MODULE 7

Entrepreneurship

JOSEPH SCHUMPETER on Entrepreneurship

A process where established ways of doing things are destroyed by the creation of new and better ways of getting things done.

The process laid emphasis on:

- New Products
- New Production methods
- New Markets
- New Resources

Entrepreneurship Process

[Diagram showing the process with branches for New Products, New Production Methods, New Markets, and New Resources]
PETER DRUCKER On Entrepreneurship:

Entrepreneurship is purposeful innovation aimed at creating customers

- By creating utility
- By pricing
- By adaptation to the customers social and economic reality
- By delivering what represents true value to the customer

Entrepreneurship Innovation

Peter Drucker On Entrepreneurship:

Innovation can be defined from the supply side (changing the yield of resources) or from the demand side (changing the value and satisfaction obtained from the resources by the consumer). Systematic innovation consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation.
Other Definitions On Entrepreneurship

The assumption of risk and responsibility in designing and implementing a business strategy or starting a business. The activity of assuming, organizing and managing risks of a business enterprise leading to:

» Wealth creation

» Innovation
Entrepreneurial Success Stories

- Arun Jain, Chairman & CEO of Polaris Software Lab Limited, emphasizes that it is quality consciousness which has made him one of the most highly successful first generation entrepreneurs.

- Madhuri Mathur, made the life of ladies in kitchen easier by bringing out the idea of a kitchen machine that would blend, chop, mince and grind that culminated into sumeet mixer.

- Shahnaz Husain introduced herbal cosmetics to the world. Her creams and lotions have found their way into salons in different parts of the globe. She has 650 salons at 104 countries.
• As the inventor of Hotmail, Sabeer Bhatia strengthened India's IT revolution. Hotmail went from strength to strength as the Web email address of choice for an estimated 200 million users worldwide.

• The Chandraprabhu Raingun is an innovation of Shri Anna Saheb Udgave, a 70-year old sugarcane farmer in Chandraprabhu, India.

• By studying commonly available sprinkler systems, he developed his own design to suit the irrigation requirements of sugarcane.

• While it was developed with sugarcane in mind, the Raingun can also be used to a number of other crops such as groundnut, tapioca, onion, and potato.

The Features Of Saheb’s Chandraprabhu Raingun

• A majority of Saheb’s fellow farmers practiced unplanned flood irrigation. Seepage and evaporation made this an inefficient irrigation method.

• As a result of Government subsidized power supplies to farmers, the common practice was to keep the pump sets running for hours together. This led to additional wastage of water resources. The motivating factor was to improve the irrigation practice to sustain agricultural profitably.

• Saheb’s Chandraprabhu Raingun is a powerful mega sprinkler that throws large amount of water (up to 500 liters per minute) in a radius of 90 feet, like artificial rain.
Benefits To The Farmers

- The Rain gun reduces water consumption by 50 per cent as compared to normal irrigation methods.

- Power consumption reduced drastically

- Labour requirements reduced since the sprinkler system is less labour intensive.

- Increases crop yield by 10%

- Fertilizer when used with the rain gun irrigation system reduces the consumption of fertilizers

- Protects crops against pests like aphids, and white flies.

- Helps in converting sugarcane trash into nutrients for the next crop.

Early Adopters Of The Raingun In Bellad Baigewadi, Chikodi, Belgaum

AJIT KHEMLAPURE, Cane Farmer

Mr. KHEMLAPURE has 18 acres of land, only fourteen acres of which could be cultivated with flood irrigation. With the rain gun system, all 18 acres could be irrigated. Further, for this acreage he now needs only one laborer, whereas earlier he would have needed two.

After three years of use, he feels that the rain gun keeps the soil in good condition. His yield has increased from 40 to 50 tons per acre. The one problem he still experiences is strong winds affecting spray. However, the Chandraprabhu
Raingun has an edge - a different rain gun in the same field has proved completely unsuitable for irrigation.

**Early Adopters of The Raingun in Bellad Baigewadi, Chikodi, Belgaum**

*Mr. VARDHAMAN, Cane Farmer*

Mr. Vardhaman knew about rain gun technology, but he found the cost of the system to be too high. He kept searching for other rain guns, leading him to the Chandraprabhu Raingun. He visited Anna Saheb’s farm, to see for himself the system design and performance.

He installed the system with Anna Saheb’s assistance and initially used the Chandraprabhu Raingun for conserving water. This alone gave him a benefit of 80 per cent of his investment in one year. Later he also used the Raingun for other benefits. He asserts that the Chandraprabhu Raingun is the best, because it applies only the required amount of water, and thus prevents damage to soil resulting from application of excessive water.

- *Entrepreneurial ventures are based on innovations / innovative ideas.*
- *Entrepreneurs bridge the gap between innovation and end users of products.*
- *Entrepreneurs identify opportunities and come up with innovative solutions.*
Entrepreneur

**Adam Smith On Entrepreneurs**

An individual who undertakes the formation of an organization for commercial purposes.
Entrepreneurship – Highlights

- Diversity - Entrepreneurship principle is applicable in diverse settings.
- Great potential - Mostly entrepreneurial ventures are started as small enterprises but grow rapidly.
- Creative thinking - Entrepreneurs identify opportunities creatively.
Myths Of Entrepreneurship

Entrepreneurs Are Born, Not Made.

- Anyone can start a business, it’s luck that distinguishes entrepreneurs from others.
Entrepreneurship
Myths Of Entrepreneurship

- Entrepreneurs are gamblers.
Myths of Entrepreneurship

- Entrepreneurial ventures require huge capital investments.
Myths of Entrepreneurship

Entrepreneurs can not hold on to their business in the long run

Entrepreneurial Strengths

- Risk - the unpredictability of outcomes is inherent and recognized
- Confidence - the confidence level entrepreneurs have in their own ideas is substantial.
- Framework - progresses from environmental to individual

RISK

CONFIDENCE

MENTAL FRAMEWORK

ENTREPRENEURIAL STRENGTH
Economic Relevance

- Entrepreneurial ventures are essential to the economy.
- Entrepreneurial ventures contributes to personal rewards.
- Entrepreneurial ventures substantiates social welfare.

Entrepreneurial Environment

- Society that encourages personal freedom
- Respect for business and business people
- Resource availability
- Sociodemographics
- Appropriate business organizations
Sources Of Innovation

- The unexpected
- The incongruity
- Innovation based on process need
- Changes in industry structure or market structure
- Demographics
- Changes in perception, mood, and meaning
- New knowledge
- Knowledge-based innovators find time working against them. They don't get a second chance to be right.

Entrepreneurship And Small Business

Entrepreneurship

- Founders - First generation entrepreneurs are risk takers, and often the most creative.
- Second-generation entrepreneurs carry on the family tradition.
- Franchisees — restricted in freedom, but have invested money and time.
- Owner-managers – new to the business, but had been working in association with a larger enterprise and hence are not new to the problems.

Small Business

- Financing - supplied by one individual or a small group. The financial needs are also very less.
- Localized setting – Most of the business is carried on in small localities.
- Size - The business is small when compared to competitors.
- Employment – Potential for employment is very small. Mostly these businesses are run by less than 100 employees.
The Motivation For Entrepreneurship
Make Money (Profit)

- *Profit is a strong motivator, but it’s a mistake to assume that it is the only motivator.*
- *Most entrepreneurs are also satisfied with what they consider to be a "reasonable profit."*

The Motivation For Entrepreneurship
Be Your Own Boss
Independence

Many small business owners left top managerial positions in the corporate world so they could be independent and be their own boss.
Corporate Employment Vs. Entrepreneurship

Entrepreneurial Freedom / Corporate Rigidity

- Inflexible schedule
- No Supervisory evaluation
- Flexible business policy
- Flexible business solutions

Corporate & Entrepreneurial Demands

- Customer demands
- Government taxes and regulations
- Need for long hours, hard work
- Employee expectations

The Motivation For Entrepreneurship

Entrepreneurs As Refugees

- Corporate refugee - Escape from corporate tensions
- Parental refugee - Emphasise self worth
- Feminist refugee - Escaping gender discrimination
- Housewife refugee - Time utility after household responsibilities
- Society refugee - express social belongingness
- Educational refugee - Leave academic pursuit for venturing into business
The Motivation For Entrepreneurship

- Enjoy a satisfying life (personal fulfillment)
- Pride of ownership, self-esteem, and a sense of achievement
- Chance to help the community in some way.
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Competitive Advantages Of Entrepreneurial Firms

- **CUSTOMER FOCUS** — These firms can achieve greater customer satisfaction and loyalty by their flexibility.
- **QUALITY PERFORMANCE** - These firms can outperform large scale operations of large undertakings by closely managing operations.
- **INTEGRITY AND RESPONSIBILITY** — These firms can foster a reputation for honesty and reliability in their dealings and thereby win business.
- **INNOVATION** — Entrepreneurs are innovators, and this mindset is more likely to surface in the activities of the firm.
- **LOW COST PRODUCTION** - These firms can sometimes be more efficient than large firms, especially in small markets.

### Competitive Advantages

- Customer Focus
- Customer
- Satisfaction
- Customer Loyalty
- Quality
- Few Managerial tasks
- Focus on productivity
- Integrity & Responsibility
- Honesty
- Reliability
- Innovation
- Innovative Operation
- Innovative Business tools
- Low-Cost Production
- Cost efficient
- Few Operations
Successful Entrepreneurs

- Innovative ideas help successful entrepreneurs

- Determination and the ability to conceive innovative business propositions materializes these ideas into business ventures.

- Bill Gates, Narayan Murthy, Azim Premji and Henry Ford, Dhirubhai Ambani etc.

Successful Entrepreneurial Ventures

DAN HOLTSHOUSE of “Xerox” said, “Try to anchor the idea in as many places inside the company and with as many customers that are important to the company as possible.”

The business idea guides even after it has achieved success. It is like the light that shows the future plan and direction of the business.

Narayan Murthy started “Infosys” at a time when ‘computer software’ was an unfamiliar phrase (in India), which today is a billion dollar company and a house-hold name. A large amount of its success could be attributed to the thought of building a software company decades ago.

Attributes Of Successful Entrepreneurs

- Successful entrepreneurs seem to have a feel for the effectiveness of the idea.

- Hard word is much more pertinent than dreams to turn an innovative idea into a successful business enterprise.
- **Self assessment helps in identifying the business idea that can help entrepreneurs achieve their desired result.**
- **Differentiation seems to the most important attribute of a successful venture, not only to stand out in a crowd, but to do the little things inside the company in a competitive way.**
- **Entrepreneurs seem to take in their stride failure and continue to strive towards success.**

**Entrepreneurship – Highlights**

- **Entrepreneurs emphasize more on aspects such as self realization, quality, etc., than reaping profits. Money is not the only objective.**
- **Entrepreneurship involves more of tackling head on business activities than desiring to be one’s own boss.**
- **Entrepreneurship need not necessarily be a way for self-employment but a means to create and identity in society and business circles.**
- **Entrepreneurial business success rate may not be more than 10 per cent.**
- **Entrepreneurs thrive on problems and find solutions without losing heart.**

**Summary**

Visualizing a business proposition also includes looking at its practicability and conducting a preliminary investigation. If the results are satisfactory, an investigation has to be conducted and the objectives of the business are decided.
Entrepreneurial Nature

- Entrepreneurs recognize business opportunities, help people to work together and utilize the knowledge, capital and other resources in a productive endeavor.
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Summary

Entrepreneurship

Is An Approach To Management That Encourages Continuous Identification And Pursuit Of Opportunity, The Organization Of Resources To Achieve Productive Excellence

Reference

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