

Module 3

Entrepreneurship

An **entrepreneur** is an enterprising individual who builds capital through risk and/or initiative. The term was originally a loanword from French and was first defined by the Irish-French economist Richard Cantillon. Entrepreneur in English is a term applied to a person who is willing to help launch a new venture or enterprise and accept full responsibility for the outcome. Jean-Baptiste Say, a French economist, is believed to have coined the word "entrepreneur" in the 19th century - he defined an entrepreneur as "one who undertakes an enterprise, especially a contractor, acting as intermediary between capital and labour".

Types of entrepreneurs

The literature has distinguished among a number of different types of entrepreneurs, for instance:

Social entrepreneur

A social entrepreneur is motivated by a desire to help, improve and transform social, environmental, educational and economic conditions. Key traits and characteristics of highly effective social entrepreneurs include ambition and a lack of acceptance of the status quo or accepting the world "as it is".

Serial entrepreneur

A serial entrepreneur is one who continuously comes up with new ideas and starts new businesses. In the media, the serial entrepreneur is represented as possessing a higher propensity for risk, innovation and achievement.

Lifestyle entrepreneur

A lifestyle entrepreneur places passion before profit when launching a business in order to combine personal interests and talent with the ability to earn a living. Many entrepreneurs may be primarily motivated by the intention to make their business profitable in order to sell to shareholders

Cooperative entrepreneur

A cooperative entrepreneur doesn't just work alone, but rather collaborates with other cooperative entrepreneurs to develop projects, particularly cooperative projects. Each cooperative entrepreneur might bring different skill sets to the table, but collectively they share in the risk and success of the venture.

Theory-based Typologies

Recent advances in entrepreneurship research indicate that the differences in entrepreneurs and heterogeneity in their behaviors and actions can be traced back to their the founder's identity. For instance, Fauchart and Gruber (2011, Academy of Management Journal) have recently shown that - based on social identity theory - three main types of entrepreneurs can be distinguished: Darwinians, Communitarians and Missionaries. These types of founders not only diverge in fundamental ways in terms of their self-views and their social motivations in entrepreneurship, but also engage fairly differently in new firm creation.

Evolution of Entrepreneurship

Researchers have been inconsistent in their definitions of entrepreneurship (Brockhaus & Horwitz, 1986, Sexton & Smilor, Wortman, 1987; Gartner, 1988). Definitions have emphasized a broad range of activities including the creation of organizations (Gartner, 1988), the carrying out of new combinations (Schumpeter, 1934), the exploration of opportunities (Kirzner, 1973), the bearing of uncertainty (Knight 1921), the bringing together of factors of production (Say, 1803), and others (See Long, 1983). The outline below presents some authors definitions of entrepreneurship and attempts to summarize these viewpoints into a more meaningful whole.

Richard Cantillon (circa 1730); Entrepreneurship is defined as self-employment of any sort. Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty.

Jean Baptiste Say (1816); The entrepreneur is the agent "who unites all means of production and who finds in the value of the products...the reestablishment of the entire capital he employs, and the value of the wages, the interest, and rent which he pays, as well as profits belonging to himself."

Frank Knight (1921); Entrepreneurs attempt to predict and act upon change within markets. Knight emphasize the entrepreneur's role in bearing the uncertainty of market dynamics. Entrepreneurs are required to perform such fundamental managerial functions as direction and control. In summary, entrepreneurship is often viewed as a function which involves the exploitation of opportunities which exist within a market. Such exploitation is most commonly associated with the direction and/or combination of productive inputs. Entrepreneurs usually are considered to bear risk while pursuing opportunities, and often are associated with creative and innovative actions. In addition, entrepreneurs undertake a managerial role in their activities, but routine management of an ongoing operation is not considered to be entrepreneurship. In this sense entrepreneurial activity is fleeting. An individual may perform an entrepreneurial function in creating an organization, but later is relegated to the role of managing it without performing an entrepreneurial role. In this sense, many small-business owners would not be considered to be entrepreneurs. Finally, individuals within organizations (i.e. non-founders) can be classified as entrepreneurs since they pursue the

exploitation of opportunities. Thus entrepreneurship is appropriately considered to be a form of entrepreneurship.

Essential Functions of an Entrepreneur

An entrepreneur performs a series of functions necessary right from the genesis of an idea up to the establishment and effective operation of an enterprise. He carries out the whole set of activities of the business for its success. He recognises the commercial potential of a product or a service, formulates operating policies for production, product design, marketing and organisational structure. He is thus a nucleus of high growth of the enterprise.

According to some economists, the functions of an entrepreneur are classified into five broad categories:

1. Risk-bearing function,
2. Organisational function,
3. Innovative function,
4. Managerial function, and
5. Decision making function.

Intrapreneurship

In 1992, *The American Heritage Dictionary* acknowledged the popular use of a new word, intrapreneur, to mean "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation". Intrapreneurship is now known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques, that are more traditionally thought of as being the province of entrepreneurship.

Difference between Intrapreneur and Entrepreneur:

Intrapreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment. Intrapreneurs, by definition, embody the same characteristics as the Entrepreneur, conviction, passion, and drive. If the company is supportive, the Intrapreneur succeeds. When the organization is not, the Intrapreneur usually fails or leaves to start a new company. An Intrapreneur thinks like an entrepreneur seeking out opportunities, which benefit the corporation. It was a new way of thinking, in making companies more productive and profitable. Visionary employees who thought like entrepreneurs. IBM is one of the leading companies, which encourages INTRAPRENEUR.

MAIN DIFFERENCE BETWEEN ENTREPRENEURSHIP AND INTRAPRENEURSHIP:

There are, of course, a few things that are different between Intrapreneurship and Entrepreneurship. For starters, the Intrapreneur acts within the confines of an existing organisation. The dictates of most organisations would be that the Intrapreneur should ask for permission before attempting to create a desired future - in practice, the Intrapreneur is more inclined to act first and ask for forgiveness than to ask for permission before acting. The Intrapreneur is also typically the intra-organisational revolutionary - challenging the status quo and fighting to change the system from within. This ordinarily creates a certain amount of organisational friction. A healthy dose of mutual respect is required in order to ensure that such friction can be positively channeled. One advantage of Intrapreneurship over Entrepreneurship is that Intrapreneur typically finds a ready source of "free" resources within the organisation which can be

stages of Entrepreneurship

There are six stages of an entrepreneurial venture that founders of companies will encounter. If you choose to purchase an existing business, you may skip a few steps, but you will still be forced to address several of them. The six steps are:

- 1) CONVICTION
- 2) IDEA
- 3) CONCEPT
- 4) VENTURE
- 5) BUSINESS
- 6) SUSTAINABLE BUSINESS

Stage 1: CONVICTION

No matter the stage of the business when an individual begins his/her entrepreneurial journey, every entrepreneur must address his/her conviction to be an entrepreneur. This sounds trivial, but I believe it is the most important step in the process. It SHOULD be the first step; however, many entrepreneurs wait until the VENTURE stage to address it. This can lead to grave problems. In the CONVICTION stage, an entrepreneur needs to figure out if he/she has the conviction to withstand the fundamental issues of entrepreneurship.

Stage 2: IDEA

The IDEA stage is the easiest stage. Everyone has an idea for a business. This is also the most fun stage because the cost is zero and the excitement level high. Of course, the IDEA stage is the basis for every other stage so it cannot be dismissed; however, as an entrepreneur, you should never confuse an "idea" for a "concept". As you will see in the next step, a concept has much more structure than an idea and subsequently warrants a different concerns and decision making.

Stage 3: CONCEPT

As mentioned above, a concept is characterized by structure. In the CONCEPT stage, you take your idea and employ a certain intellectual rigor which includes:

- Extensive market research
- Development of the business model
- Conceptualization of the type of the team required to execute
- Engagement of informal and formal advisors

Stage 4: VENTURE

This is the most challenging stage of the business and for many entrepreneurs the most fun...well at least in the beginning. The VENTURE stage is characterized by significant investment. This investment typically comes in two forms: money and time. In most cases, as the entrepreneur, it is "your" money and "your" time; and those can often be significant.

Stage 5: BUSINESS

The BUSINESS stage is where all entrepreneurs strive to be. This is the stage where you have revenues that are commensurate with your expenses. Of course, there may be unprofitable months or years, but in general, the business can support itself with little outside capital. This is the stage where you are most likely to find investors.

Stage 6: SUSTAINABLE BUSINESS

Although most entrepreneurs are satisfied to build a Business, they should strive to become a Sustainable Business. There are unique challenges to creating a sustainable business and it can be defined in different ways. It is typically characterized by time. Ventures that last 10+ years may be thought of as sustainable; however, the real challenge is for a business to outlast the involvement of its founders. That is a more relevant definition of a sustainable business.

The Role of the Entrepreneur

Entrepreneurs occupy a central position in a market economy. For it's the entrepreneurs who serve as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result of encouraging and rewarding the entrepreneurial instinct.

A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activity because it is the entrepreneurs and their activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy. The most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities.

1. Tell yourself continually "Failure is not an option." Be willing to move out of your comfort zone, to take risks if necessary to build your business.
2. Use your creativity rather than your money to find new, better, cheaper ways to sell your products or reduce your costs of operation. What could you do immediately in one or both of these areas?
3. Imagine starting over. Is there anything you're doing today that, knowing what you now know, you wouldn't get into or start up again?
4. Imagine reinventing your business. If your business burned to the ground today, and you had to start over, what would you not get into again? What would you do differently?

Entrepreneurship in India – hype or happening ?

Sramana is doing a series on Entrepreneurship – Innovation in India for Forbes and requested my perspective about the same. I chose to write down my thoughts as a post and seek out your thoughts about it as well.

When it comes to entrepreneurship in India, for the longest time now, it seems that most of us have been rehashing, repeating and regurgitating the same things over and over again:

—Revamp Education system, —Lack of funding, —No ecosystem, —No product companies, —Indian mindset and culture, —Bureaucratic red-tape and many other such reasons.

Its time we really took a deep, hard look at what is the current state of entrepreneurship in India, what is broken and how can we really fix it ?

In all fairness, I am not on ground zero. And so it may seem as inappropriate to many that I speak of entrepreneurship in India while residing in the US. You might very well diss my opinions

expressed below based on the same grounds, and in that case, I welcome your perspective – hopefully we can have a healthy discussion via the comments. In my defense, even though I'm not at ground zero, I have been closely monitoring the startup and entrepreneurship scene in India over the last couple of years. I've talked to lots of Indian entrepreneurs, tech enthusiasts and VC's over this time – enough to form an opinion.

If someone who's totally ignorant about the Indian market walks up to me and asks me about entrepreneurship in India – my answer to them would be that its more hype than happening. The awareness about entrepreneurship is definitely increasing incredibly, but not enough converts yet. Lots of wannapreneurs, but few actual entrepreneurs. Again, my goal isnt to ridicule or point fingers, but rather narrow down on what's broken.

Some of the most commonly attributed reasons for the lack of entrepreneurship in India:

Lack of funding:

No Ecosystem:

Bureaucratic red-tape:

No Product Companies:

Revamping Education:

Lack of Good Mentors:

Lack of M&A activity:

Barrier of entrepreneurship

1. **Procrastination:** Procrastination they say is the thief of time. There is no tomorrow because it never comes. What you do today will affect how your tomorrow will be. Out of laziness, resistance and complacency entrepreneurs are forced to shift activities.
2. **Tying your dreams to age:** Age is nothing but a number. Whatever you want to do has nothing to do with your age. It's all about attitude, level of exposure, knowledge and the self-will.
3. **Following the status quo:** There is no perfect system. What worked out ten years ago has no place today. The world is fast-changing and so is the business environment. The Internet has made the world smaller than was thought decades ago.

Expected Questions:

1. **Differentiate between entrepreneur , intrapreneur and manager**

june10,

july09

2. **what are the barriers of entrepreneurship? Explain the role in economic development** **june10, june11, jan10**
3. **explain various stages in entrepreneurial process** **june11, dec10**
4. **explain the evolution and growth of entrepreneurship in India.** **Jan10**
5. **explain in detail various types and function of an entrepreneur** **july09**