

UNIT- 2

Entrepreneurship Development and Project Management (MBA-123)



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Theories of Entrepreneurship



It Is Universal Fact That Entrepreneurship Is An Important Factor For Economic Development. So Different Thinkers Have Evolved Different Theories Of Entrepreneurship.

1. **Invention Theory:-** This Theory Was Given By J.A. Schumpter According To Him Entrepreneur Is Basically An Innovation And Innovator Is One Who Introduced New Combination In Practice New Combination Theory Covers Five Cases Which Are Given Below :-
 - The Introduction Of New Goods Which Consumer Are Not At A Familiar Or Of A New Quality Of Good.

- The introduction of a new method of production that one not attested by experience in the branch of manufacturing concern which need by no means of be founded upon A discovery scientifically new and can also exist in a new way of handling a commodity commercially.
- The opening of a new market that is a market into which the particular branch of a manufacturer of a country has not previously entered whether or not this market has existed before.
- The identification of a new source of supply of raw materials or of manufactured good irrespective of whether the source already exist or whether it has first to be created.
- The clearing out of a new organization of any industry like the creation of a monopoly position or the breaking up of the monopoly.



Critical evaluation :-

In this theory the main theme is the innovation. Author marks the distinction between innovator and an inventor . according to him and inventor discover new method and materials but an inventor is one who applied inventions and discoveries in order to make new combination with the help of these new combination he produces new and better goods which yield satisfaction as well as profit.



Innovation Theory Limitations:-

- It excludes individual who merely operate and established business without performing innovative function.
- Innovating entrepreneur represent the most vigorous type of enterprise. This type of entrepreneur are rarely available in developing countries.
- It laid too much emphasis on innovating function but it ignore the risk taking aspect of entrepreneurship.



➤ It is used and entrepreneur as the large scale businessman he is a person who create something new but in practice and entrepreneur cannot have large scale operation from the very beginning.

➤ It fails to provide a suitable answer to question like why some countries had more entrepreneurial talent than others ?

Need for Achievement Theory:-



- This theory was developed by **McClelland**. He considered himself with economic growth and the factors that influence it in this context he tries to find the internal factors that is human values and motives that lead individual to exploit opportunities to take advantage of favorable trade conditions. that is why he gives importance to the innovative characteristics of an entrepreneurial goal. The entrepreneur is considered with need of achievement (n- achievement). The n achievement is called as "a desire to do well, not so much for the sake of social recognition or prestige, but for the sake of inner feeling for personal accomplishment".



This motive of n achievement that guides the action of entrepreneur people with high n achievement behave in an entrepreneurial way. So it is better to develop n achievement among individual to ensure high scale of economic development.

In practice, n- achievement motive is inculcated to child rearing practices which stress standard of excellence self reliance training and low father dominance. These are the way for practicing n achievement theory. Author identifies characteristics sticks of entrepreneurship first doing things in a new and better way secondly decision making under uncertainty.

Critical Evaluation



Research studies on psychological view of entrepreneurship reveals that high achievement orientation in shows the success of entrepreneur. At the same time internal investigation also need the following:-

- It is necessary to create climate (specially in educational institution) at various level to enable the children to grow to become individuals with high n - achievement.
- It is possible to improve the performance of existing entrepreneur through imparting proper training and education.

Status Withdrawal Theory :-



E. Hagen attempts to formulate a theory of social change. theory of social change explain that when number of some social group feels that their value and status and not respected by society, return to innovation to get respect of society.

According to **Hagen**, entrepreneurship is a function of status withdrawal. This theory provide that class which has lost its previous prestige or minority groups, tends to show aggressive entrepreneurial drive.

Hagen Postulates



4 types of events which can produce status withdrawal:-

1. Displacement of traditional elite group from its previous status by another traditional group by physical force.
2. Inconsistency of static symbol with changing distribution of economic power.
3. Non- acceptance of expected status on migration to new society.
4. Decrease of value, symbols through some change in the attitude of superior group.

Theory of Social Change:-

It was **Max Weber** who first of all took the stand that entrepreneurial growth depends upon the ethical value system of the society concerned. The central figure of Weber's theory of social change consists in his treatment of the ethics and spirit of capitalism. However, this theory provides an analysis of religion and its impact on entrepreneurial culture.

Max Weber focused that the spirit of rapid industrial growth depends upon a rationalized technology, acquisition of money and its rational use for productivity and multiplication of money. These elements of industrial growth depend upon a specific value orientation of the individual i.e., the tendency of acquisition and rational attitude towards action which are generated by ethical values.

Critical evaluation:-

The theory of social change founded by Max Weber is based on invalid assumptions. So expected results are not valid in all cases. These assumptions are as follows:-

- ❑ There is a single system of Hindu value.
- ❑ The Indian community interlude those value and translated them into day to day behavior.
- ❑ This value remains immune to and insulated against external pressure and change .

Marvey Leibenstien(X- efficiency theory)



X-efficiency is the degree of inefficiency in the use of resources within the form it measures the extent to which farms facts to realize its productive potential.

According to **Leibensation**, when an input is not used effectively the difference between the actual output and the maximum output attribute able to that input is a measure of the degree of X efficiency.

X efficiency arises either because of farm resources are used in the wrong way or because they are wasted that is not used at all.

Leibenstein identifies two main roles for the entrepreneur:-

1. Gap Filler.
2. An Input completer.



This function arises from the basic assumption of X efficiency theory. Thus it is clear that "if not all factors of production are marketed or if there are imperfections in the market the entrepreneur has to fill the gap in the market. To put an enterprise in motion the entrepreneur should fill enough of the gap.

The second role is input completion which involves making available inputs that improve the efficiency of existing production methods or facilitate the introduction of new ones. Here the role of the entrepreneur is making available inputs and improving them with the flow of information in the market.

Risk bearing Theory of knight:-

A key element of an entrepreneurship is risk bearing professor Knight John Stauk mill saw risk bearing as the important function of entrepreneur.

Features of risk bearing theory of knight :-

- 1-Risk create profit.
- 2- More risk more gain.
- 3- Profit as reward and cost.
- 4- Entrepreneur income is uncertain.

Economic Theory of Entrepreneurship:-



Many economist revealed that entrepreneurship and economic growth will take place in those circumstances where particular economic condition are in the favor of the business environment.

According to **Pappanek & Harris (author)** economic incentives are the main courses of entrepreneurial activity in any country.

These are a lot of economic factor which promote or demote entrepreneurship in a country.

These factors are:-



- The availability of bank credit.
- High capital performance with a good flow of savings and investments.
- Supply of loanable funds with the lower rate of interest.
- Availability of productive resources.
- Efficient economic policy like fiscal and monetary policies.
- Communication and transportation facility.

Women Entrepreneurs:-



Entrepreneurship does not differentiate the sex and the women entrepreneur can improve their genders not by initiating into an entrepreneurial activities. the term women entrepreneurs deal with that section of female population who ventures out into industrial activities that is manufacturing, assembling, job works, repairing and servicing and other businesses.

Women entrepreneurs may be defined as the woman or a group of women who initiate organize and operate a business enterprises. Women are expected to innovate adopt and economic activity to be called "women entrepreneurs".

Features of women entrepreneurs



Following are the main entrepreneurial traits of women entrepreneurs:-

1. **Imagination:-** it referred to imagine it an approach original idea with competitive market.
2. **Attribute to hard work:-** enterprising women have for the ability to work hard. The imagination ideas have to come to a fair playing.
3. **Persistence:-** women entrepreneurs must have an intention to fulfill their dreams. They have to make a dream translated into an enterprise. Studies shows that successful women have worked hard.

4. Ability and desire to take risk:- the desire refer to the willingness to take risk and ability to proficiency in planning, making forecast, estimates and calculations. Profits are the reward of risk. Enterprising women take rest but the rest is well calculated.

Problem of women entrepreneurs:-

Women entrepreneurs face many problems such as :-

- Banks and financial institutions do not have faith in women entrepreneurship. So they do consider applicants are higher risky than men.

- They lack ability to bear economic risk, social risk, technical and environmental risk.
- They have severe problem in domestic affairs like family and child care etc.
- They have low level of favorable family background in the field of family cooperation ,education, occupation at entrepreneurial base.
- Women have led a protective life so they are handicapped by their inability to travel from one place to another place for business reasons.

Suggestion to improve women Entrepreneurship-

Following are the suggestions to be implemented to promote women entrepreneurship:-

- Women entrepreneur should be e treated as a separate target group for entrepreneurial development programme.
- occasional training facilities are to be developed by the government for women it is the first stage in developing women entrepreneur area.

- Continued.....



- Institutional support system should be designed to suit the request.
- encouragement should be given to appropriate technologies equipment and practice for reducing their fear of efficiency and productivity.
- Government should try to involve women entrepreneurs in decision making process meant for entrepreneurship development.

Conclusion:- At last more and more potential women candidate should be motivated to join entrepreneurial activities. Pradesh purpose effective entrepreneurship development program is necessary to suit their requirements.

Entrepreneurial success and failure:-



Any business is started with the aim of achieving success but success is not always guaranteed because business has to go always in uncertainty.

success of an enterprise may be due to many reasons which can be broadly group into internal reasons and external reasons.

Internal reasons:-

1. Efficient management.
2. Quality goods and services.



3. Good reputation of its business and its product.
4. Good reputation of its entrepreneurs.
5. Low cost of production.
6. Effective marketing and selling network.
7. Proper financial management.
8. Dedicated manpower.
9. Appropriate Technology.
10. Timely updating of product and Technology.

External reasons:-



- Quality manpower.
- Increase in demand.
- Availability of appropriate raw material at affordable price.
- Suitable government policy.
- Low level of competition.
- Opening of New Market.

In the same way failure of any business may be due to many reasons which can be grouped into two categories that is internal reason and external reasons.

Internal reasons:-



- Ineffective management.
- Outdated technology.
- Poor financial management.
- Ineffective sales and marketing.
- Poor quality of products and services.
- High cost of production.
- Poor quality of inputs.
- Poor industrial relations.
- Improper leadership.

External reasons:-

- Shortage of raw material
- Shortage of quality manpower
- Shortage of financial
- Change in technology
- Change in taste, preference, fashion etc.
- High level of competition.
- Deduction in demand
- Change in government policies.
- Availability of better substitutes and alternatives.