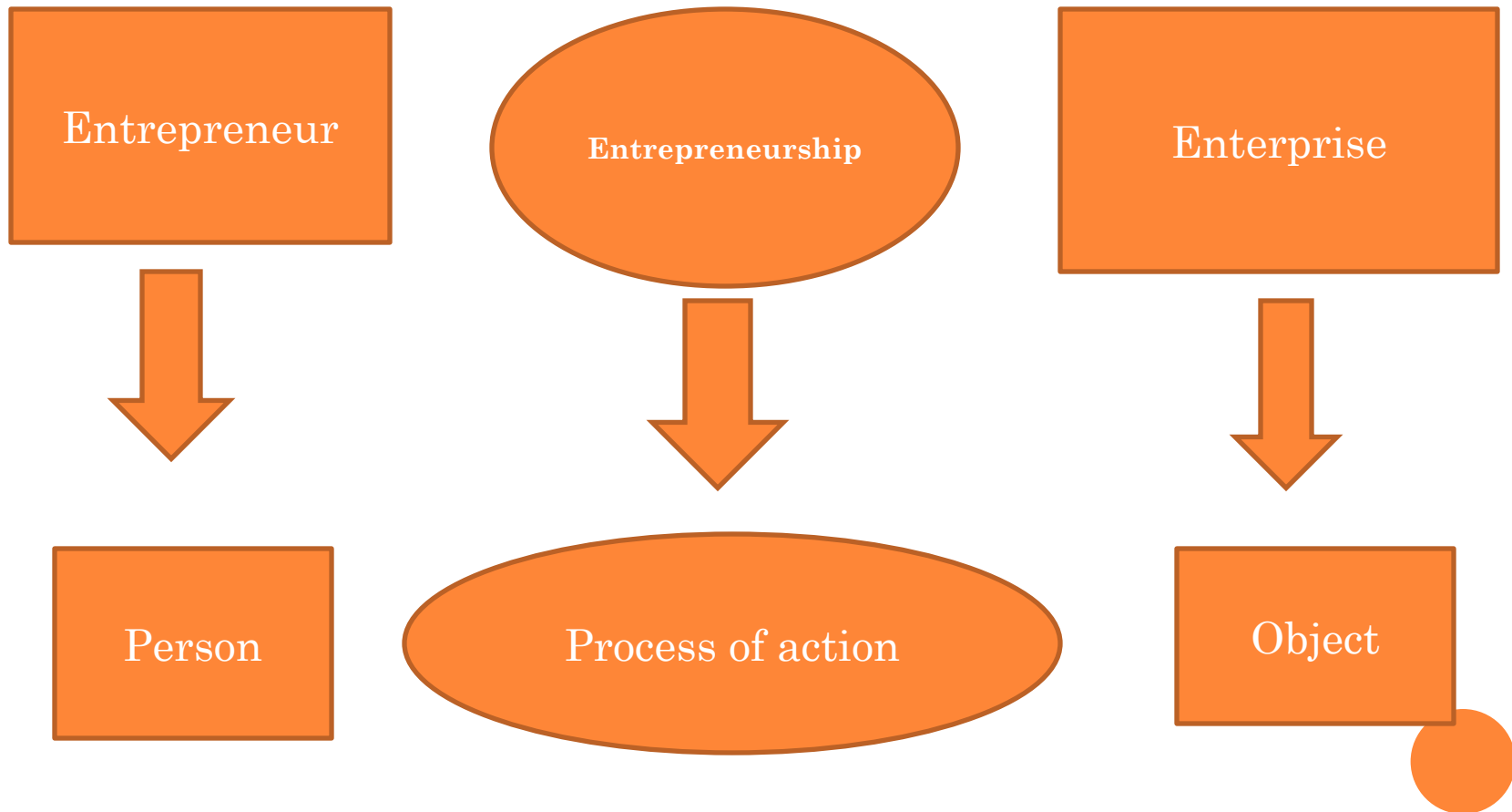


ENTREPRENEUR AND ENTERPRISE

THE CONCEPT OF ENTREPRENEURSHIP



MEANING OF ENTREPRENEUR

- The word "entrepreneur" is derived from a French root 'entreprendre', meaning, "to undertake"
- Someone who exercises initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides what, how, and how much of a good or service will be produced.



ENTREPRENEURSHIP MEANING

- The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses.



CHARACTERISTICS OF ENTREPRENEURSHIP

- He is a person who develops and owns his own enterprise
- He is a moderate risk taker and works under uncertainty for achieving the goal.
- He is innovative
- He peruses the deviant pursuits
- Reflects strong urge to be independent.
- Persistently tries to do something better.
- Prepared to withstand the hard life



OUTCOMES OF ENTREPRENEURSHIP

- Exhibits sense of leadership
- Also exhibits sense of competitiveness
- Takes personal responsibility
- Oriented towards the future.
- Tends to persist in the face to adversity
- Convert a situation into opportunity.



WHAT IS AN ENTERPRISE?

- Enterprise is another word for a for-profit business or company, but it is most often associated with entrepreneurial ventures. People who have entrepreneurial success are often referred to as “enterprising.”



THERE ARE MANY FORMS OF LEGAL ENTERPRISES

- **Sole proprietorship** – A company run by a single individual, typically for their benefit, with unlimited liability for any damages that occur as a result of the business' operations.
- **Partnership** – A business run by two or more individuals or entities who share ownership – not necessarily equal ownership, however.
- **Corporation** – A for-profit entity created to shield the owner(s) from liability should the enterprise become subject to a lawsuit. There are different forms of corporations, depending on how many owners there are.
- **Limited Liability Company (LLC)** – An LLC offers the legal protection of a corporation and the tax treatment of a partnership.
- **Professional Company/Professional Limited Liability Company (PC/PLLC)** – PCs and PLLCs are for licensed professional firms, such as accountants, architects, engineers, doctors, and lawyers, and provide liability protection similar to a corporation.



FUNCTIONS OF AN ENTREPRENEUR

- **Decision Making:**
- **Management Control:**
- **Division of Income:**
- **Risk-Taking and Uncertainty-Bearing**
- **Innovation**



FUNCTIONS OF AN ENTREPRENEUR

○ 1. Decision Making:

The primary task of an entrepreneur is to decide the policy of production. An entrepreneur is to determine what to produce, how much to produce, how to produce, where to produce, how to sell and' so forth. Moreover, he is to decide the scale of production and the proportion in which he combines the different factors he employs. In brief, he is to make vital business decisions relating to the purchase of productive factors and to the sale of the finished goods or services.



2.Management Control:

- Earlier writers used to consider the management control one of the chief functions of the entrepreneur. Management and control of the business are conducted by the entrepreneur himself. So, the latter must possess a high degree of management ability to select the right type of persons to work with him. But, the importance of this function has declined, as business nowadays is managed more and more by paid managers.



3.Division of Income:

- The next major function of the entrepreneur is to make necessary arrangement for the division of total income among the different factors of production employed by him. Even if there is a loss in the business, he is to pay rent, interest, wages and other contractual incomes out of the realised sale proceeds.



○ 4. Risk-Taking and Uncertainty-Bearing:

There are two kinds of risk which he has to face.

Firstly, there are some risks, such as risks of fire, loss of goods in transit, theft, etc., which can be insured against. These are known as measurable and insurable risks. Secondly, some risks, however, cannot be insured against because their probability cannot be calculated accurately.

These constitute what is called uncertainty (e.g., competitive risk, technical risk, etc.). The entrepreneur undertakes both these risks in production.



5. Innovation:

Another distinguishing function of the entrepreneur, as emphasised by Schumpeter, is to make frequent inventions — invention of new products, new techniques and discovering new markets — to improve his competitive position, and to increase earnings.



CONCLUSION:

- The above description indicates the supreme position of the entrepreneur in an organisation. This is particularly true in the capitalistic or even mixed economy which is based on the price-profit system. In the socialistic economy, the state becomes the entrepreneur; the scope of private entrepreneur is extremely limited in such an economy.
- It is to be noted that the importance of the entrepreneur has been declining with the growth of joint stock business and state-undertakings,. This is due to the fact that **“risk is borne by the shareholders and the day-by- day control of the business is generally in the hands of salaried managers or managing directors”**.



FACTORS INFLUENCING ENTREPRENEURS

■ Internal Factors

- The factors that take place inside the organization and affect the way the entrepreneur operates.

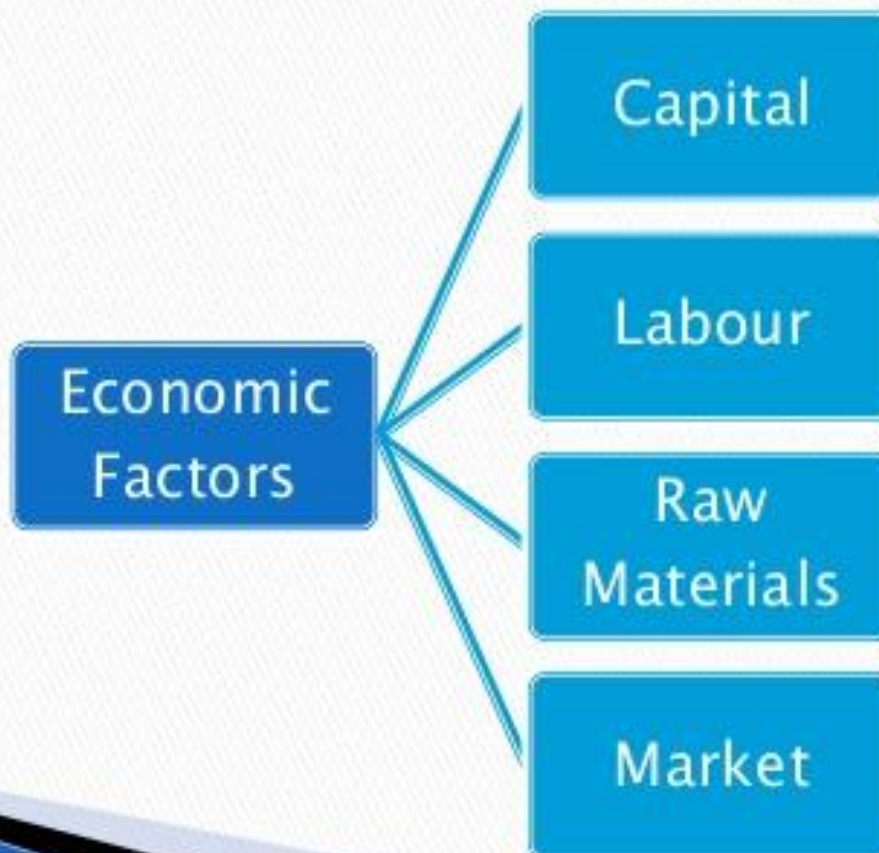
■ External Factors

- The factors that take place outside the organization and are beyond the control of entrepreneurs.



Economical Factors

From a strictly economic viewpoint, it can be said that the same factors which promote economic development account for the emergence of entrepreneurship also.



ECONOMIC FACTORS

Economic environment exercises the most direct and immediate influence on entrepreneurship. This is likely because people become entrepreneurs due to necessity when there are no other jobs or because of opportunity.



1. CAPITAL

- Capital is one of the most important factors of production for the establishment of an enterprise.
- Increase in capital investment in viable projects results in increase in profits
- That helps in accelerating the process of capital formation.
- Entrepreneurship activity too gets a boost with the easy availability of funds for investment.



2.LABOR

- Easy availability of right type of workers also effect entrepreneurship.
- The quality rather than quantity of labor influences the emergence and growth of entrepreneurship.
- The problem of labor immobility can be solved by providing infrastructural facilities including efficient transportation.



3. RAW MATERIALS

- The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and its influence in the emergence of entrepreneurship.
- In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged
- It is one of the basic ingredients required for production.
- Shortage of raw material can adversely affect entrepreneurial environment.
- Without adequate supply of raw materials no industry can function properly and emergence of entrepreneurship to is adversely affected.



4.MARKET

- The role and importance of market and marketing is very important for the growth of entrepreneurship.
- In modern competitive world no entrepreneur can think of surviving in the absence of latest knowledge about market and various marketing techniques.
- 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.



5. INFRASTRUCTURE

- Expansion of entrepreneurship presupposes properly developed communication and transportation facilities.
- It not only helps to enlarge the market, but expand the horizons of business too.



SOCIAL FACTORS

Family Background

- This factor includes size of family, type of family and economic status of family. In a study by Hadimani, it has been revealed that Zamindar family helped to gain access to political power and exhibit higher level of entrepreneurship.

○ **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.



SOCIAL FACTORS

- **Attitude of the Society**
- **Cultural Value**



Psychological Factors

- **The Achievement Motive**
- **Need for Influencing Others**
- **Need for Independence**
- **Sense of being Impressive**
- **Hope for Success**
- **Risk Taking**
- **Immediate feed back**
- **Internal Locus of Control**
- **Competition and Collaboration**
- **Flexible Leadership Style**

PROS OF BEING AN ENTREPRENEUR

1. **Entrepreneurs have independence-own boss.**
Going into a personal business will enable one to become a boss of his or her own and in this capacity, work towards achieving his or her specific goals.
2. **Profits realized goes to the owner.**
All the profits realized in the business all goes to the business owner who is the entrepreneur. He or she is able to enjoy all the profits and use them as he or she wishes.
3. **Freedom to use own ideas.**
An entrepreneurs being an own boss, has the freedom to use his or her own ideas in executing certain plans and administration of the business fully. He or she decides on what to do, how to do it and when to do it. Moreover, he or she has the freedom to influence what is to be done by other employees. He or she can also have the freedom of ideas when it comes to innovation and creativity.
4. **Personal satisfaction.**
An entrepreneur is satisfied when he or she enjoys all the profits that come in the business. His or her living standards will also be improved through this and will generally feel satisfied in doing his business.
5. **Enjoy social status.**
Most entrepreneurs enjoy high social status in the society especially when they succeed in their businesses. It is possible that the entrepreneurs rise to higher levels in social ladder much better when they get profits or succeed in their businesses.
6. **Self-employment.**
Entrepreneurship provides self employment for entrepreneurs. Apart from providing employment to others, an entrepreneurs also becomes self employed thereby reducing the unemployment gap.



CONS OF BEING AN ENTREPRENEUR

- **ADMINISTRATION.** While making all the decisions can be a benefit, it can also be a burden. Being an entrepreneur comes with a lot of paperwork that can take up time and energy.
- **COMPETITION.** Staying competitive is critical as a small business owner. You will need to differentiate your business from others like yours in order to build a solid customer base and be profitable.
- **LONELINESS.** It can be lonely and scary to be completely responsible for the success or failure of your business.
- **NO REGULAR SALARY.** Being an entrepreneur often means giving up the security of a regular paycheck. If business slows down, your personal income can be at risk.
- **WORK SCHEDULE.** The work schedule of an entrepreneur can be unpredictable. A major disadvantage to being an entrepreneur is that it requires more work and longer hours than being an employee.



TYPES OF ENTREPRENEURS

- **Based on the Type of Business:**

- 1. **Trading Entrepreneur:**

As the name itself suggests, the trading entrepreneur undertake the trading activities.

They procure the finished products from the manufacturers and sell these to the customers directly or through a retailer. These serve as the middlemen as wholesalers, dealers, and retailers between the manufacturers and customers.



BASED ON THE TYPE OF BUSINESS:

2. Manufacturing Entrepreneur:

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



BASED ON THE TYPE OF BUSINESS:

- **Agricultural Entrepreneur:**

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



BASED ON THE USE OF TECHNOLOGY:

1. Technical Entrepreneur:

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



BASED ON THE USE OF TECHNOLOGY:

2.Non-Technical Entrepreneur:

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



BASED ON OWNERSHIP:

1.Private Entrepreneur:

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

2. State Entrepreneur:

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

3.Joint Entrepreneurs:

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



BASED ON GENDER:

1. Men Entrepreneurs:

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

2. Women Entrepreneurs:

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



BASED ON THE SIZE OF ENTERPRISE:

1. Small-Scale Entrepreneur:

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

2. Medium-Scale Entrepreneur:

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

3. Large-Scale entrepreneur:

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

