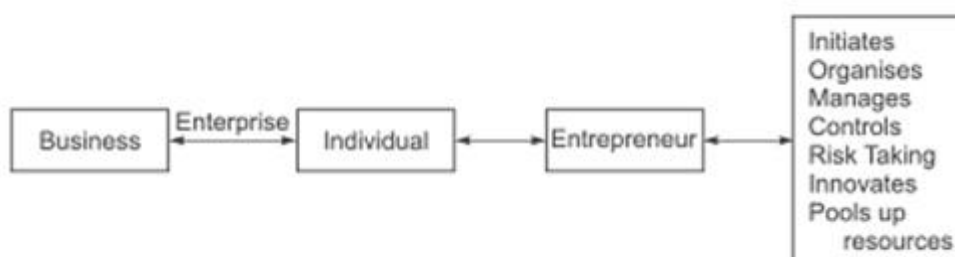


UNIT 8 - Entrepreneurship (Managerial Function) – UPSC STUDY MATERIAL

The phrase 'entrepreneur' is derived from French word 'Entreprendre' which entail an organizer of musical or other entertainments. In the late of 16th century it was used for army leaders. It was extended to cover civil engineering activities such as construction in 17th century. But it was Richard Cantillon, an Irishman living in France who was first to use the term entrepreneur to refer to economic activities. According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". Entrepreneur, according to Cantillon, an entrepreneur is a bearer of risk, which is non-insurable. Schumpeter gave a central position to the entrepreneur who believed that an entrepreneur was a dynamic agent of change, that an entrepreneur was a catalyst who transformed increasingly physical, natural and human resources into correspondingly production possibilities. Since then the term entrepreneur is used in various ways and various views. Basically Entrepreneurship is a quality possessed by entrepreneur.



Model of Entrepreneurship



Entrepreneurship has gained greater importance at global level under changing economic scenario. Global economy in general and Indian economy in particular is poised for rapid growth driven by entrepreneurship.

Concept of Entrepreneurship: Entrepreneurship is a fresh subject of research in educational area which is used in different manner. It is a broad term scattered in diverse fields as economics,

psychology, and sociology. In previous time, more emphasis was given to the consumerist individual and to assess the driving force to initiate new projects, establish firms and face the challenges. conference of entrepreneurship held in USA, elaborated Entrepreneurship as the attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to fruition. The relationship between entrepreneur and entrepreneurship are used exchangeable and it is shown in figures below:

Figure: Concept of entrepreneurship

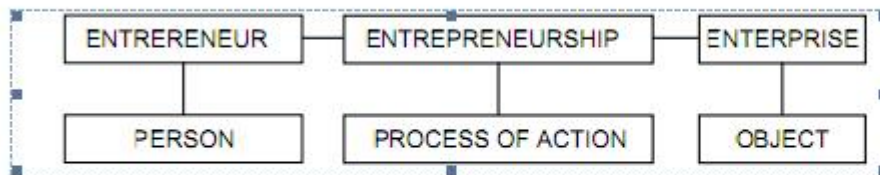


Figure:2 Relationships between entrepreneur and entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Organizer	Organization
Innovator	Innovation
Risk-bearer	Risk-bearing
Motivator	Motivation
Creator	Creation
Visualizes	Vision
Leader	Leading
Imitator	Imitation

Presently, entrepreneurship researchers investigate the incentive behind entrepreneurial activity within specified groups who can do new business. The growth of new enterprises attracts many researchers to discover the important facts and clarify the causes of success for some companies than others.

Evolution of Entrepreneurship

Entrepreneurial group is evolved in ancient history. It dates back to the Pre-Vedic period when Harappan culture flourished in India. History of entrepreneurship and emergence of entrepreneurial class in India may be presented in two sections viz. entrepreneurship during pre-independence and post-independence. Entrepreneurship during pre-independence developed in the excavation in Harappan and Mohanjodaro the handcraft items and metal moulded items. It is observed that the craftsmen of the time made, handicraft items as part of their contribution to the society in which they lived. The entrepreneurship to make handicraft items existed in India around

2500 B.C. People developed their own social system and village economy in India. India also developed cast-based divisions of work, which helped in the development of skills of artisans. The artisans in different parts of India grouped together and developed their own artefacts and were well known for their quality. The actual appearance of manufacturing enterprise can be noticed in the second half of nineteenth century. Entrepreneurship during post-independence developed in 1948 when Indian government came forward with the first Industrial policy, which was revised from time to time. The government identified the responsibility of the state to promote, assist and develop industries in the national interest and recognized the role of private sector in accelerating industrial development.

The Theoretical Framework Of Entrepreneurship

Entrepreneurship is a wide phenomenon. Van de Ven squabble that "the process of entrepreneurship is a collective achievement requiring key roles from numerous entrepreneurs in both the public and private sectors" (1993). Entrepreneurship research has been a centre of attraction for scholars since many decades with the advent of ownership of firms, small scale business management, networking, organizing, and innovativeness. Entrepreneurial activities are significantly dissimilar which depends on nature of business started by entrepreneur. Private enterprise can be established from particular projects to huge organizations that open the path for employments to many experts and workers. In current situation the definition of entrepreneurship has been changed which is not limited to operation in business developments but extend to conceptualization of entrepreneurship as a specific attitude resulting in industrial schemes, such as the development of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship. Heggins explained that entrepreneurship meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top managers of day-to-day operations. Another theorist Mc Clelland, there are two characteristics of entrepreneur, first is doing a thing in a new and better way, second is decision making under uncertainty. The various definitions of entrepreneurship identify two basic elements of entrepreneurship namely innovation and risk bearing. Joseph Schumpeter was the inventor of developing contemporary entrepreneurship (1934). Joseph A Schumpeter defined that entrepreneurship is essentially a creative activity. It consists of doing such things are not generally done in ordinary course of business. An entrepreneur is one who innovates i.e. carries out new business. He placed entrepreneurship in the core of his economic development theoretical structure. Joseph Schumpeter categorized entrepreneur as sociologically distinct individual. The person is characterized as the one who look for opportunities, grab these probabilities, innovate products or provide services, transform production process or develop new strategies for market to enhance economy. According to Schumpeter, this process is termed as innovation and specifies that this activity is the main area of entrepreneurship. It is described that "entrepreneurship is a process that takes place in different environments and circumstances and causes changes in the economy through innovations, which are created by individuals recognizing economic opportunities creating value, both to these individuals and societies".

Entrepreneurship Role In Economic Development

There is a vast importance of entrepreneurship in increasing economy of country. After the Independence, India has realized that, for achieving the goal of economic development, it is necessary to increase the entrepreneurship both qualitatively and quantitatively in the country. Parson and Smelter described entrepreneurship as one of the two necessary conditions for economic development, the other being increased output of capital. Y.A. Say high describes entrepreneurship as a necessary dynamic force for economic development. Entrepreneurship plays different role in the economic development such as it promotes capital formation by mobilizing the idle saving of the public. It provides immediate large-scale employment. Thus it helps to reduce unemployment in the country. It provides balanced regional development. It helps to reduce the concentration of economic power. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country. It encourages effective resources mobilization of capital and skill which might otherwise remain unutilized and idle. It also induces backward and forward linkages which stimulated the process of economic development in the country. It promotes country's export trade i.e. an important ingredient for economic development.

Theorists defined four major factors of business enterprise that is the harmonizing feature, which can balance the other factors and he stated that entrepreneurship is motivating factor for any business operation. There is a great consensus that entrepreneurs produce new merchandise or develop the strategies of producing old goods through resourcefully organizing the business activities. Entrepreneurial activity depends upon the interface between the opportunity and the traits of the community who develop them. Gartner developed a theoretical framework to explain the fact of new project creation that incorporated four main viewpoints in entrepreneurship (1985). These qualities are the person's effort to begin the new enterprise, the organization they create, the setting surrounding the new project and the progression of the new project created. Many theoretical studies explored the cognitive processes involved in entrepreneur's decision making on critical issues.

Phases in the Entrepreneurial Process

Entrepreneurship consists of various phases. The first phase in the entrepreneurial process is some change in the real world. The second stage in the entrepreneurial development is the 'idea'. For example, microprocessor, the brain of personnel computer had been in the American market since the early 1970s. Intrapreneuring is another scheme. It is the process of extending the firms domain of competence by exploiting new opportunities through new combinations of its existing resources.

Obstacles to Entrepreneurship

Number of entrepreneurs particularly in the small enterprises is not successful because of many problems and barriers. The greatest barrier to entrepreneurship is the failure of success. Karl. H. Vesper has identified some entrepreneurship barriers such as lack of a viable concept, lack of market knowledge, lack of technical skills, lack of seed capital, lack of business know how, complacency, lack of motivation, social stigma, time presence and distractions, legal constraints and regulations, monopoly and protectionism and inhibitions due to patents.

Another area of entrepreneurship is rural entrepreneurship which is a major opportunity for the people who migrate from rural areas or semi urban areas to Urban areas. On the contrary it is also a fact that the majority of rural entrepreneurs are facing many problems due to non-availability of primary amenities in rural areas of developing country like India. It is too difficult for the rural entrepreneurs to establish industries in the rural areas.

It can be summed up that Entrepreneurship is determined activity of an individual or a group of associated individuals, undertaken to start, maintain or earn profit by production and distribution of economic goods or services. It is an act of starting and running an enterprise. Entrepreneurship is practiced from ancient time itself and dates back to pre-Vedic period when Harappan culture flourished in India. The artisans and royal patronage of Indian kings have contributed for the entrepreneurship in the early ages of Indian history. East India Company handicapped the Indian tiny and cottage industries. Later Parsi's, Jain's and Vaishya's had contributed for the growth of entrepreneurship. The managing agency system and the Swadeshi movement have contributed for the growth of entrepreneurship in India. After independence, the Government of India has taken measures for growth of industries through its Industry Policy Resolutions. There are many barriers to the entrepreneurship. It may be lack of viable concept, lack of market knowledge, lack of skills, lack of seed capital etc.