



UNIT IX

ENTREPRENEURSHIP DEVELOPMENT



23 CHAPTER

ELEMENTS OF ENTREPRENEURSHIP

பொருள்கருவி காலம் வினையிடனொடு ஐந்தும்
இருள்தீர எண்ணிச் செயல்.

—குறள் 675

COUPLET

Do an act after a due consideration of the (following)
five, viz. money, means, time, execution and place.



Learning Objectives

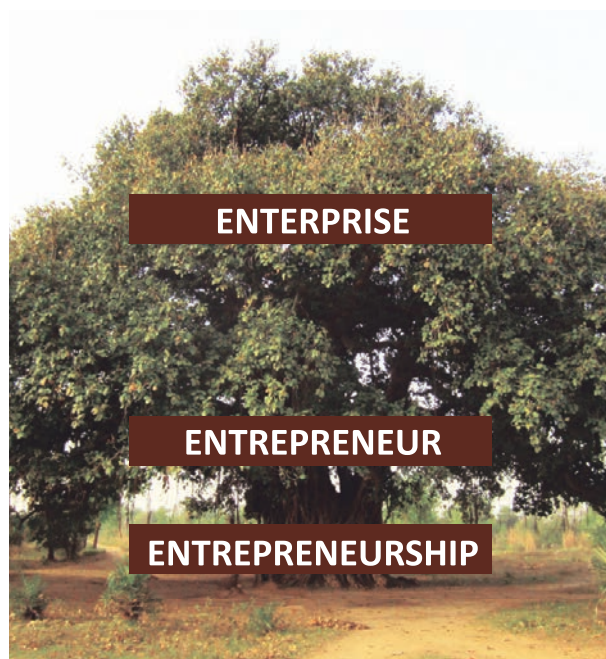
To enable the students to understand the

- Entrepreneurship – Meaning, Concept & Definition
- Intrapreneur And Manager - A Comparison
- Women Entrepreneurs – Opportunities and Challenges
- Entrepreneurial Functions
- Promotional Functions, Managerial Functions, Commercial Functions,
- Entrepreneur Characteristics
- Importance Of Entrepreneurship

Chapter Synopsis

- 23.01 Entrepreneurship – Meaning, Concept & Definition
- 23.02 Characteristics of Entrepreneur
- 23.03 Importance of Entrepreneurship
- 23.04 Entrepreneur, Intrapreneur and Manager – a comparison
- 23.05 Women Entrepreneurs – Opportunities and Challenges
- 23.06 Entrepreneurial Functions

The term entrepreneurship denotes the process of setting up one's own business venture as distinct from pursuing any other economic activity or any employment or practicing some profession. The person who establishes business is termed as entrepreneur. The output of an entrepreneurial process ends up in establishing an enterprise. The process of entrepreneurship has been depicted in the following diagram.



23.01 Entrepreneurship – Meaning, Concept and Definition

Entrepreneurship generates employment opportunities to many people besides providing self employment to the entrepreneur. Any business venture started triggers a variety of economic activities like purchasing raw material, creating employment opportunities and so on. Thus, entrepreneurship become crucial for overall economic development of a nation.

Entrepreneurship can be regarded as one of the four major factors of production besides the other three namely land, labour and capital. It is generally believed that entrepreneurs are born. But no country or society can afford to wait for the birth of entrepreneurs to pursue its development agendas. The pace of economic development of any country cannot be accelerated without creating a sense of awareness about entrepreneurship among the people. The latter should be made to take a pride in claiming to be a job provider rather than a job seeker. The Government and various other agencies involved in promoting entrepreneurship should carry on the noble task of engendering a spirit of entrepreneurship among the people who otherwise seek job.

Concept of Entrepreneur

The term 'entrepreneur' has been derived from the French language which originally denotes designation of an organiser of musical or other entertainments. Oxford Dictionary (1897) defines an entrepreneur as the director or a manager of a musical institution which organises musical performance. In the early sixteenth Century, the term was applied to refer to those who were engaged in military expeditions. Subsequently, in the seventeenth century it was extended to cover civil engineering activities such as construction and fortification. It was only in the beginning of the eighteenth

century, that the term entrepreneurship was used in the realm of economics. Since then the term entrepreneur is used in many ways and various views about entrepreneur began to surface. Accordingly, entrepreneurs are now broadly classified into three groups namely risk bearer, organiser and innovator.

(i) Entrepreneur as a Risk Bearer

Richard Cantillon, an Irish man described the entrepreneur to be a person who assumes risk inherent in the venture started by him. Entrepreneur acts as an agent combining all factors of production to produce a product or service in order to sell at uncertain price in future. Knight also describes an entrepreneur to be an economic functionary who undertakes the risk of uncertainty which cannot be insured or capitalised or salaried. In nutshell, entrepreneur is described to be a risk taker.

(ii) Entrepreneur as an Organiser

According to Jean Baptize, entrepreneur is one who brings together various factors of production and creates an entity to produce product or service and supervises and co-ordinates several functions in the process. He further elaborates that an entrepreneur faces a great deal of obstacles and misfortunes and undergoes mental agony and anxieties in the process of organising any venture. In sum, entrepreneur is described to be an organiser.

(iii) Entrepreneur as an Innovator

Joseph A Schumpeter in the year 1934 used innovation as a criterion to define an individual as entrepreneur. According to him, entrepreneur is one who

- i. Introduces a brand new product in the market
- ii. Institutes new technology to produce a product
- iii. Discovers new course of supply of raw materials

- iv. Discovers new product hitherto untapped
- v. Puts in place a new form of organisation by establishing a monopoly or by dismantling existing monopoly.

In all the concept of entrepreneur is intimately connected with three core elements namely risk bearing, organising and innovating.

According to J.A. Schumpeter Joseph A. Schumpeter, "Entrepreneurship is essentially a creative activity. It consists of doing such things as are generally not done in ordinary course of business. An entrepreneur is one who innovates, i.e. carries out new combination or enterprise."

In the words of A.H. Cole, "The purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or earn profits by production and distribution of economic goods and services."

As per Mary Coulter, "Entrepreneurship is the process whereby an individual or group of individuals use organised efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has."

23.02 Characteristics of Entrepreneur

1. Spirit of Enterprise

Entrepreneur should be bold enough to encounter risk arising from the venture undertaken. Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

2. Self Confidence

Entrepreneur should have a self confidence in order to achieve high goals in the business. The negativities like inconvenience, discomfort, disappointments, rejections, frustrations and so on should not weaken his steely resolve to make the venture a grand success.

3. Flexibility

Entrepreneur should not doggedly stick to decisions in a rigid fashion. Entrepreneur should change the decisions made already in the light of ever-changing business environment.

4. Innovation

Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production or distribution, adding new features to the existing product, uncovering a new territory for business, innovating new raw material etc.,

5. Resource Mobilisation

Entrepreneur should have the capability to mobilise both tangible inputs like manpower, money materials, technology, market, method etc., which are scattered over a wide area and certain intangible inputs like motivation, morale and innovativeness cannot be purchased in the market outright. Entrepreneur has to marshal all these tangible and intangible inputs to produce a product successfully. Thus entrepreneurship is a function of gap filling and input completion.

6. Hard work

Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully. They have to courageously face uncertainties, risks and constraints. They should not blame the uncontrollable factors for the misfortunes experienced during the course of their entrepreneurial venture. They should spend their energy in addressing the issues to stay successful.

7. Leadership

Entrepreneur should be able to influence team members by showing sympathy and empathy so as to enable them to contribute positively towards the goals of the venture. Entrepreneur should lead others from the front

and by personal example and should walk the talk and effectively take all the followers to activate the goals of the venture.

8. Foresight

Entrepreneur should have a foresight to visualise future business environment. In other words, Entrepreneur should foresee the likely changes to take place in market, consumer attitude, technological developments etc., and take timely actions accordingly.

9. Analytical Ability

Entrepreneurs should not make decisions on the basis of own prejudice or personal likes and dislikes. Entrepreneur should be able to objectively analyse the situation and act accordingly. They should abstain from taking emotional or hasty decisions when they are overwhelmed by emotions. In simple words Entrepreneur should take rational decisions after examining the various aspects of a problem.

10. Decision Making

Entrepreneur has to take timely and correct decision with regard to nature and type of product to be produced, type of technology to be adopted, type of human assets to be employed, location of the enterprise, size of the unit, volume of production and so on. The very success of any enterprise hinges on prompt, correct and relevant decisions made by the entrepreneur. Entrepreneur should rationally examine the various factors influencing the decision and take appropriate decisions after giving due weight to all the risks embedded in various factors.

23.03 Importance of Entrepreneurship

Entrepreneurship plays a pivotal role in the economic development of a country. The following points highlight the significance of entrepreneurship.

1. Innovation

Entrepreneurship and innovation are closely intertwined with each other. It is no exaggeration to say that innovation cannot happen in any country without entrepreneurship. Entrepreneurs have contributed in no small measure to economic development of any country by innovation. They bring about innovation by building a brand new product or by constantly upgrading existing product or by tapping new market for existing product in a new territory or by inventing a new technology to produce a product or service and so on. All these innovative exercise ensures rise in income and output in the economy.

2. Contribution to Gross Domestic Product (GDP)

Promotion of entrepreneurship all across the country would undoubtedly add to Gross Domestic Product and National Income of a country. It is stated that the countries like America, Japan, Germany and so on have recorded a phenomenal increase in the GDP, per capital income and national income, due to stupendous growth of entrepreneurship.

3. Balanced Regional Development

Encouragement of entrepreneurship in under developed and undeveloped regions of a country through various incentives and concessions is more likely to promote balanced regional development across the country. Besides, essentially it checks the migration of rural population to urban centres in pursuit of employment.

4. Export Promotion

Entrepreneurship helps a country not only earn precious foreign exchange but also preserve it. If entrepreneurship is encouraged to produce export oriented goods, it can significantly add to foreign exchange reserve of a country. Similarly, if entrepreneurship

is encouraged to produce products which are usually imported from foreign countries i.e. import substitute goods, it can help the country save precious foreign exchange. The comfortable foreign exchange reserve position is more likely to address the adverse balance of payment position if any.

5. Full utilisation of Latent Resource

Promotion of entrepreneurship across the country leads to better utilisation of economic, human, material and natural resources which would remain otherwise unutilised in a country. In other words, establishment of small, medium and micro enterprises all over the country paves way for harnessing all latent resources in the country.

6. Reduction of Concentration of Economic Power in Few hands

Promotion of entrepreneurship by encouraging small, medium and micro enterprises prevents the concentration of economic power in the hands of few large entrepreneurs. It promotes faster industrialisation and brings about equitable distribution of wealth in the society.

7. Better Standard of Living

Entrepreneurs provide a lot of well being measures to their employees besides paying salaries and wages. This unmistakably helps employees upgrade their standard

of living. Some of entrepreneurs who have genuine concern for the welfare of the general public, supply goods of good quality at fair price. This in turn helps consuming public save more money and spends liberally on comfort and convenience goods which are supposed to enhance the standard of living of the general public. Higher standard of living brought about by entrepreneurship narrows down the gap between haves and have nots.

23.04 Entrepreneur, Intrapreneur and Manager – a Comparison

Intrapreneur

Intrapreneur is one who thinks and acts like an entrepreneur for the firm's development during the course of employment in an organisation. An Intrapreneur is described to be an inside entrepreneur or an entrepreneur within a large firm who uses entrepreneurial skills without incurring the risk associated with those activities. Intrapreneurs are usually employees of a company who are assigned to a particular project or who are assigned to work on a special idea. Intrapreneur usually use the resources and capabilities of the firm to work on the project or on the idea.

Following are the differences between Entrepreneur and Intrapreneur:

Differences between Entrepreneur and Intrapreneur

Basis	Entrepreneur	Intrapreneur
Thinking	Entrepreneur is a free thinker	Intrapreneur is forced to think independently but within scope of business activities undertaken in the enterprise.
Dependency	Entrepreneur is an independent person	Intrapreneur is dependent on the entrepreneur. He is an employee.
Fund Mobilization	Entrepreneur has to mobilize funds to finance the venture.	Intrapreneur does not engage in fund mobilization. But can access funds mobilized by the entrepreneur.



Reward	Entrepreneur is rewarded by profit for the risk bearing exercise.	Intrapreneur does not share in profits of venture. But gets perquisites, salary, incentives etc., for the service.
Risk Bearing	Entrepreneur bears the risk involved in the venture undertaken.	Intrapreneur does not bear any risk in the venture and does not even share the risk inherent in the project or work assigned. However Intrapreneur is accountable for the task or project assigned.
Status	Entrepreneur is owner, and doesn't report to anybody in the venture.	Intrapreneur is a salaried employee. Intrapreneur works within control put in place in the organization and is made accountable for the activities undertaken.
Operation	Entrepreneur operates mostly outside the enterprise.	Intrapreneur operates within the enterprise.

Difference between 'Entrepreneur' Vs. 'Manager'

Basis of difference	Entrepreneur	Manager
Motive	The very motive of an entrepreneur is to start a venture by setting of an entity.	The very motive of manager is to render service in an entity setup for execution of venture.
Status	Entrepreneur is owner of the entity	Manager is a salaried employee in the entity set up for carrying on the venture.
Risk Bearing	Entrepreneur bears the eventual risk and uncertainty in operating the enterprise	Manager doesn't bear any risk in the venture where the venture is unsuccessful he/she simply quits the enterprise.
Rewards	Entrepreneur is rewarded by profit for the risk bearing exercise. The reward for entrepreneur is totally uncertain.	Manager's reward salary, bonus, allowance is certain and regular.
Skills	An entrepreneur requires creative talent, intuition and urge for innovation.	Manager requires conceptual skills and human relations skills.



23.05 Women Entrepreneurs – Opportunities and Challenges

Women entrepreneurship has been getting growing recognition over the past two decades across the world. Women entrepreneurs not only generate new jobs for themselves but also for others. They provide society with different solutions to management, organisation and business problems. Women owned businesses are playing a pivotal role in the upsurge of entrepreneurial activity in the United States. It is reported that the highest number of self employed women are in Sweden followed by England, France and USA. In general, women are attracted to retail trade, restaurants, hotels, education, insurance and manufacturing. In our country, women constitute only 5.2 per cent of the total self employed persons in India. Majority of them opted for agriculture, agro based industries, handicrafts, handlooms, cottage industries but in 2011 (2011 census) it has improved to 25 percent.

Women entrepreneurship is gaining importance in India in the wake of economic liberalisation and globalisation. The policy and institutional framework for nurturing entrepreneurial skills, imparting vocation education and training has widened the horizon for economic empowerment of the women. However, women constitute one third of the economic enterprise. There are scores of successful women entrepreneurs both in economic and social fields in India.

Thus, a stage has been already set for social take-off of women from a low development path to an accelerated pace in achieving higher level of self sustaining economic growth in the wake of new economic policy 1991.

Definition

According to Schumpeter's concept, "Women who innovate, imitate or adopt a business activity are known as women entrepreneurs".

Government of India based on women participation in equity and employment

of business enterprise has defined women entrepreneurs as "An enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women."

Opportunities for Women Entrepreneurs



(i) Opportunities Based on Business

Women entrepreneurs are bestowed with numerous business opportunities depending upon their area, choice of industry, capacity to invest, technical and non-technical skills etc.,

When a woman decides to become an entrepreneur she has extensive opportunities to tap into. The following are the opportunities unfolding in different spheres of commerce.

i. In the sphere of manufacturing women can start ventures like Agarbathi manufacturing, papad making, bedspread making, embroidery, export of handicrafts, apparel manufacturing, sweet stalls, manufacturing soft drinks, pickle making, manufacturing garments, handicrafts, printing press etc.

ii. In the sphere of service industries, women entrepreneurs may try their hand in ventures like catering service, computer centres, tutorial centres, Typewriting institutes, beauty parlours, dry cleaning, small restaurants, tailoring, crèche, florist shops, event management etc.,

iii. In the realm of trading ventures, women can enter the ventures like fancy stores, diagnostic centres, milk distribution, sweet stalls, drug stores, grocery stores, textile retailing, cool drinks parlour, coffee parlour, cell phone repairs, photo studios, photocopier firms, working women's hostel etc.,

iv. Highly educated, experienced and broadly exposed women technocrats can start larger venture like running hospitals, coaching centres, diagnostic laboratories, manufacturing activities, suited to their field of specialisation, advertisement and media firms, call centres, hotels etc.,

(ii) Financial Opportunities

All Banks in India provide financial support to the women Entrepreneur, in the form of micro small loans to buy Raw Materials and Equipments.

(iii) Non-Financial support

Women entrepreneurs are provided with the following non-financial support in the form of:

- i. Putting in Policies, regulations and legal structures suitable to women entrepreneurs
- ii. Financial counselling and training
- iii. Business advisory service
- iv. Handling legal barriers
- v. Establishing Commercial linkages
- vi. Client research
- vii. Profitability and Efficiency analysis
- viii. Offering and designing the products based on their needs

ix. Lower rate of interest

x. Collateral free loans

xi. Simplified processing system

xii. Flexible repayment system based on business nature

(iv) Opportunities Created by Associations

There are various associations like Self Help Groups (SHG), Federation of Indian Women Entrepreneurs (FIWE), Women's India Trust (WIT), Small Industries Development organisation (SIDO), National Bank for Agriculture and Rural Development (NABARD), Self Employed Women's Association (SEWA), Association of Women Entrepreneurs of Karnataka (AWAKE), The International Centre for Entrepreneurship and Career Development, TiEStree Shakti (TSS), Tamilnadu Corporation for Development of Women Ltd. (TNCDW), Marketing Organisation of Women Enterprises (MOOWES), Women Entrepreneurs Promotion Association (WEPA), Women Entrepreneurs Association of Tamil Nadu (WEAT) and WeoW by Google are aggressively promoting women entrepreneurship in India.

Similarly, MSE cluster development programme bear a substantial portion of the project cost in respect of ventures owned and managed by women entrepreneurs. The percentage of guarantee given by Credit Guarantee Fund Scheme for Micro and Small Enterprises extend upto 80% for MSEs owned and operated by women.

(v) Opportunities Created by Government

Government both Union and Central have put in a number of schemes exclusively for promotion of women entrepreneurship namely:

- i. Stand-Up India Scheme for Women Entrepreneurs

- ii. Trade related Entrepreneurship Assistance and Development (TREAD) Scheme for Women
- iii. Mahila Coir Yojana
- iv. Mahila E-haat
- v. Magalir Udavi Scheme
- vi. Prime Minister's Rozgar Yojana (PMRY)
- vii. Development of Women and Children in Rural India (DWCRA)
- viii. Mudra Yojana Scheme for Women
- ix. Udyogini Scheme
- x. TRYCEM

(vi) Opportunities Created through Training Programme

Government of India has introduced National Skill Development Policy and National Skill Development Mission in 2009 in order to provide skill training, vocational education and entrepreneurship development to the emerging work force. This has been catalysing the emergence of women entrepreneurs in India. The following training schemes are being implemented for promoting self employment of women by Government of India.

1. Support for Training and Employment Programme of Women (STEP)
2. Development of Women and Children in Rural Areas (DWCRA)
3. Small Industry Service Institutes
4. State Financial Corporations
5. National Small Industries Corporations
6. District Industrial Centres

(vii) Consortium of Women Entrepreneurs of India (CWEI)

Consortium of Women Entrepreneurs of India (CWEI) was registered as a civil society in the year 1996 which is a non-profit organisation in New Delhi. It is accredited by Government of India. It is a member of National Board, Ministry of MSME and is working closely with

Ministry of Rural Development in the Public Private Partnership to support below poverty line families in India. They are rendering the following functions:

- i. They are acting as a springboard for enterprises started by the women.
- ii. It is helping women achieve high economic empowerment.
- iii. It is acting as a catalyst to improve the access of womenfolk to natural resources.
- iv. It is providing technological support in the sphere of product design and development in the case of women owned enterprises.
- v. It is providing quality control, marketing and technological supports to women owned enterprises.
- vi. It is spreading knowledge to women entrepreneurs about various government schemes.

In sum, it can be stated that women consortium is an agency providing a comprehensive service of various types to women owned enterprises.

Challenges of Women Entrepreneurs

Though there is a tremendous growth in the women entrepreneurship in India, a number of research studies conducted in India have brought out the following problems and challenges encountered by women entrepreneurs during the course of their entrepreneurial journey.

1. Problem of Finance

The access of women to external sources of funds is limited as they do not generally own properties in their own name. Financial institutions too do not consider women in general creditworthy as they are sceptical of their entrepreneurial capabilities of women. They impose stringent condition which discourages women to avail themselves of loan assistance from banks. In this context, they are pushed to rely on their own savings and small loans from friends and relatives. Because of the limited

funds, women entrepreneurs are not able to effectively and efficiently run and expand their business.

2. Limited Mobility

Indian women cannot afford to shed their household responsibilities towards their family even after they plunge into the venture started by them. This restricts the mobility of women entrepreneur significantly. The domestic responsibilities do not allow women entrepreneurs to freely move out of business enterprises in connection with business activities.

3. Lack of Education

Illiterate and semi-literate women entrepreneurs encounter a lot of challenges in their entrepreneurial journey with respect to maintaining accounts, understanding money matters, day-to-day operations of the company, marketing the products, applying technology etc., This reduces the efficiency of operating the business successfully.

4. Lack of Network Support

The successful operation of any venture irrespective of the size depends upon the network of support extended by various constituencies like family members, friends, relatives, acquaintances, neighbours, institutions and so on. Women entrepreneurs need much needed psychological support and wiser counselling especially during the time they actually encounter challenges. But it is reported that women entrepreneurs get very limited support in times of crisis from most of these constituencies.

5. Stiff Competition

Women entrepreneurs have to face acute competition for their goods from organised sector and from their male counterparts. Since they are not able to spend liberally due to financial constraints, they are not able

to compete effectively and efficiently in the market.

6. Sensitivity

Women are more prone to a variety of emotions. Being mother, women are vulnerable to many emotions. They tend to have sympathy and empathy for others. This trait does not allow women entrepreneurs to take objective decisions in many contexts during the course of running the entrepreneurial venture. Besides, the weak emotions do not allow them to tolerate failures and disappointments arising during the normal course of their entrepreneurial journey. This inherently tone downs the effectiveness of their functioning.

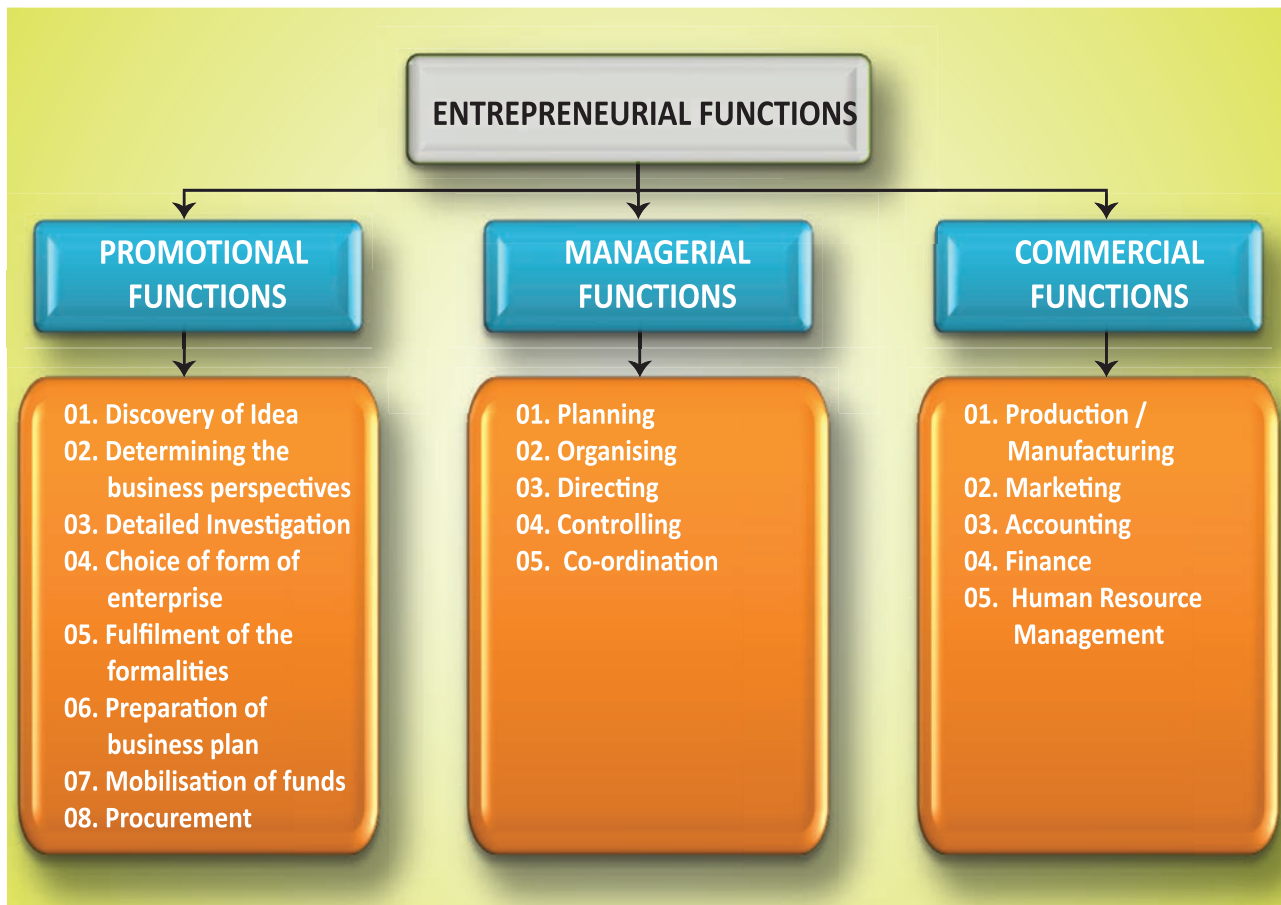
7. Lack of Information

Women entrepreneurs are reported not to be generally aware of subsidies and incentives available for them due to their poor literacy levels or due to their pre occupation with household responsibilities. This lack of knowledge or limited knowledge about subsidies prevents them from availing themselves of special concessions, benefits and incentives awarded by Government and other agencies.

8. Dependent culture

In India, women however educated and talented are groomed to be dependent on their parents, life partners and children during the various phases of their life cycle. They could not take decisions on their own in many contexts due to this dependency factor. They have to take permission from their support groups to engage in any purposeful and gainful activity. They are not treated as equals unlike women in western countries. This cultural barrier does not allow them to start and manage their ventures according to their free will and pleasure.

23.06 Entrepreneurial Functions



I. Promotional Functions

(1) Discovery of Idea

The first and foremost function of entrepreneur is idea generation. A person may conceive his own ideas or develop the ideas contributed by others. Ideas can be generated through several ways like own experience and exposure of entrepreneur, keen observation of environment, education, training, market survey, environmental scanning and so on. After the ideas were collected, entrepreneur has to weigh objectively each and every idea and finally select an idea which is worth pursuing commercially.

(2) Determining the business objectives

Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity i.e. nature of business, manufacturing or trading, type of

business organisation chosen so that he/she can organise the venture in accordance with the objectives determined by him/her.

(3) Detailed Investigation

Entrepreneur has to analyse in detail the product proposes to produce. In other words, Entrepreneur should investigate commercial feasibility of the product proposed to be produced and conduct market study to ascertain the potential demand for the product. Besides, Entrepreneur has to probe the sources of supply of various inputs required for manufacturing the proposed product, their respective prices and other terms and conditions.

(4) Choice of form of enterprise

Entrepreneur has to choose the appropriate form of organisation suited to implement the venture. There are various forms of organisation namely sole proprietor,

partnership, company and co-operatives etc. which are in existence. The selection of appropriate form of organisation is made after considering the factors like nature of product to be produced, size of investment, nature of activities, size of organisation, nature of liability of owners, retention of control, degree of risk involved, scale of operations, stability and so on.

(5) Fulfilment of the formalities

Having chosen the appropriate type of organisation, entrepreneur has to take necessary steps to establish the form of organisation chosen. As regards sole trader, the formalities are barest minimum. In the case of partnership firm, entrepreneur has to arrange for partnership deed and he has to get the deed registered. There are lot of formalities to be fulfilled in the case of registration of company and co-operative form of organisation. Promoter has to take all necessary steps for establishing the form of organisation.

(6) Preparation of Business Plan

Entrepreneur has to prepare a business plan or project report of the venture that he is proposing to take up. This plan helps entrepreneur to achieve various objectives formulated within a specified period of time.

(7) Mobilisation of funds

Entrepreneur has to take steps to mobilise capital needed to implement the venture. Entrepreneur has to estimate the fixed capital and working capital required for running the project. Then the entrepreneur has to initiate steps to build funds from various channels like own funds, borrowing from close circles, banks, financial institutions, venture capitalists, issue of shares and debentures, term loans and so on to finance his fixed capital requirement.

(8) Procurement of Machines and Materials

Entrepreneur has to locate the various sources of supply of machineries and

equipments and materials. Entrepreneur has to collect details from the various sources of supply and screen them for selecting the best source of supply.

II. Managerial Functions



(i) Planning

Under planning, entrepreneur has to lay down the objectives, goals, vision, mission, policies, procedures, programmes, budget, schedules etc., for enabling the venture to proceed towards established destinations.

(ii) Organising

Entrepreneur puts in place suitable organisational structure to perform various managerial functions namely choosing the type of organisation, creating department, fitting the human resources to appropriate organisation slots, defining and delegating authority, distributing responsibility and creating accountability for efficient performance of activities.

(iii) Directing

In the realm of directing, entrepreneur has to motivate, lead, guide and communicate with subordinates on an ongoing basis in order to accomplish pre-set goals. The process of directing involves issuing orders and instructions, guiding, counselling and mentoring of employees, supervising employees, maintaining discipline, motivating employees and providing leadership.

(iv) Controlling

Entrepreneur has to put in mechanism to evaluate the performance of employees across the organisation. The various steps involved in control function includes fixing performance standards, measuring the actual performance, comparing actual performance with standards, finding out causes for deviation if any, undertaking corrective measures to bring actual performance to standards set. He/she may use various control techniques like account, auditing, management information system, network analysis, cost control, financial tools etc.,

(v) Coordination

Entrepreneur has to evolve mechanism to pull together the diverse functions performed by various departments or teams and direct them towards the established goals of the organisation for accomplishment.

III. Commercial Functions

(i) Production or Manufacturing

Under production function, entrepreneur has to take decision relating to selection of factory site, design and layout, type of products to be manufactured, research and development, product design etc., The efficient and effective performance of production function depends on the proper production planning and control to a major extent.

(ii) Marketing

Entrepreneur has to carry out following functions pertaining to marketing aspect namely consumer research, product planning and development, standardisation, packaging, pricing, warehousing, distribution, promotion etc., The very success of marketing function is very much linked with selection of appropriate marketing mix. The term marketing mix denotes the combination of

four components namely product, price, promotion and physical distribution in the case of physical products and three more components are included in the case of service products namely people, process and physical evidence.

(iii) Accounting

Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred out of operation of the business and prepare balance sheet to know the financial status of business at a particular day. Besides, cash flow and fund flow statements are prepared to ensure the adequacy of funds and cash for meeting various working capital needs of the business.

(iv) Finance

In the sphere of financial function, an entrepreneur has to take decisions like choosing the right type of financing, framing the best dividend policy, acquiring of funds, efficiently managing fixed and current assets, maximising shareholders wealth and investing of funds efficiently and effectively.

(v) Human Resource Management

Entrepreneur has to estimate the manpower needs of the enterprise and accordingly decide the size of manpower required for various slots of organisational structure. After determining the required manpower the entrepreneur has to organise the performance of following functions pertaining to human resources namely arranging for recruitment, selecting manpower, induction and training, determining compensation structure and incentives, designing motivation programmes, structuring well being measures for employees, putting in place safety mechanism at work place, performance evaluation and career advancement and structuring social security programmes.



For Own Thinking

After the completion of the academic career, which engagement would you like to opt for after considering the following factors:

Dimension	Salaried Employment	Self Employment
Income	Dependable and probably higher income during the initial stages but limited by promotion opportunities	Fluctuation of income depending upon economic conditions and endeavours of the entrepreneur
Working Hours	Fixed Working Hours	Absolute freedom in choosing the working time.
Job Security	Fixed tenure jobs in respect of public sector appointments and absolute unstable job in private sector appointments.	Stable job till the business is solvent
Financial Risk	There is no financial risk in salaried employment as the employee does not invest in the capital of the employer organisation	There is high degree of risk of losing the investment due to continuous loss.
Personal Satisfaction	An employee may derive job satisfaction. The efforts put in by the employee reward more the employer.	Owner derives a sense of personal satisfaction. In other words, the efforts put in by the owner directly reward him.
Responsibility	The size of responsibility increases as an employee moves up the organisational ladder.	The size of responsibility is always higher to various stakeholders.



Case Study 1

GoliVadaPav 1 (Indian Street-food Vendor)



Challenge: Handmade patties are not uniform in quality and have a short span of shell life. Decrease in the profit margin due to acute increase in the price of ingredients. Bank which rendered loans to Mr. Venkatesh insisted to stop the losses which arose due to these problems or repay the bank loans



Inception:

VenkateshIyer co-founded GoliVadaPav with Shiv Menonto 2004 in Kalyan, near Mumbai for selling affordable, clean, ethnic fast good to lower income customers in India.

Product - Vadapav:

A typical Mumbai street-food dish of a spicy vegetable patty in a bun. The goal was to sell hygienically prepared food with an authentic touch.



Strategy:

Outsourcing the supply chain and operations from Vista Processing foods, a US company to supply frozen vegetables and patties to GoliVadaPav which ensures consistency in quality and short shell life. Installation of automated fryer machines in their outlets improved their business. Decision to penetrate the second-tier cities in western and southern cities for their marketing.

Success Story:

- GoliVadaPav has 300 stores in 100 cities across 20 states of India.
- Goli fast food chain products are prepared in fully automated 'HACCP' certified hands free plant frozen at -18 degree Celsius.
- GoliVadaPav was set up in over 40 cities with 150 outlets with a success rate of sale of 75,000-100,000 vadapavs per day.

Key words

Entrepreneurship, Investigation, Innovator, Mobilisation, Leadership, GDP, Intrapreneur, Manager



Exercise



I. Choose the Correct Answers:

- Which of the below is a factor of production?
 - Land
 - Labour
 - Entrepreneurship
 - All of the above
- Entrepreneur is not classified as
 - Risk Bearer
 - Innovator
 - Employee
 - Organizer
- What are the characteristics of an entrepreneur?
 - Spirit of enterprise
 - Flexibility
 - Self Confidence
 - All of the above
- Which of the below is not classified into managerial functions?
 - Planning
 - Marketing
 - Organizing
 - Controlling
- Which of the below is a commercial function?
 - Accounting
 - Coordination
 - Discovery of idea
 - Planning

Answers:

1	d	2	c	3	d	4	b	5	a
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II. Very Short Answer Questions:

- Mention any two characteristics of entrepreneurs.
- List down the managerial functions of entrepreneurs.
- List down the promotional functions of entrepreneurs.

- What is meant by Intrapreneur
- List the challenges faced by the women entrepreneurs

III. Short Answer Questions:

- Define Entrepreneur
- Distinguish between entrepreneur and Manager.
- List down the commercial functions of Entrepreneur and explain them shortly.
- Explain the promotional functions of entrepreneur.

IV. Long Answer Questions:

- How do you Classify entrepreneurs.
- What are the characteristics of an entrepreneur?
- Distinguish between an Entrepreneur and an Intrapreneur.
- Discuss the challenges faced by Women Entrepreneurs.
- Explain in detail the various functions of an entrepreneur.

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