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# **MBCIV - 2 – Entrepreneurship Development**

**Unit – I**

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# Program Objectives

- PO1:** Apply knowledge of management theories and practices to solve business problems.
- PO2:** Foster Analytical and critical thinking abilities for data-based decision making.
- PO3:** Ability to develop value based leadership ability.
- PO4:** Ability to understand, analyze and communicate global, economic, legal, and ethical aspects of business.
- PO5:** Ability to lead themselves and others in the achievement of organizational goals, contributing effectively to team environment.

# Program Objectives

**PO6:** Ability to evaluate a business idea and formulate a feasible business plan.

**PO7:** Recognize the need for and have the orientation and ability to engage in an independent & lifelong learning in a dynamic business environment.

**PO8:** Ability to appraise and explain societal and environmental aspects of business.

# Course Objectives Of ED

- **CO1- Develop** solutions for the problems faced by women entrepreneurs.
- **CO2-Illustrate** different methods of generating business ideas.
- **CO3- Justify** the importance of business plan in starting a new business.

# Course Objectives Of ED

- **CO4- Explain** project appraisal with example.
- **CO5- Classify** feasibility study and inspect their role in setting up a printing business.
- **CO6-** Entrepreneurs should be socially responsible. **List** the motives.

# UNIT I: Entrepreneurship :

**Entrepreneurship** : Concept, characteristic of successful entrepreneurs: Functions of an entrepreneur, Role of Entrepreneurship in Economic Development; Factors Impacting Emergence of Entrepreneurship (Barriers to entrepreneurship); manager vs. entrepreneur, Forms of Business Ownership. Women Entrepreneurship : concept, problems and possible solutions, Types of

Entrepreneurs, Theory of Achievement Motivation, McClelland's Experiments, Rural entrepreneurship, Tourism Entrepreneurship, Agri-preneurship and Social Entrepreneurship.

# Unit Objectives

- Define Entrepreneur, Entrepreneurship
- Characteristics & Functions of Entrepreneurs
- Role of Entrepreneurs in Economic Development
- Barriers to Entrepreneurship
- Manager Vs. Entrepreneur
- Different Forms of Business ownership
- Women Entrepreneurship – Concept, Problem & Solutions
- Types of Entrepreneurs
- Theory of Achievement Motivation
- Rural, Tourism, Agri-preneurship and Social entrepreneurship

# Entrepreneur

- The word "entrepreneur" comes from the French verb *entreprendre*, meaning "to undertake".

- **Entrepreneur as Risk-Bearer**

According to Richard Cantillon, the term entrepreneur, which most people recognize as meaning someone who organizes and assumes the risk of a business in return for the profits.

- **Entrepreneur as organizer or Coordinator**

According to Jean-Baptiste, "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield".



# Entrepreneur

- **Entrepreneur as Innovator**

According to Schumpeter, an entrepreneur is willing and able to convert a new idea or invention into a successful innovation.

- Schumpeter discovered that they

- Greatly value self-reliance,
- Strive for distinction through excellence,
- are highly optimistic (otherwise nothing would be undertaken), and
- always favor challenges of medium risk (neither too easy, nor ruinous).

# Entrepreneurship

- 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.

# Characteristics of Entrepreneur

1. Passion and Motivation
2. Not Afraid to Take Risks
3. Self-belief, Hard Work and Disciplined Dedication
4. Adaptable and Flexible
5. Product and Market Knowledge
6. Strong Money Management
7. Effective Planning (Not Over-Planning) Skills
8. The Right Connections
9. Exit Preparedness
10. Ability to Question Themselves – But Not Too Much

# Functions of Entrepreneur

## KILBY PETER : 13 FUNCTIONS

1. Perception Of Market Opportunities.
2. Gaining Command Over Scarce Resources.
3. Purchasing Inputs.
4. Marketing Of Products And Responding To The Competition.
5. Dealing With The Public Bureaucracy.
6. Managing Human Resources Of The Firm.
7. Management Of Customer And Supplier Relations.
8. Financial Management.
9. Managing Production.
10. Acquiring And Overseeing – Assembly Of Factory.
11. Industrial Engineering.
12. Upgrading Process And Production Quality.
13. Introduction Of New Production Techniques And Products.

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# Role of Entrepreneurship in Economic Development

- Wealth Creation and Sharing:
- Create Jobs:
- Balanced Regional Development:
- GDP and Per Capita Income:
- Standard of Living:
- Exports:
- Community Development:

# Barriers to Entrepreneurship

## Social Environment

Business- Considered profession of lower hierarchy.

An excessive protective attitude among children during their formative years

## Economic Environment

Capital

Labour

Raw-Material

Infrastructure

Access to Market

# Barriers to Entrepreneurship

## Cultural Barriers

Status-Quo, Rituals, Strong Cultural Taboos

(Taking Loan on Interest, Mobility, Certain field of work)

## Political Environment

Laws, Tax & other policy

## Personal Barriers

Motivational

Perceptual

## ENTREPRENEURS vs MANAGERS: ENTREPRENEURSHIP AS A BEHAVIORAL PHENEMENON (Adapted from H. Stevenson)

	ENTREPRENEUR	MANAGERS
Strategic Orientation	Driven by perception of opportunity	Driven by resources currently controlled
Commitment to opportunity	Revolutionary with short duration	Evolutionary of long duration
Commitment of resources	Multistaged with minimal exposure at each stage	Single-staged with complete commitment upon decision
Control of resources	Episodic use of rent of required resources	Ownership or employment of required resources
Management structure	Flat with multiple informal networks	Formalized hierarchy
Reward philosophy	Value-driven Performance-based Team-oriented	Security-driven Resource-based Promotion-oriented



# Types of Entrepreneur

## Based on the Type of Business:

### 1. Trading Entrepreneur:

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

### 2. Manufacturing Entrepreneur:

They manufacture products. In other words, they convert raw materials into finished products.

### 3. Agricultural Entrepreneur:

The entrepreneurs who undertake agricultural pursuits are called agricultural entrepreneurs.

# Types of Entrepreneur

- **Based on the Use of Technology:**

- 1. Technical Entrepreneur:**

They are the entrepreneurs who establish and run science and technology-based industries.

- 2. Non-Technical Entrepreneur:**

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.

# Types of Entrepreneur

- **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.'

# Types of Entrepreneur

- **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.

# Types of Entrepreneur

## 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.

### 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.

### 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.'

# Types of Entrepreneur

- **Based on Clarence Danhof Classification:**

- 1. Innovating Entrepreneurs:**

They are one who introduce new goods, inaugurate new method of production, discover new market and reorganise the enterprise.

- 2. Imitative Entrepreneurs:**

These are characterised by readiness to adopt successful innovations inaugurated by innovating entrepreneurs. Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others.

# Types of Entrepreneur

- **Based on Clarence Danhof Classification:**

## **3. Fabian Entrepreneurs:**

They are characterised by very great caution and skepticism in experimenting any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise.

## **4. Drone Entrepreneurs:**

These are characterised by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns relative to other like producers. Such entrepreneurs may even suffer from losses but they are not ready to make changes in their existing production methods.

# Forms of Business Ownership

## 1. Sole Proprietorship

A sole proprietorship is a business owned by only one person. It is easy to set-up and is the least costly among all forms of ownership.

## 2. Partnership

A partnership is a business owned by two or more persons who contribute resources into the entity. The partners divide the profits of the business among themselves.

## 3. Corporation

A corporation is a business organization that has a separate legal personality from its owners. Ownership in a stock corporation is represented by *shares of stock*.



# Forms of Business Ownership

## 4. Limited Liability Company

Limited liability companies (LLCs) in the USA, are hybrid forms of business that have characteristics of both a corporation and a partnership. An LLC is not incorporated; hence, it is not considered a corporation.

## 5. Cooperative

A cooperative is a business organization owned by a group of individuals and is operated for their mutual benefit. The persons making up the group are called *members*. Cooperatives may be incorporated or unincorporated.

# Women Entrepreneurship

- They are a woman or group of women who initiate, organize & operate a business enterprise.
- According to Marshal, any woman or group of woman who innovates, initiates, or adopts an economic activity may be called a woman entrepreneur.
- According to Government of India, it is an enterprise owned & controlled by woman or a woman having a minimum financial interest of 51% of the capital in the enterprise.

# Problems Faced By Women Entrepreneurs

- Economic independence & autonomy are absent.
- Less risk bearing capacity (because of more dependency).
- Family involvement.
- Male Dominated Society.
- Lack of Education

# Solutions/ Developing Women Entrepreneurship

- To treat women as specific target groups in all development programmes.
- To Device and diversify vocational training facilities to suit their varied needs and skills.
- To promote appropriate technologies to improve their efficiency and productivity.
- To provide assistance for marketing their products.
- To involve women in decision making process.

# David McClelland's Motivational Needs Theory

- achievement motivation (n-ach)
- authority/power motivation (n-pow)
- affiliation motivation (n-affil)

# The Need For Achievement (n-ach)

- Seeks achievement,
- Attainment of realistic but challenging goals,
- Advancement in the job.
- There is a strong need for feedback as to achievement and progress, and a need for a sense of accomplishment.

# The Need For Authority And Power (n-pow)

This driver produces a need to be:

- Influential,
- effective and
- To make an impact.
- There is also motivation and need towards increasing personal status and prestige

# The Need For Affiliation (n-affil)

- Has a need for friendly relationships and
- Is motivated towards interaction with other people.
- The affiliation driver produces motivation and need to be liked and held in popular regard. These people are team players.



# Rural Entrepreneurship

- Rural entrepreneurs are those who carry out entrepreneurial activities by establishing industrial and business units in the rural sector of the economy.
- Rural industries and business organisations in rural areas generally associated with agriculture and allied activities to agriculture. According to KVIC (Khadi and Village Industry Commission), "village industries or Rural industry means any industry located in rural areas, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees".

# Types of Rural Industries:

**Agro Based Industries:** like sugar industries, jaggery, oil processing from oil seeds, pickles, fruit juice, spices, diary products etc.

**Forest Based Industries:** like wood products, bamboo products, honey, coir industry, making eating plates from leaves.

**Mineral based industry:** like stone crushing, cement industries, red oxide making, wall coating powders etc.

**Textile Industry:** like spinning, weaving, colouring, bleaching.

**Engineering and Services:** like agriculture equipments, tractors and pumpsets repairs etc.

# Agri-preneurship

- It can be defined as being primarily related to the marketing and production of various agricultural products. Agricultural Entrepreneurship is also related to agricultural inputs. Examples of areas where agricultural entrepreneurs associate themselves include dairy, forestry, and horticulture. Production and marketing of agricultural inputs and outputs (Dairy, horticulture, forestry).

# Need for Agri-preneurship

- Availability of land for agricultural purposes.
- Low requirement of funds for agricultural activities.
- Illiterate and/or less educated population
- Lack of employment opportunities in formal sector.
- Both backward and forward inducements and linkages of agricultural development for industrial development.

# Tourism Entrepreneurship

- A 'tourism entrepreneur' may be defined as a person or a group of persons producing and managing tourism products.
- In other words, tourism entrepreneurship refers to the activities of the major group of stake-holders of this service sector primarily designed for the effective and profitable interaction of demand for and supply of tourism products; at the same time assuring competitive professionalism and gainful socio-economic status.

# Social Entrepreneurship

- ‘A social entrepreneur is a person who pursues novel applications that have the potential to solve community-based problems. These individuals are willing to take on the risk and effort to create positive changes in society through their initiatives.

Examples of social entrepreneurship include microfinance institutions, educational programs, providing banking services in underserved areas and helping children orphaned by epidemic disease.

The main goal of a social entrepreneur is not to earn a profit, but rather to implement widespread improvements in society.

# Assessment Questions

1. Define the term 'Entrepreneur' and its characteristics.

Students should write 2/3 definitions and its meaning and the characteristics of successful entrepreneur.

2. Explain different types of entrepreneurs.

Students should know and write different types of entrepreneurs with examples.

3. Write short note on –

a. Rural Entrepreneurs.

b. Agri-preneurship.

Students should know the meaning and definitions of terms with examples and importance.

# Book Reference

- Entrepreneurial Development by S.S.Khanka.
- The Dynamics of Entrepreneurial Development and Management by Vasant Desai.