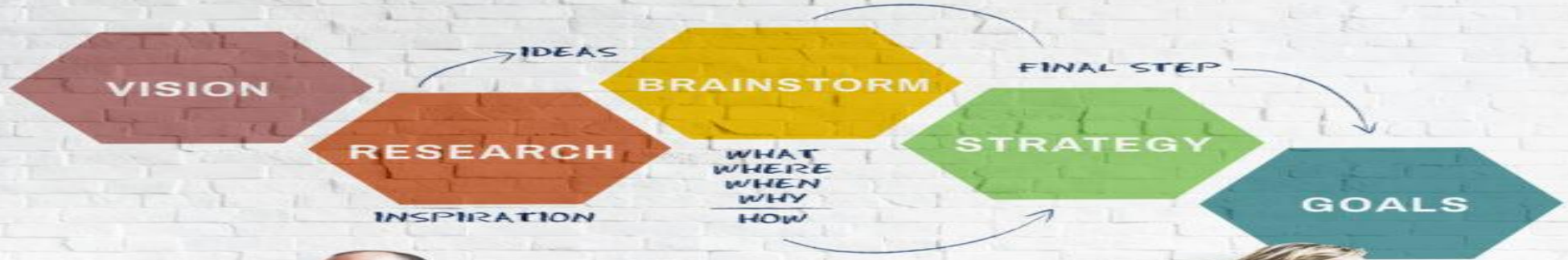


# BASICS OF ENTREPRENEURSHIP

## Unit – I: Introduction

### ENTREPRENEURSHIP



*Because, Life is all about taking the right decisions*

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# Unit – I: Introduction to Entrepreneurship & Self Discovery



- Define Entrepreneurship,
- Entrepreneurship as a Career option,
- Find your Flow, Stock of Your Means,
- Characteristics,
- Qualities and Skills of Entrepreneurship,
- Effectuation (*act of implementing*),
- Principles of Effectuation,
- Life as an Entrepreneur,
- Stories of Successful Entrepreneurs.

# What is Entrepreneurship?



Someone who creates and runs a business is called an **entrepreneur**.

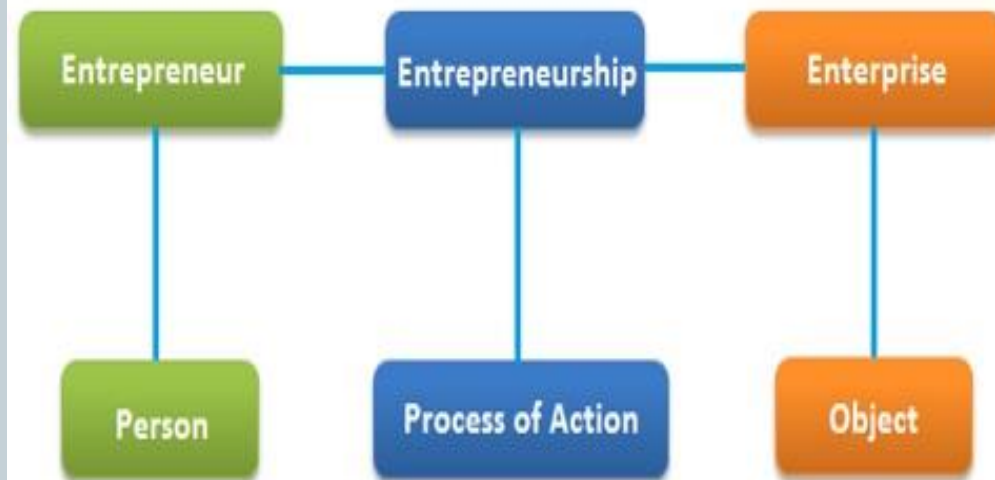
- When an entrepreneur starts a new business, risk is involved. *Risk* is the chance of losing something.
- Because employees work for someone else and entrepreneurs work for themselves, entrepreneurs risk more than employees.
- Small firms employ about half of the U.S. private work force, and they create around 64 percent of all new jobs.
- One way you can gain a sense of what business is like is by investigating an internship, or apprenticeship.

# Definition of Entrepreneurship



- Entrepreneurship is defined as the **professional application of knowledge, skills and competencies** of generating a **new business** idea, by an individual or a set of people by launching an enterprise or business organization to pursue growth while generating wealth, employment and social good

In simplistic terms, **entrepreneurship** involves establishing and running a **business** or multiple businesses, often taking financial **risks** to gain and grow **profits**.



Concept of Entrepreneurship

# Entrepreneurship



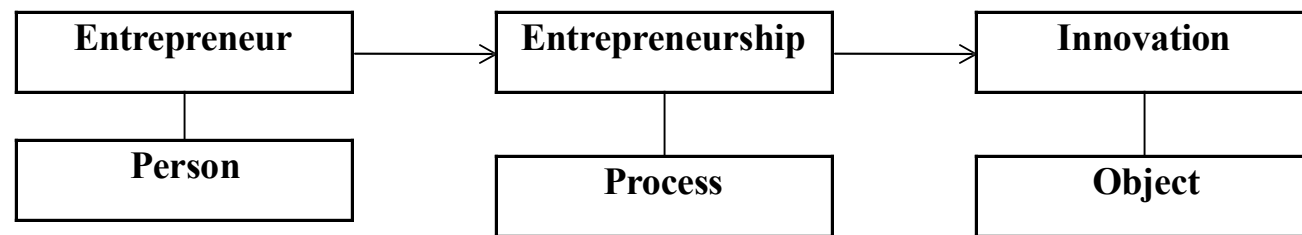
- **Entrepreneurship is a combination of passion, vision, and action. It's not just about starting a business;**
- **it's about driving innovation, creating value, and impacting communities.**
- **What is an Entrepreneur?**
- An entrepreneur **establishes** and **invests** in businesses, **managing** the **company** and the **uncertainties** that come with it. But they also likely are the primary financial **beneficiary** of the business. Establishing a business is often referred to as entrepreneurial activity.

# Defining Entrepreneurship

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## Meaning of Entrepreneur

- The word “Entrepreneur” has been taken from the French Language **Enterprendre** which means “to undertake” and meant to organize **musical** or other **entertainment** programs.
- Oxford Dictionary (1897) also defined **entrepreneur** as the director or manager of a public musical institution.
- Entrepreneurship is the Process of creating something new and assuming the risks and rewards. Robert D.Hisrich, M.P.Peters & D.A.Shepherd



# Defining Entrepreneurship

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Entrepreneurship is defined as the **professional application of knowledge, skills and competencies** of generating a new business idea, by an individual or a set of people by launching an **enterprise** or business organization to pursue growth while generating wealth, employment and social good.

## Entrepreneur

Entrepreneur is defined as **an agent** who buys **factors of production** at certain prices in order to **combine them into product** with a view to selling it at uncertain prices in future.

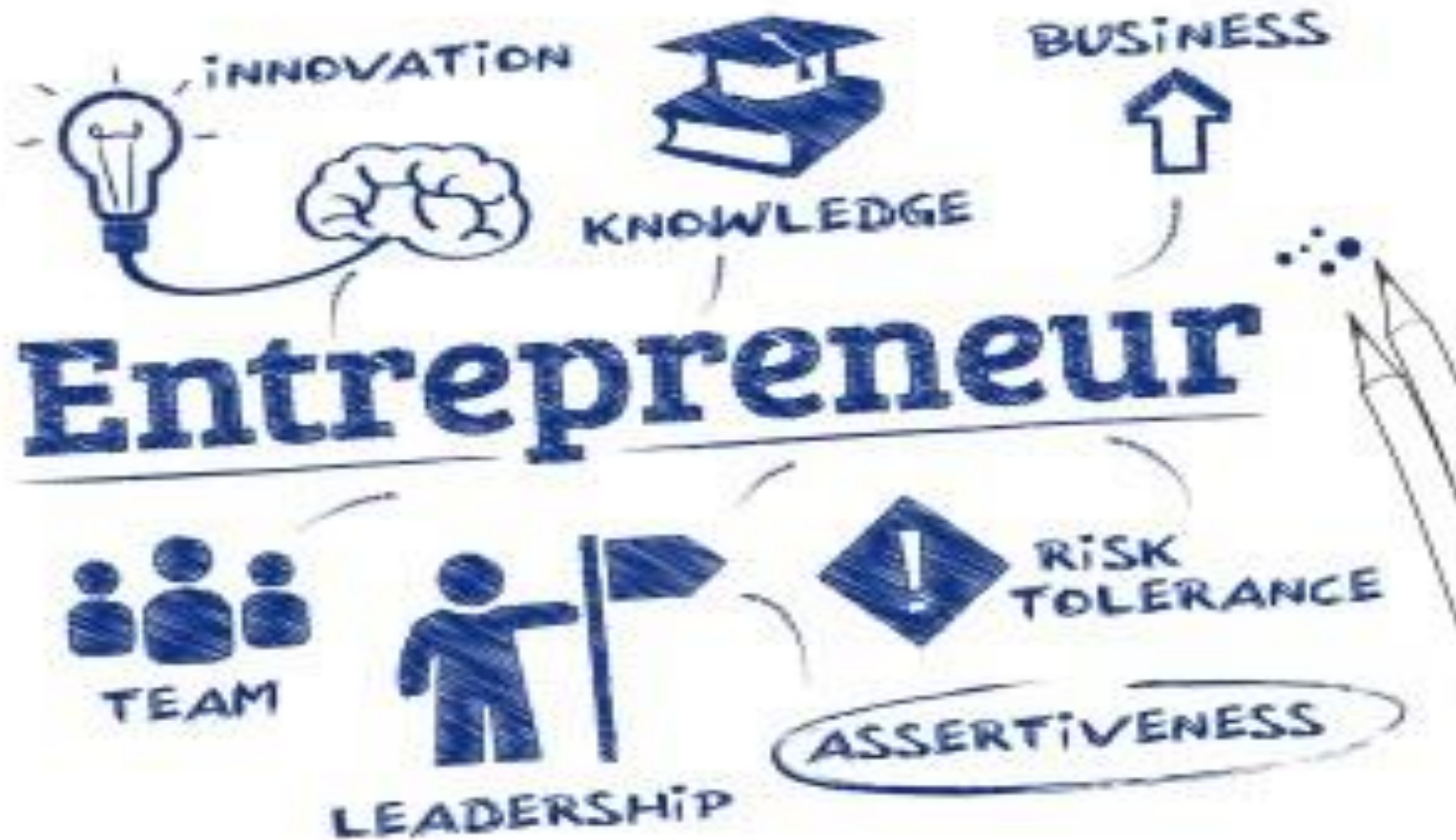
Entrepreneur is defined as one **who combines** the land of one, the labor of another and the capital of yet another and thus produces the product.

# Defining Entrepreneurship

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- It was Schumpeter however, who really launched the field of entrepreneurship by associating it clearly with innovation. **Peter Drucker** defined Entrepreneurship as ‘a systematic **innovation**, which consists in the purposeful and organized search for **changes**, and it is the systematic analysis of the opportunities such changes might offer for **economic** and **social** innovation.
- 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 over all economic development.

# Entrepreneur



# Why be Entrepreneur?



The biggest reward of becoming an entrepreneur is the personal satisfaction that comes from having the freedom to make your own business decisions and then act on them.

- **Making Your Own Rules.** When you own a business, you get to be your own boss.
- **Doing Work You Enjoy.** Since the majority of most peoples' lives is spent working, why not spend that time doing something you enjoy?
- **Creating Greater Wealth.** There's no limit to what an entrepreneur can make.
- **Helping Your Community.** Being an entrepreneur lets you make your community and world a better place.

## Difference b/w Entrepreneurship and Entrepreneur

- Entrepreneurship can be described as a *process* of setting up an enterprise.
- Entrepreneurship is a *creative activity*.
- Entrepreneurship is the *attitude of mind* to seek opportunities, take calculated risks and derive benefits by setting up a venture.
- 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*.

# Entrepreneurship as a Career option

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- Freedom to work and be your own **boss** and also boss to others.
- Freedom to **make money** for oneself rather than for someone else.
- Participation in every aspect of running of a business, **learning new things** and gaining experience.
- Work directly for the **customers** and gain first-hand experience about their **needs**.
- Personal **satisfaction** of owning and running a business venture.
- Build a **retirement value** and gain respect for family and friends.
- Satisfaction of being the **creator** of **jobs** for many people.

# Finding your Flow

- Finding your flow is about **creating state of deep focus and enjoyment**, losing yourself in tasks that you are passionate about. It allows you to experience enjoyment in the progress of doing something challenging, yet rewarding.
- **Flow** is a blissful/joyful state of balance, where you are fully immersed in a task, completely free from **distracting** thoughts.
- **Flow** states enable you to enjoy your work and perform at the peak of your potential. Research shows people working in a state of **flow** are five times more productive than they'd otherwise be.
- **Flow** states makes you achieve positive thinking, happiness, productivity and chances of an early success. Now combining all these amazing factors guarantees that the **entrepreneur** will achieve their potential very quickly and very effectively.

# Finding your Flow

## Benefits of Finding your Flow

- Focuses one's attention on what's important
- Peak **Performance** & Thriving in the New Economy
- Accelerated Learning and Skill Development
- Maximised **Productivity** and Output in a given time frame
- Increased **Creativity**
- Happiness & Fulfillment

# Finding your Flow

## Steps to Find your Flow

- Step 1: Choose an important task belonging to the work you love. Make sure it's challenging, but not too hard.
- Step 2: Set clear goals, and develop the skills required to meet the demands of the task.
- Step 3: Find your quiet, peak time.
- Step 4: Clear away distractions and learn to focus on that task for as long as possible.
- Step 5: Immerse yourself in the present moment, enjoy yourself.
- Step 6: Keep practicing.
- Step 7 : Reap the rewards.

# Taking Stock of Your Means

- **Taking Stock of Your Means** refers to the act of carefully thinking about or examining the “means” you resort to and/or require, in order to start off well to become a successful entrepreneur, and the “means” mentioned here include finance, skills, people, etc.
- Taking stock of your means is crucial towards the application of the first principle of effectuation, “Bird-In-Hand”. (discussed later in this Unit ) which states that *an entrepreneur starts with what he has in hand*, i.e. after duly taking stock of his means.

- |   |   |
|---|---|
| <b>Who am I?</b><br>(List your values, attributes, and abilities here, e.g., honest, sincere, hard-working, go-getter, empathy, ability to get along with people) | <b>What do I know - 1?</b><br>(List your hard skills here, e.g., software programming, drawing/sketching, writing)                            |
| <b>What do I know - 2?</b><br>(List down your soft skills like decision making, negotiation, or leadership skills)  | <b>Whom do I know?</b><br>(People in your network -<br><i>Think of people, not your immediate college environment, but also outside it.</i> ) |

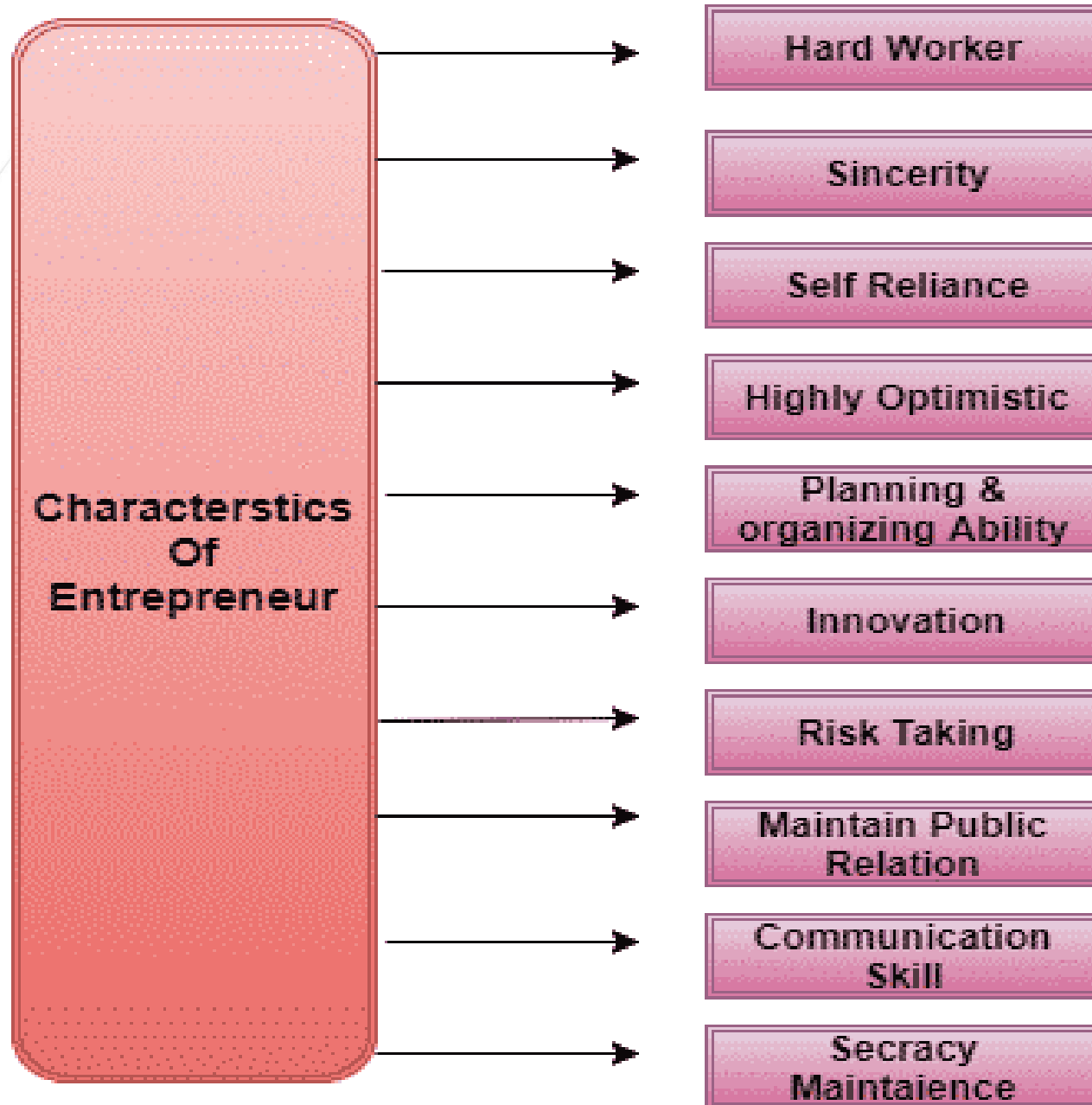
- Source : [An Activity on WF Learnwise](#)

# Characteristics of Entrepreneurs

**According to John Hornaday, the characteristics of entrepreneurs are:**

- 11 ➤ Self Confidence, Energy, Diligence
- Ability to take calculated risk
- Creativity , Flexibility
- Positive response to challenges
- Dynamism, leadership
- Ability to get along with people
- Responsiveness to suggestions
- Responsiveness to Criticism
- Knowledge of market ,product and technology
- Perseverance, determination
- Resourcefulness, Need to achieve
- Initiative, Independence
- Foresight, Profit orientation
- Perceptiveness, Optimism, Versatility

# Characteristics of Entrepreneurs



# Functions of Entrepreneurs

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The main functions of entrepreneurs are

i. Opportunity Identification

ii. Planning

iii. Risk and Uncertainty bearing

iv. Organization building

v. Managing

vi. Decision making

vii. Innovation

viii. Leading

ix. Managing growth

- 1. Opportunity Identification:** Entrepreneurs are adept at spotting unmet needs or inefficiencies in the market. They analyze market trends, conduct research, and leverage their expertise to identify potential business ventures.
- 2. Planning and Organization:** This involves developing a comprehensive **business plan**, outlining goals, strategies, and resource allocation. Entrepreneurs also organize the various factors of production – land, labor, and capital – to establish and manage the business effectively.
- 3. Risk Management:** Entrepreneurs are inherently risk-takers, willing to invest time, money, and effort into an idea with uncertain outcomes. They assess potential risks, develop contingency plans, and diversify their business activities to mitigate negative impacts.
- 4. Innovation:** Entrepreneurs drive innovation by developing new products, services, or technologies, or by improving existing ones. This can lead to "creative destruction," where new industries emerge and old ones are disrupted.

**5. Financial Management:** Securing funding, managing **cash flow**, and making sound financial decisions are crucial functions. Entrepreneurs must raise capital from various sources and ensure the financial health of the business.

**6. Leadership and Management:** Entrepreneurs **lead teams**, delegate tasks, and **motivate** employees. They also handle staffing, training, and performance management.

**7. Marketing and Sales:** Entrepreneurs are responsible for **promoting** their products or services, building customer relationships, and generating sales.

**8. Adaptability:** The business **landscape** is constantly evolving. Entrepreneurs must be **adaptable**, adjusting their strategies and operations in response to changing market conditions, customer preferences, and technological advancements.

**9. Contribution to Economic Development:** By creating **jobs**, generating wealth, and introducing innovative products and processes, entrepreneurs play a vital role in driving economic growth and improving living standards.

# Qualities of Entrepreneurship

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## Qualities of Entrepreneurship

- i. Ability to Innovate
- ii. Business oriented tendency
- iii. Organizing function
- iv. Managerial and leadership function
- v. Knowledge based function
- vi. Based on principles, not on intuition essential in every activity.

I SACRIFICE.  
I WORK HARD.  
I WORK SMART.  
I AM A PROFESSIONAL.  
I AM BUILDING MY EMPIRE.  
I AM THE MASTER OF MY DESTINY.  
I AM AN

**ENTREPRENEUR.**

# QUALITIES OF AN ENTREPRENEUR

**NAMMA FAMILY  
GROUP**

IDENTIFYING AND MITIGATING  
RISKS

BEING FLEXIBLE AND  
ADAPTABLE.

TIME MANAGEMENT

EMPATHY NATURE

EXCELLENT FINANCIAL  
ACUMEN

STRONG WORK ETHIC AND  
DEDICATION

SETTING REALISTIC  
GOALS

CONTINUOUS LEARNING  
ATTITUDE

EXCELLENT COMMUNICATION  
SKILLS

ENVISION THE FUTURE  
(VISIONARY THINKING)

BEING AN OPTIMIST

CONSISTENCY



# Qualities of Entrepreneurship



- **Creativity and Innovation:**
  - Entrepreneurs are often driven by a desire to create something new or improve existing products and services. They think outside the box and are not afraid to challenge the status quo.
- **Risk Tolerance:**
  - Starting a business involves inherent risks, and entrepreneurs need to be comfortable with uncertainty and willing to take calculated risks.
- **Resilience and Perseverance:**
  - The path of an entrepreneur is rarely smooth, and setbacks are inevitable. Resilience, the ability to **bounce back** from **failure**, and perseverance, the determination to keep going despite challenges, are essential.
- **Strong Leadership:**
  - Entrepreneurs need to inspire and motivate their teams, build a positive work culture, and make effective decisions.
- **Vision and Goal Setting:**
  - Having a clear vision for the future and setting achievable goals are crucial for guiding the business towards success.

# Qualities of Entrepreneurship



- **Adaptability and Flexibility:**
- The business environment is constantly evolving, and entrepreneurs need to be flexible and adaptable to changing circumstances.
- **Passion and Drive:**
- Passion for their business idea and a **strong internal drive** are often the fuel that keeps entrepreneurs motivated and persistent.
- **Networking and Communication:**
- Building a strong network of contacts and effectively communicating with stakeholders are important for gaining support, finding opportunities, and navigating challenges.
- **Self-Confidence and Belief:**
- Entrepreneurs need to believe in themselves and their ideas, even when faced with doubt or criticism.
- **Financial Literacy and Management:**
- Understanding financial statements, managing cash flow, and making sound financial decisions are critical for the long-term sustainability of the business

# Skills of Entrepreneurship

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- **Communication skills** (possessing the ability to read, write and speaking in an understandable, accurate and professional manner)
- **Human relations skills** (the ability to build and maintain positive relationships, working well with others)
- **Math skills** (knowledge of basic arithmetic and business math skills such as calculating profit)
- **Problem-solving and Decision-making skills** (the ability to assess situation and make good decisions)
- **Technical skills** (knowledge of computers and how to use them productively)
- **Business skills** (knowledge and understanding of the economy and business functions such as marketing and management)

# Effectuation

## What is effectuation?

Entrepreneurs constantly  
**make decisions** and **take action**.

How do they  
do that?

Are there any universal  
methods or principles  
they use?

## effectuation **IS**

A thinking framework

a set of heuristics

doing the do-able

how to get the sellable products and  
services established

# Meaning of Effectuation

“Saras Sarasvathy’s theory of Effectuation (2001) describes an **approach** to **making decisions** and **performing actions** in entrepreneurship processes, where you identify the **next, best step** by assessing the resources available in order to achieve your goals, while continuously balancing these goals with your resources and actions.”

# Features of Effectuation

- Face Challenges with Common Sense
- Focus on what is Doable
- Framework to make Decisions
- Mindset and Practical Approach
- It is not a Formula
- It not means that Entrepreneurs don't Plan

# Principles of Effectuation:

Means

BIRD IN HAND



**Bird in Hand Principle**

Affordable Loss

FOCUS ON  
DOWNSIDE



**Affordable Loss Principle**

Leverage  
Contingencies

LEMONADE



**Lemonade Principle**

Co-Creation  
Partnership

CRAZY QUILT



**Crazy-Quilt Principle**

Worldview:

CONTROL VS. PREDICTION



**Pilot-in-the-Plane Principle**

# Principles of Effectuation:

- **The Bird in Hand Principle:** Entrepreneurs start with what they have.
- **The Affordable Loss Principle:** How they can minimize those losses.
- **The Crazy Quilt Principle:** Entrepreneurs cooperate with parties they can trust.
- **The Lemonade Principle:** Entrepreneurs will look at how to leverage contingencies/possibilities.
- **The Pilot-in-the-plane:** Entrepreneurs can control some of the factors which determine the future.

# Life as an Entrepreneur

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➤ For an individual, the role and type of career he or she chooses is of great importance because, it lays down his or her pattern of living, determines social status and controls one's present and future life. Any individual has three options.

- i. To work for someone else
- ii. To be self – employed in a profession
- iii. To be an entrepreneur.

Of the three **Entrepreneurship** has gained lot of popularity.

- i. It provides numerous opportunities for self expression and realization of one's passion for doing something new and different.
- ii. There are numerous opportunities for growth and self development
- iii. Monetary rewards are greater
- iv. Entrepreneurs enjoys the power of decision making
- v. Reward of working on one's own leads to immense satisfaction.

# A Day In The Life As An Entrepreneur



# Successful Entrepreneurs

21

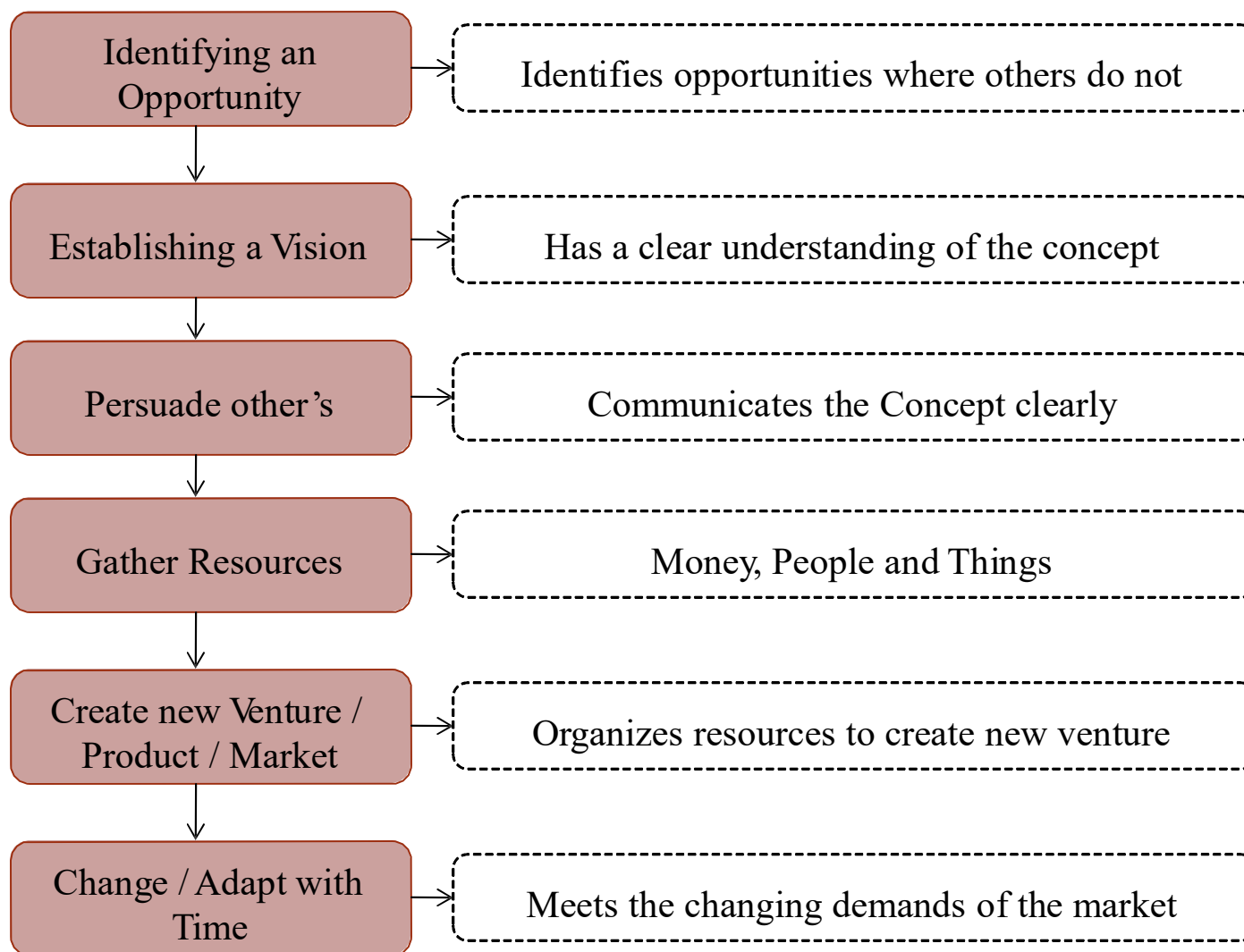
- AJAY PIRAMAL - PIRAMAL ENTERPRISES LIMITED
- AMAR BOSE - BOSE CORPORATION
- S. ANANTHARAMAKRISHNAN – AMALGAMATION GROUP
- ANIL AGARWAL – VEDANTA GROUP
- AZIM PREMJI – WIPRO
- BHAI MOHAN SINGH - RANBAXY LABORATORIES LTD
- BRIJMOHAN LAL MUNJAL - THE HERO GROUP
- CHETAN MAINI - REVA ELECTRIC CAR
- DEEPAK PAREKH – HDFC
- DHIRUBHAI AMBANI – RELIANCE GROUP
- EKTA KAPOOR - BALAJI TELEFILMS
- GALLA RAMACHANDRA NAIDU – AMARARAJA BATTERIES
- GAUTAM ADANI - ADANI GROUP
- RAMOJI RAO – RAMOJI CITY

- GHANSHYAM DAS BIRLA – BIRLA GROUP
- GOENKA. R.P. – RPG GROUP
- JEYSINGH THOMAS - AVT GROUP
- JINDAL, O.P. - JINDAL GROUP
- JOHN YESUDHAS, V.F. – WAVETEL
- KALLAM ANJI REDDY - DR REDDY'S LABS
- KARSANBHAI PATEL – NIRMA
- KIRAN MAZUMDAR-SHAW - BIOCON LTD
- KISHORE BIYANI – PANTALOON
- KOCHOUSEPH CHITILAPPILLY -V GUARD
- MOHAN SINGH OBEROI - OBEROI GROUP
- NARAYANA MURTHY, N. R. – INFOSYS
- NARESH GOYAL - JET AIRWAYS
- DR. PRATAP C REDDY - APOLLO HOSPITAL GROUP
- RAMNATH GOENKA - INDIAN EXPRESS GROUP

# Entrepreneurial Process

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## Six Stage Entrepreneurial Process



# Benefits and Myths of Entrepreneurship

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## Benefits of Entrepreneurship

- **Opportunity to create your own destiny:** Owning a business provides an entrepreneur the independence and the opportunity to achieve what is important to them.
- **Opportunity to make a Difference :** More and more entrepreneurs are starting businesses because they see this as an opportunity to make a difference in a route or way that is personally important to them.
- **Opportunity to reap extraordinary profits:** The profit earned by an entrepreneur are an important motivation and indication factor for further increased performance. Thus these could spur them to greater achievement and success.

➤ **Societal Responsibility and Recognition:**

Small business owners are among the most admired, respected and trusted individuals of society.

➤ **Opportunity to engage in work of their choice :** Small business owners tend to engage in business that gives them personal satisfaction.

➤ Entrepreneurs see their business as a vehicle of self expression of personal desire and eventual self actualization of their personal goals – the pinnacle of their career success.

# Myths of Entrepreneurship

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- Myth 1: Entrepreneurs Are Doers, Not Thinkers
- Myth 2: Entrepreneurs Are Born, Not Made
- Myth 3: Entrepreneurs Are Always Inventors
- Myth 4: Entrepreneurs Are Academic and Social Misfits
- Myth 5: Entrepreneurs Must Fit the “Profile”
- Myth 6: All Entrepreneurs Need Is Money
- Myth 7: All Entrepreneurs Need Is Luck
- Myth 8: Ignorance Is Bliss For Entrepreneurs
- Myth 9: Entrepreneurs Seek Success But Experience High Failure Rates
- Myth 10: Entrepreneurs Are Extreme Risk Takers (Gamblers)

## Types Of Entrepreneurs

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- **Pure Entrepreneur** : He is motivated by psychological and economic rewards. He starts activities for his personal satisfaction is work, ago or status.
- **Induced Entrepreneur** : Such entrepreneur is induced to take up an entrepreneurial task due to the policy measures of the government.
- **Motivated Entrepreneur** : Such an entrepreneur is motivated by the desire for self-fulfilment. He is also motivated by the desire for innovations and profit.
- **Growth Entrepreneur** : These entrepreneurs choose an industry which has high growth prospects.
- **Women Entrepreneurs**: An enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of employment generated in the enterprise to women

- **Super-Growth Entrepreneur** : He is an individual who has shown enormous growth performance in his venture.
- **First-Growth Entrepreneur** : He is one who starts an industrial unit by means of an innovative skill.
- **Modern Entrepreneur** : He is one who undertakes those ventures which go well along with the changing demand in the market. He cares for the current marketing needs.
- **Copreneurs** : It is related to the married couples working together in a business. When a married couple shares ownership, commitment and responsibility for a business, they are called 'copreneurs'.
- **Young Entrepreneurs and Part-Time Entrepreneurs** : Starting a part-time business is a popular gateway to entrepreneurship. Part-time entrepreneurs can easily enter into business without sacrificing their service benefits.

# Entrepreneurship on the Basis of Stages of Economic Development

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## **Clarence Danhof classifies entrepreneur into four types**

- 1. Innovative:** An Innovating entrepreneur is one who introduces new products, new methods of production and new technology. *Example:* Henry Ford wanted to replace the petrol fuel or the diesel engine with the Kerosene fuel system.
- 2. Imitative or Adoptive:** Imitative entrepreneur is characterized by readiness to adopt successful innovation initiated by innovating entrepreneurs. China is a growing economy that provides large opportunity to its citizens. Among them the cellular market is growing through adaptation and modification of the innovative product by the Innovative Companies.

3. **Fabian:** Fabian entrepreneurs are lazy and shy. They lack the will to adopt new methods of production. Fabian are more applicable in the Indian rural agriculture environment.
4. **Drone:** Drone entrepreneur is one who follows the traditional methods of production. There is a “Beeree” (Old fashion tobacco making process) producer Co-operative that uses employee to make the tobacco by hand. Even though it is a dying industry but it does not stop them.

# Pitfalls of Being an Entrepreneur

- Constraints of lenders, laborers, customers, suppliers, and debtors curtail freedom of thought and work.
- Frustration due to availability of limited capital and other resources.
- Work-life balance under stress due to busy life and long hours of work.
- Frustration due to non-achievement.
- Risk of failure and bankruptcy.



# Impact of Entrepreneurship on Economy and Society

## **Impact of Entrepreneurship on Economy:**

- i.** Improvement in living standards
- ii.** Employment generation
- iii.** Managing resources
- iv.** Balanced regional development and economy growth
- v.** Import export promotion and capital formation
- vi.** Technological advancement
- vii.** Market place change
- viii.** Contribution to large business
- ix.** Provides international opportunities
- x.** Social and ethical awakening.

## **Impact of Entrepreneurship on Society:**

- 1. Entrepreneurship creates employment:** The existence of business activities influences employment. Business establishments need people to work for them.
- 2. Entrepreneurship improves the quality of life:** People need to work in order to survive, attend to their needs, and satisfy their wants.
- 3. Entrepreneurship contributes to a more equitable distribution of income:** With more entrepreneurial activities provided to the people in the country sides, natives have more work opportunities thus, discouraging them from resettling in other places.
- 4. Entrepreneurship utilizes resources:** We may use our own natural resources, and process and convert them to more useful things.
- 5. Entrepreneurship brings social benefits through the government:** The resources collected by the government are given back to the people in the form of services, infrastructure projects, school buildings, and maintenance of peace and order.

# OPPORTUNITIES FOR ENTREPRENEURS IN INDIA & ABROAD



**Tourism**

**Automobile**

**Textiles**

**Social ventures**

**Software**

**Engineering goods**

**Franchising**

**Education and Training**

**Gems and Jeweler**

**Food Processing**

**Corporate demands**

**Ayurveda and traditional  
medicine**

**Organic farming**

**Media**

**Floriculture**

**Healthcare sector**

**Biotechnology**

**Recycling business**