Entrepreneurs also face another challenge in this area. They focus on the wrong things. They spend too much time building their product without validating that the marketplace wants needs and will actually pay for it.

9. Finding Good Employees

Most writers and managers crank up the process of finding good employees as an easy task. They define the process of finding an employee as simply presenting the job description and the right employee will surface. Business owners know how difficult it is to find a hardworking, trustworthy employee. Most employees want to work less and get paid more. Finding a good employee who will be passionate about delivering his or her services is quite difficult. Finding good employees is a minor task compared to the business challenge of forging the hired employees into a team.

10. Assembling a Business Team

The third business challenge that an entrepreneur will face in the course of starting a small business from scratch is assembling the right business management team. The process of building a business team starts even before the issue of raising initial start-up capital arises. Most brilliant ideas and products never get funded because the entrepreneur is trying to raise capital as an individual. A business team is a vital, yet often ignored key to raising venture capital successfully.

Problems faced by Entrepreneurs

Entrepreneurs face a number of problems in the promotion of units and during production, marketing, distribution, procurement of raw material, and availing of incentives offered by the State government.

The problems of entrepreneurs may be divided into two groups-external and internal. External problems are those, which result from factors beyond the control of entrepreneurs while internal problems are those, which are not influenced by external factors.

The problems of industries, whether in the small sector or in organized sector are almost identical. However, given that the organized industry is financially very strong and its resources large, it can therefore, face its problems more effectively. Owing to its weak financial structure, the resources of the small sector are limited. While the large sector can employ trained and experienced managers, in the small industry, its proprietor or partners or if the unit is a company, its director or directors themselves have to take care of all the problems. The large sector can influence its raw material suppliers, its customers and at times even the government in framing its policies, but the small entrepreneur is helpless in this respect.

I. Internal Problems of Entrepreneurs

1. Planning

a) Technical feasibility

15. Inadequate technical know-how.

16. Locational disadvantage
17. Outdated production process

b) Economic viability

18. High cost of input.
19. Break-even point too high
20. Uneconomic size of project
21. Choice of idea
22. Feeble structure
23. Faulty planning
24. Poor project implementation
25. Lack of strategies
26. Lack of vision
27. Inadequate connections
28. Lack of motivation
29. Underestimation of financial requirements
30. Unduly large investment in fixed assets
31. Overestimation of demand

2. Implementation

Cost over-runs resulting from delays in getting licenses, sanctions and so on and inadequate mobilization of finance.

3. Production

a) Production management

1. Inappropriate product mix
2. Poor quality control
3. Poor capacity utilization
4. High cost of production
5. Poor inventory maintenance and replacement

6. Lack of timely and adequate modernization and so on
7. High wastage
8. Poor production

b) Labour management

1. Excising high wage structure
2. Inefficient handling of labour problems
3. Excessive manpower
4. Poor Labour productivity
5. Poor labour relations
6. Lack of trained skilled labour or technically competent personnel

c) Marketing Management

1. Dependence on a single customer or a limited number of customers/single or a limited number of products.
2. Poor sales realization
3. Defective pricing policy
4. Booking of large orders at fixed prices in an inflationary market
5. Weak market organization
6. Lack of market feed back and market research
7. Unscrupulous sale purchase practices

d) Financial management

1. Poor resource management and financial planning
2. Faulty costing
3. Dividend policy
4. General financial indiscipline and application of funds for unauthorized purposes
5. Deficiency of funds
6. Over trading
7. Unfavourable gearing or keeping adverse debt equity ratio

8. Inadequate working capital
9. Absence of cost consciousness
10. Lack of effective collection machinery

e) Administrative management

1. Over centralization
2. Lack of professionalism
3. Lack of feedback to management (management Information System)
4. Lack of timely diversification
5. Excessive expenditure on R&D

II. External Problems of Entrepreneurs

a) Infrastructure

1. Location
2. Power
3. Water
4. Post Office and so on
5. Communication
6. Non-availability or irregular supply of critical raw materials or other inputs
7. Transport bottlenecks

(b) Financial

1. Capital
2. Working capital
3. Long term funds
4. Recovery
5. Marketing Taxation
6. Raw material
7. Industrial and financial regulations
8. Inspections

9. Technology
10. Government policy Administrative hurdles
11. Rampant corruption
12. Lack of direction
13. Competitive and volatile environment

Specific Management Problems

Besides internal and external problems of entrepreneurs, some specific problems faced by the entrepreneurs are discussed:

a) Management deficiency

It is well known factor that management deficiency is one of the main reasons for poor performance and sickness of small enterprises. The new entrants in the field of small industries in general do not have any prior training or background in the management of their units. With growing sophistication and modernization of market requirements for their products, it is very important for entrepreneurs to employ modern methods of management. Entrepreneurship is not only inborn gift; it can be cultivated through application and training.

b) Finance

Financial inadequacy is also reported to be one of the most important causes leading to sickness of small scale units. Critical issues in financial management require to be constantly borne in mind to ensure that a small scale business enterprise remains healthy. Planning for profits must be ensured at all times by resorting to periodical performance evaluation and while reporting such performance actual or planned the merits of being conservative should not be lost sight of. Poor utilization of various assets is critical to profit maximization. Along with credibility, solvency and liquidity are essential for enterprise growth.

c) Manufacturing and technical problems

Most units face production problems due to lack of raw material availability, skilled labour shortage, under utilization of capacity and time and cost overrun. Manufacturing and technical problems arise right at the stages of project planning and feasibility report preparation. Problem areas are product pricing, selection of right equipment, plant and machinery, selection of personnel and training them, technical know how, technology transfer, industrial engineering, production engineering use of standard quality control and use of high tech equipment.

e) Product planning

The election of product depends on technical know-how, infrastructure facilities and managerial abilities of entrepreneurs to complete a project successfully.

Selection of equipment, plant and machinery. No detailed scrutiny is done before selecting equipment, plant and machinery. However, this needs to be done and while doing so, entrepreneurs should give importance to production capacity, process capability, accuracy requirements and other supporting facilities. They are required to look for alternative and appropriate high tech equipment if they are technology-economically feasible.

f) Human Resource Development

Selecting the right person for the right job would contribute for smooth and efficient working of the enterprise. After selecting the right personnel on scientific lines, it is very essential to train them at appropriate organizations so that they have both theoretical and on the job training in improving the productivity of the enterprise. Entrepreneurs should know that it is not the machine alone that work but the people behind the machines who make it work.

g) Technical know how

Most small scale units are neither technically equipped nor do they possess technical know-how. While there are numerous ways of doing a job, there is only one way of doing it in a manner that is more effective, efficient and highly productive. Many entrepreneurs do not realize that their trial and error method wastes time, money, energy and other resources.

Role of Government in promoting Entrepreneurship

Government plays a very important role in developing entrepreneurship. Government develops industries in rural and backward areas by giving various facilities with the objective of balanced regional development. The government sets programmes to help entrepreneurs in the field of technique, finance, market and entrepreneurial development so that they help to accelerate and adopt the changes in industrial development. Various institutions were set up by the central and state governments in order to fulfil this objective.

A. Institutions set up by Central Government

1. Small industries development organization (SIDO)

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner (Small Scale Industries) under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to

be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

2. Management development Institute(MDI)

MDI is located at Gurgaon(Haryana).It was established in 1973 and is sponsored by Industrial Finance Corporation Of India,with objectives of improving managerial effectiveness in the industry.It conducts management development programs in various fields.In also includes the programmes for the officers of IAS,IES,BHEL,ONGC and many other leading PSU's.

3. Entrepreneurship development institute of India (EDI)

Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres at Uzbekistan and five African countries.

4. All India Small Scale Industries Board(AISSIB)

The Small Scale Industries Board (SSI Board) is the apex advisory body constituted to render advise to the Government on all issues pertaining to the small scale sector.It determines the policies and programmes for the development of small industries with a Central Government Minister as its president and the representatives of various organization i.e. Central Government,StateGovernment,National Small Industries Corporations,State Financial Corporation,Reserve Bank of India,State Bank of India,Indian Small Industries Board,Non government members such as Public Service Commission,Trade and Industries Members.

5. National Institution of Entrepreneurship and Small Business Development(NIESBUD),New Delhi

It was established in 1983 by the Government of India.It is an apex body to supervise the activities of various agencies in the entrepreneurial development programmes.It is a society under Government of India Society Act of 1860.The major activities of institute are:

- i) To make effective strategies and methods
- ii) To standardize model syllabus for training
- iii) To develop training aids,tools and manuals

A.Ashokan.,M.Com.,M.Phil.,B.Ed.,(SET) Assistant Professor.

- iv) To conduct workshops, seminars and conferences.
- v) To evaluate the benefits of EDPs and promote the process of Entrepreneurial Development.
- vi) To help support government and other agencies in executing entrepreneur development programmes.
- vii) To undertake research and development in the field of EDPs.

6. National Institute of Small Industries Extension Training

It was established in 1960 with its headquarters at Hyderabad. The main objectives of national Institute of Small Industries Extension Training are:

- i) Directing and Coordinating syllabi for training of small entrepreneurs.
- ii) Advising managerial and technical aspects.
- iii) Organizing seminars for small entrepreneurs and managers.
- iv) Providing services regarding research and documentation.

7. National Small Industries Corporation Ltd. (NSIC)

The NSIC was established in 1995 by the Central Government with the objective of assisting the small industries in the Government purchase programmes. The corporation provides a vast market for the products of small industries through its marketing network. It also assists the small units in exporting their products in foreign countries.

8. Risk Capital and Technology Finance Corporation Ltd. (RCTFC)

RCTFC was established in 1988 with an authorized capital of 15 crores rupees. The main objectives of RCTFC are provision of risk capital for the extension and expansion of entrepreneurial development and venture capital for the projects with high techniques for technology development and transfer.