

Chapter- 1

Entrepreneurship: Concept and Function

ENTREPRENEURSHIP

- Entrepreneurship is the act of identifying opportunities and exploiting them to one's advantage.
- Entrepreneurship can be defined as the systematic, purposeful and creative activity of identifying a need, mobilizing resources, and organizing production to deliver value to the customers, returns to the investors and profit for self by the risk and uncertainties.

CONCEPT OF ENTREPRENEUR

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

ENTREPRENEUR

- Develops and owns his enterprise.
- Is a moderate risk taker and works under uncertainty for achieving the goal.
- Is innovative.
- Is a persuader of deviant pursuits?
- Reflects a strong urge to be independent.
- Persistently tries to do something better.
- Is dissatisfied with routine activities.
- Is determined, but patient.
- Exhibits a sense of leadership.
- Exhibits a sense of competitiveness.
- Takes personal responsibility.
- Is oriented towards the future.
- Tends to persist in the face of adversity.

ENTERPRISE

- An enterprise is the business organization that is formed to provide goods and services, creates jobs, and contributes to national income, exports, and also towards the overall economic development of a country.
- It may be defined as 'an undertaking or adventure involving uncertainty and risk and requiring innovation'.

FEATURES OF ENTERPRISE

- An enterprise consists of people who work together primarily to make and sell a product or a service.
- An enterprise makes use of several inputs like men, material, machines, etc to produce a given output.
- An enterprise is assumed to be a continuing entity.

ENTREPRENEUR V/S ENTREPRENEURSHIP

- An entrepreneur is a person responsible for setting a new enterprise. He converts an idea into an opportunity and takes steps to exploit that opportunity to create wealth. Entrepreneurship is the process by which an entrepreneur establishes his business.
- Entrepreneurs are tangible people. Entrepreneurship is an abstract process.

FUNCTIONS OF AN ENTREPRENEUR

- Entrepreneurial functions
- Promotional functions
- Managerial functions
- Commercial functions

ENTREPRENEURIAL FUNCTIONS

- These functions are related to the identification of an idea and readiness to undertake risk.
- The functions to be performed by the entrepreneur under this head are:
 - ❖ **Innovation:** It means the act of doing something new.
 - ❖ He/ She works to change the environment with his/ her vision and values. He can:
 - ❖ Introduce new combinations of the means of production.

- ❖ Introduce a new product.
- ❖ Introduce a new market for the existing product.
- ❖ Identify the new source of raw material.
- ❖ **Risk-taking:** Reduces uncertainty in his/her plan of investment.
- ❖ Diversification of production and expansion of the enterprise.
- ❖ Willing to assume the risks involved in innovation.
- ❖ New ventures and expansion of existing ventures.
- ❖ **Organization building:** Organization and management are the main functions.
- ❖ Allocate the productive resources to minimize losses and reduce costs of production.

PROMOTIONAL FUNCTION

- These functions are related to putting an idea into action.
- Different promotional functions performed by an entrepreneur are:
 - **Discovery of an idea:** Visualize opportunities and profitability.
 - Exploit new areas of natural resources, more profitable ventures, or an existing line of business.
 - Karshan Bhai Patel – Nirma washing powder.
 - **Detailed investigation:** Estimate the total demand for the product.
 - Arrange resources – finance, equipment, power, raw material, etc.
 - The proper analysis is required.
 - **Assembling the requirements:** Assemble the above requirement.
 - Enters into preliminary contracts.
 - **Financing the proposition:** Estimate the requirement.
 - Decides on sources of money.

MANAGERIAL FUNCTION

- These functions relate to the day to day working of an enterprise
- Different functions are performed by an entrepreneur under the managerial function.
They are:
 - **PLANNING:**

- Basic managerial function
- Decision making in advance
- What, how, when to do?
- **ORGANIZING:**
- It is to arrange, guide, coordinate, direct, and control the activities of the factors of production so that the group objectives can be achieved.
- **STAFFING:**
- Making an appointment for the positions created by the organizational process.
- **DIRECTING:**
- It is concerned with carrying out the desired plan and ensures effective performance by subordinates towards the accomplishment of group activities.
- **LEADERSHIP:**
- It is the process by which an entrepreneur imaginatively directs and influences the work of others in choosing and attaining specified goals in such a way that both will get the maximum satisfaction.
- **COMMUNICATION:**
- It constitutes a very important function of an entrepreneur.
- It refers to the exchange of ideas, knowledge, and information between two or more persons.
- Nothing happens in management until effective communication takes place.
- **SUPERVISION:**
- It is overseeing the subordinates at work to ensure the maximum utilization of resources, to get the required and directed work done, and to correct the subordinates whenever they are wrong.
- **CO-ORDINATION:**
- It is one of the most important functions, as it is essential to channelize the activities of various individuals in the organization, for the achievement of common goals.
- **CONTROLLING:**

- It is the process that enables the entrepreneur to take corrective action if performance is not according to the predetermined standards.

COMMERCIAL FUNCTIONS

- These functions are aimed at making the venture a success and to increase its profit-earning capacity.
- Different commercial functions performed by an entrepreneur are:
 - **PRODUCTION:**
 - It is the creation of goods and services. It consists of manufacturing, ancillary and advisory activities.
 - The activities of production are independent of the size of the undertaking.
 - **FINANCE:**
 - The development and expansion of the enterprise need more funds.
 - The entrepreneur has to look and analyze the various sources of finance and appropriately arrange for them as and when required.
 - **MARKETING:**
 - It is concerned with the movement of the goods and services from the producer to the ultimate consumers.
 - Marketing plays a significant role in promoting the wellbeing of the business enterprise, by making the products popular among consumers.
 - **PERSONNEL:**
 - It is concerned with employment, development, and compensation for the personnel, the provisions of working conditions and welfare measures to maintain a good workforce in the organization.
 - **ACCOUNTING:**
 - The entrepreneur should look into the records of all the transactions which take place in the organization so that he/ she is aware of the financial position.

NEED FOR ENTREPRENEURSHIP

- Economic development is the main reason behind the need for entrepreneurship in any county.
- Economic growth depends on the rate of innovation, which in turn, depends on the number and quality of entrepreneurs in the society. Thus, an entrepreneur is an agent of progress in society.
- The needs of the entrepreneur are:
 - Lifeline of a nation: Entrepreneurship is the yardstick to measure the level of development of a country. No country can progress without the development of entrepreneurship.
 - Provides innovation: Entrepreneurship provides new ideas, imagination, and vision to the enterprise. Entrepreneur tries to find new technology, products, and market.
 - Adapting to change: An enterprise operates in a changing environment. The entrepreneur molds the enterprise in a changing environment.
 - Increased profits: Profit can be increased by increasing revenue or by reducing costs. The entrepreneur can try to reduce the cost of production. Thus the increase in profit increases the opportunities for future growth and development.
 - Employment opportunities: Entrepreneurship and its activities provide the maximum employment potential.
 - Social benefits: An entrepreneur uses scarce resources in the best possible way to bring peace and prosperity in society.

MYTHS OF ENTREPRENEURSHIP

- Starting a business is easy.
- It takes a lot of money to finance a new business.
- Startups can't be financed with debt.
- Banks don't lend money to startups.
- Most entrepreneurs start businesses in attractive industries.
- The growth of a start-up depends more on an entrepreneur's talent than on the business he/ she chooses.
- Most enterprises are financially successful.

ADVANTAGES OF ENTREPRENEURSHIP

- Excitement: involvement of risk elements in the business makes it quite an exciting avenue.
- Originality: Entrepreneurs feel that they provide something new to the society which others cannot. This increases their self-confidence.
- Independence: They wish to be their boss and make all the important decisions themselves.
- Rational compensation: Entrepreneurs feel that they are not being paid what they are worth and would rather work on their own and earn the money they should be earning for their efforts.
- Freedom: An entrepreneur can work on an idea which they feel will eventually turn out to be a successful venture.

DISADVANTAGES OF ENTREPRENEURSHIP

- Irregular income: Starting - up an enterprise means that the person must be willing to give up the security of a regular source of income.
- Fewer benefits: There will be undoubtedly fewer benefits, especially when a business has just been started.
- Work schedule: One cannot predict the work schedule of an entrepreneur.
- Administration: In a business, all the decisions must be taken by the entrepreneur. The entrepreneur might feel burdened by the thought of making the wrong decision.
- Incompetent staff: Most of the time the entrepreneur has to work with incompetent people, who do not have experience of work. This increases the burden.

PROCESS OF ENTREPRENEURSHIP

- Self-discovery:
 - Learning what they enjoy doing, examining their strengths and weaknesses. Examining work experience and relating it to potential opportunities.
- Identifying opportunities:
 - Looking for needs wants problems, and challenges that are not yet being met or dealt with effectively.

- Generating and evaluating ideas:
 - Using creativity and experience to devise new and innovative ways to solve a problem and then narrowing the field to one best idea.
- Planning:
 - Researching and identifying resources needed to turn an idea into a viable venture. Doing research and planning to prepare marketing strategies.
- Arranging start-up capital:
 - Using a business plan to attract investors, capitalists, and partners.
- Startup:
 - Launching the venture, developing a customer base, and adjusting marketing and operational plans as required.
- Growth:
 - Growing the business, developing and following strategic plans, and adapting to new circumstances.
- Harvest:
 - Selling the business and harvesting the rewards.

ODM
EDUCATIONAL GROUP
Changing your Tomorrow