

DEPARTMENT OF MASTER OF BUSINESS ADMINISTRATION

Introduction to Entrepreneur & Entrepreneurship

1.1. ENTREPRENEUR

1.1.1. Meaning and Definition of Entrepreneur

An entrepreneur is a rare person who can visualise and materialise water in the desert. His foresightedness, vision, motivation, persistent efforts, the ability to presume the risks involved and their outcomes, and the thrust to achieve the desired goal, facilitate him to convert his ideas into reality. The water in the desert here refers to a scarce commodity, hence an entrepreneur visualises this need or the need arising in near future and grabs this opportunity or challenge, before others can think about it. Entrepreneur refers to an individual who has the ability to organise and manage a business idea or a new enterprise, considering the in-built risks and consequences. They also act as leaders assuming their responsibility towards the success and failure of the enterprise. An entrepreneur has the ability to identify the needs of consumers and the society at large, and the ambition to set up an enterprise for fulfilling these needs through producing and marketing new products and services by bringing together the available land, wealth, and labour.

According to **Richard Cantillon**, "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain price".

According to **International Labour Organisation (ILO)**, "Entrepreneurs are those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success".

According to **McClelland**, "An entrepreneur is someone who exercises some control over the means of production and produces more than what he can consume in order to sell (or exchange) it for individual (or household) income". In other words, an entrepreneur is one who discovers innovative ideas, advances them into products and services, and follows its feat persistently with untiring spirit. In this way, they taste the success and show the real meaning of the word

'entrepreneur'. These entrepreneurs, having the initiating and action-taking ability, are responsible for the existence of different successful ventures. There is a misconception about entrepreneurs that they are opportunity-seekers and selfish people, but in reality they are highly driven people trying to find solutions to the "needs of the people".

1.1.2. Entrepreneurial Traits

Any successful entrepreneur should have following traits:

- 1) **Determination to Succeed:** Entrepreneurs are determined towards achieving success as well as growing their venture. They set a clear picture to achieve their desired target and stay focussed, irrespective of hurdles in their way to success. They have the ability to visualise the broader scope and an aspiring personality.
- 2) **Independence:** Entrepreneurs are independent persons who like to be "decision makers" rather than being "decision implementers". They prefer to initiate with their own effort. They always like to give direction rather than taking directions from others. They feel comfortable with profits or even losses arising out of their own decisions.
- 3) **Risk-Taking:** Entrepreneurs never step back while taking a chance of risk. Their decision-making is not influenced by uncertainty. They make a sincere and honest attempt to ensure that the eventual result is favourable instead of leaving the things on fate.
- 4) **Ability to Control:** In case of dealing with the post-establishment issues of any venture, entrepreneurs do not depend on their destiny. They have the ability to alter the socio-economic setting of their enterprise, in order to control their impacts. They have a firm belief that their destiny is regulated and designed by their own actions.
- 5) **Perseverance:** This is the most demanded quality in the entrepreneurs. Once they commit a goal, they put their best efforts to accomplish it. They participate in every activity of the enterprise and are totally engaged in completing these activities. They look after all the concerned issues related to the venture by their self.

- 6) **Flexibility:** Entrepreneurs show flexibility in their decisions. They are always ready to modify their decisions in case of adverse conditions. Usually, merits and demerits of each entrepreneurial decision are analysed by ideal entrepreneurs and required changes are applied in accordance with the prevailing conditions.
- 7) **Analytical Ability of Mind:** Personal preferences are not entertained by entrepreneurs. They prefer to analyse the given environmental conditions and proceed as per the situation. Emotional approach is generally neglected in order to deal with business decisions or a particular issue. Generally, they think logically instead of getting involved emotionally.
- 8) **Confronting Uncertainty:** Optimistic approach enables an entrepreneur to deal with uncertainties. They treat every uncertain condition as an opportunity to them. They are known to complete the given work sensibly even under the odd conditions. Therefore, the unusual insight and talent enables an entrepreneur to get success.
- 9) **Stress Takers:** They have the ability to face all the difficult situations and take corrective actions against them. Along with performing for extended work hours, entrepreneurs also resolve variety of complications. As a commander, they face the issues of their enterprise and take appropriate decisions at appropriate time even at very short notices. They are called stress takers as they deal with psychological as well as physical stress in operating their enterprises.
- 10) **Innovative and Creative:** Entrepreneurs are innovative and creative. They think unique and better to become successful and different from the crowd. They generate new thoughts and ideas to develop new products or services, or new suppliers in order to establish a new market or redesign the organisation. This new enterprise comprises of creative production methods and marketing channels designed by the entrepreneurs.

1.1.3. Types of Entrepreneurs

The types of entrepreneurs can be classified on different grounds, which are as follows:

- 1) **According to Functional Characteristics:** According to functional characteristics entrepreneurs are as follows:

- i) **Innovative Entrepreneur:** These types of entrepreneurs are individuals who have the desire and ability to create and implement something new for the enterprise. Such entrepreneurs are visionaries who can think much earlier and much beyond than others. They try to bring new products, new production technologies, identify new market,

and restructure their organisation by introducing several changes. These entrepreneurs are involved in collecting plenty of information and ideas for generating innovative products and services. This can only be done when entrepreneurs have acquired a certain level of growth in their business and are ready to invest for innovative activities.

- ii) **Imitative or Adoptive Entrepreneur:** These entrepreneurs are not directly involved in innovation, but imitate successful innovations of other people by using their ideas, methods and technology. They are also known as 'adoptive entrepreneurs', who are highly enthusiastic in adopting innovations of successful entrepreneurs. Since helpful in reducing the cost of trial and error, they may be appropriate for underdeveloped economies.
 - iii) **Fabian Entrepreneur:** These types of entrepreneurs have no desire for innovations. Such entrepreneurs show a high level of uncertainty during any modification in their enterprise. They have no interest to bring-in changes to the business enterprise until there is an urgent need to do so for the sake of survival of the enterprise.
 - iv) **Drone Entrepreneur:** Such entrepreneurs do not believe in making any changes in their production system. They can even bear losses but refuse to change their prevailing methods and techniques.
- 2) **According to the Types of Business:** Entrepreneurs vary based on their nature of business, which are as follows:
 - i) **Business Entrepreneur:** These are the individuals who dream about a completely different product or service and try to convert that notion into reality by establishing a business enterprise.
 - ii) **Trading Entrepreneur:** Such entrepreneurs do not manufacture but purchase the product from the manufacturer and sell it straight to customers or use retailers.
 - iii) **Industrial Entrepreneur:** These entrepreneurs are manufacturers or producers who analyse the current market demands and needs of the consumers, and produce goods and services to satisfy them in an efficient manner.
 - iv) **Corporate Entrepreneur:** These are the entrepreneurs who have the capabilities to organise and manage a corporate enterprise.
 - v) **Agricultural Entrepreneur:** Such entrepreneurs are skilled and experienced to manage all related activities of agriculture such as acquiring land, crops cultivation, arranging fertilisers, technologies used, etc.

- vi) **Retail Entrepreneur:** These entrepreneurs directly sell all kinds of products to the consumers or retail buyers. They do not manufacture these items. A large number of retail entrepreneurs are prevalent in India. They are like owners of shops of medicine, fruits, vegetables, house hold utility items.
 - vii) **Service Entrepreneur:** Entrepreneurs belonging to the service sector are known as service entrepreneurs. They are engaged in delivering all types of services to the customers. **For example,** restaurants, hotels, hospitals, beauty parlours, etc.
- 3) **According to Technology Used:** On the basis of level of technology used, the entrepreneurs can be classified as:
- i) **Technical Entrepreneur:** These entrepreneurs are similar to craftsman. They possess craftsmanship ability to create new and improved products in all technical aspects. The technical entrepreneurs usually apply all their innovative abilities for production of goods and services. Designing new and technical production methods is the major talent of these entrepreneurs. They are more inclined towards production than marketing. The objective of using promotion strategies for increasing the organisational sales is not preferred by these entrepreneurs.
 - ii) **Non-technical Entrepreneur:** Unlike technical entrepreneurs, they are not related with the technical activities of production. Such entrepreneurs concentrate on designing marketing strategies for the effective distribution and promotion to boost up the sales of the products or services.
 - iii) **Professional Entrepreneur:** Professional entrepreneurs are those people who start new business enterprises but do not run or manage it. They sell their enterprise and proceed with establishment of another such business enterprise. They are also known as 'managing agents'. In modern time, these types of entrepreneurs are rarely available. These are imaginative and energetic individuals who regularly develop new ideas and convert them into entrepreneurial ventures.
- 4) **According to Growth:** The entrepreneurial enterprises are categorised as high, medium, and low growth enterprises. Therefore, entrepreneur may be categorised as:
- i) **Growth Entrepreneur:** Such entrepreneurs certainly choose the business enterprise with high growth prospects. This enables the entrepreneurs to sustain and expand their business in future.
 - ii) **Super-growth Entrepreneur:** Those entrepreneurs who have experienced extensive growth in the business are known as super-growth entrepreneurs. High rate of profitability, capital gearing and liquidity of funds determine the status and growth of the enterprise.
- 5) **According to Area:** Entrepreneurs are also categorised in accordance with their area of performance. These are as follows:
- i) **Urban Entrepreneur:** They belong to urban areas and establish their business in the same location to avail the regional advantages. These types of entrepreneurs are mostly corporate or industrial entrepreneurs.
 - ii) **Rural Entrepreneur:** Rural entrepreneurs are usually involved in trading or agricultural activities. They belong to rural areas and establish their business in the same location. Various government assistances are provided to the rural entrepreneurs to encourage and accelerate such activities. These government schemes are targeted to remove the differences between rural and urban areas.
- 6) **According to Gender:** According to gender, entrepreneurs may be of two types:
- i) **Men Entrepreneur:** The male individuals involved in establishing and managing entrepreneurial enterprises are called men entrepreneurs. Mostly, new business enterprises are run by males.
 - ii) **Women Entrepreneur:** The female individuals involved in establishing and managing entrepreneurial enterprises are called women entrepreneurs. Women entrepreneurs were an exception few years back, but in present time their numbers are increasing day by day with success. Like any general entrepreneur, all the women entrepreneurs have to face a tough competition from already established businesses.
- 7) **According to Level of Motivation:** Level of motivation defines two types of entrepreneurs:
- i) **Pure Entrepreneur:** Pure entrepreneurs are those individuals who are attracted to establish a business enterprise because they are really interested in doing so. So, they choose this path only for their self-satisfaction. They have a strong desire to become entrepreneurs, like Aditya Birla, Dhirubai Ambani, etc.
 - ii) **Induced Entrepreneur:** Induced entrepreneurs are those people who get attracted to the incentives and assistances provided by the Government for entrepreneurship. All the aspects related to business enterprise such as financial,

managerial and technical activities are supported by various schemes and policies of the Government. A number of entrepreneurs get induced by Government rules and assistance, that have been introduced after the economic reforms and liberalisation of India.

8) **According to the Capital Ownership:** According to capital ownership, entrepreneurs are of following types:

i) **Private Entrepreneur:** Private entrepreneur is a person or a group of persons, engaged in starting a new venture, arranging the sources of finance, implementing the modern technologies in it, and taking risks to gain profit. Here, all the venture establishment related activities are performed by these persons on their own.

ii) **State Entrepreneur:** When the Government or state undertakes any entrepreneurial project, then they are known as 'state entrepreneurs'. All the capital and production technologies are arranged by the Government.

iii) **Joint Entrepreneur:** When private and state entrepreneurs combine together to form a business enterprise, then they are referred to as 'joint entrepreneurs'.

9) **According to the Entrepreneurial Activity:** On the basis of the entrepreneurial activity, entrepreneurs can be categorised into three:

i) **Novice Entrepreneur:** The one who starts his enterprise for the first time is called a novice entrepreneur. They should not to be mixed up with young starters. The novice entrepreneur can be an aged man having enormous experience in industry.

ii) **Serial Entrepreneur:** The entrepreneur, who starts with one enterprise but in course of time heads many enterprises producing different products, is known as 'serial entrepreneur'. Such entrepreneurs are interested only in the start-up activities of the venture.

As soon as the venture is established, they may find it unattractive, therefore shifting the ownership to others. Now, they focus on some other entrepreneurial venture and this process keeps on going.

iii) **Portfolio Entrepreneur:** Such entrepreneurs own as well as run several entities. They enjoy diversity in their business and are eager to grab new opportunities as well. This can also be a keen approach towards risk-sharing and maintaining equilibrium between profit and loss. A significant level of coordination can be observed between these establishments.

1.1.4. Qualities of Entrepreneur

Following are some important qualities of entrepreneur:

1) **Self-Motivation:** An entrepreneur always enjoys autonomy and rewards that are due to his sincere and sustained efforts. This ultimately leads to his self-motivation. However, monetary gains achieved are also significant. Thus, it is another important motivational factor. The joy of commanding position and executive powers, also acts as the stimulant for their efforts. This motivation keeps on growing with growth of the organisation.

2) **Self-Confidence:** Entrepreneurs must have self-belief and be confident towards their business, their product and their decisions. This can be achieved when one knows that they are providing quality products at reasonable prices.

3) **Ethics and Morals:** For being a good entrepreneur, ethics and morals act as a source or basis. In the entrepreneurial life, it is very necessary for an individual to determine the cause for the existence of him and his venture, and also the prohibiting areas. Majority of the entrepreneurs ruin their future because at times monetary attraction overshadows their ethics and morals. The goodwill of the business gets affected, if an entrepreneur ignores his own morals.

4) **Time Management:** As it is said "time is money" the same applies to all successful entrepreneurs. Entrepreneur has to systematically distribute his activities and judiciously allot time for each activity. This will enable him to devote more and more time to his activities. He must understand that every minute is precious for him. He should not give unreasonable long time for his leisure. Instead he should concentrate on designing new promotion techniques, dealing with prospective customers, or should be learning desired business skills.

5) **Sales:** A business survives on sales only. Entrepreneur has to take necessary measure to promote sales of his product. This may be quality, advertisement, after sales service, communication skills, market requirement etc. The entrepreneur has to carefully handle these factors. Prior experiences may be advantageous, but seminars, reading materials on related subject or internet information can also be useful.

6) **Administration Skills:** Usually, entrepreneurs appoint office assistant for administrative work. But, it is uneconomical for new entrepreneurs. Therefore, all entrepreneurs must possess administrative skills alongwith the management of the business. They need to be capable of handling all the activities such as billing, payment collection, managing receivables, invoices printing, etc.

7) **Financial Knowhow:** Basic knowledge about finance is essential for every entrepreneur. One must

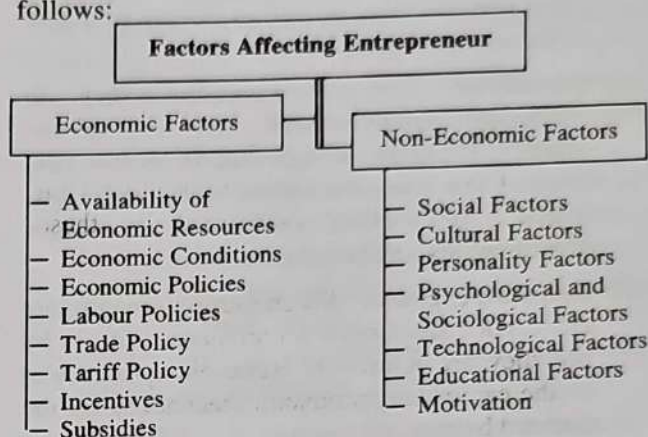
know to manage check-books and invoices related to business. Keeping track of cheques issued, pending dues against the services or goods supplied with schedules of receipts enables to know the cashflow and cash ready in hand. It is also important to recognise and manage time with finance.

- 8) **Vision and Leadership Skills:** Focusing on vision is the important requisite for successful entrepreneurs. Instead of caring about tasks and operations of the enterprise, successful entrepreneurs focus on vision. Vision implies the status that a particular organisation wishes to achieve in future. In order to effectively communicate this vision to entire workforce, leadership skill is required. The entrepreneur would be able to share his vision with his team, and it would assist in the development of the new venture.
- 9) **Conflict and Consensus Management Skills:** Conflict is state of disagreement between persons, interests or ideas. The conflict can be in two forms, that is:
 - i) **Emotional/Affective Conflict:** This type of conflict directly affects person or object. The state of annoyance and hatred is comparatively higher than normal. This kind of conflict ends up giving adverse outcomes.
 - ii) **Cognitive Conflict:** Contrary to the above type of conflict, no one is directly involved as a person. They just have disagreement towards one's ideas or plans. This kind of conflict ends up finding appropriate solutions which is mutually agreed by both the parties.
- 10) **Interpersonal Skills:** In every business, entrepreneurs have to deal with different people present in the organisational hierarchy. Therefore, it is important for entrepreneurs to own interpersonal skills in order to communicate with them effectively.
- 11) **Communication Skills:** Generally, entrepreneurs use basic means to communicate with their customers, employees, suppliers, bankers, etc. This includes telephone calls, e-mails, memos, letters, meetings, seminars, etc. Thus, entrepreneurs must have good writing, speaking and listening skills, all at the same time.
- 12) **Problem-Solving Skills:** Every business faces number of problems. Thus, entrepreneurs must have an ability to tackle and solve every problem by suitable decision-making. Usually, entrepreneurs are unable to make decisions and fail to solve problems. One must use formal techniques to problem-solving and also consider alternatives to evaluate decisions. Entrepreneurs may also face situations where they have to make decisions on their own.
- 13) **Technical Skills:** The entrepreneur should have a reasonable level of technical knowledge to

understand the technical terms spoken by the staff during the discussion to enable him to understand the problem. Entrepreneurs need not be masters in technical skills but must possess basic technical knowledge. This helps the entrepreneur to appreciate and discuss the efforts of the technical staff.

1.1.5. Factors Affecting Entrepreneur

The various factors affecting the entrepreneurship are as follows:



- 1) **Economic Factors:** It is of multi-dimensional nature. It includes all those actions which make the economic activities possible in the country.
 - i) **Availability of Economic Resources:** Availability of adequate quantity of natural and physical resources encourages entrepreneurs to undertake more entrepreneurial activities. It helped the entrepreneurs to earn more profit and retain the profit for further expansion program.
 - ii) **Economic Conditions:** Economic conditions govern the enterprise ability to remain viable. Inflation, interest rates, unemployment, per capita income, consumer purchasing power, and exchange rates are some of the important factors which provide sufficient symptoms about the conditions prevailing in the economy as a whole.
 - iii) **Economic Policies:** Economic policies determine the direction and volume of the business. **For example,** in socialist economies decisions with regard to what to produce, how to produce, for whom to produce, and how much to produce are to be taken by the government or central planning system like Indian Planning Commission.
 - iv) **Labour Policies:** Labour is an important and active factor for production or service process. Volume of production and costs are governed by the productivity of labour to a large extent. If entrepreneurs think that labour policy is favourable then they will be motivated to undertake entrepreneurial activity.
 - v) **Trade Policy:** The major objectives of trade policy are to ensure sufficient supply of goods

and services in the country and controlling the adverse balance of payments. Entrepreneurs are motivated to install new plant or initiate action for expansion, if trade policy formulated by the government, is going to increase the supply as per the demand available in the market.

- vi) **Tariff Policy:** Effective tariff policy provides a base for entrepreneurs to undertake more entrepreneurial activities. High tariff rates affect demand level as well as margin available to the entrepreneurs.
 - vii) **Incentives:** Incentives are necessary to encourage entrepreneurial activities in the country. It ensures a high margin at low risk. Interest free loan, exemption from wealth tax, rebate to NRI's, rebate to women entrepreneurs, tax holiday.
 - viii) **Subsidies:** Under this scheme, government creates favourable environment by participating in terms of economic assistance in economic activities already undertaken by the entrepreneurs.
- 2) **Non-Economic Factors:** Non-economic factors include social factors, technological factors and so on. Psychological and sociological factors view that the influence of economic factors on entrepreneurial emergence largely depends upon the existence of non-economic factors which are as follows:
- i) **Social Factors:** Social factors play a vital role in encouraging Entrepreneurship. A society, which is rational, in decision-making would be favourable to entrepreneurial growth. In rational society, decisions regarding the uses of resources and the process of production would be taken based on critical assessment of facts and on scientific standards.
 - ii) **Cultural Factors:** Entrepreneurial levels are highly influenced by culture. Religion is also highly influential, with Protestant countries being more prone to entrepreneurial growth than other nations. This is due to the Protestant "work ethic," which emphasises the value of working. Entrepreneurship would be appreciated and praised in a country with economically or monetarily oriented culture and accumulation of wealth would be treated as a way of life.
 - iii) **Personality Factors:** In the less developed/developing countries entrepreneur is viewed as an exploiter. This greatly affects the personality of the entrepreneur. It is difficult for an entrepreneur to work in a planned economy, as he has to adjust his attitudes and activities within the socio-economic framework set by the state.

- iv) **Psychological and Sociological Factors:** Psychological and sociological factors are not easily distinguishable and can be analysed together. Many entrepreneurial theorists have put forward theories of entrepreneurship that specially concentrate psychological factors.
- v) **Technological Factors:** Countries with high levels of technological growth also tend to have high levels of entrepreneurial growth. This is because new technology offers people the opportunity to exploit these opportunities for commercial benefit.
- vi) **Educational Factors:** There are high levels of entrepreneurship in highly educated societies, as well as under-educated countries. The distinct difference is the level of growth and success that entrepreneurs experience.
- vii) **Motivation:** Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get the desired results.

1.1.6. Functions of Entrepreneur

Functions of entrepreneurs can be understood with the help of following points:

- 1) **Idea Generation:** Idea-generation is the process of building new ideas, bringing out the idea into an innovative way, developing the process and converting the idea into reality. Broadly, it refers to the selection of a product and identification of project. Ideas can be generated by following the entrepreneur's vision, perception, experience, observation, education, exposure and training. Generally, market study and environmental analysis tools are used for idea generation. The major function of the entrepreneur is to select the best out of the many alternative ideas such that it is most appropriate idea to be applied for the organisation.
- 2) **Determination of Objectives:** One of the main functions of the entrepreneur is to define the objectives of the business. The business objectives should be laid-down clearly. Most appropriately, the entrepreneur must specify few things in a clear manner, i.e., business nature, and business type. The nature and type of business identifies the industry it belongs to i.e., manufacturing, trading or service. This helps the entrepreneur to focus on the business more effectively keeping in view the objectives.
- 3) **Fund Raising:** Finance is the life-blood of any business. It is the function of the entrepreneur to arrange the sources of funds for the business. There are two sources to raise funds, that is, internal and external sources. Entrepreneur must be aware of formalities and guidelines to be followed for raising funds. Governmental assistance can be provided in

form of seed capital, fixed capital and working capital. There are several government schemes also which are provided to the entrepreneurs such as Swarnajayanti Gram Swarozgar Yojana (SGSY), Prime Minister's Rozgar Yojana (PMRY), Rural Employment Generation Programme (REGP), etc. There are also various financial assistances provided by banks and financial institutions.

- 4) **Procurement of Raw Materials:** The acquisition of quality raw materials is also one of the functions of the entrepreneur. Entrepreneur must recognise and allocate economical and constant supply of raw materials. This helps the business to reduce their production cost and increase their profit-margins against competitors.
- 5) **Procurement of Machinery:** Another function of entrepreneurs is to obtain the machinery and equipment required for the production of goods and services. Before the procurement of machineries, entrepreneur must consider following specifications:
 - i) Technology description,
 - ii) Installed capacity of the machines,
 - iii) Description of manufacturers and suppliers,
 - iv) Origin of machines, whether indigenously made or foreign made,
 - v) After-sales service facilities, and
 - vi) Warranty period.
- 6) **Market Research:** Market research refers to process of gathering relevant information about products, customers and target markets. Intensive research is to be made to ascertain the demand of the product which the entrepreneur intends to manufacture, the estimated rate of consumption and also the existing suppliers if any. If an entrepreneur has to manufacture a product, he must have a detailed market analysis of the product. The information about a product must include demand and supply of a product, price, size of the target market, etc.
- 7) **Determination of Ownership:** There are mainly four forms of ownership, i.e., sole proprietorship, partnership, joint stock company, and cooperative society. It is the role of an entrepreneur to find out the suitable form of business depending upon the product (characteristics, types, quality), size of capital investment, types of operations, human resources quality, etc. The legal title of assets is obtained on the basis of ownership by the entrepreneurs.
- 8) **Recruitment of Manpower:** An entrepreneur is also responsible for the manpower planning of the organisation. During the recruitment procedure, an entrepreneur has to function the following activities:
 - i) Manpower forecasting.
 - ii) Outlining of selection process.
 - iii) Formulating scheme of compensation.
 - iv) Defining the rules of training and development.

- 9) **Project Implementation:** Entrepreneur has to prepare a detailed plan for execution of the project. It is a time bound process. It is the function of the entrepreneur to execute the process from conception to commissioning stage based on prepared agenda so as to evade extra cost, time and competition.

1.1.7. Significance of an Entrepreneur

The significance of entrepreneurs can be highlighted by following points:

- 1) **Self Confidence:** The trust that the entrepreneur has in his abilities facilitates the birth of entrepreneurial spirit within him/her. The entrepreneur strongly hopes for success because of the presence of combination of this entrepreneurial spirit and his efforts engaged towards establishment and maintenance of the enterprise. This success generates more success, which in return inculcates greater faith in himself/herself. As a result, this imparts self-confidence in entrepreneurs.
- 2) **Flexibility:** Entrepreneurs are independent enough to take their decisions in regard with the working schedule. They themselves manage their duration of work and same way plan their business goals. In contrast, corporate businesses, do not consider employees while make their own rules and regulations for the work schedule.
- 3) **Tax Benefits:** Being an entrepreneur, one can avail various tax benefits which are applicable for business managers or owners-suppliers or for office area utilities. Hence, costs incurred on travel, rent paid, electricity, phone bills etc. for the office space and other activities that are involved in expansions and furthering of business interests are directly deductible from the income. This provides significant tax benefits to such entrepreneurs. All these benefits can be availed by the entrepreneur by hiring a tax advisor or consultant.
- 4) **Monetary Freedom:** The monetary freedom of an entrepreneur and his co-workers largely depends upon their hard work and sincerity towards the business. The salary varies according to the success of the business rather than being fixed amount. There are many entrepreneurs who have proved themselves as most secure business organisations.
- 5) **Personal Growth:** All management and administrative work is handled by the entrepreneur himself/herself. This helps him to directly deal with different people and develop interpersonal skills. Consequently, there is a personality built-up due to which entrepreneur feels more independent and confident than before.
- 6) **Giving Back to Society:** Entrepreneurs have the opportunity to do something for the society. They

do this by creating wealth and offering job opportunities to people in the society. This way an entrepreneur is able to contribute much for the betterment of the society. Therefore, they feel a sense of responsibility and motive in life, which cannot be sensed by wealth-centric individuals.

1.1.8. Challenges Faced by Entrepreneurs

There are following challenges related to entrepreneurs:

- 1) **Involve Stressful Administration:** Entrepreneurs have an entire load of decision-making, as they are the only persons authorised for taking all types of business-related decisions. This is often beneficial, but on the same side, requires a stressful administration of business activities. Entrepreneurs have to face excess filling work which absorbs their precious time and working stamina.
- 2) **No Regular Income:** When business is at its downfall then the entrepreneur's individual earnings can be uncertain. It means that entrepreneur does not have a fixed or regular income. It fluctuates according to the business cycle, and often goes down to nil.
- 3) **Irregular Work Timings:** There is no fixed work time for an entrepreneur. Most of the entrepreneurs, works from start of the day till the end of the night. They often have to work for additional hours.
- 4) **Tough Competition:** It is not easy for the owners of small businesses to remain competitive. There is a tough competition in small-scale industrial sector for developing a strong base of potential customers. Also, for being profitable, entrepreneurs have to distinguish their businesses from competitors, which is also a difficult task to perform.
- 5) **Huge Risks:** Huge risks are involved while starting a new venture or a business. It is very risky for an entrepreneur to make business decisions, as any wrong decision can lead towards adverse financial crisis.

6) **Isolation State:** As entrepreneurs are solely responsible for the growth or decline of their business, such conditions keep them in the state of isolation and worries.

7) **Complications in Life:** There is a lot of discouragement faced by entrepreneurs as they are unable to spend enough time with their family and friends. They have to simultaneously solve their business-related problems along with their personal life complications.

1.1.9. Managers Versus Entrepreneurs

Entrepreneur is an individual involved in developing his/her own business based on an innovative idea. All the resources and essentials related to business are arranged by him/her. On the other hand, people undertaking the tasks of management in the organisation are **managers**. The manager is required to maintain the flow of duties and activities of employee(s) as well as department(s) as per the needs of the organisation.

Depending on its size, a single management level or hierarchy of management level is present in an organisation. Generally, three levels of management are reported in large-sized organisations, i.e., top, mid and lower management. The top or senior management of the organisation comprises of its owners, i.e., Board of Directors or shareholders who are basically concerned with the key strategic decisions regarding the organisation. Mid or middle level management supervises the lower management and is responsible for preparing reports. And the lower level of management includes the functional managers who are engaged in performing basic organisational functions.

The responsibility attached to the managers at any level is far more than ordinary employees and therefore higher wages are served to them. Different organisations have different managerial requirements and work structure, yet a basic degree and level of experience is required for top management positions.

Basis of Difference	Managers	Entrepreneurs
1) Strategic Orientation	i) Driven by controlled resources. ii) Social contracts. iii) Performance measurement criteria. iv) Planning systems and cycles.	i) Driven by perception of opportunity. ii) Diminishing opportunities. iii) Rapidly changing technology. iv) Consumer economics. v) Social values and political rules.
2) Commitment to Seize Opportunities	i) Evolutionary, with long duration. ii) Acknowledgement of multiple constituencies. iii) Negotiation about strategic course. iv) Risk reduction. v) Coordination with existing resource base.	i) Revolutionary, with short duration. ii) Action orientation. iii) Narrow decision windows. iv) Acceptance of reasonable risks. v) Few decision constituencies.

3) Commitment Resources	of	<ul style="list-style-type: none"> i) A single stage, with complete commitment out of decision. ii) Need to reduce risk. iii) Incentive compensation. iv) Turnover in managers. v) Capital budgeting systems and formal planning systems. 	<ul style="list-style-type: none"> i) Many stages, with minimal exposure at each stage. ii) Lack of predictable resource needs. iii) Lack of control over the environment. iv) Social demands for appropriate use of resources. v) Foreign competition. vi) Demands for more efficient use.
4) Control Resources	of	<ul style="list-style-type: none"> i) Ownership or employment of required resources. ii) Power, status, and financial rewards. iii) Coordination of activity. iv) Efficiency measures inertia and cost of change industry structures. 	<ul style="list-style-type: none"> i) Episodic use or rent of required resources. ii) Increased resource specialisation. iii) Long resource life compared with need. iv) Risk of obsolescence. v) Risk inherent in the identified opportunity. vi) Inflexibility of permanent commitment to resources.
5) Management Structure		<ul style="list-style-type: none"> i) Hierarchical structure. ii) Need for clearly defined authority and responsibility. iii) Organisational culture. iv) Reward systems. v) Management theory. 	<ul style="list-style-type: none"> i) Flat with multiple informal networks. ii) Coordination of key non-controlled resources. iii) Challenge to hierarchy. iv) Employee's desire for independence.

1.2. ENTREPRENEURSHIP

1.2.1. Concept of Entrepreneurship

Performing the activities of an entrepreneur is called as entrepreneurship. It is a French word, which means "to undertake". In this, all the available resources like innovative ideas, capital, labour, and business intelligence are utilised in effective manner to produce innovative products and services. It may also involve creation of new enterprises or diversifications in established enterprises due to available opportunities in the market.

Entrepreneurship is an ability of an entrepreneur to develop and establish a business enterprise and perform all the functions involved the particular activity. Just like managers perform management, entrepreneurs perform entrepreneurship. It is a process involving different activities to set-up an enterprise. It starts with discovering of opportunities, designing a business plan, applying resources and techniques, and finally implementing the ideas. Not only this, it also involves managing and controlling of various risks and uncertainties, and turning it into a successful business venture.

According to Joseph Schumpeter, "Entrepreneurship as defined essentially consists in doing things that are not generally gone in the ordinary course of business routine".

According to Peter F. Drucker, "Entrepreneurship occurs when resources are redirected to progressive opportunities not used to ensure administrative efficiency." He further states that entrepreneurship is not natural, it is not creative. It is work. Entrepreneurship requires entrepreneurial management.

Entrepreneurship is generally regarded as setting-up new enterprises, but, in recent times, social as well as political entrepreneurial approaches have also developed. When an entrepreneurial approach is implied within an enterprise, it is called intrapreneurship. This intrapreneurship may be utilised for enabling the enterprise for corporate venturing and developing spin-off organisations.

1.2.2. Evolution of the Concept of Entrepreneurship/Entrepreneur and Entrepreneurship

Discussed below are the different stages of evolution of entrepreneurship:

- 1) **Earliest Period:** The famous explorer Marco Polo can be considered as a go-between in the earliest description of entrepreneurship in early ages as he tried to explore the route to Far East for the purpose of trading. He, as a go-between, used to sign an agreement with a person offering funds (modern venture capitalist) for selling his goods. A loan was offered in a common contract at the rate of 22.5 per cent alongwith the insurance amount, during that time to merchant-adventurer. Though the role of the capitalist was passive, the adventurous merchants participated actively in trading by undertaking all the risk factors (both emotional and physical). However, after the success of the venture, the adventurous merchants had to content themselves with only 25 per cent of the profits whereas the capitalists took almost 75 per cent of it.
- 2) **Middle Ages:** The word 'entrepreneur' during the middle ages, referred to an actor and those who

handled large manufacturing units. These individuals were only responsible to handle such large manufacturing units with the help of resources usually provided by the Government and did not have to bear any risks. In the middle ages, such entrepreneurs usually belonged to clerical cadre who were accountable to manage the architectural works like of churches, public buildings, castles, monasteries and fortifications.

- 3) **17th Century:** During the 17th century, the risk factor arose again with entrepreneurship. Here, the entrepreneur was an individual who needed to sign a contract with the Government for the purpose of supplying specified goods or providing certain services. The profits that resulted after the contract, belonged to the entrepreneur as the price of such contracts were fixed. A French person named John Law was regarded as one of the noticeable entrepreneurs of this era, who was given the permission to build a royal bank which later turned into a selective franchise trading company of the New World, under the name of 'the Mississippi Company'. However, the company collapsed when the Law tried to raise the prices of the stocks above the company's assets which unfortunately led to his downfall due to such monopoly on the French trade. However, the reason for the downfall of Law was observed by a notable economist and writer, **Richard Cantillon**, in the 18th century, who is regarded as the founder of the term entrepreneur by some as he established a theory of entrepreneur in earlier times. He concluded that entrepreneurs are the ones who took risks as through his observation of trader peasants, artisans and other single owners; he established that these persons "buy at a certain price and sell at an uncertain price, therefore operating at a risk".
- 4) **18th Century:** The 18th century was marked by a clear-cut distinction between 'those having capital' and 'those who required capital'. Or, we can say that entrepreneurs were differentiated from the financiers (modern venture capitalists). The primary reason for making this distinction was that the entire world was being industrialised. Several inventions taking place during this era emerged out of the changes which were taking place in the world, such as those of **Thomas Edison and Eli Whitney**. Although these two inventors were innovating, they lacked the capital to fund their inventions. Hence, **Whitney and Edison** can be regarded as those who needed the capital (entrepreneur) and not the ones who provided the same (venture capitalists). Therefore, a professional who manages capital and takes risks by investing in ventures in order to attain a higher rate of return is known as a venture capitalist.

- 5) **19th and 20th Centuries:** Entrepreneurs were considered as same as the managers in late 19th and early 20th centuries. Economic point of view was popular in those times. Entrepreneurs require funds, have to pay for the resources, operational land and salaries of the employees at prevailing prices, therefore, the motive behind an entrepreneurial endeavour is to generate personal profits. In return, entrepreneurs contribute in terms of their resourcefulness, talent, imaginative planning and management of the firm. They also bear the risk factors which might emerge from any unexpected or unmanageable situations. Hence, the net remainder left after making payments from the annual receipts of the enterprise is kept by the entrepreneur. One concrete example of this definition is **Andrew Carnegie**. Though **Carnegie** did not invent anything, yet he had the ability to adapt and develop technological innovation for attaining monetary gains. He hailed from a meagre Scottish family, but his constant competence (instead of his innovation or imagination) enabled him to make the American Steel industry reach to its apex, among other great industrial economies.

The mid-20th century was marked with the idea of regarding an entrepreneur as an innovator. This definition regarded newness and innovation as essential elements of entrepreneurship. Certainly, for an entrepreneur, innovation, i.e., adding the element of newness is among the most challenging jobs. It is not simply the act of invention or perception; rather than it involves a complete comprehension of all the forces acting in the working environment. Adding newness can be done by way of developing a new structure of the organisation, a new system of distribution or a new product.

A few examples of the entrepreneurs who ideally fit into this definition are, **Edward Harriman**, who re-constructed the Ontario and Southern railway via the Northern Pacific Trust, and **John Pierpont Morgan**, who established an enormous banking unit by reshuffling and funding the industries of the country. Often, the level of difficulty for the establishment of these organisations was in no way simpler than the conventional technological inventions, such as that of computers, televisions or washing machines, which are typically linked with becoming an entrepreneur.

The capability of innovation can be observed all over the history - the construction of pyramids using heavy stone blocks by the Egyptians, the invention of lunar module of Apollo, laser surgery and wireless communication system, etc. No doubt the technology has become advanced over the ages, yet innovation was present in each and every stage of the civilization.

6) **Entrepreneurship Today:** Principles and ideas drawn from the spheres of self-perception, management and business have polished the theory of entrepreneurship lately. Specifically, this century was marked by the rigorous discovery of the idea of entrepreneurship through self-perception. Following three definitions of entrepreneur reflect this exploration: An agreement regarding a typical behaviour of an entrepreneur occurs in most of the definitions of entrepreneurship, i.e.,

- i) Taking initiatives.
- ii) The organisation and re-organisation of socio-economic systems for turning assets and circumstances into sheer reality.
- iii) Risk acceptance or failure acceptance.

Entrepreneurship is an active mechanism which helps in increasing wealth. However, only those people are able to taste this fruit of the success, who are able to take risks in terms of money, efforts, time or professional commitment and/or able to add values to certain goods/services. Value must be, in some way, added to the products/services by the entrepreneurs, with the help of their skills and means (even if such goods/services are not distinctive or innovative). A complete process of developing a valuable new product/service involving the assumption of related risks (such as psychic, financial or social), devotion of required time and effort and generation of monetary and non-monetary rewards, is termed as entrepreneurship, in modern days. India also treasures a lot of active entrepreneurs, in the form of Tata and Birla, who although, did not invent anything, yet, helped in the economic and technological growth of the country. The modern world also depicts various examples of entrepreneurial enterprises based on innovations like software by Microsoft, electronics by Sony, cars by Ford, microelectronics by Intel, electronic workstations by Sun Micro systems, etc. These establishments are huge and remarkable in their own way.

1.2.3. Characteristics of Entrepreneurship

The characteristics of entrepreneurship are as follows:

- 1) **Economic Activity:** Entrepreneurship is an economic activity which encompasses start-up and management of a business enterprise. This process is totally value-oriented as well as profit-oriented.
- 2) **Object-oriented:** Entrepreneurship is an object-oriented process where a person or a group of persons works under an objective to earn profit by producing and selling different innovative products and services.
- 3) **Decision-making:** Decision-making is a thought process of selecting a logical choice from the

available options. It is a tough task as every business enterprise comprises of risks and uncertainties which affect the decision-making process. It is the most essential characteristics of entrepreneurs to effectively start and manage the entrepreneurial enterprise.

- 4) **Accepting Challenges:** In entrepreneurship, entrepreneurs already know that they will be facing several challenges in regard with the business. It is not a bed of roses but a bed of thorns in the form of challenges which may be related to finance, raw material, labour, distribution, salary, market competition or arrival of a new and better product in the market. They accept the challenges and put in their best efforts to overcome them in favour of the enterprise. They utilise the available resources to make the complex situations favourable for the enterprise.
- 5) **Risk Taking:** Entrepreneurs are whole sole responsible for the business loss arising out of unpredicted incidents of the future. Whenever an enterprise is set-up there are always uncertainties of market. The product may or may not be liked by the public, or a new competitive product may also arrive in the market, or labour employed may be lured away by the competing entrepreneurs, or sudden depletion of funds may take place due to unseen circumstances. These are a few very common risks. Therefore, entrepreneurs are ready to take risks. Risk taking is an inevitable feature of entrepreneurship.
- 6) **Building Organisation:** It is most obvious role of entrepreneurship to build an organisation efficiently. Effective leadership and delegation of authorities are required for building organisation. This feature of entrepreneurship utilises the innovations in economic manner and thus regarded as crucial for entrepreneurial spirit.
- 7) **Dynamic Process:** Entrepreneurship is dynamic in nature, as it analyses the changing environment on regular basis and adapts the favourable opportunities. This enables the entrepreneurs to keep pace with the current trends and helps in the growth of the business.
- 8) **Gap Filling Function:** Entrepreneurship acts as gap filler. The basis of entrepreneurship is to cater for the needs of the society. It generates suitable products and services for the use of the consumers and the society at large. It provides information about the availability of desired products and services.
- 9) **Skilful Management:** It is crucial for entrepreneurs to be efficient and creative while managing the business enterprise. They should scan and administer all the on-going projects and prevailing opportunities so as to exploit them successfully.

- 10) **Innovation:** The most influential feature of entrepreneurship is 'innovation'. Entrepreneurs always try to find out new and better ways. They know it very well that, the one who does not improve, depending upon the changing times, perishes very fast.
- 11) **Mobilisation of Resources:** In order to accomplish the desired goal, entrepreneurs must recognise, collect and allocate resources, dispersed in the environment. The mobilisation of resources is a crucial task which must be done properly so that it can be fully utilised. This quality of entrepreneurs differentiates them from others.

1.2.4. Types of Entrepreneurship

Entrepreneurship can be of two types:

- 1) **Small Business Entrepreneurship:** Small business entrepreneurship acts as the fuel for private enterprises. It provides competitive zeal, creates job, sets up new ventures and opportunities are others. It also improves economic growth and social fibre. It is a start-up process for new enterprises.
- 2) **Corporate Entrepreneurship/ Intrapreneurship:** Corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses, directly leading to the improvement of organisational profitability and an enhancement of competitive position or the strategic renewal of an existing business.

1.2.5. Stages in Entrepreneurial Process

Entrepreneurial process is a defined sequence of ideas, techniques, plans and programmes essential for establishing a new venture. The entrepreneur is responsible for identifying, evaluating, developing and managing different resources. Entrepreneurs must also overcome the restraints involved in the process. Mainly, the process comprises of four stages, they are:

- 1) **Identifying and Evaluating Opportunity:** The first stage of entrepreneurial process is to identify the potential opportunities and evaluate them effectively. It is a crucial task for all entrepreneurs to find out feasible opportunities. It is very essential for entrepreneur to remain attentive and conscious while searching options. These opportunities should match the skill and expectations of the entrepreneur. Every entrepreneur must devote required time and determination to exploit opportunities efficiently. Although, for majority of entrepreneurs, this determination and focus develops alongwith the growth of the enterprise. A strong belief is developed for the evaluated opportunity, and the entrepreneur is ready to utilise the opportunity alongwith making all the necessary sacrifices.

- 2) **Developing Business Plan:** A well-defined business plan is essential for starting a new venture. A business plan is a detailed layout of entrepreneurial activities in the form of a document based on detailed assessments and significant facts and figures. Alongwith describing the business proposal, a business plan also explains the technical viability and success chances of the business idea. It also suggests different actions to be performed in different sections to realise the business opportunity. It is an extensive stage, but it must be done properly to make best use of all resources and opportunities efficiently. As the entrepreneur is going to develop the business plan for the first time and he does not have required resources, this business plan development stage is very time-consuming. This business plan enables the entrepreneurs to be familiar with the venture related issues.
- 3) **Determining Resources Required:** After designing the business plan, entrepreneurs must carefully determine the required business resources. The first step towards organising and determining the resources is to identify and evaluate the available resources. Entrepreneurs are required to identify essential, critical and desirable resources for the actualisation of the business plan. The importance of variety and quantity of resources should not be ignored. The entrepreneur is also required to deal with improper resources. The issues related to shortage of resources must be dealt beforehand and managed properly. All the estimated amount of resources must be readily available with the entrepreneur on time. Entrepreneur is also engaged in identifying alternative dealers of required resources along with observing their terms and conditions.

Observing terms and conditions of these dealers enable the entrepreneur to make a reasonable deal in order to procure the resources at least probable price with minimum loss of control. The resources may be as follows:
 - i) Technical resources needed for production purpose in order to develop quality products.
 - ii) Financial resources like cash-in-hand, equity and borrowing authorities.
 - iii) Physical resources in the form of assets such as buildings, machinery equipment, and vehicles.
 - iv) Human resources, including skilled and experienced employees and workers with emotional and intellectual abilities.
 - v) Intangible resources such as information, networks, protected patents, latest technology, and brand recognition.
- 4) **Managing the Enterprise:** In the last stage of entrepreneurship, procured resources are utilised for effective implementation of business plan.

Along with implementing business plan, management of the enterprise is also crucial. For effective management of the enterprise, entrepreneur develops an appropriate organisational structure and style. Key success factors are also determined in this stage.

An effective control mechanism is developed for handling functional issues related to the enterprise. In addition to this, different strategies and policies are designed by the entrepreneur for the growth of the enterprise. This is the most challenging stage of entrepreneurship as some entrepreneurs fail to manage and grow the enterprise.

1.2.6. Importance of Entrepreneurship

Entrepreneurs play an important role in economic development. Some of them are as follows:

- 1) **Creates Large-Scale Employment Opportunities:** The most crucial problem of any underdeveloped economy is unemployment. Entrepreneurs play an important role in providing job opportunities to large portion of the population. As more and more entrepreneurial enterprises are developed, both small and large scale job offerings are provided. The units of employed persons keep on increasing with the growth of the business.

With the passage of time and success of the business, entrepreneurs set-up more industries which offers more employment opportunities to the economy. In this way, entrepreneurs contribute efficiently towards the economic development of the country.

For example, well-known entrepreneurial firms such as TATA, Reliance, HCL, Godrej, Bajaj, Amul, Aditya Birla Group, Wipro, Flipkart, etc. have contributed a lot in employment generation of thousands and millions of Indians.

- 2) **Balanced Regional Development:** The social benefits like transport facilities, education, health, entertainment, etc., take place with the growth and expansion of the business. But these economic developments are limited to the specific areas where the industries are situated.

With the changing time and increasing competition, large industries are enforced to start-up their industries in less developed as well as rural areas. This leads to the development of such areas.

For example, cities like Bangalore and Hyderabad have undergone tremendous modification in the regional infrastructure due to the booming range of start-ups taking place here. Beside, Noida and Gurgaon (now known as Gurugram) are also good examples where development has taken place to the set-up of new firms and industries.

- 3) **Increases National Income:** The total output of all goods and services produced annually including all imports of the country is known as national income. The country produces goods and services according to the demands of domestic customers and number of exports. The country's demand increases with the growing population and their personal income. Whereas, level of export also increases due to the urgent requirement of imports in various countries. With the increasing demand, the total output of the nation also increases rapidly. Entrepreneurs convert the raw material into goods through manufacturing process which can be consumed by the customers in house and the excess products can be exported to foreign countries. Hence, entrepreneurs are indirectly liable for their contribution in the national income. **For example,** the large conglomerate in India like Wipro, HCL, Mittal's steel company, HCL, Godrej, Flipkart, and many more small and big firms contribute to the national income of the country.
- 4) **Promotes Country's Export Trade:** Entrepreneurs also help in promoting export of goods and services in order to bring in huge foreign exchange reserves. Other than this, flow of foreign exchange reduces the import dues requirement. As a result, export-trade promotion and import substitution accelerate economic growth. **For example,** Vardhaman textiles, Arvind mills, Kiran gems Pvt Ltd., etc are some of the best exporting firms in India. The well-known names like Reliance, Bajaj, Tata, Sun pharma, etc. also export their products in international markets.
- 5) **New Products, New Services, and New Business:** Economic development is encouraged through new products, services and technology introduced by the entrepreneurs. Entrepreneurs through their innovations try to bring always new products in the market to fascinate the customers. They focus on increasing varieties and volumes of new and innovative products.
- 6) **Dispersal of Economic Power:** The limited and specific industrial development leads to the creation of market monopoly. Here, the economic power remains in the hands of few business people. This brings with it the evils of monopoly and exploitations. The entrepreneurial development breaks down the economic power and disperses it equally among new and emerging entrepreneurs, consequently, reducing the monopoly of few industries in the market.
- 7) **Better Standards of Living:** Entrepreneurs are essential for improved economic growth. This economic growth also improves the living standards of the society. Entrepreneurs usually aim to produce quality goods at reasonable prices and satisfy the customers according to their tastes and

preferences. This increases the purchasing power of the consumers and ultimately generates higher standard of living. **For example**, FMCG products produced by Godrej like soap, hand wash, and other goods like refrigerator, TV, etc. adds to the standard of living of the consumers. Best example in recent time is of Reliance Jio which has enable access to internet in almost all parts of India.

- 8) **Creating Innovation:** Through innovation, entrepreneurs bring in new ideas, products and techniques for the enhancement of the society at large. They explore the world and introduce new concepts and philosophies to become more competent and upgraded. In this way, they share their part in economic development.
- 9) **Production Evolution Process:** Entrepreneurs always keep their eyes and ears open for new inputs. They constantly look forward to improve their processes. Production evolution involves the creation of innovative production processes. The entrepreneurs identify and merge potential technologies in order to use them for the creation of new products and services. Finally, these new products and services are offered to target market customers.
- 10) **Enhancing Welfare Amenities:** Entrepreneurs develop products and services capable of serving the society. Different welfare services are provided by entrepreneurial enterprises like insurance, healthcare, and comfort facilities, etc. Personal needs and problems enable the entrepreneurs to identify the required products and services in the market. This condition works as a stimulator for generating new products and services, and finally provides platform for practicing entrepreneurship.

For example, entrepreneurs like Azim Premji founder of Wipro has started his own charity foundation named 'Azim Premji foundation' which aims towards a just, equitable, humane and sustainable society. Azim Premji Foundation is a not-for profit organisation that has been working since 2000 with the elementary education system in rural government schools.

1.2.7. Challenges of Entrepreneurship

Entrepreneurship encompasses along both opportunities and problems. In modern world, there are numerous opportunities with diversified areas but it has never been an easy task for entrepreneurs. It also brings in several problems with itself. Some of them are discussed below:

- 1) **Finance:** Availability of sufficient capital, strong relations with different lenders, and awareness of business finance, is the essential aspects of entrepreneurship. The first and foremost thing for an entrepreneur is to estimate and arrange finance

for his enterprise. A successful entrepreneur needs to understand business finance and has good relations with the lenders. Insufficient knowledge about business finance may lead to uncertainties. Hence, it is essential for entrepreneurs to arrange and manage different options of lenders, investors and banks, in case of emergency.

- 2) **Risk of Losing Invested Capital:** Establishing a new venture has high probability of risk. The rate of risk varies according to the size and nature of the business venture. Every entrepreneur planning to set-up a business must be prepared to take up risks. Risk can be in form of constant losses, failure of business concept, poor quality of product, no market value, etc. Both financial and emotional setbacks may arise due to business failure. Hence, the entrepreneur should estimate the amount of finance which he can risk with.
- 3) **Weak Management:** Inadequate management of business venture is another big problem in entrepreneurship. This may be due to lack of passion, undetermined objectives, and poor technique of performance measurement and control, etc. Such kind of poor management may lead the venture towards its termination or closing. In order to effectively manage the venture, required business information should be carefully studied by an entrepreneur. In entrepreneurship, it is very crucial to understand the business type and its products before investing money. Recruiting and retaining competent employees is also necessary for the effective management of the venture.
- 4) **Ineffective Marketing:** Marketing a product is critical to every business enterprise. Along with having a unique and appealing product, entrepreneurship also requires feasible promotion to build place in the market. In absence of effective marketing, different entrepreneurial issues may arise like poor sales, poor market share, or failure of the venture. For effective marketing, it is very essential to determine the size of the market along with appropriate time to launch a product. If an entrepreneur ignores these steps, he may face or incur huge amount of losses.
- 5) **Lower Quality of Life until the Business is Established:** Entrepreneurs are passionate about their business and carry a lot of risk. They have to struggle for success and work vigorously to establish their business. Entrepreneurs prefer their role in the business over their role in the family. This deprives them from being together with their wives, children, parents and friends. This problem exhibits because most beginners start their professional and personal life together. Usually people start the business at the age of 25 to 30.

1.2.8. Entrepreneur *versus* Entrepreneurship

The term entrepreneurship and entrepreneur are almost identical. Hence, they can be used interchangeably. Entrepreneurship can be understood as an intangible concept whereas entrepreneurs are regarded as a tangible person. It is difficult to differentiate the two terms. But, some of the fundamental differences between entrepreneur and entrepreneurship are as follows:

Basis of Distinction	Entrepreneur	Entrepreneurship
1) Meaning	Entrepreneur is a person who combines all the inputs into marketable products so as to establish a profit – oriented venture bearing all associated risks. Therefore, entrepreneur is considered to be a person.	Entrepreneurship is a process of transforming the business idea into an enterprise. Therefore, entrepreneurship is considered as a process.
2) Definite Qualities	Entrepreneur must possess qualities such as creativity, efficiency, flexibility, decision-making ability, leadership, management, etc.	Entrepreneurship is an inherent quality in a successful entrepreneur which makes him to establish his enterprise. This is a driving force to all the qualities of entrepreneur.
3) Role	The main role of an entrepreneur is to set-up an enterprise. He is considered as the initiator of the process.	The main role of entrepreneurship is to encourage the entrepreneur. The process starts with the objectives and plans laid down by the entrepreneur.
4) Economic Point of View	From economic point of view, entrepreneur is an initiator, planner, innovator, leader, risk-taker, organiser, manager, etc.	From economic point of view, entrepreneurship means creativity, innovation, initiative, risk-taking, planning, management, etc.

1.3. INTRAPRENEUR-AN EMERGING CLASS

1.3.1. Meaning and Definition of Intrapreneur

The entrepreneurial activity which takes place within the enterprises (especially in mid-sized and large organisations) is called intrapreneurship. Corporate entrepreneurship, organisational entrepreneurship, and intra-corporate venturing are the different terms which are used by different scholars to describe the same phenomenon. The individuals engaged in intrapreneurship are known as 'intrapreneurs'.

According to Pinchot, "Intrapreneurs are dreamers who do those who take hands-on responsibility for creating innovation of any kind within an organisation".

According to Burgelman, "Intrapreneurship refers to the process whereby the firms engage in diversification through internal development. Such diversification requires new resources combinations to extent the firm's activities in areas unrelated, or marginally related to its current domain of competence and corresponding opportunity set".

The doctrine of intrapreneurship has become very well regarded in developed countries like America. It has been seen that many intrapreneurs have left highly successful careers in the corporate world and have started their own enterprises. Many times, these ventures have also emerged as competition to the original corporate. These intrapreneurs thus give birth to successful entrepreneurs who lead to the development of new products and services and bring with them fresh and innovative ideas.

1.3.2. Characteristics of Intrapreneurs

In the globalised arena following characteristics can be associated with intrapreneurship:

- 1) **Credible Communicator:** Corporate entrepreneurs or intrapreneurs are credible communicators who have the ability to quickly identify social styles and communication of others. They are also flexible in terms of tuning their style with other communicators as per the needs to build a strong relationship. They can easily leverage rapport to develop trust and influential networks in the organisation.
- 2) **Skilled Negotiator:** Corporate entrepreneurs are skilled negotiators. They know the importance of boundaries in their negotiating philosophy as well as in their personal style. The psychology, methods, and strategies of the negotiation are well known to these intrapreneurs. They wisely apply their knowledge and skills while addressing the formal and informal needs of negotiators.
- 3) **Accountable Business Owner:** Corporate entrepreneurs also have working knowledge related with financial models and techniques of managing finances that are applicable in business. They are good at selling across the firm, self-marketing and strategic goal setting. Thus, they are accountable business owner.
- 4) **Entrepreneurial Leader:** In corporate entrepreneurship, the intrapreneurs learn self-leadership skills to lead others. The strong communication and negotiation skills are the base for such leadership. Such leadership needs credibility, courage, maturity, emotional balance, ability to model personal and professional accountability towards risks while moving towards the path of innovation.

- 5) **Savvy Relationship Manager:** Corporate entrepreneurs own the ability to efficiently manage the relationship with customers and associates. Collaborative strategies need to be formulated for managing the Internal and external alliances and partnerships. Managing relationships is important for business growth which is a part of firm's long-term commitment. These entrepreneurs do not limit themselves to the organisation but reach towards establishing cross-cultural relationships with business-related communities.

1.3.3. Importance of Intrapreneurship

Intrapreneurship is important because of the following reasons:

- 1) **Starts Something Completely New:** Intrapreneurs have a big role to play in bringing about improvements and positive developments in the organisations. Large companies can make improvements in existing products and processes, whereas, start-ups can create something which is absolutely new. This also helps in bringing about innovation in the economy and the overall growth of the economy.
- 2) **Finds and Keeps Talent within the Company:** Encouraging intrapreneurs also helps Indian organisations to encourage and retain talent. By motivating these employees the organisations also ensure that these people do not branch off on their own, and thus, become competition to the organisation. It also offers the employees to follow a parallel career path in the organisation as opposed to a traditional corporate career. It also helps the Indian industry from losing the talented individuals (brain drain).
- 3) **Closes Gaps Quickly with Less Risk to Reputation:** As the Indian organisations are growing at breakneck speed, they often create voids or gaps between their solutions and what the customer needs. Intrapreneurship helps to fill these gaps by creating new products and businesses. Fulfilling these gaps using the internal resources of the organisation is faster and easier to implement. This also increases the range of products and scope of Indian industry.
- 4) **Re-captures the Magic:** Intrapreneurship also recreates the start-up like culture in established organisations. In their initial days, organisations start with a new product, great innovation, new technology, etc. However, they become cautious with success and later focus on just control. Intrapreneurship helps to recreate the same start-up like excitement in an established organisation.
- 5) **Helps in Communicating Effectively:** By encouraging intrapreneurship organisations will also communicate the importance of entrepreneurship to their employees.
- 6) **Innovates with Less Risk:** Intrapreneurship enables an organisation to introduce new ideas and offers to the society without having the risk of loss or failure. The existing businesses fear of losing the market but due to intrapreneurship they are able to overcome such fear.
- 7) **Breaks-up Corporate Silos:** Intrapreneurial environment breaks the corporate silos and assists in implementing the intrapreneurship in different segments of the industry, thus, helps in expanding the scope of the business.

1.3.4. Entrepreneur vs. Intrapreneur

The difference between an entrepreneur and intrapreneur is given below:

Basis of Comparison	Entrepreneurship	Intrapreneurship
1) Meaning	An entrepreneur is a person who has the requisite mix of talent, thought process and finance to build a new business and is ready to face its success or failure.	An intrapreneur is an individual in an organisation who manages its operations as per the requirement of the shareholders but with entrepreneurial spirit.
2) Focus	They have an inclination towards consumer sales.	Their focus is on business to business products as well as operations.
3) Trait	They have a natural trait of getting involved in start-ups.	These are people who generally don't have the mindset to start business operations from scratch but do so for certain reasons.
4) Area of Interest	After identifying the opportunity in the market, an entrepreneur through his/her will power, passion and networks instantly gets involved in venture set-up.	An intrapreneur uses his/her ambition and passion in utilising a promising idea to improve business operations.
5) Need in a Business	An entrepreneur may not be welcomed in all businesses.	An intrapreneur is essential for any type of business.
6) Scope	The whole business is under control of the entrepreneur.	Intrapreneur controls a particular project or business operation.
7) Support	The whole business runs under the supervision of the entrepreneur. No support is required.	Intrapreneurs are dependent on top management support.
8) Nature of Employment	Self-employed.	Employed in an organisation.

1.4. ENTREPRENEURIAL CULTURE

1.4.1. Introduction

Culture refers to the way in which entrepreneurs give expression to normative patterns of traditions and behaviour in establishing industrial ventures. Indeed, it may be assumed that cultural identity supplies the primary mechanism for entrepreneurial behaviour regarding issues such as decision-making, assessing market potential, developing commercial strategy, calculating risks *versus* opportunities, and implementing methods for procuring resources. In fact, the entrepreneurship cannot be kept aloof from the changing social values, ideologies, new emerging aspirations, environmental pressures, religious beliefs, and consumer wants and society needs, etc. Business is a system made-up of certain environmental factors which require the entrepreneur to adopt a dynamic attitude and a new strategy of their own.

Entrepreneurial culture implies a set of values, norms, and traits that are conducive to the growth of entrepreneurship. Cultural values deeply affect entrepreneurship and the level of economic development – structural conditions make development possible – cultural factors determine whether the possibility becomes an actuality. Culture has everything to do with the entrepreneurial process and focuses on the discovery and interpretation of opportunities, neglected by others. No entrepreneur can overlook the country's cultural heritage and values if he wants to survive and progress. He needs to function on the basis of social expectations, desires, and goals. The entrepreneur has to respect the human society, its cultural values, and traditions. However, focusing on the group cultures as the primary factor underlying entrepreneurship, does not give sufficient weight to socio-economic changes and structural conditions which influence the entrepreneur's desire for financial gain. In addition to the effect of cultural traits, the entrepreneur operates in a social system dictating the structure of opportunities, the capability of competing in the market, and the accessibility of resources. With this in mind, considers the nature of the industrial entrepreneurial environment, the patterns of resource procurement, and the style, motivation, and attitudes of the entrepreneur.

1.4.2. Characteristics of Entrepreneurial Culture

The characteristics of entrepreneurial culture are as follows:

1) **Increase Awareness of Entrepreneurial Opportunities:** Special promotion activities and promotional material should be developed with the

aim of increasing awareness of the opportunities for new business start-ups amongst all segments of the population. Regions and localities should be innovative in initiating their own promotion activities. Improve the image of places. Changing the entrepreneurial culture means changing the image of a place with both internal and external populations. If people do not believe that a place is attractive to live in and that it allows for being entrepreneurial and innovative, then they will not set-up businesses, or will set-up or operate their businesses in more attractive places. Campaigns should therefore be created to generate trust in the endogenous strengths and in the future of places. In strengthening their entrepreneurial image places should promote key specific strengths as 'magnets of attraction'.

- 2) **Intensify Enterprise Education and Awareness Campaigns:** It is important that entrepreneurship is not seen as a cure for unemployment but rather as a means to dynamic economic development. In the long-run, promoting enterprise education throughout the education system upto university level increases entrepreneurial aspirations, attitudes, and behaviour in the long-run. Education from an early age should promote creativity and empowerment as well as provide children and youth with a realistic picture of entrepreneurship as a viable, also temporary, alternative to paid employment that in the future will be more a blend of dependent and self-employment.
- 3) **Create Identifiable Role Models and Champions:** Regional success stories should be identified and promoted in different media (T.V., radio, newspapers, magazines, internet), in different forms (e.g., awards, success stories), at different occasions (e.g., conferences, fairs, events) and by different public and private actors (e.g., local government, chambers, business associations, community organisations, etc.). It is important to demonstrate that entrepreneurship is about taking manageable risks and sometimes even about failing, but however it is worth trying and taking the risk. Practical real life stories and happenings provide people with better understanding of what it is like to be an entrepreneur.
- 4) **Establish Mentor and Patron Panels:** The availability of a panel of retired business people to counsel new and expanding companies has been an important feature of working with, and supporting SMEs, in other OECD countries. This type of mentoring service is relevant to both micro and larger SMEs, and at start-up and later stages of development in the lifecycles of companies.
- 5) **Incentives and Support for Business Succession:** In light of the still limited interest in business succession, compared to start-up activities, more

incentives and support structures should be developed. The inclusion of highly-skilled employees, with great potential for entrepreneurial activities, should be considered as a target group for training programmes in business succession.

- 6) **Create Incentives for SMEs to take Apprentices:** Apprenticeships assist young people to gain work experience and provide SMEs with possibilities to test young workers and their capabilities and train them according to company needs. Entrepreneurship is not simply about business start-up, but increasingly employability and entrepreneurship have become an indivisible pair. It is important to continue initiatives that can raise awareness of skills development needs and can create incentives for SME to take apprenticeships.
- 7) **Enhance Intrapreneurship:** The generation of intrapreneurial attitudes amongst company managers and staff is an important ingredient in the process of raising a SME's innovation potential and readiness. Increasing responsibility, engagement, and the recognition of staff is linked to processes of cultural and organisational changes with companies.

1.4.3. Dimensions of Entrepreneurial Culture

- 1) **Individualism versus Collectivism:** This dimension measures the amount of emphasis a society places on "individual" achievement over "group" achievement. The natural finding that individualistic cultures tend to have more entrepreneurial activities comes as "no surprise". In this category, the world's greatest supplier of entrepreneurs, the United States, had the single highest score. On the other hand we had India and Mexico scoring 48 and 30 respectively. Relating it back to the Arab culture we can understand why such a factor would influence our drive towards success. Simply put we rather emphasise group values over individual success.
- 2) **Masculinity versus Femininity:** This dimension deals with gender/work relationships. In masculine cultures, sex roles were sharply differentiated whereas in feminine cultures little distinction is made between males and females doing the same job. Although both India and Mexico had scores somewhere in the middle range, suggesting that such distinction does not exist, it is believed that the Arab culture would have scored much higher. This is due in part to the traditional view that a female role is to be housewives and full-time mothers. How does this affect entrepreneurial activities? Simple, almost half the population is excluded from attempting any entrepreneur activities, thus sharply decreasing the number of

possible female entrepreneurs. (Most females that have succeeded represent the exception rather than the rule).

- 3) **High versus Low Power Distance:** This dimension deals with how a society deals with the people acceptance of others "right" to exert power over them, even harsh power. By definition, the Arab culture is one that has, over the years, emphasises the existence of such inequalities and the importance of respect and looking-up to our superiors. How does this dimension affect entrepreneurial activities? Given how importance inequalities are, many of the people at the lower end of the pyramid may find difficulties being accepted in the culture as ones that have high chances of success. This likely impacts their perception of their own worth or right to step out of role and be individualistic risking, in the process, being disapproved by other members of society.
- 4) **Uncertainty Avoidance:** Out of the four factors, it is believed that this is the most important dimension. Uncertainty avoidance deals with how members of different cultures deal with ambiguous situations. Higher scoring nations feel uncomfortable with ambiguous situations and *vice versa*.

How does Mexico hold-up in this dimension? They had a score of 82. The assumption is that the Arabic culture will score atleast as high if not higher than that. Arabs have a rich history of exploration, trade and multi-cultural experiences. How does this help explain the shortage of entrepreneurial activities? Risk is built into entrepreneurial activities. The fact that many people have to leave their secured jobs to start a new business makes it a risky venture living in modern society. As such, it is not surprising to find that many Arabs choose the security and safety of a permanent job over the risks of starting a new business. Although one can speculate back and forth and many exceptions and limitations to this particular theory may be found, it still helps define the problem and shed some light on why it exists. Whether this trend would continue or not is still to be seen. Many of us have experienced a quantum leap in cultural values and practices over the last 20 year and what used to be a rule had in many cases become an exception. As such, it would not be surprised as more and more entrepreneurs start coming out of this region.

1.4.4. Steps to Introduce Changes in Entrepreneurial Culture

Salient steps to introduce changes in entrepreneurial culture are as follows:

- 1) **Organisational Self-Analysis:** The first step towards achieving a successful transformation is to

undertake an analysis of the past history and prevailing culture of the organisation. Entrepreneurial culture is created by entrepreneurs and top leaders to help organisations in their survival and growth process. This culture is built around a central set of values that pervade every aspect of the company's operations. To ensure an appropriate fit of the culture to the environment, a constant assessment of this relationship is necessary as the business's environments change quite rapidly.

- 2) **New Core Mission and Vision:** A corporation mission reflects what it stands for. The vision reflects where the firm wants to be in the future. Often, when a gap in culture-environment fit is found (Step 1), a need for re-thinking a new core mission is perceived. The new mission is established and then communicated across the organisation. Building a 'shared' vision is desirable but not always accomplished.
- 3) **Communication:** All available means of communicating the new core mission and vision are then applied to convey, in a positive way, the new direction of the firm and the reasons for it; information on the culture-environment fit analysis is given; this includes discussion of the strengths and weaknesses of the historic culture as well as the changes necessary for organisational survival and growth or the vision.
- 4) **Involvement:** Empowerment is important and this is achieved through a participative leadership style. Seminars, training activities and workshops are utilised to foster active participation in taking the organisation from culture A to culture B. Commitment must come from entrepreneurs or top management if a smooth process of change is expected.
- 5) **New Human Resources Practices:** New criteria for recruitment, selection, new training and development programmes, and new reward and appraisal systems are necessary. As a new core mission and vision are established, getting there requires a different frame of mind. Entrepreneurs are now challenged to review their own behaviour and values.
- 6) **New Organisational Structure:** Changes in organisational structure can facilitate cultural and behavioural transformation within organisations. A proliferation of hierarchical levels of management encourages centralisation of authority and job specialisation. These structural characteristics lead to low levels of job autonomy with suppression of personal judgement and initiative and failure to develop managerial talent. Re-designing the organisation structure will facilitate the emergence of a different relationship between people and areas within the organisation.

1.4.5. Maintaining Entrepreneurial Culture

Once we have healthy, trusted and informed employees, do not let the culture that is evolving just be. It is needs to be watched so that it grows as we intended. The trick is standing back, but not too far back. In maintaining our culture, consider these rules:

- 1) **Let the Team Build itself:** Within that safe, comfortable, open environment, let employees grow together without being made to.
- 2) **Participate without Controlling:** Let the culture thrive, without our either meddling with it or ignoring it.
- 3) **Do not Forget the Little Things:** Culture is made-up of many small actions that, when put together, create something larger than the sum of the parts. There are many things a CEO can do to make employees feel a part of the company. Some are just common courtesies: hallway conversations, saying "hello" in the morning, opening doors, asking after people's families and partners.

Others are little extras, such as flowers to say thank you and happy-birthday e-mail messages. Eating lunch with employees, helping spouses to find jobs and participating in team events show that the CEO, are involved with our employees.

Treating employees with respect helps to enable them to do their jobs to the best of their abilities. If we challenge people to raise their bars, provide fun activities, keep people informed and humanise our management, we get culture.

1.5. CREATIVITY

1.5.1. Concept of Creativity

Creativity is an on-going process as it constantly needs to identify improved ways to expand the business, however difficult it might be or how limited the resources may be. Creativity is added advantage to entrepreneurs in their capabilities to invent something new, not only in theory but also in concrete.

Entrepreneurs feel motivated by the fact that his efforts from start to the scratch go through the entire process and obtain the desired result. After achieving one target, he takes up another challenge since this is what he wants to continue doing.

According to Robert E. Franken, "Creativity is defined as the tendency to generate or recognise ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others".

According to Linda Naiman, "Creativity as the act of turning new and imaginative ideas into reality. Creativity involves two processes – thinking, then producing".

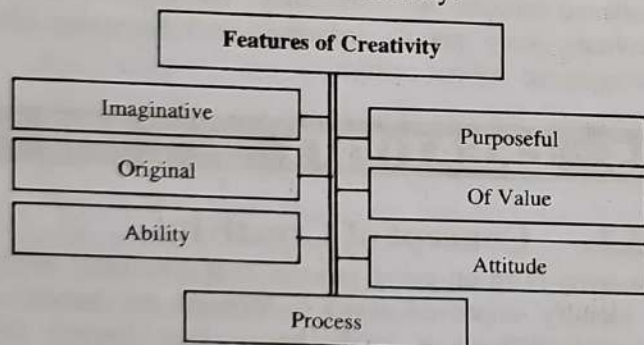
According to Rollo May, "Creativity is the process of bringing something new into being. Creativity requires passion and commitment. It brings to our awareness what was previously hidden and points to new life. The experience is one of heightened consciousness – ecstasy".

As per psychologists, creativity has numerous definitions. Creativity is social as well as mental process that encompasses finding out improved ideas or views or a superior approach in which the creative mind can comprehend existing ideas and notions. The emergence of conscious or unconscious viewpoint enhances creativity. Another perception about creativeness (on the basis of its etymology) is that creativeness is the process of doing something new. It is a sub-set of intelligence which depicts the set of fundamental elemental and relational functions that have a high connection with reliability viz., sub-set of conditional intelligence.

To be particular, reliability is crucial for intelligence. If the function of brain which is responsible for developing rational associations commits errors, it would not be termed as intelligence; reasonably it might be called 'intuition'. If mistakes become regular, then this is termed as lack of intelligence.

1.5.2. Features of Creativity

Following are the features of creativity:



- 1) **Imaginative:** Things which are not known earlier or which people are unaware of, are exposed during creative thinking. Hence, creative thinking means the first imagination. This type of thinking can be viewed in art, while science and technology are also insightful. **For example**, it was the result of imagination only, that **Johann Guttenberg** combined wine press and coin punch to invent printing press. **Galileo** conducted imaginary experiments while being in prison. Another such example of imagination is Einstein, who imagined that atoms moved randomly before their movements were witnessed in the laboratory.
- 2) **Purposeful:** There is a purpose behind every creative imagination. This can vary from opening a

wine bottle without using a cork screw, to surviving a sunken boat, to finding improved treatment for cancer patients, or to develop a typical emotional effect of catharsis.

- 3) **Original:** Originality emphasises on the individuality which is a significant feature of creativity. Individuality of a creative mind is very similar to the process of a plant emerging out of a seed. **Albert Szent-Gyorgyi** is a physician and the Noble Prize winner, who discovered Vitamin C and has highlighted this characteristic of creativity in his definition:

"Discovery consists of looking at the same thing as everyone else and thinking something different."

- 4) **Of Value:** This feature states that the end result or outcome of creativity must have some value. In order to make creative thinking worth evaluation, the evaluation process needs to identify the purpose of innovation and its significance. The purpose must not be harmful, unethical or destructive; rather it should serve original and unique solutions to the problems in the organisation.

Value is a very important feature, yet it is specific kind, since different things might be of value for different people at different levels. **For example**, different people have different perspectives regarding graffiti (a unique of writing or drawings on walls). Hence the question is worth putting up:

"Whose values and what sort of values are we using to judge and act?"

- 5) **Ability:** The capability to envision or originate something new is called creativity. It does not mean that something is developed out of the blue, but numbers of old ideas are combined or restructured to create a new and improved idea. The new idea might be extraordinarily brilliant or might be a simple yet realistic idea that no one had yet thought of. It is a fact that every individual has the aptitude to be creative. Even children are immensely creative. As they grow into adults, education might restrain this creativity, which can be revived with some effort. A person just needs to be committed to creativity and give time for his or her thought process.
- 6) **Attitude:** Creativity is about having an attitude towards idea, object or habit. Being capable of adapting to the changes and novelty, willingness to experiment with new ideas and notions, having a flexible viewpoint, being able to enjoy the goodness and simultaneously looking for means to make it better, needs an attitude. The society where we live allows only usual and acceptable things such as strawberries dipped in chocolate syrup. A creative mind might look for different options such as ready-to-eat meals, instant coconut milk cubes, etc.

- 7) **Process:** Creativity is a continuous process where the individual constantly puts in efforts to advance the ideas and results with minor changes and adaptations to work. Traditionally, it is believed that creativity cannot hit the bull's eye in the first attempt, other than exceptions.

The truth behind great innovations made by pioneering companies is that, the inventor is usually so obsessed with refining and improving his invention that he keeps on making changes until he is satisfied. Hence, the company has to take it off from the inventor so that the product can be marketed.

1.5.3. Elements of Creativity

Following are the elements of creativity:

- 1) **Conceptual Fluency:** It is the capability to produce quite a lot of appropriate ideas in a short duration related to a certain problem, issue or situation, which should be resolved.
- 2) **Conceptual Flexibility:** It is the capability to have different point of views or frame of references and diverse methods for solving the same problem.
- 3) **Originality:** It is the capacity to generate new, extraordinary, unique solutions to queries or problems and out-of-the-box interpretations of events, issues and situations.
- 4) **Complexity Orientation:** It is the aptitude to challenge and search for answers to difficult and uncertain situations or issues, and to happily put in effort to evaluate, incorporate, elucidate and resolve them.

The four elements of creativity are strongly interlinked with a person's experience, knowledge and imagination. They are also associated with motivation and willingness towards problem solving.

1.5.4. Creative Process

Creativity is the birth of a new and original idea with a purpose or aim. Abstract, impractical ideas that cannot be implemented are not creative. Hence, creativity in itself is meaningless and useless, unless it is implemented in a logical way.

The process by which a creative idea is born, developed and translated into a concrete reality is known as the 'creative process.' A model of the creative process is shown in.

Despite differences of opinion and approaches, it is usually believed by various scientists that the creative process goes through the following five stages before converting an idea into a reality. The process differs in accordance with the creative mind at each stage:

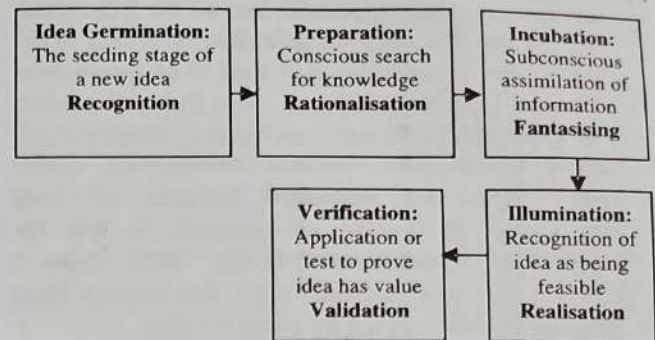


Figure 1.1: Creative Process

- 1) **Idea Germination:** Germination is the process of nurturing an idea along with a purpose. **For example**, in the case of artists the purpose is to communicate, in the case of a scientist it would be in response to a scientific problem. The evolution of an idea is anonymous; it cannot be scanned or researched. However, it can be determined that most of the creative ideas are drawn on the basis of a person's interest in a particular field of study.
- 2) **Preparation:** Once the idea has been germinated, the next step is to give it a concrete and practical form. This is when the intellect takes over to find answers as to how the idea could be turned into a reality. It also involves research work where the inventor of the idea examines the work of others in the same field. Inventors carry out laboratory experiments, those desiring to launch a new product or service. This helps the marketer to analyse consumer's tastes and preferences.
- 3) **Incubation:** Generally creative ideas are born through insights or in a sudden spark of brilliance. Before the idea is acted upon it is often allowed to incubate properly. The time given helps the idea to grow and nurture. During this period the mind also receives ample time to adapt the scope of idea and continues to work upon it at a subconscious level.
- 4) **Illumination:** This is the time when the idea is converted into its real form, as imagined by the inventor. The idea in its nascent form remains within mind of the individual for a long time, without being realised or implemented. Unexpectedly, through a suitable occurrence the idea takes a form of the most creative substance. It is a lengthy and on-going process where the individual penetrates to find out the way to reality. The stage of preparation and incubation acts repetitively in anticipation of reaching the final destination.
- 5) **Verification:** The illuminated idea is still incomplete until it undergoes the verification stage where the idea is evaluated. This reveals whether the idea is valuable or not. This is a long and tedious process in which the knowledge and skills of the individual are tested. It requires great

patience and tenacity on the part of the individual. This is also the stage of **attrition** in which many "ideas" die, many ideas are found to be impractical or of no significant use and have to be discarded. **For example**, someone involved in designing a car, would come across several alternatives, where many ideas are discarded because of their irrelevance. It is also an occasion to test the **originality** or **uniqueness** of the "idea", many a times it is found that the "idea" has already been developed and patented by someone else.

1.5.5. Role of Creativity/Importance of Creativity

The importance of creativity to entrepreneurs is as follows:

- 1) **Ability to Discover New Solutions:** Creativity is one concept that has remained unexplored in depth. It helps the entrepreneurs to look up for better solutions to issues and to invent new things. Hence, creativity can be better understood by entrepreneurs as problem solving is one of their key functions.
- 2) **Increases Efficiency:** Creativity also plays a crucial role in the innovative and creative process. Ideas that end up improving the output and the effectiveness of system needs creativity. It acts as a main source to develop ideas in order to increase the efficiency and usefulness of a system. In creativity, there are two main features, viz., people and process. The people are represented as the resources who find out the solution. Whereas, the process follows above methodology. It is target-oriented and structured way of problem-solving. Although the approach that people might use differs from process to process.
- 3) **Enhances Knowledge:** Creativity provides the benefit of in-depth knowledge and skills to entrepreneurs and also widens the scope of knowledge. It helps entrepreneurs to utilise their prior skills in creating better ideas, techniques and improved ways of implementing them.
- 4) **Assists in Exploring Opportunities:** In order to develop something new needs an extensive research to find out the opportunities in the different areas. At times, it might also be needed to set up new areas or new market opportunities. In the initial stage, new ideas might be developed by thinking totally out-of-the-box or by following a dynamic process or alternative set of actions.
- 5) **Offers Leadership:** The creativity exhibited by the individuals offers them the position of leadership in the organisation. Other people who do not have the creativity in their blood are not able to take the leadership position. They remain limited to one project or idea at a time.

6) **Attains New Solutions for Difficult Problems:** It becomes very easy for the creative people to design new solutions for the problems. People with creative mind-set remain busy in finding the innovative ways for the development of the society. Different complex and crucial cases can be solved with the help of creative mind.

7) **Increases Productivity:** Creativity in an individual leads to improved productivity. Therefore, creative employees in the organisations are supported and offered with necessary facilities. These facilities, in turn, improve the productivity of the organisation. Some organisations arrange different skill enhancement workshops which results in improved productivity of the individuals.

8) **Drives Progress:** Creativity involves recognising new perspectives and solving problems with new solutions. All this leads to progress of the individual as well as the organisation.

1.5.6. Creativity and Entrepreneurship

Both creativity and entrepreneurship contribute significantly towards the economic growth of a country. But, the relation between creativity and entrepreneurship has never been clearly studied, despite the fact that creativity has always been a major part of a company's venturing and innovation process. Since, both have individual potential towards the nation's economic growth, they are separately evaluated. In various countries, creativity and entrepreneurship have gained attention of many government programmes and are often linked with innovation.

Though creativity and entrepreneurship are assessed independently, they possess mutual characteristics which generate value and originality. In the above context, creativity is an act of providing something new and valuable. Whereas, entrepreneurship brings in novelty to business ideas and processes which have the potential to attain positive market return in the existing and new business ventures. The concept of creating something new also involves identification of opportunities in existing area or establishment of new opportunities.

The in-depth knowledge and expertise in particular area is very beneficial for both creativity and entrepreneurship. But, they are not just restricted to the existing knowledge rather they spread out their expertise in generating new ideas, applications and processes.

Managers and representatives who possess the qualities of creativity and entrepreneurship must also have persuasion skill. These skills are very essential for influencing others inside or outside the firm to provide finance and support in new ventures.

1.5.7. Creative Problem-Solving

A situation which is different from the standard or normal value or position of an entity or a perceived gap between the current and desired condition is defined as a Problem. Generally, the solutions to such problems (the means to correct the situation or fill the gap) are available abundantly but a lot of difficulties have to be faced when these solutions are not clear or not available immediately. Problem process is a very large intellectual process including problem finding, problem shaping and especially problem-solving. Of all the elements of this intellectual process problem solving is most complex in nature. It is highly cognitive in nature as it requires the control and variation of generic or basic skills. The movement of any artificial intelligence system or an organism from a particular state to the desired state involves the process of problem-solving.

According to Bowen and Bodner, "Problem solving can be defined as figuring out what to do when one does not already know what to do".

According to Lovett and Mayer, "Problem solving is a cognitive processing directed at achieving a goal when no solution method is obvious to problem solver".

Problem-solving can be regarded as a skill which is quite precious in terms of business. There are some business leaders who are quite skilful in solving a particular problem, while some struggle too. This skill of problem-solving may be more significant in manufacturing where a lot of money can go waste due to any kind of breakdown.

1.5.7.1. Problem-solving Process

Different stages involved in problem-solving process are as follows:

- 1) **Defining the Problem:** Defining the problem in such a manner so that some kind of solution can be found is the first step in the process of strategic problem-solving. One way to define the problem is to write a clear statement about it. One will find it quite helpful to define single problem at a given time according to the principles of achievability and realism. Due to complex nature of the situations faced by the leaders, a single but important problem is identified in strategic problem-solving so as to pay attention to it. In order to design effective problem-solving actions, it is very crucial to clearly identify the specific problem(s) within the organisation that can be addressed using the resources of the organisation. The key characteristics of the best problem statement are:
 - i) They are common for key components of the organisation,
 - ii) They are short and
 - iii) They do not include solution but the problem itself.

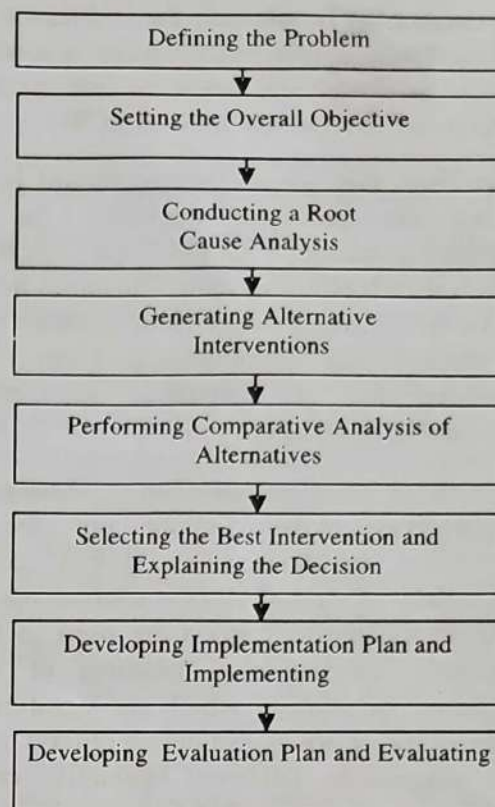


Figure 1.2: Problem-solving Process

- 2) **Setting Overall Objective:** After clearly defining the problem, the problem statement should be used to design the comprehensive objectives for the organisation. These objectives are called SMART objectives as these incorporate the problem defined in the problem statement. **For example**, the organisation which is facing the issue of poor management of inventory control, it can define the problem statement as "Supply stock-outs are common". For this type of problem, the overall SMART objective which is able to highlight the issue can be written as "Control the supply stock-out situations by 25 per cent within this quarter".
- 3) **Conducting a Root Cause Analysis:** Now, root-cause-analysis is conducted which will help in identifying the various causal factors which are related to the problem. Ultimately, it assists in the formulation of different strategies to deal with the problem. A careful analysis is required for determining the root cause. There are a number of management tools which are to be used by the leaders in finding the root causes of the different issues.
- 4) **Generating Alternative Interventions:** Depending upon the findings of the root cause analysis, the next step is to design the various alternatives which are able to address the vital causes and thus reducing the problem and accomplishing the set objectives. There may be several interventions in every strategy/alternative. These alternatives should be exclusive in nature and their list should be manageable in number.

For example, in one of the strategies we can include to do A and not B, in the second we can choose to do B and leave A and in the third strategy, we can include both (A & B).

Apart from this, each strategy should be able to address the problem; therefore, the list of alternatives/strategy should not include the irrelevant or ineffective ones. This does not involve the use of typical 'strategy to do nothing' as it fails to address the particular problem. Thus, a promising list of alternative interventions is generated in this stage.

- 5) **Performing Comparative Analysis of Alternatives:** After finding out the various alternative strategies, we should conduct a comparison of all the strategic alternatives. For this, different evaluative criteria are used to select the promising alternative(s). Features of the ideal alternative or strategy which are significant to the organisation, work as evaluative criteria to evaluate each alternative. Different evaluative criteria for performing the comparative analysis of the alternatives are as follows:

- Efficiency in representing the problem,
- Consistency with organisational strategy,
- Cost-effective,
- Efficiency with time involved and
- Political viability.

Now a matrix is used to rate the alternatives through qualitative (scaling) or quantitative measures (via units or single scoring system). In case of matrix being qualitative, the merits and demerits of different alternatives are derived by integrating the ratings. In case of quantitative matrix, summing or weighing of the scores can be used as the most effective strategy.

- 6) **Selecting the Best Intervention and Explaining the Decision:** Depending upon the findings of the comparative analysis, the best intervention is selected. As generally, limitations are always there with every management decisions, it is very crucial here to describe the possible limitation(s) of the selected alternative. The most significant skill of the leaders is the ability to support the strategic direction despite knowing the various demerits.
- 7) **Developing Implementation Plan and Implementing:** For putting the selected strategy into action, various steps are identified in the implementation plans. The vital activities which are to be completed, timelines of every activity, the list of individuals who are responsible in performing the actions will be included in the good implementation plan. Generation of support of the vital stakeholders for related strategies and tasks is

essential for completing the implementation. A good implementation plan incorporates steps of implementation, its timeline, duties & responsibilities to different players and a suitable vehicle for highlighting organisational expectations & monitoring the implementation progress.

- 8) **Developing Evaluation Plan and Evaluating:** The last and final stage of problem-solving is the evaluation stage. However, designing of the evaluation plan should start at the beginning of the problem-solving process. Both monitoring and evaluation are involved in the evaluation stage. Monitoring is done to check whether the planned activities are as per the work plan or within the budget. Whereas, evaluation is done to find out whether the planned tasks are executed or to determine the achievement level of the overall objective. A transparent process is developed with the help of evaluation plan so that the progress of the project can be determined, the results of the project can be identified and the staff can be motivated for striving towards a common objective.

1.5.7.2. Creative Problem-solving Techniques

The creative problem-solving techniques are as follows:

- 1) **Forced Association Method:** This method is formulated by **C.S. Whiting**. It is the enforced integration of two distinct ideas, to generate a new concept or idea. He believed that combining two different ideas or concepts may fetch new possibilities and responses. He suggested the following procedure:

- i) The first step is to list the pairs of words denoting different ideas or concepts. Then identify few (atleast two) ideas related with the pair of words. The generated ideas must be useful in terms of products or services.

Nail	Pie	Barbeque	Glitter
Resume	Beverage	Cash register	Beverage
Plexiglass	Lawn	Chicken	Water
Antelope	Fish	Table	Dog
Motorbike	Television	Shirt	Key

- ii) Once the ideas are generated, one should evaluate the given ideas properly and rank them in order of their use and value.

Based on this method, **Arthur Koestler** has coined the term "**Bisociation**" to denote the association of two ideas. He has explained the calculus of 'forced association' by means of an equation, where A and B are two distinct objects and C is the resultant idea. The equation is given below: $A + B = C$

- 2) **Checklist Method:** This method presupposes that the solution to a problem already exists. Therefore, it begins by listing out all possible questions to the given problem, answering them

The selection of a good business idea involves generation of ideas, its screening and selection of the best idea which can be transformed into a business opportunity. Before starting a new business, these business opportunities are further analysed. Therefore, an entrepreneur should always remember that 'all ideas cannot be opportunities but all opportunities can be ideas'. A business opportunity is important for a company only when it is able to satisfy the customer needs and is able to follow the prevailing market trends. In other words, generation of a business idea is the identification of opportunities for the overall growth of the business.

1.6.2. Classification of Ideas

The innovative ideas for start-ups can be of following types:

- 1) **Innovative Business Ideas:** The whole new ideas for the business, product or service are called innovative business ideas. These may include new websites, smartphones, electronic equipments, unique services, etc. As these ideas are new, a benchmark is set for the upcoming entrepreneurs. A whole new market is established due to such ideas. Different types of investors keenly observe such ideas and invest in it. These ideas convert into business opportunities very quickly.
- 2) **Commoditised Business Ideas:** These ideas are not innovative in nature. These offer traditional product or services. **For example**, different types of businesses in a city like mechanics, restaurants, grocery stores, etc., are prevalent for a long time. The focus of such business ideas is limited and local. They do not tend to grow and expand globally. One thing which these ideas get benefitted is the constant demand for the products and services. Due to such demand, the entrepreneurs are able to offer quality services to the people.
- 3) **Hybrid Business Ideas:** These are the combination of both the innovative and commoditised business ideas. In this, the traditional product or service is offered with the mix of new innovative content. **For example**, offering fusion cuisines in restaurants.

1.6.3. Sources of New Ideas

Following are the most frequently used sources:

- 1) **Consumers:** One of the most common sources of generating a business idea can be consumers. An entrepreneur should carefully observe and study the preferences and buying patterns of target consumers. This helps the entrepreneurs to identify a number of practical business ideas that can be converted into business opportunities. Alongwith the business ideas, these researches and analysis also provide various suggestions for making a product or service more meaningful for the customers. Other than this,

formal or informal surveys can also be conducted for generating business ideas. These surveys can be done by using questionnaires or conducting face-to-face interviews.

- 2) **Existing Products and Services:** An entrepreneur can find a new business idea by reviewing, monitoring and evaluating its existing products, services or markets. In addition, ideas can also be sourced from the current marketing strategies and distribution networks, which are used for delivering products or services to the customers. A combination of existing products or services and markets can generate the most simple business ideas, while a combination of new products or services and new markets may generate the most difficult ones. An entrepreneur faces high level of market risks and competition when chooses to work on the simplest business ideas. On the contrary, an entrepreneur is provided with high security and first mover advantage when he chooses to implement the most difficult business ideas. However, an entrepreneur can have a safe side when he decides to choose an existing market with new products and services, or chooses new markets for existing products and services.
- 3) **Distribution Channels:** For gaining new business ideas, distribution channel is also considered as one of the important sources. The persons involved in the distribution network can provide various meaningful business ideas as they directly interact with the persons involved in the entire supply chain. It is necessary for an entrepreneur to know the response of the product when it comes out from the manufacturing system. The individuals involved in supply chain management and distribution channels know the exact position of the product in the market, and thus, provide a good source of business ideas. To take out correct information from the persons involved in the supply chain process, an individual must be well-trained and attentive enough to carry forward the responses of the customers. They should also extract out various information related with the competitors, tastes and preferences of customers from wholesalers and retailers, etc.
- 4) **Trends:** Trend acts as an indicator of changes held in the marketplace. These changes provide various business ideas to entrepreneurs. These trends can involve several changes such as economic, societal, technological, governmental, etc. Usually, there are four types of trends that need to be observed:
 - i) **Economic Trends:** These trends generally include changes that take place in the economy as a whole. **For example**, upper disposable incomes, performance pressures and dual income families.

- ii) **Government Trends:** The changes made in the government policies and regulations act as a trend like hike in petroleum prices, additional policies, terrorism, etc.
- iii) **Societal Trends:** These trends are related with the people of the society, e.g., healthiness, aging demographics, number of senior citizens, etc.
- iv) **Technological Trends:** These trends involve the latest changes that occur in the field of technology, e.g., mobile technology, e-commerce, internet advancements, etc.

- 5) **Research and Development:** The research and development activities of entrepreneurs can generate numerous ideas for starting a business venture. The R&D efforts can be both formal as well as informal. When these efforts are taken within the company, they are formal efforts. And when these efforts are taken by the entrepreneur himself, or with the team, then they are termed as informal efforts.

Moreover, the research studies conducted by competitors also have the capability of providing practical business ideas. One should also know that the R&D activities are suitable for large organisations only. Small and medium businesses cannot afford to invest huge amount of money in R&D.

- 6) **Government:** Government also plays an important role in providing business ideas to the entrepreneurs. The changes held in government policies, procedures, rules and regulations create business opportunities for entrepreneurs. This helps them in deciding the type of business and funds required for establishing an enterprise.

For example, an entrepreneur can launch a new automobile with high mileage when the government announces high petroleum prices.

- 7) **Strategic Changes:** Entrepreneurs are the individuals who possess the capability of identifying strategic changes and create opportunities. They receive rewards such as wealth and personal satisfaction by implementing the strategic changes in their new ventures. Hence, these strategies motivate an entrepreneur to make changes in the business enterprise.
- 8) **Exhibitions:** By participating in different trade fairs, exhibitions, etc., an entrepreneur can find out new ideas for setting up a new venture. Not only these exhibitions contain new products and services, many important salesmen, distributors, franchisers and other entrepreneurs are also present there. All these participants act as a source of idea in some way or the other for an entrepreneur.

1.6.4. Methods/Techniques for Generating Ideas

Following are the various important methods of generating a business idea:

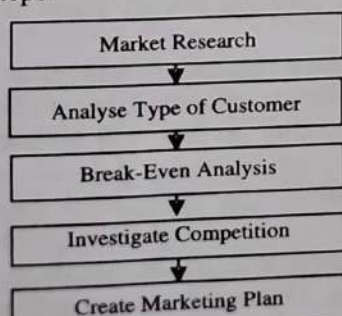
- 1) **Focus Groups:** When a group of persons provide information in an organised manner, they are termed as a focus group. Generally, these groups consist of 8 to 14 members that are led by a moderator in a directive or a non-directive manner depending upon the type of discussion. These discussions are in-depth and open, where every member can put his or her views in an organised manner. These groups generate feasible business ideas by conducting in-depth discussions on various topics. Here, the members stimulate each other to involve their views in the discussion. This gives a proper direction to the discussion thus leading towards a feasible business idea. In this process, irrelevant ideas are dropped out and only relevant ideas are taken.
- 2) **Problem Inventory Analysis:** In this method, new ideas and solutions are developed in terms of the existing problems. These ideas are generated by the consumers of a particular product. A list of problems related to general product category is given to every customer or consumer and then they are asked to recognise the exact problem. Further, this process is followed by discussions in regard with the problems of a product, which finally leads to the generation of a new business idea. Since these ideas create a business opportunity, the results of this analysis should be evaluated carefully. Also, it is recommended that this analysis should be mainly used for generating ideas of new products from existing ones. By adopting this method, maximum results can be obtained.
- 3) **Brainstorming:** One of the most common methods of business idea generation is brainstorming. It is a method in which a group of persons interact and stimulate each other into a creative and deep-rooted group discussion. The ideas generated under brainstorming sessions usually do not have further scope of development, but sometimes great ideas can be generated from them. These sessions are more effective when directed towards a particular market or product. Brainstorming sessions invites large number of ideas, whether feasible or impractical, from the group members. It opposes criticism or negative comments and encourages combinations or improvements in them for successful generation of ideas. This technique is used by many large organisations and commercial banks for developing a particular product for a specific customer segment.
- 4) **Forced Relationships:** Forced relationship is the simplest method of idea generation where two or

more different ideas are combined together to form a fresh new idea. The nature of an idea may not be unique, but many times these ideas prove useful for the entrepreneurs and the marketplace. In today's market, there are a lot of products which are the outcome of forced relationships such as a digital watches, musical cards and multipurpose knife, mp3player, etc. These products fulfil the changing demands of the consumers and also attract them. The output of forced relationship may not be the most innovative discovery, but has a potential share in the marketplace.

- 5) **Publications:** Abundant information about various products and services are available in several publications of different organisations. Some of these sources of publication include sales brochures, advertisements, catalogues, publicity posters, etc. These sources are readily available for anyone and may sometimes, trigger new ideas and business concepts.
 - 6) **Daydreaming:** Daydreaming is another useful method of generating business ideas as many inventions are born out of imagination. It is a thought process which allows a person to creatively and resourcefully think about a particular problem or issue. It enables a person to establish an emotional connect with the problem, which is beneficial in terms of coming up with great ideas. Business opportunities are developed automatically when someone dreams productively focussing upon a specific goal. In the past, several inventors have undergone daydreaming, thereby coming up with ideas that led to their life-changing invention. **For example**, an airplane invented by the Wright Brothers was just a daydream.
 - 7) **Combination of Above Methods:** Methods of generating ideas do not necessarily involve choosing one method at a time. An entrepreneur can combine the above methods in order to generate innovative and feasible ideas. An idea can be generated from any source and does not have any boundaries or time frame.
- 1) **Market Research:** The first step towards generation of a business idea is market research. An entrepreneur should conduct a market study or analysis to find out the possibilities of the business idea generation. For this purpose, an entrepreneur should first select a target market and then gather information from various sources such as industrial associations, trade publications, internet, etc.
 - 2) **Analyse Type of Customer:** The next step, after performing the market research, is to examine the type of customers on which the business idea must be focused. The research method to be adopted by an entrepreneur largely depends upon the type of customers that the company wants to serve. **For example**, if the business idea is targeted towards teenagers and children, then the analysis will involve a sample survey to know whether the children are interested in the business idea or not.
 - 3) **Break-Even Analysis:** This analysis is done to evaluate whether the business idea is profitable or not. At the time of performing a break-even analysis, an entrepreneur must consider all the expenses involved in the business such as start-up costs, manufacturing costs, employee salaries, advertising costs, etc.
 - 4) **Investigate Competition:** An entrepreneur must also investigate the level of competition prevailing in the marketplace. This is done to understand the overall experience they are providing to their customers. Alongwith this, an entrepreneur should also determine the type, features and quality of the product or services offered by them.
 - 5) **Create Marketing Plan:** The last step of this process involves the development of a marketing plan for the business idea. This is done in order to provide a proper structure to the business idea. An entrepreneur can easily explain his business idea to others with the help of the marketing plan. **For example**, for a required start-up capital, the entrepreneur would have to explain his business ideas to the investors or money-lenders. For this purpose, marketing plan is considered as an important step in the business idea generation process.

1.6.5. Idea Generation Process

The process of business idea generation involves the following steps:



1.7. ENTREPRENEURIAL INNOVATION

1.7.1. Concept of Entrepreneurial Innovation

'Innovation' refers to the ability of a person to develop something new based on his acquired knowledge. Here, 'something new' means it should be totally different from all the other existing things. Innovation plays a crucial role

cannot be ignored with the fact that it creates large number of occupations. Except innovators, all business owners and political leaders look Wal-Mart as a threat and never tried to expand their industries by innovatively transforming their products and services into something that may fit in the changed market structure.

- 5) **Demographic Changes:** The changes occurring in the market demographics also act as a big source of innovation. In recent times, middle class is diminishing, family size is reducing, nuclear families and single-parent families are the trending customer segments. Other than this, changes in population size, employment, educational level, family structure, age structure, tastes and preferences, etc., can also create innovation opportunities. An innovative entrepreneur analyses all these changes in the market demographics and introduces innovative products or services as per the requirement of the customers.
- 6) **Changes in Perception, Mood, and Meaning:** The changes in the perception, moods, assumptions, attitudes and beliefs of the population also act as a big source of innovation. An innovative entrepreneur observes this change and forms a new product that suits the current needs of the customers. **For example,** unlike, early days, where fatter persons were considered healthier than the thinner or fitter ones, the trend has changed in today's reality, where weight problems have increased to a large extent. In these circumstances, various companies are launching light-diet products with minimum fat percentages. Products like green tea, sugar free, and other substitutes are available in the market that are considered as the solution to the health-related problems.
- 7) **New Knowledge:** With the advancement of new knowledge, new products and markets can be created. It acts as a potential source for developing innovation opportunities. In the scientific area, development of new programming methods, micro-electronics, nano-technology, biotechnology, etc., are some of the major innovations which are held in the market.

1.7.4. Innovation Process

The process of innovation is a nine-step process, which involves focussed and exploratory thinking. In this respect, concentrated thinking is a direct form of thinking which involves making decisions, evaluating alternatives, and monitoring quality in regard with the strategic goals of the enterprise. Exploratory thinking includes expanding thinking to look for new ideas, withholding judgment, seeking for a quantity of ideas through new connections and accepting all possibilities. The nine-step process is divided into three main phases,

which are further divided into three stages. These phases are as follows:

- 1) **Understanding the Problem:** This phase involves the following three stages:
 - i) **Gathering Information:** It is the first step in the process of innovation. The activities performed at this stage are as follows:
 - a) Selecting a team to state the main problem.
 - b) Exploring the main reasons due to which the team thinks that it has recognised the right problem.
 - c) Collecting facts, figures and data from various viewpoints.
 - d) Applying "what/when/how/where/who/why" to the problem.
 - e) Exploring external business environment for more data and information.
 - f) Analysing and evaluating the problem for selecting the best data; this facilitates in the right understanding of the problem.
 - ii) **Clarifying the Real Problem:** This stage involves the following activities:
 - a) Widening the awareness and clarifying the problem.
 - b) Recognising and enlisting the possible causes of the problem.
 - c) Creating alternatives for the problem statements.
 - d) Selecting the best problem statement that represents the most real or important problem.
 - iii) **Setting Innovation Goalposts:** This is the last stage in the phase of understanding the problem. It includes the following activities, that an entrepreneur performs:
 - a) Exploring the range of acceptability for alternatives and solutions towards a specific problem.
 - b) Identifying significant standards for decision-making.
 - c) Reviewing the previous standards.
 - d) Setting the goals of innovation.
- 2) **Imagination:** This phase involves the following three stages:
 - i) **Finding Stimuli:** In this stage, an entrepreneur generates ideas for achieving the pre-defined innovation goals. It involves the following three actions that an entrepreneur performs:
 - a) Exploring the business environment for information and signals.
 - b) Researching the past, present and future.
 - c) Discovering various perspectives.
 - d) Exploring the marketplace.
 - e) Examining and minimising the stimuli.

- ii) **Uncovering Insights:** In this stage, an entrepreneur performs the following activities:
 - a) Using the selected stimuli for identifying potential insights and findings.
 - b) Suspending decisions while uncovering these insights.
 - c) Making use of creative-linkages and power tools.
 - d) Selecting insights of more importance for further reproduction.
- iii) **Identifying Ideas:** In this stage, an entrepreneur performs the following activities:
 - a) Exploring the important insights for potential ideas to resolve the real problem.
 - b) Comparing and choosing the best ideas based upon the pre-defined goals of innovation.
 - c) Transforming these ideas into full concepts.
- 3) **Actions and Implementation:** This is the last phase in the process of innovation and involves the actual execution and implementation of the ideas so as to achieve the goals of innovation. It consists of the following three steps:
 - i) **Developing the Innovation Roadmap:** This step involves the following activities:
 - a) Considering the concepts and transforming them into plans.
 - b) Inspecting the needs, timing and responsibilities of the resource.
 - c) Recognising alternative plans.
 - d) Selecting the best ideal plan based on the goals of innovation and set criteria.
 - e) Considering the impact of plan on rest of the organisation.
 - ii) **Gaining Commitment:** In this step, an entrepreneur performs the following activities:
 - a) Exploring commitment to the ideal plan.
 - b) Recognising the factors responsible for supporting the plan.
 - c) Preparing the plan for presentation.
 - d) Presenting the plan.
 - e) Making necessary changes in the plan.
 - f) Testing the elements of the plan, if required.
 - g) Finalising commitment towards the final plan.
 - iii) **Implementing the Innovation Roadmap:** This is the last step in the process of innovation. The following activities, undertaken by an entrepreneur are:
 - a) Releasing the final plan into action.
 - b) Adjusting the plan, if required.
 - c) Monitoring the whole process and results.
 - d) Sharing the results and learning.

1.7.5. Innovation and Entrepreneurship

For entrepreneurs, innovation is a tool which helps them to apply change as an opportunity for developing a new business or service. Innovation has the ability of being represented as a discipline, being learned and being practiced. In order to grab an opportunity for successful innovation, an entrepreneur must carefully analyse and examine the potential sources of innovation, the changes and their symptoms. Alongwith this, they must also know and apply the principles of successful innovation. Entrepreneurs not only develop new ideas and convert them into products or services, but they also innovate. Innovation is an activity where new capabilities of available resources are identified to generate wealth. Thus, innovation produces a resource. In reality, a resource only finds its existence when it has a use for something in nature with an economic value.

The major objectives of innovation are:

- 1) To maintain the operations of existing business enterprise,
- 2) To make something better, and
- 3) To bring positive and desirable changes.

In an economy, the basic source of generating wealth is by increasing the productivity, effectiveness and efficiency of business enterprises which can be easily achieved through innovation. In case of businesses, innovation is often connected with the performance and growth which can be attained by improved efficiency, quality, market share, productivity, competitive position, etc. Innovation is not bound to single category of business. It can be practiced by all types of organisations such as private institutions, hospitals, universities, local government, etc.

As per the traditional approaches to entrepreneurship, it is assumed that the business concepts and ideas have already been recognised and the main work of an entrepreneur is to draft a business plan and utilise the available resources, in order to implement them. However, in reality, the entire process of problem-solving includes identifying, evaluating and filtering a business idea and then transforming it into a business concept. It is very important for an entrepreneur to know the exact way of managing creativity and translating the ideas into innovation. However, an idea needs a substantial creative leap in the beginning while the remaining process consists of numerous problem-finding and problem-solving activities each of which requires a creative input.

In this process, an entrepreneur may require the skills of a particular person or may require inputs of different individuals for a constant time period. The development of an innovative product, whether a hydraulic vehicle or a baseball cap with fan, requires a combined effort of innovative individuals.

Table 1.1: Creativity vs Innovation: A comparison

Creativity	Innovation
1) To come up with a "new" idea.	Doing "new" things or doing things "differently".
2) It is the process of generating the "idea" for new, useful and practicable products and services.	It is the process of transforming the "idea" into a "concrete reality".
3) It identifies the useful features of products or services.	It searches out the advantages of innovative products and services, so as to satisfy the customers.