Entrepreneur An entrepreneur is an individual who, rather than working as an employee, founds and runs a small business, assuming all the risks and rewards of the venture. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services and business/or procedures.

Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called **entrepreneurs.**

Q 1 Entrepreneurial Process

1. **Discovery:** An entrepreneurial process begins with the idea generation, wherein the entrepreneur identifies and evaluates the business opportunities. The identification and the evaluation of opportunities is a difficult task; an entrepreneur seeks inputs from all the persons including employees, consumers, channel partners, technical people, etc. to reach to an optimum business opportunity. Once the opportunity has been decided upon, the next step is to evaluate it.

   An entrepreneur can evaluate the efficiency of an opportunity by continuously asking certain questions to himself, such as, whether the opportunity is worth investing in, is it sufficiently attractive, are the proposed solutions feasible, is there any competitive advantage, what are the risk associated with it. Above all, an entrepreneur must analyze his personal skills and hobbies, whether these coincides with the entrepreneurial goals or not.

2. **Developing a Business Plan:** Once the opportunity is identified, an entrepreneur needs to create a comprehensive business plan. A business plan is critical to the success of any new venture since it acts as a benchmark and the evaluation criteria to see if the organization is moving towards its set goals.

   An entrepreneur must dedicate his sufficient time towards its creation, the major components of a business plan are mission and vision statement, goals and objectives, capital requirement, a description of products and services, etc.

3. **Resourcing:** The third step in the entrepreneurial process is resourcing, wherein the entrepreneur identifies the sources from where the finance and the human resource can be arranged. Here, the entrepreneur finds the investors for its new venture and the personnel to carry out the business activities.
4. **Managing the company:** Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problems when they arise.
5. **Harvesting:** The final step in the entrepreneurial process is harvesting wherein, an entrepreneur decides on the future prospects of the business, i.e. its growth and development. Here, the actual growth is compared against the planned growth and then the decision regarding the stability or the expansion of business operations is undertaken accordingly, by an entrepreneur.

   The entrepreneurial process is to be followed, again and again, whenever any new venture is taken up by an entrepreneur, therefore, its an ever ending process.

Q 2 Role of entrepreneurship in economic development

1. Wealth Creation and Sharing: By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.

2. Create Jobs: Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as *StartupIndia* to promote and support new startups, and also others like the *Make in India* initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities, and is helping in augmenting our standards to a global level.

3. Balanced Regional Development: Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

4. GDP and Per Capita Income: India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.

5. Standard of Living: Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

6. Exports: Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.

7. Community Development: Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

A good example of how this kind of community development can be promoted is Azim Hashim Premji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the Azim Premji Foundation. This foundation works with more than 350,000 schools in eight states across India.

So, there is a very important role for entrepreneurs to spark economic development by starting new businesses, creating jobs, and contributing to improvement in various key goals such as GDP, exports, standard of living, skills development and community development.

Q 3 factors impacting emergence of entrepreneurship

Entrepreneurship is influenced by four distinct factors: economic development, culture, technological development and education. In areas where these factors are present, you can expect to see strong and consistent entrepreneurial growth.

These conditions may have both positive and negative influences on the emergence of entrepreneurship. Positive influences constitute facilitative and conducive conditions for the emergence of entrepreneurship, whereas negative influences create inhibiting milieu to the emergence of entrepreneurship.

Let us look at each one of them in details.

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.

The economic factors that affect the growth of entrepreneurship are the following:

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 which help in accelerating the process of capital formation. Entrepreneurship activity too gets a boost with the easy availability of funds for investment.

Availability of capital facilitates for the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. Capital is therefore, regarded as lubricant to the process of production.

France and Russia exemplify how the lack of capital for industrial pursuits impeded the process of entrepreneurship and an adequate supply of capital promoted it.

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.

The quality rather quantity of labor is another factor which influences the emergence of entrepreneurship. Most less developed countries are labor rich nations owing to a dense and even increasing population. But entrepreneurship is encouraged if there is a mobile and flexible labor force. And, the potential advantages of low-cost labor are regulated by the deleterious effects of labor immobility. The considerations of economic and emotional security inhibit labor mobility. Entrepreneurs, therefore, often find difficulty to secure sufficient labor.

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.

In fact, the supply of raw materials is not influenced by themselves but becomes influential depending upon other opportunity conditions. The more favorable these conditions are, the more likely is the raw material to have its influence of entrepreneurial emergence.

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. Frankly speaking, if the proof of pudding lies in eating, the proof of all production lies in consumption, i.e., marketing.

The size and composition of market both influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market. However, the disadvantage of a competitive market can be cancelled to some extent by improvement in transportation system facilitating the movement of raw material and finished goods, and increasing the demand for producer goods.

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. Take for instance, the establishment of post and telegraph system and construction of roads and highways in India. It helped considerable entrepreneurial activities which took place in the 1850s.

Apart from the above factors, institutions like trade/ business associations, business schools, libraries, etc. also make valuable contribution towards promoting and sustaining entrepreneurship' in the economy. You can gather all the information you want from these bodies. They also act as a forum for communication and joint action.

Social Factors

Social factors can go a long way in encouraging entrepreneurship. In fact it was the highly helpful society that made the industrial revolution a glorious success in Europe. Strongly affect the entrepreneurial behavior, which contribute to entrepreneurial growth. The social setting in which the people grow, shapes their basic beliefs, values and norms.

The main components of social environment are as follows:

1. Caste Factor

There are certain cultural practices and values in every society which influence the' actions of individuals. These practices and value have evolved over hundred of years. For instance, consider the caste system (the varna system) among the Hindus in India. It has divided the population on the basis of caste into four division. The Brahmana (priest), the Kshatriya (warrior), the Vaishya (trade) and the Shudra (artisan): It has also defined limits to the social mobility of individuals.

By social mobility' we mean the freedom to move from one caste to another. The caste system does not permit an individual who is born a Shridra to move to a higher caste. Thus, commercial activities were the monopoly of the Vaishyas. Members of the three other Hindu Varnas did not become interested in trade and commence, even when India had extensive commercial inter-relations with many foreign countries. Dominance of certain ethnical groups in entrepreneurship is a global phenomenon

2. 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.

Background of a family in manufacturing provided a source of industrial entrepreneurship. Occupational and social status of the family influenced mobility. There are certain circumstances where very few people would have to be venturesome. For example in a society where the joint family system is in vogue, those members of joint family who gain wealth by their hard work denied the opportunity to enjoy the fruits of their labor because they have to share their wealth with the other members of the family.

3. 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.

In India, the system of education prior to the 20th century was based on religion. In this rigid system, critical and questioning attitudes towards society were discouraged. The caste system and the resultant occupational structure were reinforced by such education. It promoted the idea that business is not a respectable occupation. Later, when the British came to our country, they introduced an education system, just to produce clerks and accountants for the East India Company, The base of such a system, as you can well see, is very anti-entrepreneurial.

Our educational methods have not changed much even today. The emphasis is till on preparing students for standard jobs, rather than marking them capable enough to stand on their feet.

4. Attitude of the Society

A related aspect to these is the attitude of the society towards entrepreneurship. Certain societies encourage innovations and novelties, and thus approve entrepreneurs' actions and rewards like profits. Certain others do not tolerate changes and in such circumstances, entrepreneurship cannot take root and grow. Similarly, some societies have an inherent dislike for any money-making activity. It is said, that in Russia, in the nineteenth century, the upper classes did not like entrepreneurs. For them, cultivating the land meant a good life. They believed that rand belongs to God and the produce of the land was nothing but god's blessing. Russian folk-tales, proverbs and songs during this period carried the message that making wealth through business was not right.

5. Cultural Value

Motives impel men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society. If the culture is economically or monetarily oriented, entrepreneurship would be applauded and praised; wealth accumulation as a way of life would be appreciated. In the less developed countries, people are not economically motivated. Monetary incentives have relatively less attraction. People have ample opportunities of attaining social distinction by non-economic pursuits. Men with organizational abilities are, therefore, not dragged into business. They use their talents for non-economic end.

Psychological Factors

Many entrepreneurial theorists have propounded theories of entrepreneurship that concentrate especially upon psychological factors. These are as follows :

1. Need Achievement

The most important psychological theories of entrepreneurship was put forward in the early) 960s by David McClelland. According to McClelland 'need achievement' is social motive to excel that tends to characterise successful entrepreneurs, especially when reinforced by cultural factors. He found that certain kinds of people, especially those who became entrepreneurs, had this characteristic. Moreover, some societies tend to reproduce a larger percentage of people with high 'need achievement' than other societies. McClelland attributed this to sociological factors. Differences among societies and individuals accounted for 'need achievement' being greater in some societies and less in certain others.

The theory states that people with high need-achievement are distinctive in several ways. They like to take risks and these risks stimulate them to greater effort. The theory identifies the factors that produce such people. Initially McClelland attributed the role of parents, specially the mother, in mustering her son or daughter to be masterful and self-reliant. Later he put less emphasis on the parent-child relationship and gave more importance to social and cultural factors. He concluded that the 'need achievement' is conditioned more by social and cultural reinforcement rather than by parental influence and such related factors.

2. Withdrawal of Status Respect

There are several other researchers who have tried to understand the psychological roots of entrepreneurship. One such individual is Everett Hagen who stresses the-psychological consequences of social change. Hagen says, at some point many social groups experience a radical loss of status. Hagen attributed the withdrawal of status respect of a group to the genesis of entrepreneurship.

Hage believes that the initial condition leading to eventual entrepreneurial behavior is the loss of status by a group. He postulates that four types of events can produce status withdrawal:

1. i. The group may be displaced by force;
2. ii. It may have its valued symbols denigrated;
3. iii. It may drift into a situation of status inconsistency; and
4. iv. It may not be accepted the expected status on migration in a new society.

3. Motives

Other psychological theories of entrepreneurship stress the motives or goals of the entrepreneur. Cole is of the opinion that besides wealth, entrepreneurs seek power, prestige, security and service to society. Stepanek points particularly to non-monetary aspects such as independence, persons' self-esteem, power and regard of the society.

On the same subject, Evans distinguishes motive by three kinds of entrepreneurs

1. Managing entrepreneurs whose chief motive is security.
2. Innovating entrepreneurs, who are interested only in excitement.
3. Controlling entrepreneurs, who above all otter motives, want power and authority.

Finally, Rostow has examined inter gradational changes in the families of entrepreneurs. He believes that the first generation seeks wealth, the second prestige and the third art and beauty.

4. Others

Thomas Begley and David P. Boyd studied in detail the psychological roots of entrepreneurship in the mid-1980s. They came to the conclusion that entrepreneurial attitudes based on psychological considerations have five dimensions:

1. First came 'need-achievement' as described by McClelland. In all studies of successful entrepreneurs a high achievement orientation is invariably present.
2. The second dimension that Begley and Boyd call 'locus of control' This means that the entrepreneur follows the idea that he can control his own life and is not influenced by factors like luck, fate and so on. Need-achievement logically implies that people can control their own lives and are not influenced by external forces.
3. The third dimension is the willingness to take risks. These two researchers have come to the conclusion that entrepreneurs who take moderate risks earn higher returns on their assets than those who take no risks at all or who take extravagant risks.
4. Tolerance is the next dimension of this study. Very few decisions are made with complete information. So all business executives must, have a certain amount of tolerance for ambiguity.
5. Finally, here is what psychologists call 'Type A' behavior. This is nothing but "a chronic, incessant struggle to achieve more and more in less and less of time" Entrepreneurs are characterize by the presence of 'Type A' behavior in all their endeavors.

Q 4 managerial vs. entrepreneurial approach and emergence of entrepreneurship

Entrepreneurship vs. Management:

The concept of entrepreneurship and management is completely different from each other. The below-mentioned points explain the difference between management and entrepreneurship.

A business entrepreneur is a person who tries to transform an idea into reality by making use of the opportunity and resources available to him.

An entrepreneur also assembles the proper team and collects the required capital and materials so as to make the idea into a reality. This comes under the main functions of an entrepreneur.

They are the individuals that start a business from scratch and the role of the entrepreneur is very vital. They have full power and authority of the business and also exercise the power as the head of the company on employees and workers who work for the company.

They are more focused on the success and stability of their entrepreneur business and ensure that the company doesn't incur any losses. Many entrepreneurs may or may not have much knowledge about the various aspects of the trade. They should be smart and confident to attract potential investors for the proper development of the company.

Managers, on the other hand, are very much different from entrepreneurs on the basis of their work culture and style of task execution. Managers are more involved in the company when the company is relatively more stable and established. Hence, managers come into the later stages of the company development.

Managers tend to be concerned more about the end products and works that aids in the growth of the company and play an important role in the smooth functioning of the business.

Moreover, it is mandatory that a manager should know about the various aspects of the company including various processes such as product development, product designing, sales and promotion and also the leadership models and business aspects of the company and the product.

What Are the Differences Between Entrepreneur and Manager?

There are different types of opinions regarding entrepreneur vs manager, but here in this discussion most of the key difference can make people understand the actual work behavior or the nature of an entrepreneur and a manager. The difference between manager and entrepreneur are as follows,

1. Responsibility:

An entrepreneur is responsible for all the activity of the company which he started to create a difference in his life, but where in which a manager just have to deliver his duties and responsibilities assigned to him in a certain department of work.

Many entrepreneurs have the freedom to do take decisions and choices that can positively or negatively affect the growth of the company. On the other hand, a manager is a person who is hired by the entrepreneur to manage the business. They are professionally trained individuals who have the knowledge about the various business aspects.

Therefore, it is important to understand that an individual entrepreneur holds the overall structure of the business as he is the idea behind the business, but a professional manager just follows the orders given by an entrepreneur.

2. Nature of work:

The work environment or the assigned job description of an entrepreneur and a manager can be completely different from each other.

The entrepreneur is responsible for the starting and initialization of the business along with ensuring a proper launch for the business. In contrary, a manager is responsible for taking care of various things that are responsible for the success of the business and helps to run the business in a sustainable and responsive manner.

Similarly, a manager takes care of all the ongoing activity of the business and makes sure each and each every department undertakes suitable measures to run the business smoothly.

3. Specialization:

It is not necessary that an entrepreneur must know all the entrepreneurial activities of the business. And sometimes there is even a possibility that an entrepreneur understands all the smaller portions of the business and their working departments.

An entrepreneur must take all the responsibility for the ideas which can make the business go successful, where in which a manager need to a specialize in his own work and his specialization need to favor the environment of the business.

The entrepreneur is responsible for incorporating innovative and attractive ideas that are used to make the lives of the people simpler and thus they help to promote such ideas through their business ventures and trade activities.

Managers on the other hand, tend to be more calculative and they form various plans and strategies so as to popularize the idea and motives of the company to the employees. This helps the employees to be inspired to work hard and provide more benefits to the company and the organization.

4. Prone to make mistakes:

An entrepreneur is allowed to make mistakes as his mistakes can educate him better in his upcoming decisions, but where in which a manager is concerned, he is not supposed to make any mistakes as he is one of the best in his field of work.

An entrepreneur is allowed to make mistakes while seeking various innovative and creative ideas that can help with the development of the company. On the other hand, a manager should try hard to preserve the status and name of the company, so for these goal, it is necessary that the manager should not make unnecessary mistakes as this can be seen as a bad example by fellow colleagues and employees.

A manager should strive hard to become an ideal model for employees, so that they can follow his/her orders perfectly and efficiently. Therefore, an entrepreneur is allowed to make mistakes or prone to make mistakes and he even learns from their mistakes, but a manager need to be perfect and not allowed to even think of making mistakes.

5. Educational background:

It is not necessary that each entrepreneur who own a successful leading business needs to be well educated in their work. There is a possibility that most of the successful entrepreneurs are school dropouts. But a manager cannot afford to risk his educational background for the sake of the job.

A manager needs to be trained perfectly in his job profile. In most cases, an entrepreneur might not even know about the various aspects of the company such as the design section, innovations, and financial department and so on.

On the other hand, it is mandatory for the manager to be well equipped and knowledgeable so as to manage the company in a stable manner. Therefore, as compared to a manager, an entrepreneur holds a poor level of educational background.

6. Risk taking:

As a nature of work is concerned an entrepreneur's job is to take risks in their business so that the company can reach better heights of its own dimension. But a manager needs to act wisely during tough times.

Unlike an entrepreneur a manager need to avoid taking risks in the field of his work. Many entrepreneurs like to take on risks as this will allow them to explore the different aspects of the industry that they are venturing into.

Most entrepreneurs tend to take some risks as this will also help them to retrieve innovative and creative ideas required for the business. On the other hand, many managers are reluctant from taking risks and uncertainties as this can shake the balance and foundation of the working and functioning of the company.

Most managers like to preserve the integrity of the organization by avoiding taking risks. Therefore, risk taking nature is applicable higher in the working environment of an entrepreneur than a manager's working profile.

7. Financial freedom:

The most important factor that affects each and every single employee or employer of the business, including its entrepreneurs is its financial position. But the important part of that concern is that an entrepreneur holds all the rights to enjoy complete financial freedom of the business.

Entrepreneurs thrive on freedom which mainly includes freedom of capital, freedom of expressing ideas and suggestions, freedom to venture out in the industry and understand the changes in the trends and technologies and so on.

In contrary, most managers tend to prefer stability and security over freedom while working under someone in a corporation. Most managers tend to like a secure job and better working conditions so as to maintain satisfactory lifestyle. There is a possibility that an entrepreneur can enjoy complete financial freedom over the rest of the people concerned in the business.

8. Ownership:

As it is quite obvious that all knows about the duties and responsibilities of the entrepreneurs lines of work. But when it comes to managing the small business or a large entity, each and every person working in the company knows that an entrepreneur person holds the ownership of the company and none can take that ownership from the entrepreneur.

An entrepreneur is the backbone of any company, be it a startup or a well established corporation. The entrepreneur is responsible for establishing the company by transforming an idea into reality and also the driving force of the initialization and stability of the company. This is why an entrepreneur has the highest respected authority in an organization or company.

A manager on the other hand, is someone who works for the entrepreneur and is responsible for only a part of the organization. Therefore, a manager is a person who handles the work and activities of the company departments, and an entrepreneur handles a complete business.

9. Capital gains:

As an entrepreneur is the sole owner of the business, a person can definitely figure out this simple factor about capital gains, that an entrepreneur is liable to enjoy all the capital gains of the business.1

But where in which a manager should can only be liable for the fixed salary which is not even a part of a capital gain received by their own services delivered for the overall growth of the company.

One of the most targeted gains that an entrepreneur can achieve is a high profitability and capital gains through his organization, while a manger is more focused on having a high salary and a better pay scale along with better work conditions.

An entrepreneur is driven by more profit while a manager is driven by more wages. Therefore, it is necessary to understand that even a manager makes the business run in a smooth manner; but they won't receive any sort of capital gain for their service.

10. Commitment:

When a commitment factor comes, a manger takes all the credit in this field of work.

As it has been explained earlier in the capital gain that an entrepreneur is liable to take all the parts of the capital gain, but a manager need to be allowed to receive his monthly salary. And because of these monthly salaries, a manager can switch his commitment towards the company constantly.

Where in which an entrepreneur need to be committed towards their business even if they receive capital gain or not. As mentioned before, an entrepreneur is the establisher and the backbone of the organization so naturally an entrepreneur will have the highest level of commitment among various employees of the company. Many entrepreneurs work day and night just to start their own company.

Comparison Chart

BASIS FOR COMPARISON	ENTREPRENEUR	MANAGER
Meaning	Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.	Manager is an individual who takes the responsibility of controlling and administering the organization.
Focus	Business startup	Ongoing operations
Primary motivation	Achievement	Power
Approach to task	Informal	Formal
Status	Owner	Employee
Reward	Profit	Salary
Decision making	Intuitive	Calculative
Driving force	Creativity and Innovation	Preserving status quo
Risk orientation	Risk taker	Risk averse

Q 5 characteristics of successful entrepreneurs

1. Passion and Motivation

Although there are many traits that make an entrepreneur successful, perhaps the most important are passion and motivation.

- Is there something you can work on over and over again without getting bored?
- Is there something that keeps you awake at night because you haven't finished it yet?
- Is there something you have built and want to continue to improve upon?
- Is there something you enjoy so much you want to continue doing it for the rest of your life?

From building and implementing a prototype to pitching your idea to venture capitalists, success is a function of passion and determination.

2. Not Afraid to Take Risks

Entrepreneurs are risk takers, ready to dive deep into a future of uncertainty. But not all risk takers are successful entrepreneurs. What differentiates a successful entrepreneur from the rest in terms of risk? Successful entrepreneurs are willing to risk their time and money on unknowns, but they also keep resources, plans and bandwidth for dealing with "unknown unknowns" in reserve. When evaluating risk, a successful entrepreneur will ask herself, "Is this risk worth the cost of my career, time and money?" And, "What will I do if this venture doesn't pay off?"

3. Self-belief, Hard Work and Disciplined Dedication

Entrepreneurs believe in themselves and are confident and dedicated to their project. Their intense focus on and faith in their idea may be misconstrued as stubbornness, but it is this willingness to work hard and defy the odds that make them successful.

4. Adaptable and Flexible

Being passionate and dedicated is important, but being inflexible about client or market needs will lead to failure. Remember, an entrepreneurial venture is not simply about doing what you believe is good, but also making a successful business out of it. Successful entrepreneurs welcome all suggestions for optimization or customization that may enhance their offering and satisfy client and market needs.

5. Product and Market Knowledge

Entrepreneurs know their product inside and out. They also know the market. Most become successful because they create something that didn't already exist or they significantly improve an existing product after experiencing frustration with the way it worked. Remaining unaware of changing market needs, competitor moves and other external factors can cause even great products to fail.

6. Strong Money Management

It takes time for any entrepreneurial venture to become profitable. Until then, capital is limited and needs to be utilized wisely. Successful entrepreneurs plan for present and future financial obligations and set aside an emergency fund. Even after securing funding or going fully operational, a successful businessperson keeps a complete handle on cashflow, as it is the most important aspect of any business.

7. Effective Planning (Not Over-Planning) Skills

Entrepreneurship is about building a business from scratch while managing limited resources (including time, money and personal relationships), which requires planning. However, trying to plan for everything and having a ready solution in place for all possible issues may prevent you from ever taking the first step. Successful entrepreneurs have a business plan in place, but remain capable of dealing with unforeseen possibilities.

8. The Right Connections

Many people seek comfort in commiseration—friends, colleagues and neighbors are happy to complain about "the global slowdown," poor demand, or unfair competition—but that won't improve the bottom line. Successful entrepreneurs reach out to mentors with more experience and extensive networks to seek valuable advice. If they don't have the necessary technical or marketing skills, they find someone who does and delegate these tasks so they can focus on growing the business.

9. Exit Preparedness

Not every attempt will result in success. The failure rate of entrepreneurial ventures is very high. Sometimes, the best solution is to call it quits and try something new instead of continuing to dump money into a failing business. Many famous entrepreneurs weren't successful the first time around, but they knew when to cut their losses.

Q 6 Skill required for entrepreneurship

1. **Adaptability:** It is important for an entrepreneur to be able to adapt well to changing market conditions and demands. A successful entrepreneur is one who is able to adapt themselves in a constantly evolving market.
2. **Ability To hire right:** A successful entrepreneur is one who knows that he alone cannot get everything done. So he needs to be able to hire people who have the right skills for the job. He also knows the importance of hiring people who have a positive attitude towards work.
3. **Focus:** It is important for a successful entrepreneur to be able to focus on their goals in order to achieve them. Lack of focus can lead them astray from the path to success.
4. **Passion:** Half-hearted attempts at anything can never be successful. An entrepreneur needs to be passionate about their work and about achieving their goals.
5. **Ability to manage negative emotions:** We all have our highs and lows from time to time. But a successful entrepreneur is one who is able to recover from the lows quickly. They should be able to manage their negative emotions well so that it does not interfere with their goals.
6. **Self-awareness:** A successful entrepreneur is self-aware. This means that they are completely aware of their strengths and weaknesses. This ensures that they do not overestimate or underestimate their capabilities and be successful.
7. **Innovation:** It is important for a successful entrepreneur to be able to think out-of-the-box. Innovation is the key to rising above your competition and creating products that customers will love.
8. **Ability to sell:** A successful entrepreneur is able to assess market needs effectively. Based on such knowledge they need to be an efficient salesperson, not pushy but consultative.
9. **Ability to accept criticism:** A successful entrepreneur is one who is able to take criticism positively and learn from it. This ensures that they do not repeat the same mistakes and make more mature business decisions.
10. **Self-reliance:** Above all, a successful entrepreneur needs to be self-reliant. They need to have the ability to depend on solely themselves, when needed, to get something done.

UNIT 2

Q 7 Steps involved in new venture start up

1. Generating The business Idea
2. Opportunity recogition
3. Environmental Scanning
4. Industry and Competitor Analysis
5. Feasibility Analysis
6. Business Plan
7. Preparing Project report

Q 8 Source of New Idea methods of generating new idea.

Source

1. Consumer
2. Existing product and service
3. Distribution channels
4. Trends: economic trends, government trends, social trend, technology trends.
5. Research and development
6. Government policy
7. Strategic change
8. Exhibitions

Methods

1. Focus group
2. Problem inventory analysis
3. Brainstorming
4. Forced relationship
5. Publication
6. Daydreaming (Imagination)
7. Combination of above method

Q 1 Project report

A Project Report is a document which provides details on the overall picture of the proposed business. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.

Project Report - Meaning, ContentsProject Report – Meaning, Contents

Project Report is a written document relating to any investment. It contains data on the basis of which the project has been appraised and found feasible. It consists of information on economic, technical, financial, managerial and production aspects. It enables the entrepreneur to know the inputs and helps him to obtain loans from banks or financial Institutions.

The project report contains detailed information about Land and buildings required, Manufacturing Capacity per annum, Manufacturing Process, Machinery & equipment along with their prices and specifications, Requirements of raw materials, Requirements of Power & Water, Manpower needs, Marketing Cost of the project, production, financial analyses and economic viability of the project.

Contents of a Project Report

Following are the contents of a project report.

1. **General Information**

A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the demand for the product in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

2. **Executive Summary**

A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

3. **Organization Summary**

The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on sole proprietorship, partnership or joint stock company. It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.

4. **Project Description**

A brief description of the project must be stated and must give details about the following:

- Location of the site,
- Raw material requirements,
- Target of production,
- Area required for the workshed,
- Power requirements,
- Fuel requirements,
- Water requirements,
- Employment requirements of skilled and unskilled labour,
- Technology selected for the project,
- Production process,
- Projected production volumes, unit prices,
- Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

5. **Marketing Plan**

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following:

- Type of customers,
- Target markets,
- Nature of market,
- Market segmentation,
- Future prospects of the market,
- Sales objectives,

- Marketing Cost of the project,
- Market share of proposed venture,
- Demand for the product in the local, national and the global market,
- It must indicate potential users of products and distribution channels to be used for distributing the product.

6. **Capital Structure and operating cost**

The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owners funds and borrowed funds. Working capital requirements must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.

Proposed financial structure of venture must indicate the expected sources and terms of equity and debt financing. This section must also spell out the operating cost

7. **Management Plan**

The project report should state the following.

- Business experience of the promoters of the business,
- Details about the management team,
- Duties and responsibilities of team members,
- Current personnel needs of the organization,
- Methods of managing the business,
- Plans for hiring and training personnel,
- Programmes and policies of the management.

8**. Financial Aspects**

In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years.

The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years. Break even point and rate of return on investment must be stated in the project report. The accounting system and the inventory control system will be used is generally addressed in this section of the project report. The project report must state whether the business is financially and economically viable.

9. **Technical Aspects**

Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.

10. **Project Implementation**

Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

11**. Social responsibility**

The proposed units draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.

Q 2 **presenting business plan to investors**

To attract investors a business plan should include the following:

1. Cover page: Include the company's name, contact information and company logo.

2. Table of contents

3. Company background and opportunity summary: Provide a quick history of the company and describe the basic market need and your company's solution. Answer the question,"What is your company's value proposition?"

4. The market opportunity: Address the following areas and answer the questions,"Who are your customers? How are you going to make money?"

- **Market and industry:** Include relevant research on your market and industry, such as market size, market segments, your product's niche, the market's growth prospects, new trends and technologies, and any barriers to entry.

- Competition**:** Demonstrate that you fully understand the challenges from outside competitors, both large and small. Include a description of competitors' products, distribution channels, pricing and partnership. Consider developing a competitive matrix that lists the key attributes of your product and your competitive advantage and positioning.

- **Customers and end users:** Provide an outline for the target customers for your product or service. Refer to any customer testimonials in this section and include the document in the appendix or the due diligence package.

- **Sales and marketing strategy:** Explain how you will get the product into the customers' hands. Provide a revenue model and describe the sales cycle and process. Include a description of the channels to market and your marketing communications strategy.

5. Products and services: Describe your product or service; include photos or screen shots if it is a software product. Detail how your product is scalable and when you plan to launch if you have not already done so. Outline the next R&D steps to further build on or improve your offering. Include a discussion of intellectual property (for example, patents, copyrights, trademarks) and any technology partnerships. You may also highlight your competitive advantages.

6. People: Investors are putting their money behind you, so be sure to highlight how you've recruited the best team available to build the company. Include the list of advisors or board members as well as service providers. Get the approval of any directors and advisors before including their information in the document. If you are planning any key hires in the near future, and you will be using the funding to build out the team, include the roles in this part of the discussion.

7. Financials: Include your key assumptions and provide two scenarios.

8. Sources of funding and use of proceeds:

- Sources of funding: Describe investment by principals, prior equity investments, debt (if any), cash from operations and total funds raised to date.

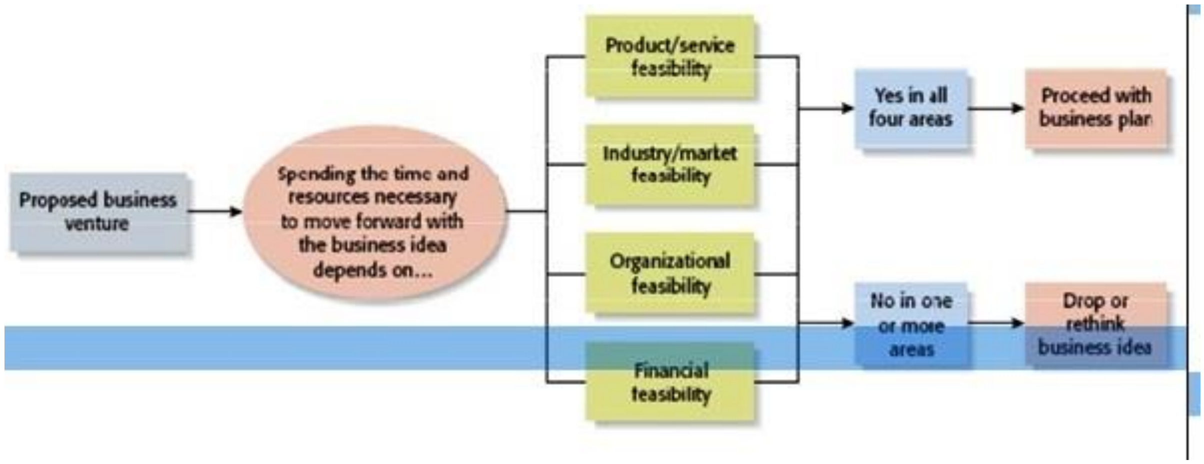
- Use of proceeds: Describe how you will use the funding. Examples may include sales and marketing, research and development, recruiting costs and salaries of new hires, equipment, capital expenses, legal and accounting, which will total to the amount you are targeting to raise in outside financing.

9. Milestones: Based on the appropriate timelines for the individual milestones, detail the actions your team will focus on to further build the organization's value. Actions include key hires, new financing, sales milestones, new product launches and strategic partnerships.

10. Appendices: Include anything relevant, such as biographies of founders and key management, patent information and customer testimonials

Q3 **Feasibility Analysis**

- Feasibility analysis is the process of determining if a business idea is viable.
- It is the preliminary evaluation of a business idea, conducted for the purpose of determining whether the idea is worth pursuing
- Feasibility analysis takes the guesswork (to a certain degree) out of a business launch, and provides an entrepreneur with a more secure notion that a business idea is feasible or viable.



1. **Product/Service Feasibility**

- Is an assessment of the overall appeal of the product or service being proposed.
- The idea is that before a prospective firm rushes a product or service into development, it should be confident that the product or service is what its prospective customers want.

The two components of a product/service feasibility analysis are:

i. Concept testing

ii. Usability testing

1. **Concept Testing**

- A concept test entails showing a representation of the product or service to prospective users to gauge customer interest, desirability, and purchase intent.
- A concept statement is a one page description of a business that is distributed by a startup entrepreneur to people who are asked to provide feedback on the potential of the business idea.

There are three primary purposes for a concept test:

1. to evaluate the underlying premises of a product or service that an entrepreneur thinks is compelling
2. to help develop an idea
3. To estimate the potential market share the product or service might command.

Information to Include

a. A description of the product or service being offered.
b. The intended target market.
c. The benefits of the product or service.
d. A description of how the product will be positioned relative to similar ones in the market.
e. A description of how the product or service will be sold and distributed.
f. Information about the founder or founders of the firm.

2. Usability Testing

- Is the method by which users of a product are asked to perform certain tasks in order to measure the product's ease-of-use and the user's perception of the experience.
- Usability tests are sometimes called user tests, beta tests, or field trials, depending on the circumstances involved.
- While it is tempting to rush a new product or service to market, conducting a usability test is a good investment of an entrepreneur's or firm's resources.
- Many products that consumers find frustrating to work with have been brought to market too quickly.

2. Industry/Market Feasibility

Industry Attractiveness

A primary determinant of a new venture's feasibility is the attractiveness of the industry it chooses.

I. Industries vary considerably in terms of their growth rate

II. In general, the most attractive industries are characterized as the following:

(1) Are large and growing;

(2) Are important to the customer;

(3) Are fairly young rather than older and more mature;

(4) Have high, rather than low, operating margins;

(5) Are not crowded.

3. Organizational Feasibility Analysis

Is concerned with determining whether the business itself has sufficient skills and resources to bring a particular product or service idea to market successfully.

a. management expertise

b. organizational competence

c. resources

There are two primary issues to consider in this area:

i. Management prowess

ii. Resource sufficiency

1 Management Prowess

A firm should candidly evaluate the prowess (ability) of its management team to make sure management has the

- requisite passion and
- expertise to launch the venture.

The most important factors in this area are:

- The passion that the solo entrepreneur or the founding team has for the business idea.
- The extent to which the solo entrepreneur or the founding team understands the markets in which the firm will participate.

Solo entrepreneurs or founding teams with established social and professional networks also have an advantage

2. Resource Sufficiency

- This topic pertains to an assessment of whether an entrepreneur has sufficient resources to launch the proposed venture.
- The focus here should be on nonfinancial resources in that financial feasibility is considered separately.

- To test resource sufficiency, a firm should list the 6 to 12 most critical nonfinancial resources that will be needed to move the business idea forward successfully.
- If critical resources are not available in certain areas, it may be impractical to proceed with the business idea.

Examples of nonfinancial resources that may be critical to the successful launch of a new business

- Availability of affordable office or lab space.
- Likelihood of local and state government support of the business.
- Quality of the labor pool available.
- Proximity to key suppliers and customers.
- Willingness of high quality employees to join the firm.
- Likelihood of establishing favorable strategic partnerships.
- Proximity to similar firms for the purpose of sharing knowledge.
- Possibility of obtaining intellectual property protection in key areas

4. Financial Feasibility

For feasibility analysis, a quick financial assessment is usually sufficient.

The most important issues to consider at this stage are:

i. Total start-up cash needed.

ii. Financial performance of similar businesses.

iii. Overall attractiveness of the proposed venture.

Total Start-Up Cash Needed

- The first issue refers to the to the total cash needed to prepare the business to make its first sale.
- An actual budget should be prepared that lists all the anticipated capital purchases and operating expenses needed to generate the first CHF 1 in revenues.
- When projecting start-up expenses, it is better to overestimate rather than underestimate the costs involved.

Performance of Similar Businesses

Estimate the proposed start-up's financial performance by comparing it to similar, already established businesses.

There are several ways to doing this, all of which involve a little ethical detective work.

- First, there are many reports available, some for free and some that require a fee, offering detailed industry trend analysis and reports on thousands of individual firms.
- Second, simple observational research may be needed. For example, the owners of New Venture Fitness Drinks could estimate their sales by tracking the number of people who patronize similar restaurants and estimating the average amount each customer spends.

Business Idea Topics:

» **Introduction to Business Idea**

» **Creative Process**

» **Methods of Idea Generation**

» **Screening of business Ideas**

» **Importance of Idea Screening**

» **Government Support To Entrepreneurs**

» **Institutional Support System**

Q 4 Introduction to Business Idea

Every new business, new product or service and new marketing approach has started with an idea. Generating new ideas can be a very burdensome task. Putting them into practice can be much harder. Once an idea strikes, a person has to fill in all the details of what he wants to achieve and how he is going to achieve it.

A good idea is nothing more than a tool in the hands of an entrepreneur. Finding a good idea is the first step in the task of converting an entrepreneur's creativity into an opportunity.

The importance of the idea is often over-rated, usually at the expense of under-emphasizing the need for products or services, or both, which can be sold in enough quantity to real customers.

There are three major hurdles to overcome before any idea can come to fruition:

1) Identify a problem,

2) Idea generation,

3) Idea selection.

Q 5 Idea Generation

Idea generation stage is the first step in any entrepreneurial activity. As many as new product ideas are developed in idea stage. Impractical ideas are dropped. Ideas which employ the maximum of available resources be taken up for further evaluation. The ideas should take care of customer requirements.

- Type of need
- Timing of need
- Competitive way to satisfy the need
- Perceived benefits and risks
- Price versus performance
- Market size and potential
- Payment capacities of customer
- How you meet the competition from existing or substitute product/s?

Business idea generation is a search for opportunities for new avenues of growth in business. As per peter Drucker the opportunities are of three types:

1) Additive Opportunities: Here better and intense utilization of existing resources is called for from the decision makers. This also means changes in production and marketing strategies.

2) Complementary Opportunities: Bring new ideas in existing products or bring in value addition or changes desired in the market. Here character of business is likely to change the risk in business increases.

3) Breakthrough Opportunities: New product, new areas, new technologies bring in fundamental ideas. Breakthrough changes structure, strategies and business character. The element of risk is the highest and is combined with highest gains in case of success.

The following steps are involved in searching and selecting business idea:

1) Creating business ideas.

2) Study and process the ideas.

3) Select the best idea.

The ideas are generated from various sources and put for preliminary evaluation and testing. Once the business ideas are generated, study, screening and testing of these ideas is done based on the entrepreneur's own experience or with the help of experts in the field.

Creativity and Innovation in Idea Generation

The terms creativity and innovation are often used to mean the same thing, but each has a unique connotation. Creativity is "the ability to bring something new into existence. This definition emphasizes the "ability," not the "activity," of bringing something new into existence. A person may therefore conceive of something new and envision how it will be useful, but not necessarily take the necessary action to make it a reality. Innovation is the process of doing new things. This distinction is important. Ideas have little value until they are converted into new products, services, or processes. Innovation, therefore, is the transformation of creative ideas into useful applications, but creativity is a prerequisite to innovation.

Creativity is the ability to bring something new into existence. Innovation is the translation of an idea into application, which has a commercial value. Creativity is a prerequisite for innovation. It can be develops new alternatives and offers innovative solutions.

This can be done by:

1) Adding Product Features: A job which is hard to do can be made easier for example electric mixers and grinders have dramatically reduced the labour expended in Indian Kitchens. Another example is that of the Courier service which has almost threatened the functioning of the Indian Postal Service.

2) Cutting Cost: The entrepreneur can change the expensive product for example the prices of computers and cell phones have come down drastically,

3) Simplifying operations: Through creative distribution and financing for example these days' loans for washing machines, televisions are given by the seller many a times.

Creative Process

Clearly, action by itself has no meaning; it is of little value to simply "do things" without having inspiration and direction. Entrepreneurs need ideas to purse and ideas seldom materialize accidentally.

Ideas usually evolve through a creative process whereby imaginative people germinate ideas, nurture them, and develop them successfully. A model of the creative process is shown in figure:

Idea Generation: The seeding stage of a new idea Recognition Preparation: Conscious search for knowledge Rationalization Incubation: Subconscious assimilation of information Fantasizing Illumination: Recognition of idea as being feasible Verification: Application or test to prove idea has value Validation

Stages in the Creative Process

Various labels have been applied to stages in the creative process, but most social scientists agree on five stages that we label as idea germination, preparation, incubation, illumination, and verification. In each stage, a creative individual behaves differently to move an idea from the seed stage of germination to verification, behavior varies greatly among individuals and their ideas:

1) Idea Germination: The germination stage is a seeding process. It is not like planning seed as a farmer does to grow com, but more like the natural seeding that occurs when pollinated flower seeds, scattered by the wind, find fertile ground to take root. Exactly how an idea is germinated is a mystery; it is not something that can be examined under a microscope. However, most creative ideas can be traced to an individual's interest in or curiosity about a specific problem or area of study.

2) Preparation: Once a seed of curiosity has taken as a focused idea, creative people embark on a conscious search for answers. If it is a problem they are trying to solve, then they begin an intellectual journey, seeking information about the problem and how others have tried to resolve it. If it is an idea for a new product or service, the business equivalent is market research. Inventors will set up laboratory experiments, designers will begin Engineering new product ideas, and marketers will study consumer buying habits.

3) Incubation: Individuals sometimes concentrate intensely on an idea, but, more often, they simply allow ideas time to grow without intentional effort. We all have heard about the brilliant, sudden "flashes" of genius, but few great ideas come from thunderbolts of insight. Most evolve in the minds of creative people while they go about other activities. The idea, once seeded and given substance though preparation, is rut on a back burner; the subconscious mind is allowed time to assimilate information.

4) Illumination: The fourth stage, illumination, occurs when the idea resurfaces as a realistic creation. The fixable of the thunderbolt is captured in this moment of illumination-even though the often long and frustrating years of preparation and incubation have been forgotten.

Illumination may be triggered by an opportune incident.

The important point is that most creative people go through many cycles of preparation and incubation searching for that incident as a catalyst to give their idea full meaning. When a cycle of creative behavior does not result in a catalytic event, the cycle is repeated until the idea blossoms or dis. This stag is critical for entrepreneurs because ideas by themselves, have little meaning.

5) Verification: An idea once illuminated in the mind of an individual still has little meaning until verified as realistic and useful.

Entrepreneurial effort is essential to translate an illuminated idea into a verified, realistic and useful application. Verification is the development stage of refining knowledge into application. This is often tedious and requires perseverance by an individual committed to finding a way to “harvest” the practical results of his or her creation. During this stage, many ideas fall by the wayside as they prove to be impossible or to have little value. More often, a good idea has already been developed, or the aspiring entrepreneur finds that competitors already exist. Inventors quite often come to this harsh conclusion when they seek to patient their products only to discover similar inventions registered.