

**UNIT-01**  
**ENTREPRENEURSHIP**  
**DEVELOPMENT & PROJECT**  
**MANAGEMENT (MBA-123)**

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# Unit:- 1 Foundation of Entrepreneurship Development

## Concept: Entrepreneurship

- The word entrepreneur is derived from the French word, “Entreprendre” and its lateral meaning is ‘to undertake’.
- It was applied to leaders of military in the early 16<sup>th</sup> century.
- However around 1790 AD it was used in the context of other type of adventures like architects and contractors of public work.
- The Oxford English dictionary in 1887, states that Entrepreneur simply is the director or manager of a public musical institution, one who puts up entertainment, specially musical performance.

➤ A further revision has been appeared in 1993 in business and world means “one who undertake an enterprise specially a contractor acting as intermediary between capital and labor. In this way, undertaking of an enterprise is regarded as entrepreneurship and one who take it , one who co-ordinate capital and labor for the purpose of production is an entrepreneur.

➤ In the layman , Entrepreneur is one who identify an opportunity business for undertaking in his supervision.

# Characteristics

- Risk Taker.
- Decision Maker.
- Undertaker.
- Identify opportunities for making profitable business.
- Self Motivated.

# Definition of Entrepreneurs

- The term entrepreneurs is defined in different ways. However no consensus has been arrived at a universally accepted definition of entrepreneur.
- Important definitions by some author are as follows:
  - **Contillon** :- According to him, “An entrepreneurs is an agent who buys means of production at a certain prices in order to combine them into a product that he is going to sell at prices that are uncertain at the movement at which he commits himself to his cost”. In this definition Cotillion emphasize the function of risk taking and uncertainty bearing.

**J. B. Say** :- According to him, “Entrepreneurs is an economic agent who unites all means of production, the labor force, the capital or the land of others and who finds in the value of products. His results from their employment reconstitution of the value of the wages, the interest and the rent which he pays as well as profit belonging to himself.”

➤ **Joseph A Schumpeter** :- He defined entrepreneur as “An individual who carries out new combines of means of production by which this occurs disequilibrium”. He further stated that the key individuals in the development are the entrepreneurs who are specially motivated and talented class of people. They foresee the potentially profitable opportunity and try to exploit it.

# Entrepreneurial Characteristics / Characteristics of Entrepreneurs

An entrepreneur should be one who bears risk, innovates and organizes the business.

Following are the important personality characteristics of an entrepreneur-

1. Change agent.
2. Self confidence.
3. Energy level.
4. Level of risk.
5. Need for achievement.
6. Tolerance for ambiguity.
7. Locus of control.

# Function of entrepreneurs

- Innovation
- Risk taking
- Organization and management/method
- Business decision



# Types of Entrepreneurs

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- Innovative entrepreneurs.
- Imitating entrepreneurs.
- Favicon entrepreneurs.
- Drone entrepreneurs.

## Innovative entrepreneurs:-

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- They are characterized by effective assemblage of information and the analysis of results originated from different sets of combinations.
- According to Schumpeter, innovative entrepreneurs are those who may raise money to launch an enterprise, assemble the various factors, select top executive.

## Immitating entrepreneur:-

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- These entrepreneurs are those entrepreneur who are unable to innovate the changes themselves but they are capable enough to imitate or copy the techniques and Technology invited by innovation entrepreneurs.
- Thus these entrepreneurs are also ready to head out successful innovation executive innovative entrepreneur says there is a little involvement of huge capital expenditure in process.

## ➤ Types of Entrepreneurs

### **Fabian entrepreneurs:-**

➤ These entrepreneurs are shy and lazy in their working. Their dealings are guided by the custom, religion, tradition and past practices. Actually Fabian entrepreneurs are always conscious in their dealings and believe in skepticism (feeling of doubt) in initiating any change.

### **Drone entrepreneur:-**

These entrepreneurs are those who are not inclined to bring changes in their production system as demanded by the change in consumer preferences, technological innovations, economic and social behavior of the prospective customer. Market always provides opportunities to the entrepreneurs but these types of entrepreneurs generally failed to use these opportunities in a profitable way.

# Entrepreneurship:-

Entrepreneurship is an important factor of industrial development of a country. It is the primary trade of an entrepreneur. The degree and quality of entrepreneurship differ from the entrepreneurs to entrepreneurs. However, there are certain agents/determinants which affect the development, progress, and growth of entrepreneurship.

**Concept of entrepreneurship:-** Following approaches are used to explain the concept of entrepreneurship:-

- ❑ **Economic approach:-** Entrepreneurship is the process of initiating a new venture organisation and the resources it requires and assuming the risk it carries.
- ❑ Adam Smith (1776), *Wealth of Nations* observed that an individual who undertakes the formulation of an organisation for commercial purposes is an individual with unusual foresight to recognise potential demand for goods and services.
- ❑ **Sociological approach:-** Sociologists consider entrepreneurship as the process of role performance. Entrepreneurship is expected to be governed by wishes, custom, ethical values, etc. According to Peter Morris, a sociologist in his study, "The Social Barriers of African Entrepreneurship in 1967", entrepreneurship requires to assemble or resemble from what is available a very concrete type of imagination to be what others have missed. Sensitivity to business and social environment in the industrial development and social entrepreneurial. So these are some social factors which motivate the entrepreneur for entrepreneurship.

## Psychological approach:-

In this approach we can mention the concept developed by McClelland. In his work he stated that it is the high need for achievement which drives people towards entrepreneurial activities.

Achievement motive tends to take keen interest in the situation of high risk, desire for responsibility in order to do something new for fulfilling his achievement objective/motive.

Thus entrepreneurship is the end result of a complex and varying combination of socio-economic, psychological and other variables.

# Characteristics of entrepreneurship:-

1. Dynamic process.
2. Innovation.
3. Risk taking.
4. Decision making.
5. Accepting challenges.
6. Organization.
7. Skillful management.
8. Making the enterprise a success.

# Economic and social benefits of entrepreneurship:-

The changing environment provides new opportunities for entrepreneurs and as a result under partnership has positively affected the economy and the society.

Following are the important economic and social benefits:-

1. Creating innovation.
2. Fostering economic growth.
3. Identifying ownership opportunities.
4. Enhancing welfare amenities.



# Barriers of entrepreneurship:-

The process of entrepreneurship can be affected by the regulatory measures and other environmental factors:-

- ❑ 1. Regulatory barriers.
- ❑ 2. Mergers and acquisitions.
- ❑ 3. Completion policy.
- ❑ 4. Delayed payment.
- ❑ 5. Absence of protection of intellectual property right.
- ❑ 6. Defective administration.

# Creativity and Innovation:-



Creativity and innovation are the special breeds of planned change that organization actively seek to promote in the system. Creativity is the process of developing a noble idea new way of approaching and old idea is the spark of innovation. The transformation of creative ideas into product or services that fulfills customer needs.

Creativity is the process of bringing something new into being, creativity requires passion and commitment.

# Nature of creativity:-

There are many definitions emphasizing a different phrases of creativity i.e.,

A) Approach of output creative effort:- it describes creativity as" the discovery of something" that is noble but also useful or relevant are economical or valuable.

B) Approach of noble hypothesis:- it explain the gravity of creative action. The product or outcome of a creative effort must be both significant.

However, Don MacKinnon has stated that nearly nobility of product does not justify its being called creative. There are certain condition of a product to be treated as creative.

i) The product must be adaptive to reality

ii) It must serve to solve a problem

iii) The need of a given situation accomplish some recognizable goal

iv) Product must be pleasing

v) It significantly changes our views of the world

C) Approach of creative process:-

According to this approach "creativity is divergent thinking" the seeking of relationship between previously and relative concept of frame of reference of exploring the underknown.

D) Approach of states of the being:-

under this approach creativity is identified with openness in expressing feelings. Receptivity to idea, concern for others, desire to grow a person on actualize once potential etc.

# Constituents of creative abilities:-

Creativity is the cluster of abilities. It includes the following creativity constituent:-

1. Fluency.
2. Flexibility.
3. Originality.
4. Problem sensitivity.
5. Elaborateness.
6. Problem restructuring.

Note:- Constituent of creative abilities are not available in equal measures in the same individual. The individual who can deal fluently may not be very original and vice versa. it is therefore in appropriate to categorize as creative or an creative without specifying the dimensions on which he has higher ability and the ones on which he has more limited ability.

# Process of creativity:-

1. Generation of Idea.
2. Problem solving and Idea development.
3. Implementation.

**Generation of Idea:-** The generation of idea in an organization depend for most on the flow of people information between the form and its environment. It is generally stimulated by external content. For example the vast majority of technological innovation have been made in response to the condition in the marketplace.

**Idea development:-** It is dependent on the organizational culture and process within can support or inhibit the development and use of creative ideas.

**Implementation:-** The implementation stage of creative process in organization consist of those step that brings a solution or invention to the marketplace. for manufacturing goods this step include engineering, tooling, manufacturing, test marketing and promotion. While a high rate of innovation often reduces short-term profitability but it is crucial for long term goal.

# Types of creativity:-

It is generally quality of creation determines the types of creativity. Many authors have suggested different type of creativity. According to Tring Taylor there are following types of creativity:-

- 1.Spontaneous creativity.
- 2.Technical creativity.
- 3.Inventive creativity.
- 4.Innovative creativity.
- 5.Emergency creativity.

# Innovations:-

The term creation relates to founding an origin. Creativity is concerned with the generation of new ideas where innovation translates new ideas into products in an organization. Innovation means doing new things or doing things that are already being done in a new way.

Innovation is the transformation of creating ideas into useful applications but creativity is the prerequisite of innovation.

Types of innovation:-

1. Technical innovation.
2. Non technical innovation.

# Phases of innovation:-

It has 2 phases

A) Design phase.

B) Implementation phase.

**Design phase:-** the design phase is marked by much divergent thinking and creativity, brainstorming, search for alternative etc. Research studies suggest that the management of design phase need to be marked by administrative flexibility and authority exercised by the expert in a given situation, open communication, sharing information, much discussion etc.

**Implementation phase:-** It requires a very different mode of Management. it is not much important for divergent creative thinking as for putting the chosen innovation to work. Much planning need to be given careful coordination, control and evaluation of progress.



# Entrepreneurship Development:-

- Entrepreneurs are not just born they can be developed and trained in entrepreneurial activities. However they must be motivated to develop their own innovative entrepreneur real enterprises for the production of goods and services.
- Generally, everybody does not have the capacity to become a potential entrepreneur. Development of an entrepreneur means inculcating entrepreneurial traits into a person, imparting the required innovation, developing the management and building the entrepreneurial attitude.

## Entrepreneurship Development Program:-

- EDP means " a program design to help a person in strengthening and fulfilling his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively.
- Towards this end it is necessary to promote his understanding of motives. Motivation pattern their impact on behavior and entrepreneurial value.
- Thus EDP is designed to identify persons with entrepreneurial abilities and to train them to set up a new enterprise. In other words, it deals with careful identification and potential entrepreneur, need based entrepreneurial training and pre and post project implementation, follow- up support.

# Objectives of EDP:-



- i) To accelerate the process of entering into business for those who come from business families.
- ii) To encourage 1st generation entrepreneurs who do not have any business background.
- iii) To develop and strengthen the entrepreneurial competencies of prospective entrepreneur.
- iv) To provide help in identification and formulation of viable project.
- v) Arrange support system about the process and procedures of setting up an enterprise.
- vi) To impart training in managerial understanding and,
- vii) To provide post training assistance and monitoring facilities.

# Features of EDP:-

Following features are to be incorporated:-

- i) Identification and careful selection of entrepreneur for training.
- ii) Developing entrepreneurship capabilities of the trainee.
- iii) Ensuring the viable industrial projects for each potential entrepreneur.
- iv) Equipping the trainee with basic managerial understanding.
- v) Helping them to secure necessary financial infrastructure and related assistance.
- vi) Subsidized training cost to ensure commitment of participants.

# Phases of EDP:- It consist of 3 broad phases :-

**1. Pre training preparation:-** It comprises policy related to the objective of the program, laying down initial of success, recruitment, selection, training of trainers, development of training materials for different level of applicant population entrepreneur and publicity strategy.

**2. Entrepreneurial training:-** It centers on under connotes allied issues to be tackled location methodology used for training material trainers training relations and coordination among faculty from different development institution.

**3. Post training:-** This consists of making available necessary information counselling and support to entrepreneurs in his enterprise to building effort. It is notable that every EDP has to pass through these phases and each phases involved a considerable amount of work sometimes leading the organization but most of the time in cooperation with other development first.

# Organization of EDP:-



1. National institute of entrepreneurship and small business development.
2. Entrepreneurship development institute of India.
3. Small industry development organization.
4. Small industries development Bank of India SIDBI.
5. National institute of small industry extension and training.

# Business opportunities:-

- In general entrepreneur is term as opportunity seeker. He is supposed to identify explore and then select a variable business opportunities.
- Business opportunity is an attractive project in term of abdicate rate of return which motivates the entrepreneurs to accept that particular project for making investment decisions.
- Entrepreneur generally as different possibilities and select only highest reward paying possibility for execution.
- Thus a business possibility may take the shape of business opportunity only when that possibility is being capable of as commercial feasible.

# **In this context two major criteria are important for making a possibility of business opportunity.**

**Criteria 1:-** Favorable market demand for excess of demand over existing supply available in the market.

**Criteria 2:-** adequate rate of return on investment that is generated equal to normal rate of return and risk parameter attached to that particular business opportunity.

# Objectives of Identification of business opportunities:-

Following are the main objective of identification of business opportunity:-

- 1- To evaluate the possibilities of developing and utilizing physical resources of the particular region from the technical and economic point of view.
- 2- To study and examine the small medium and large scale industrial possibilities keeping in mind the requirement of the region and country as a whole the possibility must be technically feasible as economically viable.
- 3- To identify those industries which are not based on local resources, but they can be established on the basis of economic consideration keeping in mind the future requirement of the region for country as such.
- 4- To assess and estimate the capital, labor ,transport ,fuel, raw material for visible industries.
- 5- To study the short and long-term development possibility of the region with regard to agriculture, irrigation, forestry, fisheries, mineral and labor services, etc.



# Factor affecting identification of business opportunity:-



- 1- Volume of internal demand.
- 2- Availability of industrial raw material.
- 3- Availability of internal resources.
- 4- Possibility of export.
- 5- Analysis of performance of existing unit.
- 6- Level of risk in business.

# **Business opportunities in major group of industries:-**

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1.Manufacturing.

2.Wholesaling.

3.Retailing.

4.Services.



Thank You