



INTRODUCTION TO ENTREPRENEUR

Indian industry has been shaped by many iconic entrepreneurs who have changed the way we look at enterprise. They have shattered the traditional outlook of doing business and have shown that even humble beginnings may create India's largest enterprises.

One such entrepreneur is Laxmi Narayan Mittal (born June 15, 1950). He was the CEO of ArcelorMittal, world's largest steelmaking company. After completing his graduation from St. Xavier's College, he served as a trainee at a steel mill and then opened his own steel plant. His business philosophy emphasized consolidation and turn around of weak and fragmented industries. Mittal proved that with right blend of grit and determination weak companies can be reshaped into profit making companies.

Similar is the case of Steve Jobs, an iconic entrepreneur. With his vision and determination, he built Apple Computers which today is one of the most admired enterprises in the area of technology and innovation. The trait common to both Jobs and Mittal is that they wanted to be their own boss rather than work for others. They wanted to pursue their own dreams and reap the rewards of those dreams. Successful entrepreneurs like them have proved the fact that the right amount of persistence and hard work permit even small enterprises or ventures to become successful.

In a recent study based on a survey of the top management of the world's 350 largest businesses, the World Economic Forum found that digitalization and robotization, or Industry 4.0, will lead to the loss of five million jobs globally by 2020. This trend will mainly affect jobs at the lower end of the qualification ladder that involve routine work. However, the number of higher skilled jobs created further up the ladder will be greater than the losses at the bottom. So, those capable of thinking and acting in an entrepreneurial manner will stand out from the rest because entrepreneurship cannot be automated.



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Entrepreneurs believe in seizing opportunities. Faced with one, they use their judgment to assess the opportunity to gauge the right amount of uncertainty surrounding an entrepreneurial break and turn the situation in their favor.

You have already studied the concept of entrepreneurship in the previous chapter and what opportunities entrepreneurship may offer you. In this chapter, you will study about the traits needed to become a successful entrepreneur.



LEARNING OUTCOMES

After studying this lesson, the learner will be able to:

- explain the meaning of an entrepreneur;
- identify the traits of an entrepreneur;
- classify the types of entrepreneurs;
- discuss the various functions performed by an entrepreneur; and
- describe the benefits of becoming an entrepreneur.

2.1 MEANING OF AN ENTREPRENEUR

The word *entrepreneur* has its origin in the French word *entreprendre* made up of two words *entre* and *prendre*. *Entre* implies ‘between,’ and *prendre* means, ‘to take’. The combination of the two French terms translates into an entrepreneur who takes on the risk of a new venture.



So, an entrepreneur means a person or group of persons who are willing to take the risk of a new venture. An entrepreneur is her/his own boss and therefore self-employed and independent. She/he assumes the risk of the new venture and adds value to society.

Entrepreneurs are different from investors and managers. An entrepreneur not only brings in the idea and passion for the enterprise but also arranges funding for the venture. An investor, on the other hand, mainly invests money in the venture. Also, an entrepreneur has a more positive outlook towards the venture in comparison to investors who are wary of their invested funds.



An entrepreneur also differs from a manager, who works for someone else. An entrepreneur is self-dependent and may employ a manager. Entrepreneurship also involves elements of risk while managership does not involve any such risk bearing.

INTRAPRENEUR

Intrapreneurs are entrepreneurs within an existing organisation. Intrapreneurs rely upon innovation that may result into a new division within the company.

2.2 DEFINITION OF ENTREPRENEUR

Peter F. Drucker in his book, *Innovative Entrepreneurs*, says, “Entrepreneurs as innovators. Entrepreneurs search for change and exploit opportunities.” According to Drucker, “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, capable of being practiced. 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.”

2.3 TRAITS OF BECOMING A SUCCESSFUL ENTREPRENEUR

A successful entrepreneur needs to have entrepreneurial spirit. This is the trait common in all successful entrepreneurs. Though there is no hard and fast rule to become a successful entrepreneur, the following traits may help one become a successful entrepreneur.

1. Desire to do

To become a successful entrepreneur, the person has to have the desire to work and an inherent will to succeed in the venture. Someone not willing to work may become a successful investor but cannot become a successful entrepreneur.

2. Risk Taker

An entrepreneur’s unique trait includes willingness to assume a certain percentage of risk. In fact, an entrepreneur is defined as someone willing to take risk.

3. Responsive

An entrepreneur has to assume an active and responsive role. It is expected that an entrepreneur will look for opportunities from every walk of life.



An entrepreneur who cannot look at the available opportunities is unlikely to be successful.

4. Initiator

A successful entrepreneur is one who acts out of choice and not out of compulsion. This implies that, to be a successful entrepreneur, one has to take the first step or initiate the idea into workable situations rather than waiting for others to take the lead.

5. Persistence

Not every venture turns out to be successful. But it is the entrepreneur who makes the ventures successful rather than the opposite. Persistence and optimism are the keys of becoming a successful entrepreneur. One must keep trying until success is achieved.

6. Inquisitive

The nature or personality of an entrepreneur is of utmost importance when it comes to success or failure of an enterprise. An inquisitive entrepreneur has the desire to know more and to find out more. A person who is inquisitive is likely to seek more information and be more open to new ideas and innovativeness.

7. Committed

Commitment and devotion to work and the ability to meet deadlines are important traits in an entrepreneur. A successful entrepreneur may have to take some personal discomfiture.

8. Self-motivated

It is the responsibility of an entrepreneur to stay motivated and to keep others in the venture highly motivated. A successful entrepreneur relies upon internal locus of control rather than on external locus of control.

9. Assertive

Having a vision is a core requirement but only a person who can convey thoughts assertively and convincingly can become a successful entrepreneur. If one cannot do so, the enterprise cannot be successful.

10. Persuasive

Not every prospective investor who comes across your way is willing to commit funds to your idea. That is where a successful entrepreneur steps in with persuasion skills that elaborate and sell the idea to prospective investors.



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11. Strategist

To be successful as an entrepreneur one has to be a visionary with a strategic mind. The entrepreneur should be capable of foreseeing different situations, diagnose the symptoms and then taking actions needed.

12. Innovative

Innovation is the key to be relevant and successful. Successful entrepreneurship is not about a product. It is about bringing in the X factor to the existing or new products or services.



INTEXT QUESTIONS 2.1

State which of the following statements is true and which is false.

1. An entrepreneur is her/his own boss.
2. Intrapreneurs are entrepreneurs operating outside the existing organization.
3. Vision is of no use to an entrepreneur.
4. The nature of an entrepreneur is of utmost importance when it comes to success or failure of an enterprise
5. Risk is an inevitable part of any venture.

2.4 CLASSIFICATION OF ENTREPRENEURS

Entrepreneurs can be classified under various traits which need not be mutually exclusive. So, an entrepreneur categorized on one criterion may also fit the bill under another category.

ON THE BASIS OF NATURE OF THE ENTERPRISE

❖ Trading Entrepreneur

A trading entrepreneur is a middleman between manufacturers and customers of the product or services. So, the main function of a trading entrepreneur is procurement of products and making the same available to last customers.

❖ Manufacturing Entrepreneur

A manufacturing entrepreneur fills the gap in the supply-demand chain, identifying products customers require and finds resources to meet those requirements. Such entrepreneurs produce the goods, converting raw material into finished products.

**❖ Business Entrepreneur**

Business entrepreneur is a wider term encompassing manufacturing and trading entrepreneurs. Business entrepreneurs conceive the idea of setting up a new enterprise. The enterprise may be a small or large venture but the idea gets translated into reality.

ON THE BASIS OF DEPTH OF TECHNOLOGY EMPLOYED**❖ Technopreneur**

These are entrepreneurs whose enterprises are concerned with technology or science. Technical entrepreneurs or technopreneurs are mainly involved with innovation of new technology-based products. So, an entrepreneur developing a new operating system for your mobile or laptop is a techno preneur. They mostly work backwards to arrive at a technology to provide the customer with a desired experience.

❖ Non-Technopreneur

Unlike technopreneurs, non-technopreneurs do not rely on technology as the core of their enterprise. They are concerned about the use of alternative or imitative methods. Non-techno prenuers may include the manufacturing and trading entrepreneurs whose focus is not on the use or development of technology or tech-driven products.

❖ Professional Entrepreneurs

The term professional entrepreneur may seem confusing since professionalism is expected out of every entrepreneur. But a professional entrepreneur is a professional who is interested in establishing an enterprise but not interested in managing it once it is established. After that, a professional entrepreneur sells it off to some other person and moves on to setting up another venture.

ON THE BASIS OF CONTROL OF OWNERSHIP**❖ Private Entrepreneur**

A private entrepreneur establishes, owns and manages the enterprise as a private affair or venture. There is no state or government participation in the venture and the entire risk will be borne by the private entrepreneur who will also be the only person to enjoy the benefits of the enterprise.

❖ Public Entrepreneur

Public or State entrepreneur is a term used for the State or government



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when it steps in as an entrepreneur. Just like the private entrepreneur in this situation, all the cost/risk will be borne by the State but the benefits may not necessarily accrue to the State only. The public may also enjoy the benefits of such a venture.

❖ **Mixed or Joint Entrepreneur**

As the name suggests, this category arises when an enterprise is collectively owned or run by the private entrepreneur and the State. Such enterprises get the expertise and entrepreneurial benefits of the private entrepreneur and at the same time gets funding from the State.

ON THE BASIS OF ADAPTABILITY OR INNOVATION

❖ **Innovating Entrepreneurs**

Innovating entrepreneurs think out of the box or come up with solutions that are innovative. The entrepreneur may introduce new technologies, new products, new methods of work, or even explore new markets. These entrepreneurs can innovate when a certain level of development already exists and when people want better and improved goods and services.

❖ **Imitative Entrepreneurs**

These entrepreneurs follow the lead of innovating entrepreneurs and are open to adopting their successful innovations. Imitative entrepreneurs do not initiate change or innovation. They just copy or imitate an existing technology and offer their own version of goods and services. An example of this is entrepreneurs in the area of production of generic medicines.

❖ **Fabian Entrepreneurs**

These entrepreneurs are characterized by the skepticism to change. They usually avoid taking any bold step and try to imitate only when failure is imminent. They can be called laggards as they are lazy and not much open to change or adaptive of new methods to improve the enterprise.

❖ **Drone Entrepreneurs**

Drone entrepreneurs are one step ahead of Fabians as they are not open to any kind of change in the enterprise even at the risk of incurring losses. They are conservative or orthodox entrepreneurs. They always feel comfortable with existing technology or methods of production. They are also laggards as they continue to operate in a traditional way and resist any possible change.



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BASED ON GENERATION

❖ **First Gen Entrepreneurs**

First Gen entrepreneurs are initiators of enterprise in the family. This term is actually a synonym for new entrepreneurs which means that they do not take over or carry forward any existing enterprise rather they start from the scratch to start and establish a new enterprise.

❖ **Next Gen Entrepreneurs**

Strictly speaking, Second Gen or next Gen entrepreneurs may not be classified as entrepreneurs at all as they just continue or carry forward the enterprises already established by their families. But to make sure that the enterprise they have taken over continues successfully, these Next Gen entrepreneurs have to innovate and evolve in the market to face competition and to further grow and expand.

❖ **Classical Entrepreneurs**

A classical entrepreneur is one who is concerned with customers and the marketing needs of the enterprise through the development of self-supporting ventures. This person is a typical entrepreneur who aims at maximising the benefits or profits and ensuring the flow of such returns or profits irrespective of the fact whether the enterprise grows or not.



INTEXT QUESTIONS 2.2

Select the most suitable option from the given options.

1. Which of the following is not a trait of a successful entrepreneur?

a. Assertive	b. Committed
c. Risk Avider	d. Inquisitive

2. Imitative entrepreneurs are the ones who
 - a. Are skeptical of changes
 - b. Want to operate traditionally
 - c. Follow the lead of innovating entrepreneurs
 - d. Are committed to innovation

3. An entrepreneur who is concerned only with the customers and the marketing needs is a

a. Drone Entrepreneur	b. Classical Entrepreneur
c. First Gen Entrepreneur	d. Fabian Entrepreneur



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2.5 FUNCTIONS OF AN ENTREPRENEUR

An entrepreneur performs multiple functions and plays a pivotal role in ensuring success of the enterprise. These are some of the functions performed by an entrepreneur:

1. Identify Opportunities and Take Initiative

The first and foremost function of an entrepreneur is to identify the opportunities of entrepreneurial nature and then take the initiative and assume a proactive role to provide the society the products and services needed or to develop technology which may be required. So, filling up of gap between has and has not is the first function to be performed by any entrepreneur.

2. Arranging Resources

The entrepreneur has to identify the resources needed to transform an idea into reality. Arrangement and organization of these resources has to be taken care of by the entrepreneur. These resources may be human resources or non-human resources such as capital, machinery, tools etc.

3. Risk Taking Function

Entrepreneurs take calculated risks. It is the entrepreneur who guarantees the payment to labour, suppliers and lenders and bears the loss of any contingency. Also, an entrepreneurial venture may or may not be successful, so this is a major function performed by entrepreneur.

4. Decision Making Function

An entrepreneur must take multiple decisions while establishing and running any enterprise. These may include decisions ranging from making choices about quality, quantity and value of resources to be used and products and/or services to be offered, to decisions about type of equipment to be used. Other routine and non-routine decisions include topics like what capital structure to employ, judging the feasibility of the project, the structure of the organization and many more such criteria.

5. Innovation and Adaptation

An entrepreneur strives to develop new products, services, markets, processes, strategies and techniques. This requires innovation. It is through innovation that new and better alternatives are created. Therefore, an entrepreneur constantly attempts to develop new technology or least tries to identify appropriate existing technology or processes to be adapted to the environment.



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5. Social Function

Entrepreneurship revolves around the needs of society and therefore an entrepreneur cannot ignore obligations towards society. It is duty of the entrepreneur to encourage others to take up entrepreneurship or entrepreneurial ventures. Enterprises are socially expected to generate employment and jobs and not to exploit societal resources beyond an optimal amount.

6. Managerial Functions

An entrepreneur is also required to perform managerial functions such as planning, organising, staffing, directing and controlling processes in the venture.

Managerial Functions of An Entrepreneur

1. **Planning;** Determination of future course of action to achieve desired results. It involves questions such as, What is to be done? When should it be done? How to do it? Who should do it? etc.
2. **Organizing:** Entire organisation is divided into interlinked and interdependent structures in harmony with each other. An entrepreneur has to ensure harmonious adjustment to various part to achieve common goals.
3. **Staffing:** People, also known as Human Resource, are the essence of any organisations. An entrepreneur must find the right person for the right role and keep them gainfully occupied. This responsibility often begins with recruitment, selection and other sub functions.
4. **Staffing :** It implies the process of instructing, guiding, communicating and inspiring human resources in the enterprise. Supervision, communication, leadership and motivation are the sub-functions under directing.
5. **Control :** This refers to the comparison of actual and desired results so that corrective actions can be taken if results are negative or replication of efforts can be made if results are positive.

2.6 BENEFITS OF BECOMING AN ENTREPRENEUR

There are many reasons that may prompt a person to become an entrepreneur but there are three core reasons that inspire people to choose to become an entrepreneur.

1. To Become Their Own Boss

This is the most commonly cited reason by any person who is or aspiring



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to be an entrepreneur. People with ambition to own their own business or firm may become frustrated working for others or in traditional firms. A person who does not want to adhere to the 9 to 5 grind can work for flexible hours as an entrepreneur. Also, achievement of personal goals may be dependent upon the fact that working for self is better than working for others. Though such decisions involve risks, some find them worth taking. A person may be able to direct an enterprise and may still be in a position to achieve a better work-life balance.

2. To Pursue Their Own Ideas

Another reason to start one's own enterprise is the freedom to pursue your own ideas and be able to execute that idea in your own way. Sometimes, good ideas are not given attention to in large organizations if they come from an employee lower down the hierarchical ladder. These ideas either go unnoticed or are not given proper attention by the management. As a result, some employees prefer to leave such organizations and start their own ventures. With responsibility for one's own enterprise comes the impetus to work with more energy. This can be less emotionally exhaustive.

3. To Reap Financial Rewards

An entrepreneur wants to earn financial rewards from the venture. This reason may be secondary to the above two reasons of starting an enterprise because the motivation to start an enterprise comes from within rather than merely due to the expectation of monetary gains. The primary motivation is the possibility of the growth of the venture from which monetary rewards will automatically follow.



INTEXT QUESTIONS 2.3

1. Which of the following is not a managerial function to be performed by an entrepreneur?
 - a. Control
 - b. Planning
 - c. Staffing
 - d. Criticising others
2. The process of motivating others is part of which managerial function of an entrepreneur?
 - a. Planning
 - b. Directing
 - c. Control
 - d. Staffing

**WHAT YOU HAVE LEARNT**

- An entrepreneur is a person or group of persons willing to take the risk of a new venture.
- Entrepreneurs are different from investors and managers.
- To become a successful entrepreneur, one has to have some traits such as responsiveness, commitment, initiative, inquisitive, strategist etc.
- A trading entrepreneur acts as a middleman while a manufacturing entrepreneur fills the gap. A business entrepreneur may include both manufacturing and trading entrepreneurs.
- Unlike non-technopreneurs, technopreneurs mainly invest in innovation of new technology-based products.
- There is no state or government participation in a pure private venture.
- Innovative entrepreneurs may introduce new technologies while imitating entrepreneurs follow the lead of innovating entrepreneurs.
- Drone entrepreneurs are not open to any kind of change.
- The classical entrepreneur is a typical entrepreneur who aims at maximizing benefits.
- Functions of an entrepreneur includes social and managerial functions.
- The capability of being able to pursue one's own dream, being your own boss and financial rewards are driving reasons for becoming an entrepreneur.

**TERMINAL EXERCISE**

1. What is meant by the term entrepreneur? State any three traits of becoming a successful entrepreneur.
2. Elaborate the types of entrepreneurs on the basis of adaptability or innovation.
3. Distinguish between First Gen and Next Gen entrepreneurs.
4. Discuss the managerial functions of an entrepreneur.
5. Explain the statement, 'Financial rewards are of secondary importance to an entrepreneur.'
6. Identification of opportunities and the willingness to take risk are the core functions of an entrepreneur. Explain the given statement.
7. How are trading entrepreneurs different from business entrepreneurs?



ANSWERS TO INTEXT QUESTIONS



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2.1

1. True
2. False
3. False
4. True
5. True

2.2

1. (c)
2. (c)
3. (b)

2.3

1. (d)
2. (b)

DO AND LEARN

1. Suppose your sister, who is a fashion designer, is thinking about quitting her job in a reputed MNC to start her own clothing line but has decided to let the opportunity go because she has read that nine out of 10 new ventures fail. What will you advise her?
2. List two examples each of innovative entrepreneurs, imitative entrepreneurs, Fabian entrepreneurs and Drone entrepreneurs

CONCEPT MAP

