



# 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.*

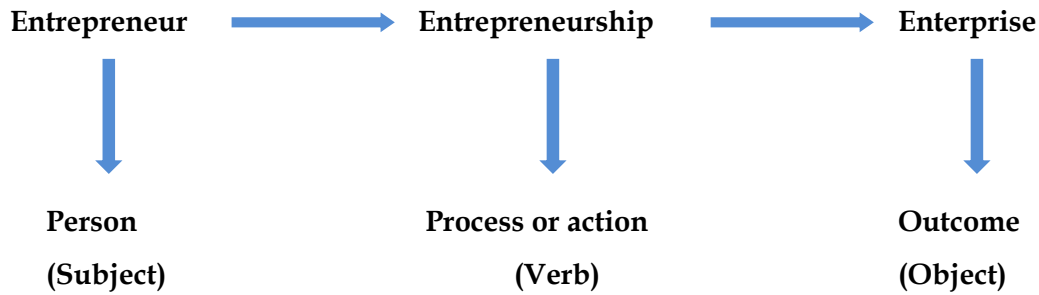
*To a large extent they are also risk takers. They may not be innovative, but they take risks up to their own potential and level.*

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

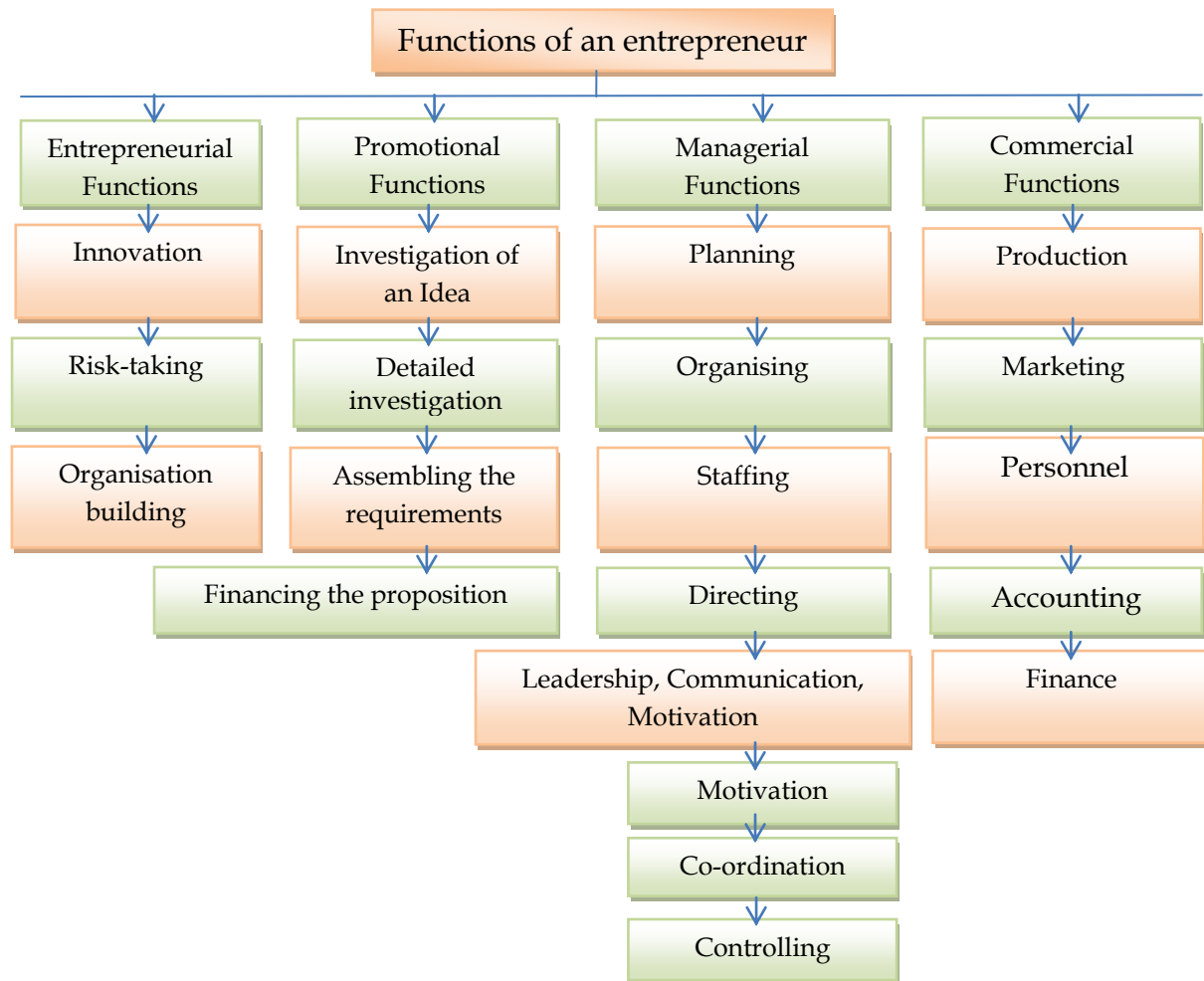
The term 'entrepreneur' is often used interchangeably with 'entrepreneurship' but, conceptually, they are different, yet they are just like the two sides of a coin. Both the terms are co-related.

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.



**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 entrepreneurship 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 10<sup>th</sup> std 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.