Unit - 3 : Entrepreneur: Definition and Concept

Structure of Unit:

3.0 Objectives
3.1 Introduction
3.2 Meaning and Definition of Entrepreneur
3.3 What is an Entrepreneur?
3.4 Characteristics and Skills of Entrepreneur
3.5 The Entrepreneurial Decision
3.6 The Entrepreneurial Process
3.7 Summary
3.8 Self Assessment Questions
3.9 Reference Books

3.0 Objectives

After completing this unit, you will be able to:

- Understand meaning of the term ‘Entrepreneur’
- Explore various personality characteristics and skills of a successful entrepreneur.
- Understand the evolution of the term entrepreneur.
- Describe who entrepreneurs are and what they do?
- Discuss the various entrepreneurial decisions.
- Outline the steps in entrepreneurial process.

3.1 Introduction

As we enter the third millennium, small firms, new firms and entrepreneurialism have become the focus of economic activities. These are the by-words of business, the latest fashion in the fashionable world of business education. The world is rapidly changing; we should be able to change our attitudes and approaches accordingly. Process of development includes creation of appropriate infrastructure and setting up and management of public utilities. Similarly, application of modern scientific techniques in agriculture has become imperative for providing a sound base for a more rapid growth of employment and incomes. There is also a need for rapid growth of distributed industries in a multi-directional way. Apart from land, labour and capital, there is greater need for entrepreneurs to strive for growth on an ongoing basis.

The key to growth is to foster entrepreneurial culture, Peter Drucker writes, “The emergence of the entrepreneurial society may be a major turning point in history”. In fact, entrepreneurs are the builders of a nation and creators of humanity by their innovative vision, dynamic leadership and creative decision behaviour. Entrepreneur is the central figure of economic activity and motivator of development.

Entrepreneurs have become the stuff of legends, ‘economic heroes’ (Canon 1991) increasingly held in high esteem and held up as role models to be emulated. They are often said to embody many ephemeral qualities - freedom of spirit, creativity, vision, zeal. Like Dhiru Bhai Ambani, they have the courage and self-belief to turn their dreams into realities. They see an opportunity, commercialise it and in the process create jobs from which the rest of society benefits. Vesper suggests that those of us who strongly favour a market
economy view entrepreneurs as pillars of industrial strength - the movers and shakers who constructively disrupt the status quo.

Indian entrepreneurs will have, therefore, to draw up their futuristic vision by way of redefining their purpose and mission and resetting their attainable objectives, and developing long-term strategy against the background of emerging opportunities and impending threats inherent in domestic and global environments on the one hand and competencies and weaknesses, on the other.

### 3.2 Meaning and Definition of Entrepreneur

Who is an entrepreneur? What is entrepreneurship? What is an entrepreneurial career path? These frequently asked questions reflect the increased national and international interest in entrepreneurs. On the other hand, increased academic interest in the entrepreneurship is bringing a sharper focus on the subject. In spite of all this interest, a concise, universally accepted definition has not yet emerged.

The word entrepreneur is French and, literally translated, means “between-taker” or “go-between”. The Webster Dictionary explains that the term entrepreneur is applicable to ‘one who organizes, manages and assumes the risks of a business or enterprise.’ The general perception of the entrepreneurs as a starter of businesses is reflected by the definition in the BBC English Dictionary, which refers to an entrepreneur ‘as a person who sets up a business.’ English Dictionary defines an entrepreneur as ‘a person who attempts to profit by risk and initiative’. This definition emphasises that entrepreneurs exercise a high degree of initiative and are willing to take a high degree of risk.

Michael Palner writes, “The word entrepreneur carries a deluge of definitional and operational ambiguity. The entrepreneurial function has been identified with “uncertainty bearing”, “co-ordination of production resources”, “introduction of innovations” and the “provision of capital”. All definitions are ex-post facto: a person is defined as an entrepreneur because of something he has done, in terms of a function”.

The New Encyclopaedia Britannica considers an entrepreneur as “an individual who bears the risk of operating a business in the face of uncertainty about the future conditions.” Leading economists of all schools, including Karl Marx have emphasised the contribution of the entrepreneurs to the development of economies, but Joseph Schumpeter who argues that the rate of growth in an economy depends to a great extent on the activities of entrepreneurs, has probably put greater emphasis on the entrepreneurial function than any other economist.

By the 17th century, the term ‘entrepreneur’ was meant to refer to individuals who entered into contractual agreements to sell goods and services at fixed prices. In the 18th century, the term included individuals, who brought in capital to carry out the business activities rather than using the capital provided by others.

Back in 1800, Jean-Baptist Say, the French economist usually credited with inventing the word said; ‘entrepreneurs shift economic resources from an area of lower productivity into an area of higher productivity and greater yield’. In other words entrepreneurs create value by exploiting some form of change, for example in technology, materials, prices or demographics. We call this process innovation and this is an essential tool for entrepreneurs. Entrepreneurs, therefore, create new demand or find new ways of exploiting existing markets. They identify a commercial opportunity and then exploit it.

According to Joseph Schumpeter “Entrepreneur is one who innovates, raises money, assembles inputs, chooses managers and sets the commercial organisation going with his ability to identify them and opportunities which others are not able to identify and is able to fulfil such economic opportunities.” Joseph A. Schumpeter also writes: “The entrepreneur in an advanced economy and an individual who introduces something new in the economy - a method of production not yet tested by experience in the branch of manufacturer concerned,
a product with which consumers are not yet familiar, a new source of raw material or of new markets and
the like.” He further states the entrepreneur’s function is to “reform or revolutionise the pattern of production
by exploiting an invention or more generally, an untried technological possibility for producing a new
commodity”

![Figure 3.1: Schumpeter’s view of Entrepreneur](image)

**Table 3.1 Development of Term Entrepreneur**

<table>
<thead>
<tr>
<th>Middle Ages</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>17th Century</strong></td>
<td>Person bearing risks of profit (loss) in a fixed-price contract with government.</td>
</tr>
<tr>
<td>1725</td>
<td>Richard Cantillon - person bearing risks is different from one supplying capital.</td>
</tr>
<tr>
<td>1803</td>
<td>Jean Baptiste Say - separated profits of entrepreneur from profits of capital.</td>
</tr>
<tr>
<td>1876</td>
<td>Francis Walker - distinguished between those who supplied funds and received interest and those who received profit from managerial capabilities.</td>
</tr>
<tr>
<td>1934</td>
<td>Joseph Schumpeter - entrepreneur is an innovator and develops untried technology.</td>
</tr>
<tr>
<td>1961</td>
<td>David McClelland - entrepreneur is an energetic, moderate risk taker.</td>
</tr>
<tr>
<td>1964</td>
<td>Peter Drucker - entrepreneur maximizes opportunities.</td>
</tr>
<tr>
<td>1975</td>
<td>Albert Shapero - entrepreneur takes initiative, organizes some social and economic mechanisms, and accepts risks of failure.</td>
</tr>
<tr>
<td>1980</td>
<td>Karl Vesper - entrepreneur seen differently by economists, psychologists, businesspersons and politicians.</td>
</tr>
<tr>
<td>1985</td>
<td>Robert Hisrich - entrepreneurship is the process of creating something different with value by devoting the necessary time and effort; assuming the accompanying financial, psychological, and social risks; and receiving the resulting rewards of monetary and personal satisfaction</td>
</tr>
</tbody>
</table>

Frank W. Young conducted a series of tests and found that entrepreneurs show a tendency to describe any problematic situation as a ‘problem to be tackled with pragmatic efforts. The entrepreneur will have confidence in their own ability of analysing and solving.

F. H. Knight, in his article on Risk, Uncertainty and Profit propounded that “entrepreneurs are a specialized group of persons who bear risks and deal with uncertainty.” He also identified social, psychological and economic factors which govern the supply of entrepreneurship.

According to Francis A. Walker “An entrepreneur is one who is endowed with more than average capacities in the task of organising and coordinating the various factors of production. He should be pioneer, a captain of industry.”

David C. McClelland wrote that “an entrepreneur is an individual who takes moderate risks and brings innovation. McClelland also suggests that an entrepreneur is not characterised by routine tasks which are managed by usual managers and situations of high risks such as gambling or betting. The entrepreneur exhibits a desire to take personal responsibilities for decisions preference for moderate risks and interest in concrete knowledge of business and the possible outcomes.”

Peter Drucker observed that, “Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned and practised. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation.”

Henry Ford said that, Entrepreneur can do anything with passion and enthusiasm. Enthusiasm is the yeast that makes his hopes rise to the stars. Enthusiasm is the spark in his eye, the swing in his gait, the grip of his hand, the irresistible surge of his will and his energy to execute his ideas.

Everett E. Hagen describes an entrepreneur as “a creative problem solver interested in things in the practical and technological area. He is a person who has high need achievement and feels a sense of increased pleasure when he faces a problem. He’ does not rebel against the conventional view for sake of rebelling; also he does not accept it because it is generally accepted.”

Robert D. Hisrich says, “The person who is going to establish a successful new business venture must also be a visionary leader - a person who dreams great dreams. Although there are many definitions of leadership, the one that best describes the needed entrepreneurial leadership is: A leader is like a gardener. When you want a tomato, you take a seed, put it in fertile soil, -and carefully water under tender care. You don’t manufacture tomatoes, you grow them.”

As Professor Jan Tinbergen points out, “The best entrepreneur in any developing country is not necessarily the man who uses much capital, out rather the man who knows how to organise the employment and training of his employees. Whoever concentrates on this is rendering a much more important service to his country than the man who uses huge capital.”

Entrepreneur is someone who initiates and actively operates an entrepreneurial venture. Inherent in this definition is the idea that the entrepreneur is not just the person who identifies the opportunities that are the basis for pursuing and initiating the entrepreneurial venture, but is also that person who operates the entrepreneurial venture. The entrepreneur “does” the venture as well as “dreams” it up.

Entrepreneurship may be defined in various ways, but the four key elements involved in it are:
(i) Innovation  
(ii) Risk-taking,  
(iii) Vision and  
(iv) Organising skill. All the four elements are inter-related and form a continuous process in business.

The term “entrepreneur” has been defined as one who detects and evaluates a new situation in his environment and directs the making of such adjustments in the economic systems as he deems necessary. He conceives of an industrial enterprise for the purpose, displays considerable initiative, grit and determination in bringing his project to fruition, and in this process, performs one or more of the following:

- explores the prospects of starting enterprise;
- perceives opportunities for profitable investments;
- arranges initial capital;
- supplies technical know-how;
- obtains necessary industrial licenses;
- provides personal guarantees to the financial institutions;

Combining these definitions and elements of character gives us a good definition for this elusive term:

“Entrepreneurs use innovation to exploit or create change and opportunity for the purpose of making profit. They do this by shifting economic resources from an area of lower productivity into an area of higher productivity and greater yield, accepting a high degree of risk and uncertainty in doing so.”

Although each of these definitions views entrepreneurs from a slightly different perspective, they all contain similar notions, such as newness, organizing, creating, wealth, and risk taking. Yet each definition is somewhat restrictive, since entrepreneurs are found in all professions—education, medicine, research, law, architecture, engineering, social work, and distribution.

Figure 3.2: Key elements of Entrepreneur
3.3 What is an Entrepreneur?

An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. Although many people come up with great business ideas, most of them never act on their ideas but Entrepreneurs do. The process of creative destruction, in which entrepreneurs create new ideas and new businesses that make existing ones obsolete, is a sign of a vibrant economy.

Entrepreneurs can create value in a number of ways inventing new products and services, developing new technology, discovering new knowledge, improving existing products or services, finding different ways of providing more goods and services with fewer resources, and many others. Indeed, finding new ways of satisfying customers’ needs, inventing new products and services, putting together existing ideas in new and different ways, and creating new twists on existing products and services are hallmarks of the entrepreneur. He is a person with a dream, originality and daring, who acts as the boss, who decides as to how the commercial organisation shall run, who coordinates all activities or other factors of production, who anticipates the future trend of demand and prices of products. Due to above reasons in modern times, the role of an entrepreneur is recognised as an important factor of production for every business organisation. Economists have identified entrepreneurship is the essential element in generating investment opportunities in an economy.

In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behaviour that includes: (1) initiative taking, (2) the organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account, (3) the acceptance of risk or failure.

To an economist, an entrepreneur is one who brings resources, labour, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order. To a psychologist, such a person is typically driven by certain forces-the need to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others. To one businessman, an entrepreneur appears as a threat, an aggressive competitor, whereas to another businessman the same entrepreneur may be an ally, a source of supply, a customer, or someone who creates wealth for others, as well as finds better ways to utilize resources, reduce waste, and produce jobs others are glad to get.

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment or provide value for some product or service. Entrepreneurs achieve success by creating value in the marketplace when they combine resources in new and different ways to gain a competitive edge over rivals.

**Table 3.2 What Do We Know About Nascent Entrepreneurs?**

| • They have significantly higher expectations about the desirability of starting a business, the extent to which doing so would help achieve other goals, and the extent to which their skills and abilities would contribute to the success of the business. |
| • They use entirely different styles of problem solving, decision making, and creative discovery than do non-nascent entrepreneurs. |
| • Most nascent entrepreneurs draw upon their own savings and personal assets in putting together their organizations. |
| • Having strong relationships (high levels of trust and emotional closeness) with contacts (business associates, close friends, and family members) can help nascent entrepreneurs in their efforts. |

**Sources:** H. E. Aldrich and M. A. Martinez, “Many Are Called, But Few Are Chosen: An Evolutionary Perspective For the Study of Entrepreneurship,” Entrepreneurship Theory & Practice, pp. 41-56
3.4 Characteristics and Skills of Entrepreneur

As early as the 1950s, researchers began looking for personality factors that determine the potential of a person to be an entrepreneur. What makes the entrepreneurs successful? Whether they had anything common in their personal characteristics? The scanning of their personal characteristics shows that there are certain characteristics of entrepreneurs which are found usually prominent in them.

These so-called entrepreneurial characteristics can be looked at to determine a set of skills useful for an entrepreneur to possess. It is unlikely that all these skills will be present in sufficient measure in all potential entrepreneurs. For example: some people may have the creative talent to generate new ideas but lack the ability to organize resources, and others may have a compelling need to achieve but lack the resourcefulness to create a new venture. Many of these individuals with a limited profile based on traits will start new businesses and succeed. Others with a majority of the traits may start new businesses and fail.

It is prudent for the entrepreneur to take stock of what might be lacking and acquire those skills through training. For example, analytical ability and computational skill can be enhanced by education at school and university, while practical knowledge and foresight skills can be enhanced by the general experience of everyday life. A true entrepreneur besides possessing functional qualities must also possess a broad personality which helps in developing initiative and drive to accomplish great tasks and face challenges squarely. If we go through the business history of India, we come across the names of persons who have emerged as successful entrepreneurs. For example, Tata, Birla, Modi, Dalmia, Kirlosker, Bajaj, Mittal and others are well-known names of successful entrepreneurs in the country who started their business enterprises with small size and made good fortunes.

Would you be apt to describe their demographic profile or their personality characteristics? Or might you focus more on their intention to be entrepreneurs that is, what made them want to be entrepreneurs? Each of these approaches has been used to describe entrepreneurs.

If we wanted to use the demographic approach to describe who entrepreneurs are, we’d look at the characteristics of the individual’s personal background. Some of the more popular demographic factors that have been studied include Family birth order (Studies have shown that firstborn children tend to seek out more responsibility and be high achievers, which researchers say is likely to correlate with being an entrepreneur.), Gender (Studies who men are more likely to be entrepreneur), Work experience (entrepreneurial experience is positively related to being an entrepreneur), Level of Education, Entrepreneurial family. Other demographic traits that have been studied by entrepreneurship researchers include marital status, age, education level of parents, and socioecon-omic status.

A related stream of research examines how individual demographic and cultural backgrounds affect the chances that a person will become an entrepreneur and be successful at the task. For example, the review done by Binanchi (1993) indicates the following characteristics of an entrepreneur:

- Being an offspring of self-employed parents
- Being fired from more than one job
- Being an immigrant or a child of immigrants
- Previous employment in a firm with more than 100 people
- Being the eldest child in the family
- Being a college graduate

Because there are drawbacks to using demographic characteristics to describe entrepreneurs, perhaps we can learn something about who entrepreneurs are by looking instead at their personality characteristics. For instance, one list of personality characteristics included the following:

- High level of motivation,
- Abundance of self-confidence,
- Ability to be involved for the long term,
- High energy level,
- Persistent problem solver,
- High degree of initiative, ability to set goals, and
- Moderate risk-taker.

The personality approach to describing entrepreneurs, like the demographic approach, isn’t flawless, but it has helped us better understand who entrepreneurs are. Considerable research has been dedicated to the task of identifying the traits and characteristics of the typical entrepreneur. **According to John Hornaday** the characteristics of successful entrepreneurs are described below:

**Table 3.3 Characteristics of Successful Entrepreneurs**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-confident and optimistic</td>
<td>Energetic and diligent</td>
</tr>
<tr>
<td>Able to take calculated risk</td>
<td>Creative, need to achieve</td>
</tr>
<tr>
<td>Respond positively to challenges</td>
<td>Dynamic leader</td>
</tr>
<tr>
<td>Flexible and able to adapt</td>
<td>Responsive to suggestions</td>
</tr>
<tr>
<td>Knowledgeable of markets</td>
<td>Take initiatives</td>
</tr>
<tr>
<td>Able to get along well with others</td>
<td>Resourceful and persevering</td>
</tr>
<tr>
<td>Independent minded</td>
<td>Perceptive with foresight</td>
</tr>
<tr>
<td>Versatile knowledge</td>
<td>Responsive to criticism</td>
</tr>
</tbody>
</table>

**James J. Berne** has stressed the following qualities of a good entrepreneur:

- He is an enterprising individual, is energetic, hardworking, resourceful, aware of new opportunities and able to adjust himself to changing conditions with ease and willing to assume risks involved in change.
- He is interested in advancing technologically and in improving the quality of his product or service.
- He is interested in expanding the scale of his operations by reinvesting his earnings.
- He visualizes changes and adapts to changing conditions.
- He is a firm believer in planning and systematic work.
- He works for the society at large and for the good of his fellow-beings.

**McClelland (1961) found** that entrepreneurs had a higher need for achievement than non-entrepreneurs. Surprisingly, he also concluded that contrary to the popular opinion, entrepreneurs were only moderate risk takers. A great deal of research on the personality characteristics and socio-cultural backgrounds of successful entrepreneurs was conducted in the 1980s and 1990s. The detailed analysis of more than 50 studies done by Timmons (1994) found a consensus around the following six general characteristics of entrepreneurs:

- Commitment and determination
- Leadership
- Opportunity obsession
- Tolerance of risk, ambiguity and uncertainty
- Creativity, self-reliance and ability to adapt
- Motivation to excel

**Kilby** has rightly enumerated the following activities for a successful entrepreneur in an underdeveloped economy:
- Perception of market opportunities (novel or imitative).
- Gaining command over scarce resources.
- Purchasing of inputs.
- Marketing of the product and responding effectively to competition.
- Dealing with public bureaucracy as regards concessions, licences, taxes, etc. provided through the various fiscal policies of the government.
- Management of the human relations within the enterprise.
- Management of customer and supplier relations.
- Financial management.
- Production management, including control through written records, supervision, coordinating input flows with orders, maintenance.
- Acquiring and overseeing assembly of the plant.
- Taking care for minimising inputs for a given production process.
- Maintaining the production process and improving the quality of the product.
- Introduction of new production techniques and product lines.

According to Michael Armstrong the particular characteristics of successful entrepreneurs are that they:
- Are action orientated
- Have the ability to visualize the steps from idea to actualization.
- Are prepared to ‘break the mould’.
- Are thinkers and doers, planners and workers.
- adopt a ‘hands-on’ approach.
- Can tolerate ambiguity- ‘enterprise always consists of action in uncertainty’
- Accept risk but understand and manage it.
- Overcome, rather than avoid mistakes.
- See themselves as’ responsible for their own destiny-, they are dedicated, setting self-determined goals.
- Believe in creating markets for their ideas, not just in responding to existing market demands.

Although it seems logical to look at personality and socio-cultural variables to determine the likelihood of entrepreneurial success, studies based on these premises have been able to explain only a small percentage of entrepreneurial successes and failures. In other words researchers have invested a great deal of time and effort over the last few decades trying to paint a clear picture of “the entrepreneurial personality.” Although these studies have identified several characteristics entrepreneurs tend to exhibit, none of them has isolated a set of traits required for success.

The characteristics or features or nature or qualities of entrepreneur as an individual are essential to contribute to the success of an enterprise. An entrepreneur possesses the following characteristics:

1. **Innovator**: Within the constraints of available resources that society or a nation offers, entrepreneurs make the best use of them. Entrepreneurs have a creative vision to recognise a business opportunity. An entrepreneur should have creative thinking and be able to engage in the analysis of various problems and situations in order to deal with them. An entrepreneur introduces new products, new
technologies and new economic activities. He creates new demands and new aspirations and new methods to fulfil them. Entrepreneur should anticipate changes and must be able to study various situations in which decisions may have to be made. Drucker writes, “Entrepreneur create something new, something different, they change or transmute values”.

2. **Motivation towards Achievement**: A successful entrepreneur should have a strong motivation towards the achievement of a task and must be able to exert considerable efforts in getting things done by others. He has a strong urge to achieve. He has a more aggressive level of entrepreneurial venturing, and need achievement.

3. **Ability to Handle Uncertainty**: The ability to handle uncertainty is critical because these business builders constantly make decisions using new, sometimes conflicting information gleaned from a variety of unfamiliar sources. Based on his research, entrepreneurial expert Amar Bhide says that entrepreneurs exhibit “a willingness to jump into things when it’s hard to even imagine what the possible set of outcomes will be.”

4. **Moderate Risk Taker**. Entrepreneurs are not wild risk takers but are instead calculating risk takers. Unlike “high-rolling, riverboat” gamblers, entrepreneurs rarely gamble. Their goals may appear to be high-even impossible-in others’ eyes, but entrepreneurs see the situation from a different perspective and believe that their goals are realistic and attainable. They usually spot opportunities in areas that reflect their knowledge, backgrounds, and experiences, which increase their probability of success.

Entrepreneurs prepare themselves to anticipate problems, create ways to share those problems with suppliers, creditors etc. and minimise the risk by creating likely-to-be successful ventures.

In other words, successful entrepreneurs are not as much risk takers as they are risk eliminators, removing as many obstacles to the successful launch of their ventures as possible. One of the most successful ways of eliminating risks is to build a solid business plan for a venture.

5. **Skill for Organizing**: A true entrepreneur is one who has the ability to mobilise resources in the best possible manner for achieving the business objectives. Entrepreneurs know how to put the right people together to accomplish a task. Effectively combining people and jobs enables entrepreneurs to transform their vision into reality.

6. **Goal Oriented**: Entrepreneurs are highly goal-oriented and specifically aim at producing goods and services that represent unmet needs of consumers. He adopts a ‘hands-on’ approach. Entrepreneur is planer and doer, dreamer and action-taker. He implements what he visualises. An entrepreneur must be able to set realistic but challenging goals for him as well as for others in the organisation.

7. **Desire for Responsibility**: Entrepreneurs feel a deep sense of personal responsibility for the outcome of ventures they start. They prefer to be in control of their resources, and they use those resources to achieve self-determined goals.

8. **Emotional Stability and Self-control**: Emotional health is a must for entrepreneurs to meet the challenges of exploiting a new business opportunity. Successful entrepreneurs believe in control being exercised from within. They believe in imposing control on themselves and their enterprises rather than leaving their success to fate.
9. **Communication Ability**: This ability pertains to communicate effectively. As a leader an entrepreneur communicates effectively with all concerned such as financiers, employees, customers, suppliers, creditors and all who are concerned with the new enterprise.

10. **Future Orientation**: Entrepreneurs look ahead and are less concerned with what they did yesterday than with what they might do tomorrow. Not satisfied to sit back and revel in their success, real entrepreneurs stay focused on the future. Whereas traditional managers are concerned with managing available resources, entrepreneurs are more interested in spotting and capitalizing on opportunities.

11. **Commitment and Dedication**: Entrepreneurs must work with dedication and commitment to launch successful business enterprises. The commitment from the entrepreneur for longer period may be 5 to 10 years is necessary for conceptualisation, building and running an enterprise. Entrepreneurship is hard work, and launching a company successfully requires total commitment from an entrepreneur. Most entrepreneurs have to overcome seemingly insurmountable barriers to launch a company and to keep it growing. That requires commitment.

12. **High Level of Energy**: Entrepreneurs are more energetic than the average person. Managing resources and running an enterprise calls for long hours of work for longer period of time and hence an entrepreneur is a man of high energy level.

13. **Flexibility**: One hallmark of true entrepreneurs is their ability to adapt to the changing demands of their customers and their businesses. In this rapidly changing global economy, rigidity often leads to failure. As our society, its people, and their tastes change, entrepreneurs also must be willing to adapt their business to meet those changes. When their ideas fail to live up to their expectations, successful entrepreneurs change them.

14. **Technical Knowledge**: An entrepreneur must have a reasonable level of technical knowledge. This is the one ability that most people are able to acquire if they try hard enough. The entrepreneur should have a keen desire to change and adopt new industrial or commercial technology available in the market.

15. **Mental Ability**: An entrepreneur will be a man of high level intelligence, creative, thinking and decision maker. He must be able to engage in the analysis of various problems and situations in order to deal with them. The entrepreneur should anticipate changes and must be able to study the various situations under which decision have to be made.

16. **More than a Manager**: An entrepreneur is more a true leader and less a manager. An entrepreneur builds up his team, educates them, keeps high level of motivation and also provides an environment for creative and focused to work culture. He is the leader of the team. He inspires loyalty and hard work to raise productivity ad efficiency. He has the ability to become market leader.

17. **Problem Solver and a Decision Maker**: In the initial phases of an enterprise many teething problems do occur and an entrepreneur should be a creative problem solver to turn difficulties into advantages. Entrepreneurs face lots of problems right from the conception of an idea to its implementation. Entrepreneurs who are decisive arrive at the right solution to the problem by spending the least possible time and money. Lack of ability to solve problems will result in most of the problems remaining unresolved.
18. **Desire for Immediate Feedback:** Entrepreneurs enjoy the challenge of running a business, and they like to know how they are doing and are constantly looking for feedback.

19. **Human Relation Ability:** Tactful and warm human relation is an important factor which brings success to an entrepreneur. An entrepreneur who maintains good relations with customers, employees, suppliers, creditors and the community is much more likely to succeed in his business than the individual who does not invest in maintaining these relations.

What conclusion can we draw from the above discussion on the entrepreneurial personality? Entrepreneurs are not of one mold: no one set of characteristics can predict who will become entrepreneurs and whether or not they will succeed. Indeed, diversity seems to be a central characteristic of entrepreneurs.

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**Figure 3.3 : Characteristics of Entrepreneur**

3.5 **The Entrepreneurial Decision**

Many individuals have difficulty in converting their ideas to the reality and creating a new venture. Yet entrepreneurial decisions have resulted in several million new businesses being started throughout the world. Indeed, millions of ventures are formed despite recession, inflation, high interest rates, lack of infrastructure, economic uncertainty, and the high probability of failure. Each of these ventures is formed through a very personal human process that, although unique, has some characteristics common to all. Like all processes, the entrepreneurial decision process entails a movement, from something to something - a movement from a present lifestyle to forming a new enterprise, as indicated in figure 3.4:
Individuals tend to start businesses in areas that are familiar to their work environments and an even stronger incentive to overcome the inertia and leave a present lifestyle to create something new comes from a negative force—disruption. What causes this change—due to the work environment or disruption to result in a new company being formed instead of something else? The decision to start a new company occurs when an individual perceives that it is both desirable and possible.

The perception that starting a new company is desirable results from an individual’s culture, subculture, family, teachers, and peers. A culture that values an individual who successfully creates a new business will spawn more venture formations than one that does not. The culture that places a high value on being one’s own boss, having individual opportunities, being a success, and making money—all aspects of entrepreneurship. Therefore, it is not surprising to find a high rate of entrepreneurial spirit countries prevailing these cultural aspects. Although the desire derived from the individuals’ culture, subculture, family, teachers, and peers need to be present before any action is taken, the second feature necessary centres around this question: “What makes it possible to form a new company?” Several factors—government, background, marketing, role models, and finances—contribute to the creation of a new venture.

There are various types of decision an Entrepreneur take like strategic, operational, transactional, intelligent, and Situational. Before taking any decision an entrepreneur consider following factors:

- Priority of decision
- Inquiring about all possibilities
- Looking at immediate repercussions
- Taking the decision at the right time
- Examining the motivations of people suggesting something
- Circumstances under which the decision is taken
- The opinions of others
- Maintaining a balance between optimisation in a particular circumstance
- Facts and feelings of people
- Advocating the decision
3.6 The Entrepreneurial Process

Entrepreneurial process is a leadership function which centres round the dynamics of entrepreneurial growth and change. It is a process comprising several distinct stages.

From exploring the various aspects of the entrepreneurial context to identifying opportunities, to starting and managing the entrepreneurial venture, choosing the competitive strategy in action. Let’s look at each of these decisions and activities in figure 3.5:

![Figure 3.5: Components of Entrepreneurial Process](image)

1. **Exploring the Entrepreneurial Context:** Why is it important to look at the entrepreneurial context? Because the context determines the “rule” of the game and what decisions are likely to be successful. The context includes the realities of the new economy, society’s laws and regulations that compose the legal environment, and the realities of the changing world of work.

   Entrepreneurs should be aware of the context within which entrepreneurial decision are made. Only through exploring the context can entrepreneurs discover the untapped opportunities and competitive advantage(s) that may lead to the development of a potentially successful entrepreneurial venture.

2. **Identifying Opportunities:** A crucial aspect of entrepreneurial process is indentifying opportunities. What are opportunities? These opportunities are positive external trends or changes that provide unique and distinct possibilities for innovating and creating value. There are thousand of opportunities available to an entrepreneur. Some of them are not real opportunities with high potentials. Some opportunities have growth prospects. Entrepreneurs make search for profitable ones and then selects an attractive business opportunity.
However, just identifying an opportunity isn’t enough. The entrepreneurial process also involves pinpointing a possible competitive advantage. A competitive advantage is what sets an organization apart; it’s an organization’s competitive edge. Having a competitive advantage is crucial for an organization’s long-term success and survival.

3. **Starting the Venture**: Once entrepreneurs have explored the external context and identified possible opportunities and competitive advantage(s), they must look at the issues involved with actually starting up their entrepreneurial venture. Included in this phase of the entrepreneurial process are the following activities; researching the feasibility of the venture, planning the venture, organizing the venture and launching the venture. Financial, physical and managerial resources must be collected to launch the venture.

4. **Managing the Venture**: Once the entrepreneurial venture is up and running, the next step in the entrepreneurial process is managing the venture. An entrepreneur also must effectively manage the venture by managing processes, managing people and managing growth. This requires the talents of leading, decision making, executing, controlling and various managerial skill.

5. **Choosing the Competitive Strategy**: One the entrepreneurial venture is up and running, the last step is to choose competitive strategy. Peter Drucker mentions following specific entrepreneurial strategies. These are:
   - Being fastest with the most.
   - Creative imitation.
   - Entrepreneurial judo.
   - Finding and occupying a specialised ecological niche.
   - Changing values and characteristics by creating utility, by delivering what represents true value to the customer, by adoption to the customer’s social and economical reality, by appropriate pricing.

3.7 **Summary**

The definition of an entrepreneur has evolved over time as the world’s economic structure has changed and become more complex. An entrepreneur is someone who initiates and actively operates an entrepreneurial venture. Entrepreneurs can be described by their characteristics using things such as demographic profiles, personality profiles. Entrepreneurs engage in a variety of activities, including exploring the entrepreneurial context, researching the venture’s feasibility, planning the venture, organizing the venture, launching the venture, and managing the venture.

To an economist, an entrepreneur is one who brings resources, labour, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order. To a psychologist, such a person is typically driven by certain forces - the need to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others. To one businessman, an entrepreneur appears -as a threat, an aggressive competitor, whereas to another businessman the same entrepreneur may be an ally, a source of supply, a customer, or someone who creates wealth for others, as well as finds better ways to utilize -reduce waste, and produce jobs others are glad to get.

The challenges of being an entrepreneur include being comfortable with change and uncertainty, making a bewildering number of decisions, facing tough economic choices, being comfortable with taking risks, needing many different skills and talents, and being comfortable with the potential of failure. The rewards of being an entrepreneur include having a high degree of independence, getting to use a variety of skills and talents,
having the freedom to make decisions, being accountable to only you, having the opportunity to tackle challenges, experiencing feelings of achievement and pride, and having the potential for greater financial rewards.

The steps in the entrepreneurial process include exploring the entrepreneurial context in order to identify opportunities and possible competitive advantage(s); starting the venture through researching its feasibility and planning, organizing, and launching it; and managing the venture (which includes managing processes, managing people, and managing growth) and other entrepreneurial challenges.

In this time of rapid economic development and technological change, entrepreneurial spirit can be unique and of important advantage, but only if we learn to use it. The entrepreneurs are the agents of change and our hope for the future. In fact, the entrepreneur always searches for change, responds to it and exploits it as an opportunity. While charting out its future course of action the Indian entrepreneur will have to remember that to get a competitive edge over its rivals on a sustainable basis, five things are essential - increased productivity, improved quality, innovation in the market, a deep understanding of customer needs and delivery of world class service.

3.8 Self Assessment Questions

1. What are the characteristics of an entrepreneur?
2. What do you mean by an ‘Entrepreneur’? Describe the various characteristics and skill of an entrepreneur.
3. What are the components of ‘Entrepreneurial Process’ describe them?
4. Describe the traits of a successful entrepreneur.
5. What do you mean by ‘Entrepreneurial Decision’? Describe in Detail.
6. What is an Entrepreneur? Describe the ‘Entrepreneurial Process’
7. List the skills and characteristics required to become a successful entrepreneur.
8. What is your definition of an entrepreneur? List the strengths and weaknesses of the various definitions highlighted in the unit.

3.9 Reference Books


54


