

Chapter- 2

An Entrepreneur

TYPES OF ENTREPRENEURS

Entrepreneurs can be of different types. C. Danhof has broadly classified entrepreneurs into four types. They are:

- Innovative entrepreneur
- Imitative entrepreneur
- Fabian entrepreneur
- Drone entrepreneur

Innovative entrepreneur

- Introduce new products, new methods to produce.
- Build modern capitalism.
- Aggressive in nature.
- Walt Disney- Theme parks- Disney land

Imitative Entrepreneur

- Copy suitable innovations made by innovative entrepreneurs.
- Organizers of factors of production rather than creators.
- Help underdeveloped economies.

Fabian entrepreneur

- Shy and lazy.
- Non-risk-takers.
- Second generation entrepreneurs in a family business enterprise.
- Imitate only when they are sure that failure to do so would result in a loss of the relative position in the enterprise.

Drone entrepreneurs

- Refuse to copy or use opportunities coming their way.
- Conventional in approach.
- Resist changes and suffer losses.

TYPES OF ENTREPRENEUR

- Depending on the nature, size, and types of business, entrepreneurs are classified into five categories:
1. BUSINESS ENTREPRENEUR
 - Develop a business idea for a new product or service
 - Establish an enterprise to materialize ideas into reality.
 2. TRADING ENTREPRENEUR
 - Undertake trading activities.
 - Have to identify the potential market to stimulate demand.
 - Push many ideas ahead of others in the form of demonstration to promote their business.
 3. INDUSTRIAL ENTREPRENEURS
 - Essentially manufacture products and offer services.
 - Convert economic resources and technology into a profitable venture.
 - Hero Motorcorp
 4. CORPORATE ENTREPRENEURS
 - Through their innovative ideas and skill able to organize, manage, and control a corporate undertaking very effectively and efficiently.
 - Usually, they are promoters
 5. AGRICULTURE ENTREPRENEUR
 - Who undertake agriculture activities as well as allied activities in the field of agriculture
 - They engage in raising and marketing of crops, fertilizers, and other inputs of agriculture through the employment of modern techniques, machines, and irrigation.
 6. PROFESSIONAL ENTREPRENEURS
 - Professional entrepreneurs make it their profession to establish a business enterprise with a purpose, to sell them once they are established.
 - The entrepreneur always looks forward to developing alternative projects by selling the running business.
 - He is not interested in managing operations of the established business.

Based on USE OF TECHNOLOGY

1. TECHNICAL ENTREPRENEURS

- Technical by nature- having the capability of developing the new and improved quality of goods and services out of their knowledge, skills, and specialization.
- Concentrate more on production than on marketing.

2. NON TECHNICAL ENTREPRENEURS

- Concerned with developing alternative marketing and distribution strategies.
- Not concerned about technical aspects.

TYPES OF MOTIVATION ENTREPRENEUR

1. SPONTANEOUS ENTREPRENEUR

- Also known as pure entrepreneurs
- Self-fulfillment- undertakes entrepreneurial activities for their personal.
- Natural entrepreneurs do not need motivation.

2. INDUCED ENTREPRENEUR

- Become an entrepreneur due to government support- financial incentives, concessions.
- Induced or even forced by their special circumstances, such as loss of job or inability to find a suitable job.

3. MOTIVATED ENTREPRENEURS

- Motivated by their desire to make use of their technical and professional expertise and skills in performing the job or project they have taken up.
- Highly ambitious and like faster growth.
- Enter- the possibility of making and marketing of some new products or services for the use of prospective consumers.

OTHER CATEGORIES OF ENTREPRENEURS

1. FIRST- GENERATION ENTREPRENEURS

- Innovators with no entrepreneurial background.
- Use their innovative skills and expertise. Usually combine different technologies to produce marketable products or services for the consumers.

2. SECOND GENERATION ENTREPRENEURS

- Also known as inherited entrepreneurs.
- Inherit the family business through succession and pass it from one generation to another.

3. THIRD GENERATION ENTREPRENEURS

- Grandparents and parents have been entrepreneurs and they have inherited the business.
- It is commonly found in India.

COMPETENCIES OF AN ENTREPRENEUR

1. ENTREPRENEURIAL COMPETENCIES

- Certain basic competencies are required.
- Some of these competencies are latent in the entrepreneur, which need to be identified, nursed, and nurtured.
- Others are acquired through training and practice.

2. INITIATIVE

- Fundamental competencies.
- First step.

- A keen observer of society.

3. CREATIVITY AND INNOVATION

- Use the creative ideas and innovative products and services to meet the challenges of a situation, take advantage of the utility of an idea or a product to create wealth.
- Example- changes in the packaging of potato chips.

4. RISK TAKING AND RISK MANAGEMENT

- Trade-in areas of uncertainty.
- Market challenges- demand-supply in the market, resource availability, acceptability of the product design, and services.
- 1977- went public- Dhirubhai Ambani

5. PROBLEM-SOLVING

- Capable of thinking out of the box.
- Nano- Singur to Sanand.

6. LEADERSHIP

- Ability to guide and motivate the entire team.
- Will power and business acumen.

7. PERSISTENCE

- Close attention.
- Creating a need.
- Example- juicer mixer.

8. QUALITY PERFORMANCE

- Sensitivity- standard and quality.

9. INFORMATION SEEKING

- Information- crucial role at every stage of enterprise building and management.
- Quality of information.
- Research, seminars, training, experience.

10. SYSTEMATIC PLANNING

- Intelligent use of resources.
- Develop a detailed blueprint.

11. PERSUASION AND INFLUENCING OTHERS

- Influence the environment- resources, obtaining the inputs, organizing production.
- Art of highlighting the strong points of their products and services- technological competencies.

12. ENTREPRISE LAUNCHING COMPETENCIES

- Identify and avail the facilities and resources needed to launch their enterprise.

ETHICS

- Well-founded standards- Right or Wrong?
- People don't steal due to ethics.
- Business ethics- comprises the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities.

WHY ETHICS IS IMPORTANT TO ENTREPRENEUR?

- Ethical behavior is essential for an effective economic system.
- The decision on being ethical can strengthen or seriously weaken a firm's future business viability.
- Enron, WorldCom, Anderson.

ETHICS STANDARDS IN BUSINESS PRACTICES

- Providing quality and the correct quantity of goods to consumers.
- Keeping in mind the environmental issues during production.
- Paying the minimum and correct wages to the workers.
- Not to use child labor.
- Judicious use of natural resources.

VALUES

- Beliefs that guide actions and judgment across a variety of situations.
- What people consider being, good or bad?
- With business, social values define the objectives of the business as well as how business affairs should be conducted.
- Entrepreneurs share their values so they are entrepreneurial values. It can be summarized as Action factor, Personality factor, Environmental factors.

CORE VALUES

1. INNOVATION AND CREATIVITY

- Most important values among entrepreneurs.
- Creativity is the ability to see new ways of doing things and innovativeness is the ability to make it work in practice.
- Innovativeness can be seen through actions:
 - Facing uncertainties while trying new things.
 - Positive attitude during failure.
 - Demonstrating originality.
 - Providing critical inputs.

2. INDEPENDENCE

- Strong and positive ego drive is involved in the action plan of all significant entrepreneurial ventures.

3. RESPECT FOR WORK

- Successful entrepreneurs believe that they can achieve anything through hard work.
- This value provides goal direction.

4. QUEST FOR OUTSTANDING PERFORMANCE

- Value of outstanding performance.
- Speedy growth- Infosys- Narayan Murthy

ATTITUDE

- An important psychological attribute of individuals that shape their behavior.
- The way a person feels about something- a person, a place, a situation, or an idea.

FEATURES

- Affects behavior- attitudes can lead to intended behavior if there is no external intervention.
- Invisible- observes an attitude indirectly through observing its consequences.
- Attitudes are learned over a while. Starts from childhood and continues lifelong. Parents have a great impact on the attitude of a child.
- They are formed in the process of socialization and may relate to anything in the world. For instance, a person may have positive and negative attitudes towards religion, politics, politicians, or countries.

SOURCES OF ATTITUDES

- Direct personal sources
- Group association: Several groups, including family, work and peer groups, and cultural and subcultural groups are important in affecting a person's attitudinal development.
- Influential others: A consumer's attitude can be formed and changed through personal contact with influential persons such as famous friends, relatives, and experts.

ESSENTIAL ATTITUDES OF AN ENTREPRENEUR

- Have a passion for the business.
- Trustworthy
- Flexible for change
- Fear of failure should not hold one back
- Make timely decisions.
- Maintain a work-life balance.
- Keep the ego in control.
- Believe in self.
- Encourage and accept criticism.

MOTIVATION

- Entrepreneurial motivation may be defined as the process that activates the entrepreneurs to exert a high level of effort for the achievement of his/her goals. In other words, entrepreneurial motivation refers to the drive or forces within an entrepreneur that affects his/her direction, intensity, and persistence of voluntary behavior.

PROCESS OF MOTIVATION

- The process that activates the entrepreneurs to exert a high level of effort for the achievement of his/ her goals.
- Process of motivation:
 - ❖ Unsatisfied needs
 - ❖ Tension
 - ❖ Drives
 - ❖ Search behavior
 - ❖ Satisfaction of needs
 - ❖ Reduction of tension

On a careful analysis of the model, it can be understood that every individual possesses an urge or a need, or a multitude of needs, desires, or expectations. The unsatisfied need leads to tension within the individual and motivates one to search for ways to relieve one's

tension. That tension leads one to certain drives and searching alternatives to achieve one's goal which will eventually reduce tension.

MASLOW'S HIERARCHY OF NEEDS THEORY

- This theory was proposed by **Abraham Maslow** and is based on the assumption that people are motivated by a series of five universal needs. These needs are ranked, according to the order in which they influence human behavior, hierarchically. They are:
 - Physiological needs
 - Safety needs
 - Social needs
 - Ego and esteem needs
 - Self-actualization needs
- Physiological needs are deemed to be the lowest-level needs. These needs include needs such as food and water.
- Safety needs -- the needs for shelter and security -- become the motivators of human behavior.
- Social needs include the need for belongingness and love.
- Esteem needs include the desire for self-respect, self-esteem, and the esteem of others. When focused externally, these needs also include the desire for reputation, prestige, status, fame, glory, dominance, recognition, attention, importance, and appreciation.
- The highest need in Maslow's hierarchy is that of **self-actualization**

Mc CLELLAND'S THEORY OF NEEDS

- Three motives drive all people. Presence of these motives or drives in an individual indicates a predisposition to behave in certain ways:
 - ❖ Achievement
 - ❖ Affiliation
 - ❖ Power
 - ❖ Achievement

- The need for achievement is characterized by the wish to take responsibility for finding solutions to problems, master complex tasks, set goals, and get feedback on the level of success.
- ❖ Affiliation
 - The need for affiliation is characterized by a desire to belong, and enjoyment of teamwork, a concern about interpersonal relationships, and a need to reduce uncertainty
- ❖ Power
 - The need for power is characterized by a drive to control and influence others, a need to win arguments, a need to persuade and prevail
- According to **McClelland, the presence of these motives or drives in an individual indicates a** predisposition to behave in certain ways. Therefore, from a manager's perspective, recognizing which need is dominant in any particular individual affects how that person can be motivated.

DIFFERENCE BETWEEN AN ENTREPRENEUR AND EMPLOYEE

ENTREPRENEUR

- Starts an enterprise.
- Owner
- Assumes all risk
- Profits
- Initiates new things
- High achievement motive, farsightedness, risk-bearing abilities, etc.

EMPLOYEE

- Works for an enterprise.
- Not an owner
- No risk
- Fix salary
- Follow orders

- As required by the job.

INTRAPRENEURSHIP

- Are employees of the company who are designated special or ambitious task?
- Turn the job into a profitable venture.
- Represents the best interests of their organization while earning the respect of corporate peers.
- An inside entrepreneur, or an entrepreneur within a large firm, who uses entrepreneurial skills without incurring the risks associated with those activities. Intrapreneurs are usually employees within a company who are assigned a special idea or project and are instructed to develop the project as an entrepreneur would.
- Google's intrapreneurship program
- Employees spend 20% time on projects they lie and will be beneficial to the company and customers.
- Gmail, Google News, Orkut were invented through this program.
- Marico, kinetic is a few other examples.

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