



ENTREPRENEURSHIP

Class-XI



CENTRAL BOARD OF SECONDARY EDUCATION

Shiksha Kendra, 2, Community Centre, Preet Vihar, Delhi-110 092 India



UNIT 1

Entrepreneurship: Concept and Functions

Learning Objectives:

After studying this lesson the students should be able to:

- Understand the concept of Entrepreneurship
- Explain the functions of Entrepreneurship
- Appreciate the need for Entrepreneurship in our economy
- State the myths, advantages and disadvantages of Entrepreneurship
- Describe the process of Entrepreneurship

Case Study

The Earth at this Innovator's Feet

*Mansukhbhai Prajapati remoulded his family's struggling pottery business to produce the **Mitticool** range of ingenious earthenware, including a fridge that works without electricity.*

Reporting on the devastation and thousands of lives lost during the 2001 earthquake in Gujarat, local newspapers had this intriguing headline describing the havoc wreaked at a potters' colony: 'Garibonna fridge no bhookon' (pieces of the poor people's fridge). Among the debris were the shards of hundreds of broken clay pitchers.

That headline proved to be a game-changer for Wakaner-based potter, Mansukhbhai Prajapati, who literally picked up the pieces to begin afresh on a remarkably innovative idea – the Mitticool refrigerator, which is made of mud/clay and works without electricity.



Originally from Morbi village in Rajkot, South Gujarat, Prajapati, a tenth-standard dropout, began working at a tea-stall after his father discouraged him from entering the family's pottery business as the income was negligible. Later, he became a supervisor at a roof-tile manufacturing company and eventually, in 1989, returned to his passion for pottery by producing tavdi or tawa (frying pan) from clay.

Although his father-in-law desired him to continue working at the roof-tile company, Prajapati's wife encouraged him to experiment with the family business all over again.

It was this abiding interest in innovation that led him to develop the Mitticool water filter, way back in 1997.

A lot of rigorous experimentation went into his work on the Mitticool refrigerator, which he launched in 2002.





Besides a tank for cooling and storing 10 litres of water, the earthenware refrigerator has two compartments for storing 5 kg of vegetables, fruits and other food.

It takes about seven days to make one Mitticool fridge. The special terracotta clay used is baked at 1,200 degree Celsius to harden it. Like any clay pot used to cool water, the fridge too works by keeping the inside temperature 10 degrees lower than the outside.

The natural cooling process keeps vegetables and fruits fresh for up to five days, and milk products for up to three days.

Measuring 27 inches high and 15 inches wide, the fridge costs between Rs.3,000 to Rs.3,500. As it works without electricity, it is especially useful in villages that experience frequent power cuts.

Entrepreneurship

Entrepreneurship is a ship on a voyage that has on board, innovative and creative men and women, who like to do all those constructive things which nobody could lay his/her hands on before. They make a fortune out of ideas. Success never goes to their heads and each set back makes them bold enough to carve their future, aiming for excellence. Entrepreneurship is the freedom to do what one likes to do, with all its attendant profits and risks. Entrepreneurship is defined by results and not by attributes. It is a passion and all about commercial risks. A true entrepreneur uses not only his/her senses one to five, but six, seven, eight and nine. Six to nine do not really exist, but he/she develops them through his/her exposure, experience, failures and following the concept of listening to understanding.

Are these people Entrepreneurs?

Vegetable vendor, Newspaper distributor, Laundry service.

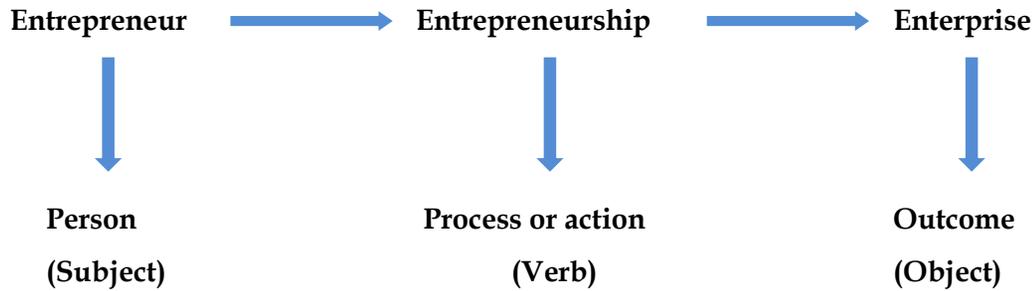
To a large extent they are also risk takers. They may not be innovative, but they take risks up to their own potential and level.

Entrepreneurship has evolved through the centuries and it has been viewed differently according to conditions prevailing in the world economy. The new-age business ventures are more idea-centric and not just product-based. The key to success in business is not just inheritance; it is creation of more wealth and the constant innovation, from the prevailing to the next best practices. Accordingly, a wide range of small and mid-sized businesses have emerged and gained popularity with the affluent middle class, determined to spend more, as well as derive value out of every rupee spent.

Earlier, any business venture was product based – manufacturing of cars, production of dress material, watches etc. If we analyse carefully we find that there are many entrepreneurs found in these ventures, and there was a monopoly in certain areas. But as the economy grew, and companies started competing with one and another globally, we see a lot of idea-centric and need-based companies mushrooming all over the country. For instance, Mumbai's Dabbahwalaah, crèches, ready to eat food, instant noodles etc.



The Concept of Entrepreneurship



Concept of Entrepreneur

An entrepreneur is a person responsible for setting up a business or an enterprise. He has the initiative, skill for innovation and who looks for high achievements. He is a catalytic agent of change and works for the good of people. He puts up new green field projects that create wealth, opens up many employment opportunities and leads to growth of other sectors.

ENTREPRENEUR is a person who:

- Develops and owns his own enterprise.
- Is a moderate risk taker and works under uncertainty for achieving the goal.
- Is innovative.
- Is a persuader of deviant pursuits.
- Reflects a strong urge to be independent.
- Persistently tries to do something better.
- Is dissatisfied with routine activities.
- Is prepared to withstand the hard life.
- Is determined, but patient.
- Exhibits a sense of leadership.
- Exhibits a sense of competitiveness.
- Takes personal responsibility.
- Is oriented towards the future.
- Tends to persist in the face of adversity

An entrepreneur is a person who starts an enterprise and converts a situation into opportunity. He/she searches for change and responds to it. A number of definitions have been given of an entrepreneur. The economists view him/her as the fourth factor of production, along with land labour and capital.

Sociologists feel that certain communities and cultures promote entrepreneurship; for example, in India, we say that particular communities are very enterprising. Still others feel that entrepreneurs are innovators who come up with new ideas for products, markets or techniques.



To put it very simply, an entrepreneur is someone who perceives opportunity, organizes resources needed for exploiting that opportunity and exploits it. Computers, mobile phones, washing machines, ATMs, credit cards, courier services, and ready-to-eat foods, are all examples of entrepreneurial ideas that got converted into products or services.

The word 'entrepreneur' is derived from the French word 'entreprendre' which means 'to undertake' i.e. individuals who undertake the risk of a new enterprise. The word 'entrepreneur', therefore, first appeared in the French language in the beginning of the sixteenth century. The word was coined by Richard Cantillon, an Irishman, living in France.

Definitions of an entrepreneur

Richard Cantillon: *As a person, who pays a certain price to a product to resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of enterprise.*

Adam Smith: *An individual, who undertakes the formation of an organization for commercial purposes by recognizing the potential demand for goods and services, and there by acts as an economic agent and transforms demand into supply.*

Joseph Schumpeter: *Entrepreneurs are innovators, who use the process of entrepreneurship to shatter the status quo of the existing products and services, to set new products, new services. He describes entrepreneurs as innovators.*

Peter F. Drucker: *An entrepreneur is one who always searches for changes, responds to it and exploits it as an opportunity. He believes in increasing the value and consumer satisfaction. Thus, a professional manager who mobilises resources and allocates them to make a commercial gain from an opportunity, is also called an entrepreneur.*

To sum up, **entrepreneurship** may be defined as a systematic innovation which consists of the purposeful and organised search for changes, and a systematic analysis of the opportunities that such change might offer for economic and social transformation.

Enterprise

An entrepreneur is a person who starts an enterprise. The process of creation is called entrepreneurship. The entrepreneur is the actor and entrepreneurship is the act. The outcome of the actor and the act, is called the enterprise. An enterprise is the business organization that is formed and which provides goods and services, creates jobs, contributes to national income, exports and contributes to the overall economic development.

Entrepreneur versus entrepreneurship

The term 'entrepreneur' is often used interchangeably with 'entrepreneurship' but, conceptually, they are different, yet they are just like the two sides of a coin. Both the terms are co-related.

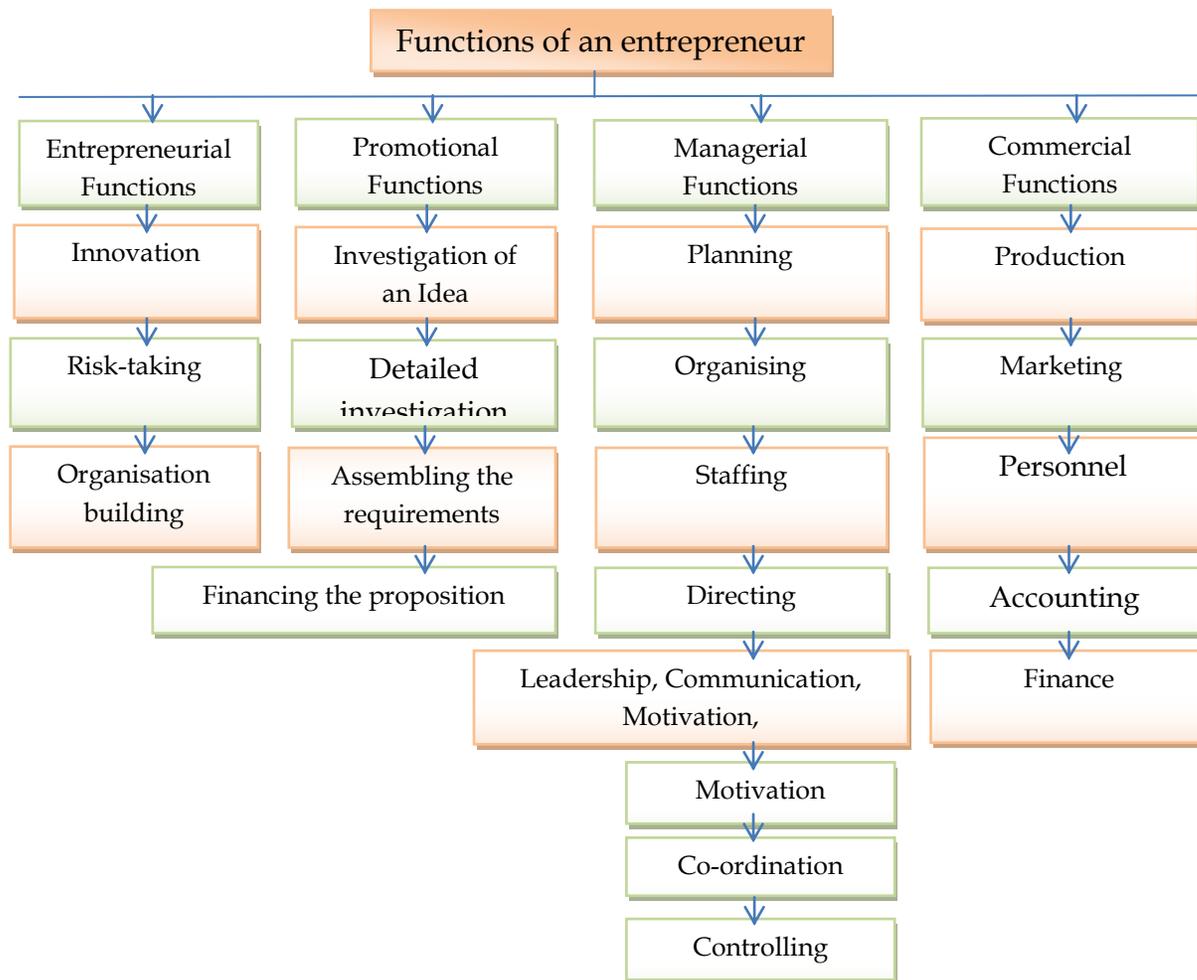
An entrepreneur is a person who bears the risks, unites various factors of production and carries out creative innovations. He/she is an individual or one of a group of individuals who



try to create something new. He/she always attempting to bring about change in terms of factor proportions, which is known as innovation.

On the contrary, entrepreneurship is the set of activities performed by an entrepreneur. It is process of identifying opportunities in the market place and marshalling the resources required to pursue these opportunities for long term gains. It is the attempt to create value.

Functions of an Entrepreneur



Rajesh Marwaha and J. S. Mehandipur in their book “*Entrepreneurship and Small Business*”, have given a comprehensive classification of the functions of entrepreneurs.

A. Entrepreneurial functions

Innovation:

It is the basic function of an entrepreneur. As an innovator, the entrepreneur has to introduce new combinations of the means of production, new product, new market for a product and new sources of raw material. They introduce something new in any branch of economic activity. He/she foresees a potentially profitable opportunity and tries to exploit it.

Example: I-Pod, Smart phones, Induction cook top etc.



Risk-taking:

It refers to taking responsibility for a loss that may occur due to unforeseen contingencies in the future. An entrepreneur reduces uncertainty in his/her plan of investment, diversification of production and expansion of the enterprise. He/she is a self-confident and highly optimistic person, willing to assume the risks involved in innovations, new ventures and expansion of an existing venture.

For example, narrating an incident from Dhirubhai's life, his son Mukesh recalls that, when **Dhirubhai** was flown to Jamnagar and shown a piece of barren land, he asked why mangoes could not be grown there. The officials informed him that the land was not fertile enough for mango crop. Dhirubhai took it as a challenge and told those officials that it was for the same reason why mangoes ought to be grown there. After just a few years, the entire land of about 2000 acres had been converted green and 6000 tonnes of mango crop was harvested from the same land. So Dhirubhai took a risk here and believed in its success, thus translating it into the best of mango variety, the 'Alphonso', which is being grown in that region.



Organisation Building:

Organisation and management are the main functions of an entrepreneur. They refer to the bringing together of the various factors of production. The purpose is to allocate the productive resources in order to minimise losses and reduce costs in production. All decisions relating to an enterprise is taken by the entrepreneur. He/she alone determines the lines of business to expand and capital to employ. Thus, an entrepreneur is the final judge in the conduct of his/her business.

B. Promotional functions

Discovery of an idea:

The entrepreneur visualizes that there are opportunities for a particular type of business and it can be profitably run. The idea may be to exploit new areas of natural resources, more profitable venture, or an existing line of business. He/she develops the idea with the experts in the field, and if they are convinced, then he/she will go ahead with more exhaustive analysis.

For example, **Karsan Bhai Patel**, the creator of Nirma Washing Powder, who was working as a factory chemist in Gujarat Mineral Development Corporation, started making detergent powder in his kitchen for poor rural women of Gujarat and selling his product by visiting different villages. His efforts culminated in the whitish yellow detergent powder named Nirma. The idea behind was need and the problem of the society that could not afford other brands of detergent powders because of their high cost. Today, Nirma is one of the world's biggest detergent powder manufacturer. The brand sells over 8 lakh tonnes annually. It holds 40% of the Indian market, with a turnover of more than Rs. 2500/- crores. This is creative effort and risk taking ability of a person who turned out to be an entrepreneur. The strength of being capable is the plus point in an entrepreneur.



Detailed Investigation:

The entrepreneur will estimate the total demand for the product. After determining the prospective demand for goods, he/she will think of arranging finances for the venture, along with the availability of power, labour, raw materials and machinery. The work of estimation becomes complicated if it is a new line of business. The estimates should be based on proper analysis of various factors.

Assembling the Requirements:

After making sure that the proposition is practical and profitable, the entrepreneur proceeds to assemble the requirements. He persuades some more people to join him on board. He may also be required to acquire some patent rights if he has invented something new. The entrepreneur selects the factory site, decides about plant and machinery and contacts suppliers of raw materials. Preliminary contracts are finalised and project is set to begin.

Financing the Proposition:

The entrepreneur decides about the capital structure of the enterprise. The requirements of finances are estimated first, then the sources from which money will come up are determined. Long term and short term financial requirements are estimated and the type of source of funds is also decided- share, debenture, loan etc.

For example, when **Narayana Murthy** started Infosys in 1981, he had no capital and his wife **Sudha Murthy** gave him Rs. 10,000/- which she had saved for a rainy day.

C. Managerial functions

Planning:

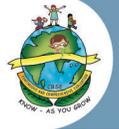
It is the basic managerial function of an entrepreneur. It helps in determining the course of action to be followed to achieve various entrepreneurial objectives. Planning is concerned with the mental state of the entrepreneur. It is decision making in advance: what to do, when to do, how to do and who will do a particular task.

Organizing:

Every business enterprise needs the service of a number of persons to look after its different aspects. The entrepreneur sets up the objectives or goals to be achieved by its personnel. The function of organising is to arrange guide, co-ordinate, direct and control the activities of the factors of production.

Staffing:

The function involves making appointments for the positions created by the organisational process. It is concerned with the human resources of an enterprise. It consists of human resources, manpower planning, recruitment, selection and placement of manpower, human resource development, promotion, transfer, appraisal and determination of employee's remuneration.



Directing:

It is concerned with carrying out the desired plans. It initiates organised and planned action, and ensures effective performance by subordinates towards the accomplishment of group activities.

Leadership:

It is the process by which an entrepreneur imaginatively directs/guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organisation in such a manner that both will get the maximum satisfaction.

Communication:

It constitutes a very important function of the entrepreneur. It is observed to be the most prevalent problem among entrepreneurs today. It has been established that entrepreneurs spend 75% to 90% of their working time communicating with others. It refers to the exchange of ideas, feelings, emotions, knowledge and information between two or more persons. Nothing happens in management until effective communication takes place.

Motivation:

It is the psychological process of creating an urge among the subordinates to do certain things or behave in the desired manner. The importance of motivation can be realised from the fact that the performance of a worker depends upon his/her ability and the motivation. A sound motivational system must be productive, competitive, comprehensive and flexible, and it must consider the psychological, social, safety, ego and economic needs of the worker.

Supervision:

After issuing instructions, the entrepreneur has to see that the given instructions are carried out. Supervision refers to the job of overseeing subordinates at work to ensure the maximum utilisation of resources, to get the required and directed work done, and to correct the subordinates whenever they go wrong.

Co-ordination:

It is one of the most important functions, as, it is essential to channelize the activities of various individuals in the organisation, for the achievement of common goals. The entrepreneur has to make sure that the work of different segments is going according to pre-determined targets and corrective measures have to be initialised if there is any deviation.

Controlling:

Control is the process which enables the entrepreneur to get his/her company's policies implemented and take corrective action if performance is not according to the pre-determined standards. The process begins with establishing standards of performance, measuring actual performance, comparing the actual performance with the standard, finding variations and finally, taking corrective action.



D. Commercial Functions

Production:

It is the key function of an entrepreneur. The activities of production are independent of the size of the undertaking. In a small concern, one person may be undertaking this function whereas, in large organisations, this activity may be undertaken by various individuals or separate teams. It is the creation of goods and services. It consists of manufacturing, ancillary and advisory activities.

Finance:

It is the most important aspect in all enterprises. It remains a focus of all business activities. The need for money is continuous. It starts with the setting up of an enterprise and remains at all times. The development and expansion of an enterprise rather needs more commitment for funds. It is the duty of the entrepreneur to look and analyse into the various sources of finance and appropriately arrange for them as and when required.

Marketing:

It is primarily concerned with the movement of goods and services from the producer to the ultimate consumer. It is directed towards the satisfaction of consumer wants. Marketing plays a significant role in promoting the well-being of the business enterprise. So it is the role of the entrepreneur to strategically place his company in an advantageous position to secure the top position in the market.

Personnel:

This function is concerned with employment, development and compensation for the personnel, the provisions of working conditions and welfare measures to maintain a good work force in the organisation.

Accounting:

It is defined as a systematic recording of entrepreneurial transactions of an enterprise and the financial position of the enterprises. The entrepreneur should look into the record keeping of the entries of all transactions which take place in the organisation so that he/she is aware of his/her financial position.

Need For Entrepreneurship

The main need for entrepreneurship State in any country is for *Economic Development*. In capitalist and developed countries, private entrepreneurs play an important role in economic development. In socialist countries, the state (Government) is the entrepreneur. In under-developed countries, private entrepreneurship is not encouraged because of the degree of risk involved. The government has to play a vital role in economic development. But in a developing country like India which follows a mixed economy, the role of both the government and the private entrepreneurs is equally important. The role of the private entrepreneurs has further increased because of the liberal economic policies followed by the Indian government since 1991.



Economic growth depends on the rate of innovation in the economic field, which in turn, depends on the number and quality of entrepreneurs in the society. *Thus, entrepreneur is an agent of progress in the society.* The reason for slow progress of our Indian economy during the first four decades of independence is that, the Indian entrepreneur has been shy. But as our economy has been progressing, we have seen an upsurge in the number of entrepreneurs emerging in all fields, but more needs to be done for increased economic growth in our country.

The need for Entrepreneurship can be highlighted thus:

Life-line of a nation:

No country can progress without the development of entrepreneurship. Every country is trying to promote its trade so that it is able to share the benefits of development. Therefore, entrepreneurship is the yardstick to measure the level of development of a country.

Provides innovation:

Entrepreneurship provides new ideas, imagination and vision to the enterprise. An entrepreneur is an innovator as he tries to find new technology, products and markets. He increases the productivity of various resources. The entrepreneur stands at the centre of the whole process of economic development. He conceives business ideas and puts them into effect, to enhance the process of economic development.

Change of growth/Inclusive growth:

An enterprise operates in a changing environment. The entrepreneur moulds the enterprise in such a changing environment. The latter moulds not only the enterprise, but also alters the environment itself, to ensure the success of the enterprise. In order to meet the challenge of automation and the complexities of advanced technology, there is a need for the development of entrepreneurship.

Increased profits:

Profits can be increased in any enterprise, either by increasing the sales revenue or reducing cost. To increase the sales revenue is beyond the control of an enterprise. Entrepreneurship, by reducing costs, increases its profits and provides opportunities for future growth and development.

Employment opportunities:

Entrepreneurship and its activities provide the maximum employment potential. Large numbers of persons are employed in entrepreneurial activities in the country. The growths in these activities bring more and more employment opportunities.

Social Benefits:

It is not only beneficial to the business enterprise, but to the society at large. It raises the standard of living by providing good quality products and services at the lowest possible cost. It also makes the optimum use of scarce resources and promotes peace and prosperity in the society.



Myths of Entrepreneurship

According to **Guy Kawasaki**, many entrepreneurs believe a set of myths about entrepreneurship, the most common being:

1. Starting a business is easy

Actually it is not. Most people, who begin the process of starting a company, fail to get one up and running. Seven years after beginning the process of starting a business, only one-third of entrepreneurs have a new company with positive cash flow greater than the salary and expenses of the owner for more than three consecutive months. But small entrepreneurships are comparatively easier to start.

2. It takes a lot of money to finance a new business

The typical start-up only requires about Rs.1,50,000/- to get going. The successful entrepreneurs, who don't believe the myth, design their businesses to work with little cash. They rent instead of buying. And they turn fixed costs into variable costs by, say, paying people commissions instead of salaries for example; Infosys was started with only Rs. 10,000/-.

3. Start-ups can't be financed with debt

Actually, debt is more common than equity. A lot of entrepreneurs use debt rather than equity to fund their companies. However, the composition of debt and equity will have to be worked upon.

4. Banks don't lend money to start-ups

This is another myth. Banks and various government schemes have been implemented with the idea of providing finance to budding entrepreneurs.

5. Most entrepreneurs start businesses in attractive industries

Most entrepreneurs head right for different industries for start-ups. The correlation between the number of entrepreneurs starting businesses in an industry and the number of companies failing in the industry is 0.77. That means that most entrepreneurs are picking industries in which they are most likely to fail. **Mahima Mehra** started *Hathi Chaap*. It was totally a new venture where different raw materials were tried out to make handmade paper. After researching a lot, they found that elephant dung had more fibre content which made it easy to make handmade paper.

6. The growth of a start-up depends more on an entrepreneur's talent than on the business he chooses

This is not true as the industry that an entrepreneur chooses to work has a huge effect on the odds that it will grow. For instance, various dotcom companies mushroomed all over the world during the Y2K problem in the year 2000.



7. Most enterprises are successful financially

This is also another myth. Entrepreneurship creates a lot of wealth, but it is very unevenly distributed. The typical profit of an owner-managed business is Rs.2, 40,000 per year. Only the top ten percent of entrepreneurs earn more money than employees. And, the typical entrepreneur earns less money than he/she otherwise would have earned, working for someone else.

Advantages and Disadvantages of Entrepreneurship

To everything in life, there are advantages and disadvantages; entrepreneurship is no exception. As a matter of fact, entrepreneurship involves a lot of risk taking. Yet, it can pay off very well, with rewards such as profits, the opportunity to be your own boss and make your own decisions.

Here are some advantages and disadvantages to consider:

Advantages

Excitement: Due to its high capacity for risk, there is a lot of adventure for example, **Steve Jobs** left his position in Apple Inc., and started Pixar, which later turned out to be a successful venture.

Originality: Some feel that they can offer a new service or product that no one else has offered before, i.e., I-pod and I-pad

Independence: Some wish to be their own boss and make all the important decisions themselves.

Rational salary: They are not being paid what they are worth and would rather work on their own and earn the money they should be earning for their efforts.

Freedom: Entrepreneurs can work on any idea which they feel will eventually turn out to be a successful venture, for instance, **Richard Branson's** idea of space mission.

Disadvantages

Salary: Starting your own business means that you must be willing to give up the security of a regular pay check.

Benefits: There will undoubtedly be fewer benefits, especially when considering that your business will be just starting off.

Work schedule: The work schedule of an entrepreneur is never predictable; an emergency can come up in a matter of a second and late hours may become the norm.

Administration: All the decisions of the business must be made on his/her own; there is no one ranked higher on the chain of command in such a business, and the fear of a wrong decision can have its own effect.

Incompetent staff: Most of the time, the entrepreneurs will find themselves working with employees who "don't know the ropes" as well as they do, due to lack of experience.



Process of Entrepreneurship

Although enterprises are as different and unique as the entrepreneurs who create them, most of them appear to work through a process. The diagram given below describes the process through which most of them create their enterprise.

1. **Self-Discovery:**

Learning what they enjoy doing; examining their strengths and weaknesses. Examining work experience and relating it to potential opportunities.



2. **Identifying opportunities:**

Looking for needs, wants, problems, and challenges that are not yet being met, or dealt effectively.



3. **Generating and evaluating ideas:**

Using creativity and past experience to devise new and innovative ways to solve a problem, or meet a need, and then narrowing the field to one best idea.



4. **Planning:**

Researching and identifying resources needed to turn the idea into a viable venture. Doing the research in the form of a written business plan preparing marketing strategies.



5. **Raising Start-up capital:**

Using the business plan to attract investors, venture capitalists and partners. This stage can involve producing prototypes or test-marketing services.



6. **Start-Up:**

Launching the venture, developing a customer base, and adjusting marketing and operational plans as required.



7. **Growth:**

Growing the business: developing and following strategic plans, adapting to new circumstances.



8. **Harvest:**

Selling the business and harvesting the rewards. For many entrepreneurs, this also means moving on to new venture and new challenges.



SUMMARY

1.0 Entrepreneurship may be defined as a systematic innovation which consists of the purposeful and organised search for changes, and a systematic analysis of the opportunities that such change might offer for economic and social transformation.

1.1 ENTERPRENEUR is a person who:

- Develops and owns his own enterprise
- Is a moderate risk taker and works under uncertainty for achieving the goal.
- Is innovative
- Is a Persuader of deviant pursuits
- Reflects a strong urge to be independent
- Persistently tries to do something better
- Is dissatisfied with routine activities.
- Is prepared to withstand the hard life.
- Is determined but patient
- Exhibits sense of leadership
- Exhibits sense of competitiveness
- Takes personal responsibility
- Is oriented towards the future.
- Tends to persist in the face of adversity

Functions of an entrepreneur

A. Entrepreneurial Functions B. Promotional Functions C. Managerial Functions
D. Commercial Functions

A. Entrepreneurial functions

- Innovations
- Risk-taking
- Organisation building

B. Promotional functions

- Investigation of ideas
- Detailed investigation
- Assembling requirement
- Financing the proposition

C. Managerial Function

- Planning
- Organizing



- *Staffing*
- *Directing*
- *Leadership*
- *Communication*
- *Motivation*
- *Supervision*
- *Co-ordination*
- *Controlling*

D. Commercial Functions

- *Production*
- *Finance*
- *Marketing*
- *Personnel*
- *Accounting*

E. Need for Entrepreneurship

- *Life-line of a nation*
- *Provides Innovation*
- *Change of Growth/Inclusive Growth*
- *Increased Profits*
- *Employment Opportunities*
- *Social Benefits*

1.2 Entrepreneurial Myths:

- *Starting a business is easy*
- *Takes a lot of money to finance a new business*
- *Start-ups can't be financed with debt*
- *Banks don't lend money to start-ups*
- *Start business in mostly attractive industries*
- *Growth of start-up depends more on entrepreneurial talent*
- *Success is assured financially*

1.3 Advantages

Excitement, Originality, Independence, Rational Salary, Freedom

1.4 Disadvantages

Salary, Benefits, Work Schedule, Administration, Incompetent staff



1.5 *Process of Entrepreneurship:*

Self-Discovery, Identifying Opportunities, Generating and Evaluating Ideas, Planning, Rising Start-up Capital, Start up, Growth, Harvest.

Q.1. Answer each of these questions in about fifteen words:

- (i) What is an enterprise?
- (ii) Who is an Entrepreneur?
- (iii) Who plays the role of an entrepreneur in a socialist country?

Q.2. Answer each of these questions in about fifty words:

- (i) Explain any two advantages of being an Entrepreneur?
- (ii) Explain any two disadvantages of being an Entrepreneur?
- (iii) Differentiate between entrepreneur and entrepreneurship.

Q.3. Answer each of these questions in about one hundred and fifty words:

- (i) Describe entrepreneurial functions of an entrepreneur?
- (ii) What is the need of entrepreneurship in an economy?
- (iii) Mehak wants to start a textile unit near Gurgaon. Discuss the commercial functions which she will require to plan and perform for the same.
- (iv) Explain any four managerial functions of an entrepreneur?
- (v) Explain any four promotional functions of an entrepreneur?

Q.4. Answer each of these questions in about two hundred and fifty words:

- (i) Describe the process of entrepreneurship?
- (ii) What is the need of entrepreneurship in an economy? Give at least six benefits.

Q.5. HOTS: (Higher Order Thinking)

- (i) Differentiate between Entrepreneurial functions and Managerial functions of an Entrepreneur?
- (ii) "Innovation is the hallmark of Entrepreneurship". Why is "innovation" referred as the basic function of an entrepreneur?
- (iii) "Entrepreneurs, in their drive and pursuit to create something new, at times, results in causing major loss to the Nation's natural resources. Shouldn't they be discouraged? Justify giving reasons for your answers.
- (iv) Starting a venture is not an easy task. A series of activities needs to be planned and undertaken to create an enterprise. Discuss them briefly.
- (v) Why are Entrepreneurs called 'agents of progress' for a nation? What role do they play in the Nation's development?



Q.6. Application based exercise:

- i) Shivi, a dropout from 10thstd is forced by her mother to start working as a domestic help. Shivi agrees on the condition to do only 'cooking' in 2-3 houses. One family turns out to be Punjabi, other Gujrati and the third one is Rajasthani. She cooked their kind of food for an year and to everyone's surprise, she expressed her desire to open up a small eating joint of her own. All alone, determined, she finally opens 'Apna Bhoj', a small eating joint with her savings and it became a hot spot because of the fusion food platter being offered. Do you think Shivi is an entrepreneur? Give reasons for your answers.
- ii) Karan, a rural boy, identifies the potential of Organic Farming in the village. He meets the zonal agricultural officer, who, looking at the determination of this 20 years old, helps him arrange and procure multiple resources required for his farm land. Then Karan takes a loan of Rs. 50,000/- from SBI as his seed money of Rs. 10,000/- is not enough to cater the requirement. Karan ties up with a nearby city's vegetable shop owner to sell his yield. His hard work pays and the organic vegetables are a hit. This organic vegetable producer exhibits to be a good entrepreneur with good entrepreneurial skills. Do you agree? Justify giving reasons for your answers.

Q.7 Activities:

(i) Innovation:

"Cherry shoe polish originally started with a wax tin, then they came up with an idea of liquid shoe polish, and then a shoe shiner with sponge and finally a shoe shiner with a brush". List 5 such similar examples which have marked their place for innovation.

(ii) Creativity:

"Multani Mitti, one of the most easily and reasonably available product is used by many cosmetic companies in the beautification products, just by modifying them into creative packaging and sold at high price". Survey and list the reasons for buying the packed multani mitti instead of loose multani mitti, which is much cheaper. Also list any 5 items which fall in the same category.

(iii) List 10 people from whom you buy any product or service, for example, newspaper vendor, milk vendor, a grocer etc. Who do you think is an entrepreneur, if not, why?

(iv) Monopoly:

"Amul Butter, utterly butterly delicious...", is one of the leading brands of butter since years. Many companies made butters like Britannia, Mother Dairy, Parag in UP, Saras in Rajasthan, Aarey in Maharashtra, Vadilal etc. but they could not compete with Amul Butter, which is a leading brand. Survey and list the reasons for the success of Amul and failure of others.

(v) Contact an employer in your locality or family who has set up their own business and interview the proprietor/s. Report the results to the class.



UNIT 2

An Entrepreneur

Learning Objectives:

After reading the chapter the student will be able to:

- Differentiate between various types of entrepreneurs
- Explain the competencies of an Entrepreneur
- Understand the meaning of Ethical Entrepreneurship
- Appreciate the importance of Ethical Entrepreneurship
- Highlight the value of ethics to an entrepreneur
- Understand the values, attitudes and motivation required by an Entrepreneur
- Differentiate between Entrepreneur and an employee
- State the meaning and describe the importance of Intrapreneurship in an organisation

Case Study

Steve Jobs and Apple

At 20, he and a friend (**Steve Wozniak**) started a company in a garage on April 1, 1976. Later that year, the duo debuted the Apple I at the Homebrew Computer Club in Palo Alto, California. A local store offered to buy 50 machines and to finance the production, the duo had to sell their most expensive possessions. Jobs sold his Volkswagen van while Wozniak sold his Hewlett-Packard scientific calculator.

Jobs named their company – Apple in memory of a happy summer he had spent as an orchard worker in Oregon.

By 1982 however, his company sales sagged in the face of competition from IBM's new PC. Jobs and Wozniak unveiled their new creation, Lisa to increase the company's bottom line, only to be another expensive failure.

Not wanting to dwell on these successive failures, they worked on a new machine called the Macintosh. Jobs was reported to commandeer the project, ruthlessly pushing its computer engineers and flying a pirate flag above the building where the team worked.

By 1986 the Mac, which Jobs promised to be 'insanely great' was a huge success. After 10 years, starting from 2 kids working in a garage, Apple computer had grown into a \$2 billion dollar company with over 4000 employees.

At 30 Jobs, however, was asked to leave the company he co-founded with Steve Wozniak. He left the company after losing a bitter battle over control with Apple's CEO, John Sculley (whom Jobs had recruited from Pepsi Cola).





After Apple

Apparently both had different views of how the company should be handled and in one meeting Sculley had told security analysts that Jobs would have no role in the operations of the company “now or in the future.” When Jobs heard of the message he said, “You’ve probably had somebody punch you in the stomach and it knocks the wind out you and you cannot breathe. The harder you try to breathe, the more you cannot breathe. And you know that the only thing you can do is just relax so you can start breathing again.”

Jobs sold over \$20 million of his Apple stock, spent days bicycling along the beach, feeling sad and lost, toured Paris, and journeyed on to Italy.

Recalling this publicly heart-breaking episode Jobs said,

‘I didn’t see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me. The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life.’

During the next five years he started two companies – NeXT Step and Pixar.

NeXT Step which produces NeXT, a \$9,995 cube-shaped workstation, which aimed to create a workstation for research and higher, didn’t do as well as Jobs had dreamed for. It did poorly and Jobs pulled the plug in 1993.

Pixar, however was a success story. The company produced the first computer-animated film, the Toy Story and when Pixar’s stock went public, Jobs became an instant billionaire.

Jobs, back with a vengeance

Meanwhile, his old company, Apple was under immense pressure from rival Microsoft and in 1996 posted billions of dollars in losses. In December 1996 Jobs convinced Apple to buy NeXT and make its software the foundation of the next-generation Mac OS. The technology he developed at NeXT became the catalyst of Apple’s comeback. Initially appointed as Apple’s adviser, Steve Jobs was named Apple’s interim CEO in 1997.

In 2004, he was diagnosed with cancer of the pancreas. Jobs was told that the cancer was incurable and he would only live for another three to six months. Later, a biopsy showed that he actually had a very rare form of pancreatic cancer that is curable with surgery. He had the surgery and survived.

Under his leadership, Apple returned to profitability and introduced innovations such as the iPod.

Steve Jobs’ advice

“Sometimes life hits you in the head with a brick. Don’t lose faith. I’m convinced that the only thing that kept me going was that I loved what I did. You’ve got to find what you love. Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work.

And the only way to do great work is to love what you do. If you haven’t found it yet, keep looking. Don’t settle. As with all matters of the heart, you’ll know when you find it. And, like any great relationship, it just gets better and better as the years roll on. So keep looking until you find it. Don’t settle.



Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma-which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary".

Types of Entrepreneurs

Entrepreneurs can be of different types. Some may prefer to go it alone or share the risk in groups with others. They are found in every economic system and every form of economic activity as well as in other social and cultural activities. They are seen from amongst farmers, labourers, fishermen, tribes, artisans, artists, importers, exporters, bankers, professionals, politicians, bureaucrats and so many others. Based on the above features **C. Danhof** has broadly classified entrepreneurs into four types. These are discussed below.

1. Innovative Entrepreneur:

In the early phases of economic development, entrepreneurs have initiative to start new ventures and find innovative ways to start an enterprise. Thus, innovative entrepreneurs are those who introduces new products, new methods of production techniques, or discovers a new market or a new service or reorganises the enterprise. It is the innovative entrepreneurs who built the modern capitalism. They are commonly found in developed countries. They are aggressive in nature who exhibit cleverness in putting attractive possibilities into practice.



Example: **Walt Disney** who started huge theme parks such as the Disney Land.

2. Imitative Entrepreneur:

There is a second group, generally referred as imitative entrepreneurs. They usually copy or adopt suitable innovations made by innovative entrepreneurs. They are adaptive and more flexible. They are organisers of factors of production rather than creators. The imitative entrepreneurs are also revolutionary and important. They contribute to the development of underdeveloped economies. Example: The local mobile companies using the same technology as big companies to manufacture their products.

3. Fabian Entrepreneurs:

The third type are the Fabian Entrepreneurs. Such entrepreneurs are very shy and lazy. They are very cautious. They do not venture or take risks. They are rigid and fundamental in their approach. Usually, they are second generation entrepreneurs in a family business enterprise. They follow the footsteps of their predecessors. They imitate only when they are sure that failure to do so would result in a loss of the relative position in the enterprise.

4. Drone Entrepreneurs:

The fourth type is the Drone Entrepreneurs, who refuse to copy or use opportunities that come their way. They are conventional in their approach. They are not ready to make changes in their existing production methods even if they suffer losses. They resist changes. They may be termed as laggards.



Types of Business

Depending on the nature, size and type of business, entrepreneurs are divided into five categories:

1. **Business Entrepreneur:**

Business entrepreneurs are those who develop an idea for a new product or service and then establish an enterprise to materialise their idea into reality. Most of the entrepreneurs belong to this category because majority of entrepreneurs are found in the field of small trading and manufacturing concerns.

2. **Trading Entrepreneur:**

Entrepreneurs who undertake trading activities whether domestic or overseas are Trading Entrepreneurs. They have to identify the potential market for his product in order to stimulate the demand for the same. They push many ideas ahead of others in the form demonstration to promote their businesses.

3. **Industrial Entrepreneur:**

Industrial entrepreneurs essentially manufacture products and offer services, which have an effective demand in the marketing. They have the ability to convert economic resources and technology into a profitable venture. For example: Enterprises like **Hero Motorcorp** and **Hyundai Corporation**.

4. **Corporate Entrepreneur:**

Corporate Entrepreneurs are those who through their innovative ideas and skill able to organise, manage and control a corporate undertaking very effectively and efficiently. Usually, they are promoters of the undertakings/corporations, engaged in business, trade or industry.

5. **Agricultural Entrepreneur:**

Agricultural entrepreneurs are those who undertake agricultural as well as allied activities in the field of agriculture. They engage in raising and marketing of crops, fertilisers and other inputs of agriculture through employment of modern techniques, machines and irrigation.

6. **Use of Technology:**

The entrepreneurs may be classified into the following categories on the basis of application of new technology in various sectors of the economy.

(i) **Technical Entrepreneur:**

The entrepreneurs who are technical by nature in the sense of having the capability of developing new and improved quality of goods and services out of their own knowledge, skill and specialisation are called a technical entrepreneur. They are essentially compared to craftsmen who concentrate more on production than marketing.



(ii) Non-technical Entrepreneur:

Non-technical entrepreneurs are those who are mainly concerned with developing alternative marketing and distribution strategies to promote their business. They are not concerned with the technical aspects of the product and services they are dealing with.

7. Professional Entrepreneurs:

Professional entrepreneurs make it their profession to establish business enterprises with a purpose, to sell them once they are established. He/she is always looking forward to develop alternative projects by selling the running business. He/she is not interested in managing operations of the business established by him. He/she is very dynamic.

8. Motivation:

Based on their motivating factors, entrepreneurs can be classified into three types such as spontaneous, induced and motivated entrepreneurs.

(i) Spontaneous Entrepreneurs:

Spontaneous Entrepreneurs are otherwise known as pure entrepreneurs, who are motivated by their desire for self-fulfilment and to achieve or prove their excellence in job performance. They undertake entrepreneurial activities for their personal satisfaction in work, ego, or status. Their strength lies in their creative abilities. They are the natural entrepreneurs in any society. They do not need any external motivation.

(ii) Induced Entrepreneurs:

Induced entrepreneurs enter into entrepreneurship because of various governmental supports provided in terms of financial assistance, incentives, concessions and other facilities to the people who want to set up of their new enterprises. Sometimes prospective entrepreneurs are induced or even forced by their special circumstance, such as loss of job or inability to find a suitable job according to their talent and merit to adapt to entrepreneurship.

(iii) Motivated Entrepreneurs:

Motivated Entrepreneurs are motivated by their desire to make use of their technical and professional expertise and skill in performing the job or project they have taken up. They have enough confidence in their abilities. They are highly ambitious and are normally not satisfied by the slow progress in their jobs. They enter entrepreneurship because of the possibility of making and marketing of some new products or service for the use of the prospective consumers. If the product or service is developed to a saleable stage and the customers accept the same, the entrepreneur is then further motivated by reward in terms of profit.



Other Categories of Entrepreneurs:

1. First-Generation Entrepreneurs:

These entrepreneurs start their industrial unit by means of their own innovative skill and expertise. They usually combine different technologies to produce marketable products or services for the consumers. They are essentially innovators having no entrepreneurial background.

2. Inherited Entrepreneurs/ Second Generation Entrepreneurs:

Inherited Entrepreneurs or entrepreneurs by inheritance are seen in India where they inherit the family business through succession and pass it from one generation to another.

3. Third Generation Entrepreneurs:

These are those types of entrepreneurs wherein their grandparents and parents have been entrepreneurs and they have inherited the business. This model is very commonly found in India.

Competencies of an Entrepreneur

The entrepreneurial values and attitudes provide the necessary backdrop for acquiring the sense of enterprise. It is however necessary that a budding entrepreneur should have the necessary competencies so that he/she can venture into an enterprise.

Competency is a set of defined behaviours that provide a structured guide enabling the identification, evaluation and development of the behaviours in an individual.

The entrepreneurial competencies can be classified under the following categories:

Entrepreneurial Competencies:

These are certain basic competencies to be acquired by an entrepreneur. They relate to the type of behaviour exhibited in the performing of various tasks in the discharge of his functions. Some of these competencies are latent in the entrepreneur, which need to be identified, nursed and nurtured. Others are acquired through training and practice.

Initiative:

One of the most fundamental competencies required for the entrepreneurs is the ability to take initiative. It is rather the first step in the enterprise. An entrepreneur has to be keen observer of the society, the commercial trends, the product types, the change dynamics and the consumer trends. Once he/she decides to take the initiative, what matters is the speed with which he/she is going to function.

Creativity and Innovation:

Competency in creativity and innovation are sometimes basic traits of certain individuals. He/she might not have any new ideas. He/she may use the creative ideas and innovative products and services to meet the challenges of a situation, take advantage of the utility of an idea or a product to create wealth. Example, changes in the packaging of potato chips.



Risk Taking and Risk Management:

An entrepreneur ventures into new ideas and new service. He/she treads into areas of uncertainty. There are several elements such as demand supply in the market, resources availability, acceptability of the product design and service which throw a potential challenge to the entrepreneur. In order to attune oneself in the skill of risk taking and management he should practice in several areas of entrepreneurial functions such as entering into new market. For example, when Dhirubhai Ambani faced cash crunch he took the risk of issuing shares in 1977 to the public when they were not that aware about share market.

Problem Solving:

Once an entrepreneur is aware that he has ventured on a new area and has taken certain calculated risks, he/she should also be aware that many problems are bound to come in the path of progress. He/she should understand that there is more than one way of solving problems, look for alternative strategies or resources that would help to solve the problem, generate new ideas, products, services etc. For example: When an entrepreneur faces cash crunch he should look for alternative sources for receiving funds. Ratan Tata shifted the manufacturing plant of Nano cars from Singur to Sanand due to unforeseen complexities.

Leadership:

An entrepreneur should also be an effective leader who should be able to guide and motivate his/her entire team. Whenever a company faces problem it is the will power and effective business acumen and communication skills which oversees the success of the corporation.

Persistence:

In most cases, the entrepreneurial pursuits are new and need very close attention. Creating a need in the market for the enterprise is one of the main requirements of the entrepreneur. This calls for intense perseverance on the part of the entrepreneur. Roadblocks to success should not deter the entrepreneur. For example: Mixers when introduced, did not have many customers but today, we find it to be an essential part of kitchen accessories. When Mahima Mehra brought out her product - *Haathi Chaap*, she had experimented on various other material before using elephant dung to manufacture handmade paper.

Quality Performance:

Since entrepreneurs value outstanding performance, one of the behavioural skills necessary is the sensitivity to and concern for the 'standards' and 'quality of work'. One develops the skill of comparing the quality of the product/services with certain standards, which he/she himself evolves or are set by others. For example: Steve Jobs, the brain behind Apple and I-pod, is known to value quality in all the products introduced by the company.

Information Seeking:

Information plays a very crucial role at every stage of enterprise building and management. The quality and extent of information collected and the way these have been used to make various decisions by and large decides the success and failure of any entrepreneurial venture. They can get this information by personally conducting research, using feedback from previous related experience etc.



Systematic Planning:

Every entrepreneur has limited resources in terms of time, finance, and manpower. They invest their life's saving and total energy in creating entrepreneurial ventures and cannot afford to lose or waste these. Before putting the whole enterprise into operation, he is required to develop a detailed blueprint.

Persuasion and Influencing Others:

One of the important functions of an entrepreneur is to influence the environment comprising of individuals and institutions, for mobilizing resources, obtaining inputs, organising production and selling products and services. They have to practice highlighting the strong points of their products and services in the market explaining the technological competencies of their enterprise to produce quality goods and services.

Enterprise Launching Competencies:

Opportunities exist, but not all people respond to them. Large groups in society can perceive only the apparent and traditional openings of earning. Similarly, resources are also available to all members of the society, but very few make efforts to ensure best use of these resources. Entrepreneurs should identify and avail the facilities and resources needed to launch their enterprises.

Enterprise Management Competencies:

The enterprise may be small or big but it demands management abilities on the part of its owner or manager. Various management functions such as production, marketing, finance etc., are crucial functions to entrepreneurs. These influence the result directly, and therefore, are necessary determinants for the sustenance of an enterprise.

Case Study

Ethical Entrepreneurship

Read the following situations and write down what you feel about them

Three Character Types: Carly, Tonya, and Jane

Entrepreneurship is increasingly studied as a fundamental and foundational economic phenomenon. Schumpeter (1950) and Kirzner (1978) were pioneers, and their successors have generated a sizeable literature. Yet entrepreneurship has received less attention as a moral phenomenon and, correspondingly, less attention in the business ethics literature.

Consider the moral status of the entrepreneur in contrast to the two other types.

- 1. **Carly:** As a student, Carly worked hard and received good grades. Upon graduation she took a job, but at the same time saved money and worked on her business plan. When she was ready, she took the entrepreneurial plunge and started her own business, which she developed successfully, and then, a few years later, sold for \$10 million. She is now living the good life of travel, building her dream home, raising her family, and managing her portfolio of investments.*



2. **Tonya:** Tonya also worked hard in college and, upon graduation, took a job in a financial institution. She discovered a flaw in its funds-routing procedures, which enabled her anonymously to divert \$10 million to an offshore bank, from which it was quickly re-routed through several Caribbean and Swiss banks, ending up in account known only to Tonya. One year later, Tonya resigned from her position at the financial institution and is now living in discreet luxury somewhere in Europe.
3. **Jane:** While in college, Jane graduated with a good degree. Unfortunately, the summer after her graduation Jane's parents died suddenly. Fortunately, they left her \$10 million in their wills, of which Jane immediately donated \$9.9 million to charities devoted to the homeless, victims of floods, and to the planting trees in the Brazilian rainforest. Jane invested the remaining \$100,000 in a certificate of deposit earning 8% annually, the proceeds enabling her to live frugally and without too much discomfort.

Let us now ask the ethics question: Which of the three is the most moral? Whom should we uphold as the ideal? Should we teach our children and students to admire and strive to be like Carly, Tonya, or Jane? All three require strength: It is not easy to build a successful business. It is not easy to figure out a con and get away with it. And it is not easy to give away all of one's money.

Tonya is representative of a predatory ethics; she harms others and uses the proceeds to benefit herself. She is representative of the zero-sum, gain-at-the expense-of-others practices widely condemned in the business ethics literature.

Jane is representative of an altruistic ethic: she is selfless, and she places what she has at the disposal of others in society, keeping only the minimum for herself. She is representative of the "social justice" practices widely praised in the business ethics literature.

Carly is the prototypical entrepreneur and is representative of a self-realization, egoistic ethic. She creates value, trades with others, and lives her dream life. Yet she is not discussed in the business ethics literature. She is the invisible woman.

Yet the character traits and value-producing activities of entrepreneurs at least implicitly inform an ethic. To make this ethic explicit, let us begin with a standard description of the entrepreneur.

During the past few decades, there has been an explosion of new interest in entrepreneurs and their activities. Yet, only recently, serious research attention is known to have been devoted (in some developed countries) to the ethical problems encountered by entrepreneurs and their organisations. Entrepreneurs face uniquely complex moral problems related to basic fairness, personnel and relationships, distribution dilemmas and other challenges that need to be addressed by all concerned through appropriate legal framework, social order and perhaps also a 'Moral Re-armament Movement.

In order to understand the role of ethics in entrepreneurship, we need to understand the concept of ethics in life. How should we live? Shall we aim at happiness or at knowledge, virtue or the creation of beautiful objects? If we choose happiness, will it be our own or the happiness of all? And what of the more particular questions that face us. Is it right to be Dishonest in a good cause?



Can we justify living in opulence while elsewhere in the world people are starving? If conscripted to fight in a war we do not support, should we disobey the law? What are our obligations to the other creatures with whom we share this planet and to the generations of humans who will come after us?

Ethics deals with such questions at all levels. Its subject consists of the fundamental issues of practical decision-making and its major concerns include the nature of ultimate value and the standards by which human actions can be judged right or wrong.

What are ethics?

Ethics refers to well-founded standards of right and wrong, that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness or specific virtues. Ethics, for instance means those standards that impose the reasonable obligations to refrain from stealing, murder, assault and fraud. Ethical standards also include those that enjoin virtues of honesty, compassion and loyalty.

Ethics also refers to the study and development of one's ethical standards. It is necessary to constantly examine one's standards to ensure that they are reasonable and well founded. Ethics also means the continuous effort of our own moral beliefs and our moral conduct.

Definition of 'Business Ethics'

Business ethics comprises of the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities. Business ethics are often guided by law, while other times provide a basic framework that businesses may choose to follow in order to gain public acceptance.

Why is ethics important to an entrepreneur?

The belief that businesses have a social responsibility is quite common place now though it's a relatively new phenomenon. In the start of 1980's business ethics was introduced and the combination of ethics and entrepreneurship was highly unusual. According to **Johan Wempe**, "Ethical Entrepreneurship, in a nutshell, amounts to the achievement of ethical goals through entrepreneurship". There is little more to it than that and it merges with the terms '**Social Entrepreneurship**', '**Social Corporate Entrepreneurship**', and '**Corporate Social Responsibility**'.

There are many discussions about morals and ethics. It is a very complicated issue as people have different views of what is 'ethical' and 'moral', depending on their religious background, culture, education etc.

Here is one story to explain how ethics prevails in Entrepreneurship:

"Amal and Kamal, father and son respectively, had built up a thriving retail grocery shop in Haldwani (Uttaranchal). One of their suppliers, having delivered a large consignment of rice and sugar, left the bill with Kamal. He kept that in a small cabinet in the shop. Then both the supplier and Kamal forgot



about it. After about eight months or so, at the end of March, Amal began to clear the backlog and looked carefully into the cabinet. He discovered the unpaid bill and informed Kamal. The latter was shocked. Amal asked Kamal to contact the supplier immediately and clear his dues. Kamal replied: "No Father, it is the supplier's duty to remember and collect his dues. Why should we chase him?"

Amal replied, "Son, that is not the way honorable people do business". It is the innermost belief, i.e., sense of values and business ethics, which guided Kamal to pay what is due to the supplier.

Entrepreneurs today encounter uniquely challenging ethical problems. They typically operate in stressful business environments and they often struggle to find time and perspective for focused ethical reflections. Entrepreneurs have limited time to focus on ethical issues. Often, they are not interested in ethical questions-beyond addressing an immediate business problem. However, most of them also agree that ethical behaviour is essential for an effective economic system

Entrepreneurs make choices and take actions that affect many, usually without the moral guidance available in established organisations. Their decisions can strengthen or seriously weaken a firm's future business viability. The cases of Enron, WorldCom, Anderson and other giants of USA are shining examples of results of unethical decisions by key personnel of those enterprises.

However, what exactly is the right thing? All of us know about integrity, promise keeping, commitment, and truthfulness. We learned these traits from childhood. An important question arises for us personally and in the business world. Do we practise integrity or do we have it imposed on us from an external source? The capital we use to build our business becomes consumed through production, but the capital of our character outlasts all material resources.

As entrepreneurs climb the ladder of success, they should not forget that for success to be long lasting they will have to follow some ethical standards in their business practices. Some examples to be followed can be:

- a) Providing quality and correct quantity of goods to consumers
- b) Keeping in mind the environmental issues during production
- c) Paying the minimum and correct wages to the workers
- d) Not to use child labour in their production
- e) Judicious use of natural resources

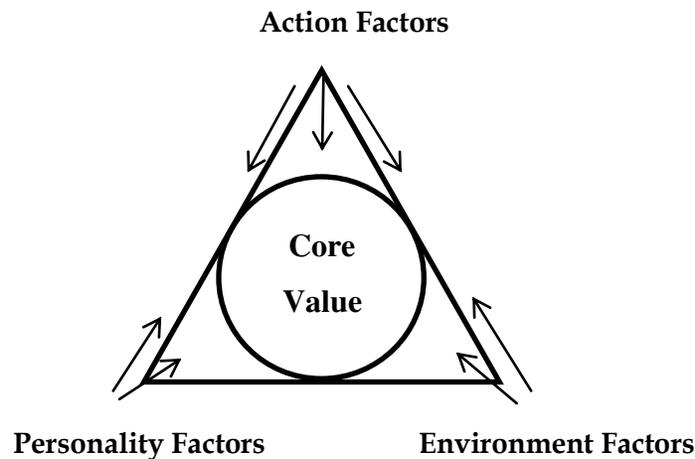
Entrepreneurial Values, Attitudes and Motivation

Values:

Milton Rokeach has defined values as "*beliefs that guide actions and judgement across a variety of situations.*" Values determine what people consider to be good or bad for a civilised society. A civilized society considers qualities like honesty, truthfulness, integrity etc., as important for happy a healthy living. These set of beliefs that provide standards which guide behaviour is known as values. In relation to business, social values define the objectives of business as well as the manner in which business affairs should be conducted. Entrepreneurs share some of



these qualities that guide and direct them and hence they have come to be called entrepreneurial values. It can be summarised in the form of a diagram.



Core Values:

Some research studies have revealed four core values that are generally possessed by dynamic entrepreneurs. These values are:

1. Innovation and creativity
2. Independence or self-reliance
3. Respect for work
4. Quest for outstanding performance or achievement orientation

However, these values are not found in the same degree among all the entrepreneurs.

Innovation and Creativity:

These are the most important values found among most of the entrepreneurs. They are guided by these values when they come out with creative ideas, new products, services, processes etc., to solve specific problems of the society.

Creativity is the ability to see new ways of doing things and innovativeness is the ability to make it work in practice. For example, earlier, hair oil was available only in tins and introducing it in plastic small packs has become convenient for customers to carry and use. Innovativeness can be seen through actions such as:

- a) Sachet Market – small sachet of shampoo, oil etc.
- b) Experimenting with new ideas for example introduction of debit and credit cards in the banking sector
- c) Facing uncertainty in order to try out new ideas
- d) Not giving up or becoming upset when errors occur





- e) Finding problems to solve
- f) Finding new use for existing methods or equipment
- g) Demonstrating originality
- h) Introducing changes., Introducing gas cylinders for cooking
- i) Providing critical inputs for a new idea
- j) Providing evaluation of proposed ideas

Independence or ownership (self-reliance):

Analysts of entrepreneurial processes have found that a very strong and positive ego drive is involved in the action plan of all significant entrepreneurial ventures. It enables them to develop a 'mission' concept which drives them to achieve their goal with a clear vision. They derive great satisfaction in their sense of 'independence' or 'ownership'. Commitment, sense of complete identification, sincerity and hard work to achieve their 'mission' constitute the ingredients of the 'ownership' factor.

A young village boy, who wanted to clear the I.A.S. examination, could not succeed because he got stuck at the interview level. He opened an institute for aspiring youngsters. What started as a single teacher coaching center grew into a big education institute that provides tutorials to a wide range of courses. The young man who could not achieve his dream of becoming a civil servant, has become an entrepreneur in the field of education.

Respect for work:

The entrepreneurs have great respect for work. Successful entrepreneurs believe that they can achieve anything through hard work. Look into the biography of any entrepreneur and you will surely find that all of them have achieved the pinnacle of success through hard work. This value provides goal direction which encourages them to pursue a path and career in which the rewards and incentives are linked to the degree and quality of efforts made.

Quest for outstanding performance:

Dynamic entrepreneurs are guided by the value of outstanding performance. It is the quest for outstanding performance on the part of **Narayana Murthy** that saw the emergence and speedy growth of Infosys.

When you read the success story of **Steve Jobs**, which is given in the beginning of the chapter, you understand that he always believed in outstanding performance, for example, when the Apple phone was launched, he took great care to make the package eco-friendly and light weight with 3D (Three Dimensional) images on it. Such was his dedication for extraordinary performance.

Challenges seem to stimulate and motivate entrepreneurs. As they have strong motivation to succeed, they value performance of a high order. Thus the entrepreneur, due to his quest for excellence, is an 'over comer' who can resolve problems under pressure. They are persistent and hardworking when things go wrong.



Attitudes:

Attitudes constitute an important psychological attribute of individuals which shape their behaviour. It may be defined as the way a person feels about something—a person, a place, a commodity, a situation or an idea.

Read the following story

A young man was passing through a site of construction. He saw three labourers working in the site. He went to one of them and asked 'What are you doing here?' the worker answered, 'don't you see? I am pulling in to earn a living. I am working and earning.'

The young man moved towards the second. Now, he asked the second man the question 'What are you doing?' Pat came the reply 'Don't you see? I am constructing a wall'.

The young man now asked the third person the same question and he replied 'don't you see? I am building a beautiful mansion.'

All three men were doing the same work, but what differentiated them was their attitude towards work. So we can clearly see from the story that attitude is something we individually feel about some person, work, place etc.



Features of attitude:

1. Affects behaviour:

People have a natural tendency to maintain consistency between attitude and behaviour. Attitudes can lead to intended behaviour if there is no external intervention.

2. It is invisible:

It constitutes a psychological phenomenon which cannot be directly observed. However, we may observe an attitude indirectly through observing its consequences. For example, if a person is highly productive, we may infer that he has a positive attitude towards his/her work.

3. Attitudes are acquired:

Attitudes are gradually learnt over a period of time. The process of learning attitudes starts right from childhood and continues throughout the life of a person. However, in the beginning, the family members have a greater impact on the attitude of a child.

4. Attitudes are pervasive:

They are formed in the process of socialisation and may relate to anything in the world. For instance a person may have positive and negative attitudes towards religion, politics, politicians or countries.



Sources of attitudes:

The central idea running through the process of attitude formation is that, the thoughts, feelings and tendencies to behave are acquired or learned gradually. The attitudes are acquired from the following sources:

1. Direct personal experience:

The quality of a person's direct experience with the attitude object determines his/her attitude towards it. For example if a worker finds his/her job challenging, supervisors understanding and co-workers very cooperative then he/she will have a positive attitude towards his/her job because of the quality of his/her direct experience with the job.

2. Group Associations:

People are influenced to one degree or another by other members in the group to which they belong. Attitudes are one target for this influence. Their attitudes toward products ethics warfare and a multitude of other subjects are influenced strongly by groups that they value and with which they do or wish to associate. Several groups, including family, work, and peer groups, and cultural and sub-cultural groups, are important in affecting a person's attitudinal development.

3. Influential Others:

A consumer's attitude can be formed and changed through personal contact with influential persons such as respected friends relatives and experts. Opinion leaders are examples of people who are respected by their followers and who may strongly influence the attitudes and purchase behavior of followers.

To capitalize on this type of influence, advertisers often use actors and actresses who look similar to or act similar to their intended audiences. People tend to like others who are similar to themselves because they believe that they share the same problems, form the same judgments and use the same criteria for evaluating products. Another application which advertisers use to influence audience attitudes is the so called slice of life commercial. These advertisements show typical people confronting typical problems and finding solutions in the use of the advertised brand, some examples include the advertisement of a specialised shampoo (to solve dandruff problems).

Essential attitudes of an Entrepreneur:

The following twelve attitude attributes can put one in the right mindset for achieving entrepreneurial success.

1. Have passion for the business:

Work should be fun. One's passion will help to overcome difficult moments and will persuade people to work for you and want to do business with you. Passion can't be taught. When it wanes, as it surely will in difficult times, take some quiet time. Whether it be an hour or a week, take inventory of all the reasons one started the business and why one likes being one's own boss. That should renew one's passion.



2. Set an example of trustworthiness:

People have confidence in trustworthy individuals and want to work for them in a culture of integrity. The same is true for customers.

3. Be flexible, except with core values:

It's a fact that one's plans and strategies will change as time goes on. This flexibility for rapid change is an inherent advantage of small over large business. However, no matter what the pressure for immediate profits, do not compromise on core values.

4. Don't let fear of failure hold one back:

Failure is an opportunity to learn. All things being equal, venture capitalists would rather invest money in an individual who tried and failed founding a company than in someone who never tried.

5. Make timely decisions:

It's okay to use one's intuition. Planning and thought are good. But procrastination leads one to miss opportunities.

6. The major company asset is oneself:

One should take care of oneself. One's health is more valuable than the most expensive machinery or computer software for the company. One doesn't have to choose between one's family or company, play or work. Maintain one's own health for balance and energy, which will, in turn, enhance one's outlook.

7. Keep one's ego under control:

Don't take profits and spend them on expensive toys to impress others. Build a war chest for unexpected needs or opportunities. This also means hearing out new ideas and suggestions no matter how crazy they sound.

8. Believe in oneself:

One needs to believe in one's own self, in one's company, and that one will be successful. One's confidence is contagious to one's employees, customers, stakeholders, suppliers and everyone one deals with.

9. Encourage and accept criticism graciously. Admitting one's mistakes:

One needs to constantly work on convincing one's employees that it's okay, even necessary to state their honest opinions even if it conflicts with the boss's opinion. Just stating it once or putting it in a mission statement persuade/convince most people.

10. Maintain a strong work ethic:

One's employees will follow the lead. It will also help one beat one's competition by outworking them, particularly when the product or service is very similar.

11. Rebound quickly from setbacks:

There surely will be plenty of ups and downs as one builds up the business. Learn from the setbacks and move on. One can't change the past.



12. Periodically getting out of one's comfort zone to pursue something important:

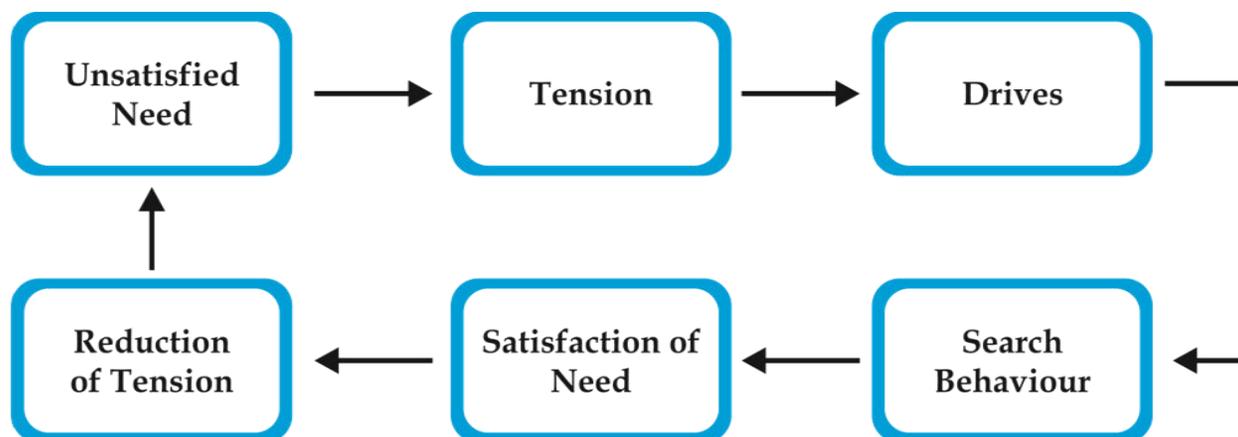
Many times one feels uncomfortable while implementing a needed change in technology, people, mission, competing, etc. For the company and one to grow personally, one sometimes has to step out of one's comfort zone.

Motivation

Entrepreneurial motivation may be defined as the process that activates the entrepreneurs to exert a high level of effort for the achievement of his/her goals. In other words, the entrepreneurial motivation refers to the drive or forces within an entrepreneur that affects his/her direction, intensity and persistence of voluntary behavior.

Process of Motivation:

Motivation is essentially a process. It can be well expressed in the form of a model.



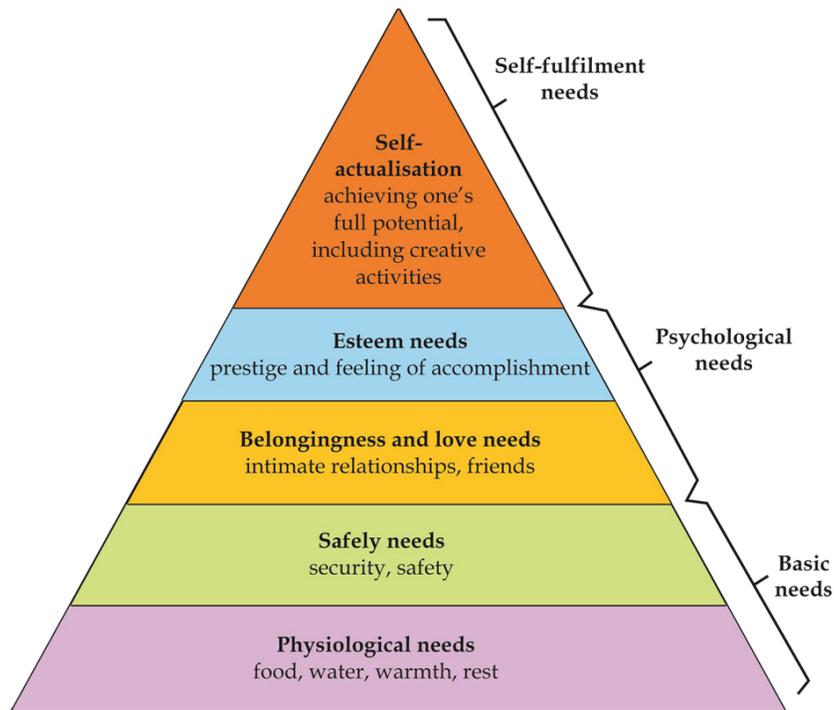
On a careful analysis of the model, it can be understood that every individual possesses an urge or a need, or a multitude of needs, desires or expectations. The unsatisfied need leads to tension within the individual and motivates one to search for ways to relieve one's own tension. That tension leads one to certain drives and searching alternatives to achieve one's goal which will eventually reduce tension.

Motivation Theories

There have been various theories of motivation which encourage an entrepreneur to continue his/her work in spite of all odds.

Maslow's Hierarchy of Needs Theory:

This theory was proposed by **Abraham Maslow** and is based on the assumption that people are motivated by a series of five universal needs. These needs are ranked, according to the order in which they influence human behaviour, in hierarchical fashion.



Physiological needs are deemed to be the lowest- level needs. These needs include the needs such as food and water.

- As long as physiological needs are unsatisfied, they exist as a driving or motivating force in a person's life. A hungry person has a felt need. This felt need sets up both psychological and physical tensions that manifest themselves in overt behaviours directed at reducing those tensions (getting something to eat). Once the hunger is sated, the tension is reduced, and the need for food ceases to motivate. At this point (assuming that other physiological requirements are also satisfied) the next higher order need becomes the motivating need.

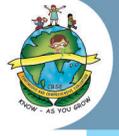
Safety needs -- the needs for shelter and security -- become the motivators of human behaviour.

- Safety needs include a desire for security, stability, dependency, protection, freedom from fear and anxiety, and a need for structure, order, and law. In the workplace this needs translates into a need for at least a minimal degree of employment security; the knowledge that we cannot be fired on a whim and that appropriate levels of effort and productivity will ensure continued employment.

Social needs include the need for belongingness and love.

- Generally, as gregarious creatures, human have a need to belong. In the workplace, this need may be satisfied by an ability to interact with one's co-workers and perhaps to be able to work collaboratively with these colleagues.

After social needs have been satisfied, **ego and esteem needs** become the motivating needs.



- Esteem needs include the desire for self-respect, self-esteem, and the esteem of others. When focused externally, these needs also include the desire for reputation, prestige, status, fame, glory, dominance, recognition, attention, importance, and appreciation.

The highest need in Maslow's hierarchy is that of **self-actualization**;

- The need for self-realization, continuous self-development, and the process of becoming all that a person is capable of.

McClelland's Theory of Needs:

According to David McClelland, regardless of culture or gender, people are driven by three motives:

- **Achievement**
- **Affiliation**
- **Power**

Since McClelland's first experiments, over 1,000 studies relevant to achievement motivation have been conducted. These studies strongly support the theory.

Achievement:

The need for achievement is characterized by the wish to take responsibility for finding solutions to problems, master complex tasks, set goals and get feedback on level of success.

Affiliation:

The need for affiliation is characterized by a desire to belong, an enjoyment of teamwork, a concern about interpersonal relationships, and a need to reduce uncertainty.

Power:

The need for power is characterized by a drive to control and influence others, a need to win arguments, a need to persuade and prevail

According to **McClelland**, the presence of these motives or drives in an individual indicates a predisposition to behave in certain ways. Therefore, from a manager's perspective, recognizing which need is dominant in any particular individual affects the way in which that person can be motivated.

People with achievement motives are motivated by standards of excellence, delineated roles and responsibilities and concrete, timely feedback. Those with affiliation motives are motivated when they can accomplish things with people they know and trust. And the power motive is activated when people are allowed to have an impact, impress those in power, or beat competitors.

Difference between Entrepreneur and Employee

The decision to start career or lifestyle has never been easy. It takes a great deal of courage, energy, attitude and aptitude in decision making the career. There was a time when doctor's children were motivated to become doctors and an engineer's children were motivated to



become engineers, so on and so forth the career used to be decided by parents. Nevertheless, the business and service class aspired to be doctors and engineer's entrepreneurship is the idea whose time has come now, entrepreneur's repute in India stands way ahead of the professional class. Not that all can become entrepreneurs, all those who cannot be entrepreneurs for their own different reasons, now, choose other options. Service class takes up employment in different enterprise of their choice according to their aptitude. Broadly the difference between entrepreneur and employee is that an entrepreneur is the owner of the enterprise and an employee is in the service of the enterprise and both work in the interest of the enterprise. The following are the basic differences:

1. Motive:

The motive of an entrepreneur is to start a venture by setting up of an enterprise. One undertakes the venture for his personal gratification; whereas the employee's job is to render one's service in the ongoing or new enterprise set up by someone else.

2. Status:

An Entrepreneur is the owner of the enterprise, whereas an employee is the servant in the enterprise owned by entrepreneur.

3. Risk Bearing:

An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise considers and thinks about one's business 24 hours, where as an employee being servant does not bear any risk, all that, can happen is one may lose one's job with or without some compensation. One thinks of one's enterprise that one is working on duty for certain hours only.

4. Rewards:

The reward, an entrepreneur gets, for bearing risks involved in the enterprise is profit or at times handsome profit, which is uncertain, where as an employee gets rewarded for one's services rendered in the enterprise as salary which is fixed and certain as per appointment letter issued. In addition, one gets a bonus as per prescribed rules and festival tokens etc. in cash or kind, sometimes on performance.

5. Innovations:

The entrepreneur himself/herself thinks over what and how to produce goods and services. One has to bear in mind about meeting the changing demands of the customers. Hence he acts as an innovator as well as a change agent, whereas employee executes the set plans as per given schedule. Thus one's job gets to meet up the targets decided by one's employees.

6. Qualification:

An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, farsightedness, risk bearing abilities and much more where as an employee needs to possess qualification as per the status in the enterprise which are



pre-set and detailed in black and white, like an accountant can be C.A/M.Com etc. and a manager may be an M.B.A. in Marketing/Finance or Human Resource etc as per the nature of the enterprise.

Intrapreneurship

An inside entrepreneur, or an entrepreneur within a large firm, who uses entrepreneurial skills without incurring the risks associated with those activities. Intrapreneurs are usually employees within a company who are assigned a special idea or project, and are instructed to develop the project like an entrepreneur would. Intrapreneurs usually have the resources and capabilities of the firm at their disposal. The intrapreneur's main job is to turn that special idea or project into a profitable venture for the company.

Also called corporate entrepreneurship. Coined in the 1980's by management consultant **Gifford Pinchot**, entrepreneurs are used by companies that are in great need of new, innovative ideas. An Intrapreneur is someone who has an entrepreneurial streak, but chooses to align his/her talents with a large organisation in place of creating his/her own. To the classic entrepreneur, this may be puzzling, but these are a growing class of 21st century 'employees'.

Smart organisations will seek out individuals who like to invent, innovate, and want to be on the front lines of change. These individuals can work independently but even more important can work seamlessly as part of an integrated team structure and also effectively embrace and embody the culture of the entrepreneur's host organisation. Intrapreneurs are most successful when management empowers and supports them and in turn the Intrapreneurs represent the best interests of their organisations, while earning the respect of corporate peers.

Why is Intrapreneurship necessary?

It is the best way to retain talented staff. Otherwise, most of them will just quit and develop these ideas on their own. It will be a win-win situation for both the organisation and the talented employee.

Google's Intrapreneurship program:

Through this Google Intrapreneurship program, all the employees are empowered and encouraged to spend 20% of their time on projects that interest them and that they think will benefit Google and their customers. The Google "Innovation Time Off" Intrapreneurship program has a formal process for their selection of entrepreneurial projects, for the formal evaluation process and the monitoring of each Google approved entrepreneurial project. For a Google employee, to participate in the program, he/she needs to submit a project proposal with a timeline.

It is critical to note that several of Google's newest products and services such as Gmail, Google news, Orkut and AdSense were all originated through this program.

In India also, Marico, manufacturers of Parachute Hair Oil, Saffola, Kaya Skin Clinic Industries have institutionalised innovation awards, where they receive 30-40 entries every year for innovations across the spectrum, including factories, brand, sales and HR, virtually covering the whole organisation. The company believes that there will be failures and unless one is ready to fail, one can never succeed.



Kinetic Engineering Limited is the flagship company of Firodia Group of companies, one of the pioneering groups in automobiles in India, founded in 1972 by **Mr. H. K. Firodia**. The company encourages employees to use their time efficiently for innovation in its upcoming products. The Kinetic Zing model of bicycle was the idea of an employee working in the corporation.

Consequences of not encouraging Intrapreneurship:

A classic case of entrepreneurs is that of the founders of Adobe, **John Warnock** and **Charles Geschke**. They both were employees of Xerox. As employees they were frustrated because their new product ideas were not encouraged. They quit Xerox in the early 1980s to begin their own business. Currently, Adobe has an annual turnover of over \$3 billion.

SUMMARY

Types of entrepreneurs

According to Danh, there can be four types of entrepreneurs:

1. *Innovative*
2. *Imitative*
3. *Fabian*
4. *Drone*

On the basis of:

1. *Business*
2. *Trading*
3. *Industry*
4. *Corporate*
5. *Agriculture*

Technology

1. *Technical*
2. *Non-technical*
3. *Professional*

Motivation

1. *Spontaneous*
2. *Induced*
3. *Motivated*

Others

1. *First generation*
2. *Second generation*
3. *Third generation*

Competency is a set of defined behaviours that provide a structured guide enabling the identification, evaluation and development of the behaviours in individual.

Entrepreneurial competencies can be broadly classified as:

- a. *Entrepreneurial*
- b. *Enterprise launching*
- c. *Enterprise managing*

Milton Rokeach has defined values as "beliefs that guide actions and judgement across a variety of situations.

Core values among entrepreneurs:

- *Innovation and creativity*
- *Independence or self-reliance*



- Respect for work
- Quest for outstanding performance or achievement

Attitude is something we individually feel about some person, work, place etc.,

Features:

- Affects behaviour
- Invisible
- Pervasive
- Acquired

Entrepreneurial **motivation** may be defined as the process that activates the entrepreneurs to exert high level of efforts for the achievement of his/her goals.

Motivation Theories:

- Abraham Maslow:
Physiological Needs-Safety needs-Social Needs-Esteem Needs-Self Actualization needs
- David McClelland

Need for Achievement- Need for Affiliation- Need for Power

An **Intrapreneur** is someone who has an entrepreneurial streak but chooses to align his or her talents with a large organisation in place of creating his or her own.

Q.1. Answer the following in about 15 words

- Who is an Intrapreneur?
- Define Entrepreneurial Motivation.
- What do you mean by competency?
- Which value provides goal direction to entrepreneurs?
- State one crucial feature of Fabian Entrepreneurs?
- 'Hero Motocorp manufactures two wheelers and provide services.' This is an example of which type of entrepreneur?
- "They are highly ambitious are normally not satisfied by slow progress in their jobs." This applies for which entrepreneurs?
- "When it wanes, as it surely will in difficult times, take some guilt time." This statement shows which attitude of an entrepreneur.

Q.2. Answer the following in about 50 words

- Why attitude is called pervasive?
- Explain any two features of attitude.
- Explain these core values:



- a) Respect for work
- b) Innovation and creativity
- (iv) Name the types of entrepreneurs according to Danhof.
- (v) What is the importance of an Intrapreneur in an organization?
- (vi) What is "Innovation time off" in an Intrapreneurship program?

Q.3. Answer the following in about 75 words

- (i) "The thoughts feelings and tendencies to behave are acquired gradually." In the light of this statement describe the sources of attitudes.
- (ii) "Attitude is not by birth; it is acquired" Explain.
- (iii) "Entrepreneurs venture to take risks but some entrepreneurs are very shy and lazy by nature." Mention the name of such entrepreneurs and explain
- (iv) "Innovation and creativity both are interrelated" Explain.
- (v) "We can appoint an employee but not an entrepreneur." Describe difference between an employee and an entrepreneur in the light of this statement.
- (vi) Differentiate between an Intrapreneur and Entrepreneur.
- (vii) Explain the following Entrepreneurial Competencies:
 - a) Persistence
 - b) Leadership
 - c) Systematic planning
- (viii) Why is systematic planning a must for an Entrepreneur?
- (ix) Define Business Ethics? Why is it important to an entrepreneur.
- (x) Explain types of entrepreneurs on the basis of use of technology.
- (xi) Explain types of entrepreneurs on the basis of motivation.
- (xii) What are the entrepreneurial values? Show by diagram.
- (xiii) "Human beings require respect in the society." Explain the esteem needs in the Maslow - Hierarchy of Needs Theory.
- (xiv) How competency in creativity and innovation helps an entrepreneur meet the challenges of a situation?
- (xv) Do you think Intrapreneur is necessary for an organisation? Support your answer with strong reasons.



Q.4. Answer the following in about 150 words

- (i) What do you mean by entrepreneurs? Mention the types of entrepreneurs.
- (ii) Motivation is a process, explain by a model.
- (iii) "Entrepreneurs cannot survive and grow without fulfilling the ethical responsibilities of the society." Explain.
- (iv) Explain in detail the McClelland Theory of Motivation.
- (v) Explain the types of business entrepreneurs.
- (vi) Explain any four entrepreneurial competencies
- (vii) Explain features of attitudes
- (viii) How do systematic planning and persistence help entrepreneurs become effective leaders?

Q.5. Answer the following in about 250 words

- (i) Explain any six essential attitudes of an entrepreneur
- (ii) Explain Maslow's Theory of Motivation
- (iii) Differentiate between an entrepreneur and an employee
- (iv) "Competencies is a set of defined behaviors." State the types of competencies required by an entrepreneur? Explain.
- (v) "Entrepreneur's decisions can strengthen or seriously weaken a firm's future business viability." Discuss this statement in the light of necessity of ethics for society and development of business.

Q.6. HOTS: (High Order Thinking)

- (i) The government launched a programme for pollution free zones and provides financial assistance to entrepreneurs. By inducing such assistance, Ms. A was induced to enter into entrepreneurship. This included in which category? Explain.
- (ii) What are the basic differences between Maslow's and McClelland's Theory of Needs?
- (iii) "An entrepreneur who is fulfilling the ethics and moral responsibility towards society is an asset for society and should be survive and grow." Explain.
- (iv) "Many problems are bound to come in the path of progress, Ratan Tata shifted the manufacturing plant for Nano Cars from Singur to Sanand due to unforeseen complexities". Which type of competency is shown here? Discuss.
- (v) "Raju is a 16 year young boy, working hard to earn his living. He also tries to save some part of his earnings to acquire basic education". He falls in which level of Need as propounded by Maslow in his Motivational Theory?



Q.7. Application based exercise:

Read the following story

A young man was passing through a site of construction. He saw three labourers working at the site. He went to one of them and asked "What are you doing here?" The worker answered, "Don't you see? I am making out a living. I am working to earn."

The young man moved towards the second man and asked him the same question.

Pat came the reply "Don't you see? I am constructing a wall".

The young man moved towards the third man & repeated the question.

The labourer replied "Don't you see? I am building a beautiful mansion".

Answer the following questions:

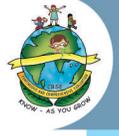
- A. All the three were doing the same work, then what differentiates them?
- B. What is important to do a piece of work effectively and efficiently?
- C. Whose answer reflected a positive attitude?

Q.8. Activities:

- I. Collect articles about entrepreneurs from newspapers and magazines. Have students read the article and answer the following questions:
 - How did the person get the ideas for the venture?
 - What is the unique selling point of the good or service?
 - What risks did the person take?
 - Did this person have a mentor or "angel"?
 - Did the person face any obstacles?
 - Does this person have competition?

Group activity

- II. Ask the class to form small groups of about 8 persons to work on ideas for ethical decision-making. Provide them with information about a business to use for the activity. This could be a local business, a business idea of your choice or theirs, or a business plan sample that they have been working with in the class. Ask each group to do the following:
 - (i) Identify problems the entrepreneur might encounter in running his/her business in an ethical manner.
 - (ii) Develop a 10-point code of ethics for business.



- (iii) Discuss policies and procedures appropriate for this business that would support the code of ethics.
 - (iv) List as many ethical problems as possible that might be faced by employees during a normal work day. Discuss the possible solutions for the problems. Consider how a procedure guide might help employees to make the best decisions.
 - (v) Members of the group should then role-play the process of handling an ethical issue with a customer, with a supplier, with a competitor, and with the son of the owner. Discuss the results of the role-playing exercise. If necessary students may want to modify their code of ethics at this time.
 - (vi) Each group should present their code of ethics to the class and discuss major outcomes.
- III. Your code of ethics will apply to all types of business operations including the following. What others can you add to this list?
- Handling cash and checks from customers
 - "Negotiating" special prices for a friend without permission
 - Accepting gifts from suppliers and business associates
 - Selling damaged merchandise
 - Warranties on products
 - Merchandise return policies for customers
 - Returning merchandise to suppliers
 - Handling shoplifters
 - Accounting procedures for cash sales
 - Employee theft
 - Insurance coverage adequate to protect the business and employees
 - Supporting your advertising promises
 - Checking in merchandise when received from suppliers
 - Keeping the premises clean and free from harmful substances or germs.
 - Handling employee performance problems
 - Telling customers the truth
- IV. Find examples of what innovative entrepreneurs, imitative entrepreneurs, Fabian entrepreneurs and Drone entrepreneurs.
- V. Prepare a presentation through any medium for types of entrepreneurs according to the business.



- VI. Write an article for a newspaper about the first, second and third generation of entrepreneurs with suitable examples from your city.
- VII. Design a poster explaining Maslow's Theory and relate it to your favourite entrepreneur.
- VIII. Select in group/individual to research on the CSR activities and its impact of the selected MNC/Local from the following MNC's and Local companies

Times have changed and so have the objectives of the MNC's and big industrial houses whose onus though primarily remains wealth maximisation, also focus on philanthropic activities as they have realised the importance of social support to successfully run their organisation. They now focus on fulfilling their Corporate Social Responsibility (CSR).

Given below are some prominent MNC's and local Companies of India. Select any one from the given list, though the list is not exhaustive, and do a detailed study and research about their activities beyond business i.e. activities for social welfare. Also study the impact of these activities on the internal working environment and its goodwill in the business world. Example: How was the goodwill of Infosys adversely affected when one of their directors was named in a scandal; how did the market shares of P&G react from the time they started the drive "*padhega India tabhi to bhadhega India*" and many more such examples to choose from.

This activity can be performed individually or can be conducted in a group.

- WIPRO
- INFOSYS
- BHARTI
- NTPC
- TATA
- HCL
- PEPSI
- Mc DONALD'S
- COKE
- RELIANCE
- PROCTOR & GAMBLE

Teacher can add more to this list.