

CHAPTER ONE

1. INTRODUCTION

The words entrepreneur and entrepreneurship have acquired special significance in the context of economic growth in rapidly changing socio-economic and socio-cultural climates both in developed and in developing countries. The concept of entrepreneurship varies from country to country as well as from period to period and the level of economic development thoughts and perceptions. A concise and universally accepted definition has not yet emerged.

According to Global Entrepreneurship Monitor (GEM) reports, the kind of entrepreneurial activity in a country is the level of reflection of the economic development a country has attained. Thus, the nature and focus of entrepreneurship in a factor driven economy, efficiency driven economy and innovative driven economy varies significantly in focus.

Many people see entrepreneurship as an attractive career path. Think about your friends and others you know. In all probability, you are acquainted with at least one or two people who want to become an entrepreneur—either now or at some point in the future.

1.1 Meaning and importance of Entrepreneurship

The word **entrepreneur** derives from the French words entre, meaning “between,” and prendre, meaning “to take.” The word was originally used to describe people who “take on the risk” between buyers and sellers or who “undertake” a task such as starting a new venture. Inventors and entrepreneurs differ from each other. An **inventor** creates something new. An **entrepreneur** assembles and then integrates all the resources needed—the money, the people, the business model, the strategy, and the risk-bearing ability—to transform the invention into a viable business.

Entrepreneurship is defined as the process by which individuals pursue opportunities without regard to resources they currently control for the purpose of exploiting future goods and services.

Entrepreneurship can also be defined as the art of turning an idea into a business. In essence, an entrepreneur’s behavior finds him or her trying to identify opportunities and putting useful ideas into practice. The tasks called for by this behavior can be accomplished by either an individual or a group and typically require creativity, drive, and a willingness to take risks.

We focus on entrepreneurship in the context of an entrepreneur or team of entrepreneurs launching a new business. However, ongoing firms can also behave entrepreneurially. Typically, established firms with an entrepreneurial emphasis are proactive, innovative, and risk-taking. For example, Google is widely recognized as a firm in which entrepreneurial behaviors are clearly evident. Larry Page, one of Google's cofounders, is at the heart of Google's entrepreneurial culture. With his ability to persuade and motivate others' imaginations, Page continues to inspire Google's employees as they develop innovative product after innovative product. To consider the penetration Google has with some of its innovations, think of how often you and people you know use the Google search engine, Gmail, Google Maps, or Google Earth. Google is currently working on a bevy of far-reaching innovations, such as Google Glasses and self-driving cars. Similarly, studying Facebook or Dropbox's ability to grow and succeed reveals a history of entrepreneurial behavior at multiple levels within the firms.

We want to note here that established firms with an orientation toward acting entrepreneurially practice **corporate entrepreneurship**. All firms fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial. The position of a firm on this continuum is referred to as its **entrepreneurial intensity**. As we mentioned previously, entrepreneurial firms are typically proactive innovators and are not averse to taking calculated risks. In contrast, conservative firms take more of a "wait and see" posture, are less innovative, and are risk averse. One of the most persuasive indications of entrepreneurship's importance to an individual or to a firm is the degree of effort undertaken to behave in an entrepreneurial manner. Firms with higher entrepreneurial intensity regularly look for ways to cut bureaucracy.

Some of the common definitions/ descriptions of Entrepreneurship:

- According to Ronstadt, "Entrepreneurship is the dynamic process of creating incremental wealth
- Entrepreneurship is the innovative process of identifying opportunities in the market place, marshaling resources required to exploit the opportunities for the long term gains by assuming risk.

- It is the ability to see economic opportunities and transform them into business and economic gains.
- It is a creative human act that builds something of value in pursuit of opportunities through application of vision, passion, and commitment. It also requires willingness to take calculated risk
- Entrepreneurship is one of the four mainstream economic factors: land, labor, capital, and entrepreneurship.

(Joseph Schumpeter, 1934 view)

Entrepreneurship is a force of “*creative destruction*” where by established ways of doing things are destroyed by the creation of new and better ways to get things done.

- Creative Destruction: the process by which existing products, processes, ideas and businesses are replaced with better ones. Entrepreneurs are driving forces behind the process of creative destruction.
- Entrepreneurship involves innovation and untried technologies.
- According to him, not all businesspeople are entrepreneurs but all entrepreneurs are innovative businesspeople.
- Schumpeter’s views on entrepreneurship are relevant to developed nations.

The common theme:

- It is a process of identifying and pursuing opportunities
- Ability to utilize opportunities to gainful ends
- Creativity and Innovation (‘creative distraction’, revolutionizing, transforming , introducing radical or incremental approaches)
- The process of creating value
- The propensity of calculative risk taking

1.2 characteristics of successful entrepreneurs

Probably no other aspect of entrepreneurship has been studied more than the traits and characteristics that make up the entrepreneurial personality. A number of studies have been conducted to determine whether entrepreneurs distinctly differ from managers and the public at

large in personality and other characteristics. Studies have found that while entrepreneurs have various characteristics that contribute to success only few make them different from managers and the general populace.

As most argue, some of the characteristics which are commonly exhibited by successful entrepreneurs are:

- **Need for Achievement**

Psychologists recognize that people differ in their need for achievement. Individuals with a low need for achievement are those who seem to be contented with their present status. On the other hand, individuals with a high need for achievement like to compete with some standard of excellence and prefer to be personally responsible for their own assigned tasks, i.e., need achievement a desire to succeed, where success is measured against a personal standard of excellence.

According to Slavin, need for achievement is the desire to experience success and to participate in activities in which success is dependent on personal effort and abilities. It is a generalized tendency to strive for success and to choose goal – oriented success / failure activities”

David C. McClelland is a leader in the study of achievement motivation. According to him, people with high achievement motivation have the desire to do well, work harder at certain tasks, tend to learn faster, do their best work when it counts for the record and not for inventive or profits, choose experts over friends as working partners, like accurate knowledge of activities (feedback), are responsive and make use of opportunities, and have the urge to improve and do well.

- **Risk Taking**

Virtually all recent definitions of an entrepreneur indicate a risk – taking component. Indeed, risk whether financial, social, or psychological, is a part of the entrepreneurial process. “While entrepreneurs are often known as risk takers, they seem to be careful to take only calculated risks.”

The idea that entrepreneurs are risk – takers is one which reflects their popular image. However we must be very careful to distinguish between personal risk and economic risk. We may face personal risk by exposing ourselves to dangerous situations. But to an economist, risk results from making an investment. Risk is the possibility that the return from an investment may be less than expected, or, to be exact, might be less than could have been obtained from an alternative investment that was available. So, acceptance of risk is something that investors do, not entrepreneurs as such. However, the popular impression that the entrepreneur is a risk-taker is not completely inappropriate. It recognizes that entrepreneurs are good at managing in situations where risk is high; that is, when faced with a situation of high uncertainty they are able to keep their head, to continue to communicate effectively and to carry on making effective decisions.

The extent to which entrepreneurs have a distinctive risk taking propensity is still debatable. Some studies, for example, have found entrepreneurs to be similar to professional managers, while other studies found them to have a greater willingness to assume risk. And even some studies found entrepreneurs scored lower on risk taking than investor. This debate, however, does not obscure the fact that entrepreneurs must be willing to assume various risks. They typically place a great deal on the line when they choose to enter to business for themselves.

Running own business is risky. The entrepreneur assumes all possible risks of business which emerge due to the possibility of changes in tastes of consumers, techniques of production and new inventions, political and economic changes. If they materialize, the entrepreneur has to bear the loss himself. Thus, risk bearing still remains as the most important characteristic of an entrepreneur which he /she tries to reduce by his / her initiative, skill and good judgment.

- **Hard Working**

Entrepreneurs put a lot of physical and mental effort in to developing their ventures. They often work long and anti-social hours. After all an entrepreneur is their own most valuable asset. Balancing the needs of the venture with other life commitment such as family and friends is one of the great challenges of entrepreneurs but they manage it by putting a lot of efforts.

Running a business allows entrepreneurs to stay for longer hours in their business. The success of an entrepreneur demands on the ability to work long hours for sustained periods of time.

- **Innovation**

Innovation lies at the heart of entrepreneurship. Yet to believe in innovation we have to see the world in a certain sort of way. We have to believe in a future that will be different from the present. We have to believe that we can act to influence the world and change it by our actions. Further, if we are to be encouraged to innovate, we must believe that it is appropriate that we are rewarded for our efforts in developing innovation.

The successful entrepreneurial venture is usually based on a significant innovation. This might be a technological innovation, it might be an innovation in offering a new service, an innovation in the way something is marketed or distributed, or possibly an innovation in the way the organization is structured and managed, or in the way relationships are maintained between organizations.

Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for different businesses or different services. It is capable of being presented as a discipline, capable of being learned and practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation.

Entrepreneurs see changes as the norm and as healthy. Usually they may not bring the change themselves. But entrepreneurs always search for change, respond to it, and exploit it as an opportunity.

- **Self Confidence**

Individuals who possess self-confidence feel they can meet the challenges that confront them. They have a sense mastery over the types of problems they might encounter. Studies show that successful entrepreneurs tend to be self-reliant individuals who see the problem in launching a new venture but believe in their own ability to overcome problems.

The entrepreneur must demonstrate that they not only believe in themselves but also in the venture they are pursuing.

People who start and run a business must act decisively. They need confidence about their ability to master the day – to – day tasks of the business. They must feel sure about their ability to win customers, handle the technical details, and keep the business moving. Entrepreneurs also have a general feeling of confidence that they can deal with anything in the future; complex, unanticipated problems can be handled as they arise.

- **Locus of Control**

The task of starting and running a new business requires the belief that you can make things come out the way you want. The entrepreneur not only has a vision but also must be able to plan to achieve that vision and believe it will happen. Most entrepreneurs have an internal locus of control, that is, they feel they have control over events that affect their success. They can use initiative and drive to create opportunities and exploit them.

An internal locus of control is a belief by individuals that their future is within their control and that other external forces will have little influence. For entrepreneurs, reaching the future is seen as being in the hands of the individual. Many people, however, feel that the world is highly uncertain and that they are unable to make things come out the way they want. An external locus of control is the belief by individuals that their future is not within their control but rather is influenced by external forces.

While internal locus of control appears to differentiate entrepreneurs from the general public, they may not differentiate entrepreneurs from managers.

- **Good health**

Successful entrepreneurs are generally physically resilient and in good health. When they get sick, they recover quickly, in small businesses, where there is no depth of management, the leader must be always there. Especially in the beginning, the entrepreneur may not afford to hire a support staff to cover all business function. Therefore he or she needs to work long hours, and for that he or she needs to be healthy.

- **Persona Values**

Many studies indicate that personal values are important for the entrepreneur. However, they often fail to indicate that entrepreneurs are different from managers or any other person, as far as these values are concerned. For instance, both a manager and an entrepreneur may be creative. But still personal values such as aggression, benevolence, conformity, creativity, resource seeking and ethics are very important for the entrepreneur. Studies have shown that entrepreneur's attitude towards the nature of the management process and the business in general differs. Hirsch and Peters write 'The nature of the enterprise, opportunism, institution, and individuality of the entrepreneurs diverge significantly from the bureaucratic organization and the planning, rationality and predictability of its managers.

- **Sense of urgency**

Entrepreneurs have a never – ending sense of urgency to develop their ideas. Inactivity makes them impatient, tense and uneasy. They normally prefer individual sports such as golf, skiing, or tennis over team sports. They prefer games in which their own effort directly influences the outcome and pace of game. They have drive and high energy levels.

- **Comprehensive Awareness**

Successful entrepreneurs can comprehend complex situations that may include planning, strategic decision making, and working on multiple business ideas simultaneously, they are farsighted and aware of important details, and they continuously review all possibilities to achieve their business objectives.

- **Realism**

Entrepreneurs accept things as they deal with them accordingly. They may or may not be idealistic, but they are rarely unrealistic. They will change their direction when they see that change will improve their prospects for achieving their goals.

- **Conceptual Ability**

Entrepreneurs possess the ability to identify relationships quickly, even in complex situation. They identify problems and begin working on their solution faster than other people do.

Entrepreneurs are natural leaders and are usually the first to identify a problem. If it is pointed out to them that their solution to a problem will not work for some valid reason, they will quickly identify an alternative approach.

Table 1.1 Characteristics Often Attributed to Entrepreneurs

1. Confidence	21. Perseverance, Determination
2. Energy, diligence	22. Responsibility
3. Resourcefulness	23. Foresight
4. Ability to take calculated risk	24. Accuracy, thoroughness
5. Dynamism, leadership	25. Cooperativeness
6. Optimism	26. Profit orientation
7. Need to achieve	27. Ability to learn from mistakes
8. Versatility	28. Sense of power
9. Creativity	29. Pleasant personality
10. Ability to influence others	30. Egotism
11. Ability to get along well with people	31. Courage
12. Initiative	32. Imagination
13. Flexibility	33. Perceptiveness
14. Intelligence	34. Toleration to ambiguity
15. Orientation to clear goals	35. Aggressiveness
16. Positive response to challenges	36. Capacity for enjoyment
17. Independence	37. Efficacy
18. Responsiveness to suggestion and criticism	38. Commitment
19. Time competence, efficiency	39. Ability to trust workers
20. Ability to make decision quickly	40. Maturity, balance

Source: John A. Hornaday, “Research about living entrepreneurs,” 1982, 26-27

- **Status Requirements**

Entrepreneurs find satisfaction in symbols of success that are external to themselves. They like the business they have built, not themselves, to be praised. Symbols of achievement such as position have little importance to them. Successful entrepreneurs find their satisfaction of status needs in the performance of their business, not in the appearance they present to the public. They postpone acquiring status items like a luxury car until they are certain that their business is stable. Their personalities do not prevent them from seeking facts, data and guidance. When they need help, they will not hesitate to admit.

- **Interpersonal Relationships**

The average entrepreneur is more concerned with people's achievements than with their feelings. Entrepreneurs generally avoid becoming personally involved and will not hesitate to sever relationships that could hinder the progress of their businesses. During the business- building period, when resources are scarce, they seldom devote time to dealing with satisfying people's feelings beyond what is essential to achieving their goals. As the business grows and assumes an organizational structure, the entrepreneurs' need for control makes it difficult for them to delegate authority in the way that a structured organization demands. Their strong direct approach induces them to seek information directly from its source, by passing the structured chains of authority and responsibility. Their moderate interpersonal skills, which are adequate during the start – up phases, will cause them problems as they try to adjust to the structured or corporate organization.

- **Emotional Stability**

Entrepreneurs have a considerable amount of self- control and can handle business pressures. They are comfortable in stress situations and are challenged rather than discouraged by failures. Entrepreneurs are uncomfortable when things are going well. They will frequently find some new activity on which to vent their pent-up energy.

Table 1.2 Twenty-First Century Characteristics of Entrepreneurs

The Top Ten Characteristics Today's Entrepreneurs Share

- Recognize and take advantage of opportunities
- Resourceful
- Creative
- Visionary
- Independent thinker
- Hard worker
- Optimistic
- Innovator
- Risk taker
- Leader

Source: Soo Ji Min, "Made not born," Entrepreneur of the year Magazine (fall 1999): 80.

- **Attraction to challenges and Competition.**

Entrepreneurs are attracted to challenges and competition by nature. Many were active in sports and other competitions in high school and college. Others were competitive in wanting to make good grades, earn the respect of their parents and achieve their goals.

- **Money management**

Entrepreneurs are careful about money. They always know how much money they have. They know the value and cost of things and thus they can recognize a real bargain. Most entrepreneurs earned money when they were teenagers-babysitting, mowing lawns, delivering newspapers, sacking groceries, etc.

- **Loners:** Entrepreneurs are usually loners rather than team players. They prefer a solitary work environment.
- **Leisure Time:** Entrepreneurs do set aside time for leisure activities and family. But their principal form of relaxation is their work.
- **Self- Esteem:** Entrepreneurs have a high sense of one's own self-worth. Without that, individuals will never undertake tough challenges.
- **Screening for opportunity:** Entrepreneurs screen incoming information in a different way since they constantly seek new growth opportunities. They are like gold miners who shift through tons of dirt to spot new market opportunities.
- **Goal orientation:** Entrepreneurs have a relentless drive to accomplish goals. They understand what their priorities are and continue to work hard towards those goals. Staying focused on a goal, however, is a very difficult thing to do, since life in the world of business ends to distract us.
- **Optimism:** Underlying successful entrepreneurial leadership is a boundless optimism that never seems to end. For entrepreneurs, a problem is simply a challenge. When faced with an obstacle, they take it as a new direction, when told no, they say, "Maybe not now, but I know you'll change your mind soon."

- **Courage:** Building a company from the ground up requires a great deal of courage. Someone once said that large organizations function like “Womb” protecting employees from a harsh and merciless environment to take a great deal of courage to leave a corporate or government womb and join the cold, cruel world of business where one will find him or herself all alone.
- **Tolerance to Ambiguity:** Entrepreneurs are not bothered by ambiguity and uncertainty. They can clearly and comfortably see the fact and the relationship of things in a very complicated situation or problem.

1.3 Entrepreneurial competencies

What is competence?

- It is combination of knowledge, skills, and appropriate motives or traits that an individual must possess to perform a given task.

In the 1980s, the research and analysis made by Management System International (MSI) identified three major clusters (3 qualities overall) or groups of competencies that entrepreneurs own commonly in all countries.

The 3 clusters include:

1. Achievement motivation cluster (composed of 5 competencies)
2. Planning cluster (composed of 3 competencies)
3. Implementing cluster (composed of 2 competencies)

1. Achievement motivation competencies

- ✚ **Risk taking propensity** (extent of risk friendly, take action to control risk and control outcomes).
- ✚ **Opportunity seeking and initiatives** (ability to proactively identify opportunities and take initiatives to optimize; the acts to extend the business to new areas, products or services)
- ✚ **Persistence** (the courage to face obstacles and the capacity to overcome it ; taking personal responsibility to achieve the desired goal)

- ✚ **Commitment to the work and contract** (extent of exerting personal sacrifices and extraordinary efforts to keep promises, meet deadlines; extent of concern for goodwill and reputation).
- ✚ **Demand for efficiency and quality** (find ways to do things better, faster and cheaper; act to do things that meet or exceed standards of excellence; always strive to ensure and continuously improve quality)

2. Planning competencies

- ✚ **Goal setting** (proactive move, setting meaningful and challenging goals; aspiration for future growth ...)
- ✚ **Information seeking** (personal seeking information from clients, suppliers, competitors; continuous search for market information and openness to seek expert support and advice...)
- ✚ **Systematic planning and monitoring** (create time bounded tasks ; revise plans in light of feedback on the performance or changing circumstances; keeping accurate track records)

3. Implementation competencies

- ✚ **Persuasion and networking**
 - Use deliberate strategies to influence and persuade others
 - Use key people as agents to accomplish own objectives
 - Acts and develop and maintain business contacts
- ✚ **Independence and self confidence**
 - Seek autonomy from the rule or control of others
 - Ensuring sound judgment
 - Express confidence in own abilities to meet a challenge

1.4 ENTREPRENEURIAL MOTIVATION

What motivates an entrepreneur to take all the risks and launch a new venture, pursuing an entrepreneurial career against the overwhelming odds for success? Although many people are interested in starting a new venture and even have the background and financial resources to do so, few decide to actually start their own business.

Given the sizable risks, time and energy requirements of entrepreneurship, why do so many individuals take the entrepreneurial plunge every year? Entrepreneurs are motivated to launch business for a number of reasons. While the motivations for venturing out alone vary greatly, they can be grouped in to two broad categories: pull factors and push factors.

1. Pull Factors

Some individuals are attracted towards small business ownership by positive motive such as a specific idea which they are convinced to work on. Pull factors are those which encourage individuals to become entrepreneurs by virtue of the attractiveness of the entrepreneurial option. Some important pull factors are the following:

Independence: "Being my own boss" is a powerful motivator for many entrepreneurs, who seek the freedom to act independently in their work. As heads of business, they enjoy the autonomy of making their own decisions, setting their own work hours, and determining what they will do and when they will do it.

Need for independence has been suggested as a fundamental motivation of small business owners. Entrepreneurs prefer to be their own boss, have often escaped from what they perceived to be hierarchical regimes of the large corporation and to have realized a sense of purpose through owning and managing their own business.

The need for power or control: The need for power has also been suggested as a source of motivation. Power has been defined variously either as an attribute of an individual or as a structural phenomenon. People with a desire for power not only enjoy being in charge but also accumulate all the symbols and emoluments of power. They prefer to work in a competitive and status oriented situations and tend to be more concerned with gaining influence over others and with their prestige than with effective performance.

Need for Achievement: Need for achievement is a desire to excel and achieve a particular goal. The goal is set in relation to a standard and so the individual who is most motivated in this way will strive to accomplish their goal through entrepreneurship.

Entrepreneurs characteristically like to take personal responsibility for finding solutions to problems, they like repaid feedback and they aim to achieve moderately difficult tasks, that is, tasks which have a challenge but not beyond their capabilities.

Profit: Many entrepreneurs are enticed by the hefty profits of a highly successful business, although the odds in favor of such considerable success are slim. Others are motivated by making their own money in business. Surprisingly, however, many entrepreneurs do not rate money as a primary motivator for starting their own businesses.

Role Models: perhaps one of the most important factors influencing entrepreneurs in their career choices is role models. Role models can be parents, brothers or sisters, other relatives, or successful entrepreneurs in the surrounding community or nationally touted individual entrepreneurs.

Highly visible role models seem to stimulate entrepreneurial activity. Watching others' successes drive individuals to start their own business. Entrepreneurs often describe being inspired to start their entrepreneurial career by another entrepreneur, a parent, a local business person, or a famous entrepreneur.

2. Push Factors

Push factors on the other hand are those which encourage entrepreneurship by making the conventional option less attractive. Many people are pushed (forced) in to founding a new business by variety of factors. Some of the push factors include:

An Alternative to a Dissatisfying Job: Many entrepreneurs are former executives and employees of larger corporations who were highly dissatisfied with their jobs. Some were bored with their work and frustrated with the corporation's disinterest in their ideas. Others were frustrated by the slow decision making, the bureaucracy, and their limited autonomy as managers in large companies.

An important factor that influences someone to start an entrepreneurial career is dissatisfaction with traditional careers that involve working for someone else, often a large organization. Slow career progress, the inability to effect quick changes within the organization, low wages, and office politics are just some of the reasons cited for this dissatisfaction.

Job Insecurity: Given the substantial risks and uncertainty of entrepreneurship, personal security may seem unlikely motivator. However, in a time of much corporate downsizing and layoffs, some entrepreneurs view running their own business as a more secure alternative, especially those in the middle and latter stages of their corporate careers.

Personal and Professional Growth: The challenges of building a business innately involve individual growth. To be successful, an entrepreneur must be able to cope with risk, uncertainty,

and stress, handle many different interpersonal relationships, and manage a business with limited resources. Many individuals become entrepreneurs to experience this growth and the fulfillment gained from building a business into a purposeful, productive entity.

Unemployment: Some individuals start their own business when they fail to get employment. Self-employment is taken as the best alternative for those who are not employed. When unemployment increases, many people start their own business and become entrepreneurs.

1.5 Types of entrepreneurship

There are different kinds of entrepreneurs and entrepreneurship on the basis of the criteria used to classify entrepreneurs and entrepreneurship. The following are the most common criteria among others used for classifying entrepreneurs and entrepreneurship.

Source of capital

Based on the source of capital entrepreneurship can be divided into two as private and collective entrepreneurship. The first one is a form of entrepreneurship that is carried out by an individual on the basis of his or her own property. Collective entrepreneurship is carried out by two or more entrepreneurs on the basis of collective property, that is, capital contributed by the entrepreneurs.

Business idea generation

Entrepreneurship can be divided into three as – technological, geographical and sociological based on the business idea generation. A technological entrepreneur invents a new technology to produce new products or new processes for producing old products. A geographical entrepreneur moves technology, the products and processes that goes with it from one place to another, usually from the developed world to the developing world. A sociological entrepreneur finds a new situation in which to sell an old product.

Reason for start up

Entrepreneurship can be classified into opportunity driven and necessity driven based on the drive that led the entrepreneur to start the business. **Opportunity driven entrepreneur** starts a company because he or she sees clear market opportunities to exploit.

On the other hand the **necessity driven entrepreneur** goes into business to create self-employment and his or her primary concern is survival. Generally, opportunity driven entrepreneurs are more growth oriented than necessity driven entrepreneurs.

1.6 The Entrepreneurial Process and challenges

Many entrepreneurs follow the **entrepreneurial decision process**, which entails a movement from something to something—a movement from a present life-style to forming a new enterprise. The entrepreneurial decision process consists of the following three interrelated steps. These are:

- The decision to leave a present career or life-style
- The decision that an entrepreneurial venture is desirable, and
- The decision that both external and internal factors make the Venture possible.

The decision to leave a present career and life-style is not an easy one. It takes a great deal of energy and courage to change and create something new and different. The two most important incentives to leave a present life-style and start a business are working environment and disruption.

The perception that starting a new company is desirable results from an individual's culture, subculture, family, teachers, and peers.

The entrepreneurial process comprehends all functions, activities, and actions that are connected to the perception of the possibilities and the construction of the organization for the fulfillment of these opportunities:

The entrepreneurial process in general involves the following steps:

1. Deciding to be an entrepreneur: having the desire to become an entrepreneur or simply put the desire to become one's own boss, pursue one's own dream/ideas, and realize financial rewards.

i. Be Their Own Boss

The first of these reasons—being one's own boss—is given most commonly. This doesn't mean, however, that entrepreneurs are difficult to work with or that they have trouble accepting

authority. Instead, many entrepreneurs want to be their own boss because either they have had a long-time ambition to own their own firm or because they have become frustrated working in traditional jobs.

ii. Pursue Their Own ideas

The second reason people start their own firms is to pursue their own ideas. Some people are naturally alert, and when they recognize ideas for new products or services, they have a desire to see those ideas realized. Corporate entrepreneurs who innovate within the context of an existing firm typically have a mechanism for their ideas to become known. Established firms, however, often resist innovation. When this happens, employees are left with good ideas that go unfulfilled. Because of their passion and commitment; some employees choose to leave the firm employing them in order to start their own business as the means to develop their own ideas. This chain of events can take place in non-corporate settings, too. For example, some people, through a hobby, leisure activity, or just everyday life, recognize the need for a product or service that is not available in the marketplace. If the idea is viable enough to support a business, they commit tremendous time and energy to convert the idea into a part-time or full-time firm.

iii. Pursue Financial Rewards

Finally, people start their own firms to pursue financial rewards. This motivation, however, is typically secondary to the first two and often fails to live up to its hype. The average entrepreneur does not make more money than someone with a similar amount of responsibility in a traditional job. The financial lure of entrepreneurship is its upside potential. People such as Jeff Bezos of Amazon.com, Mark Zuckerberg of Facebook, and Larry Page and Sergey Brin of Google made hundreds of millions of dollars building their firms. Money is also a unifier. Making a profit and increasing the value of a company is a solidifying goal that people can rally around. But money is rarely the primary motivation behind the launch of an entrepreneurial firm. Some entrepreneurs even report that the financial rewards associated with entrepreneurship can be bittersweet if they are accompanied by losing control of their firm.

2. Developing successful business idea : that include generating business idea or recognizing business opportunity

Hints to identify opportunity:

- Observing trends
- Solving problems
- Finding gaps in the market place

3. Moving from an idea towards the stage of creating entrepreneurial firm
4. Managing and growing the entrepreneurial firm

1.6.1 Challenges of Entrepreneurial Process

Entrepreneurial problems are divided into two groups: **external** and **internal**. External problems are those which usually result from factors beyond the control of the entrepreneur like political, social, technological, and other related problems; while internal problems are those which are not influenced by external forces. The internal problems affecting entrepreneurs relate to organization, structure, production channel, distribution channel, technical know-how, training, industrial relations and inadequacy of management, etc. However, both kinds of problems are not mutually exclusive, they are co-related.

From the moment an entrepreneur conceives the idea to start his own business; he has to work against various problems. Some of the internal and external factors which hinder the development of entrepreneurship are:

1. **Management deficiency:** It could be said that management deficiency is one of the biggest reasons for poor performance of small scale units. The new entrants, in many cases did not have any prior training or background in management of their enterprises and were adverse to innovations and changes.

In the beginning of business development, management problem may not be so critical but with growing sophistication and modernization of market requirements for the items produced by the small-scale sector, it has become very important for small entrepreneurs to employ modern methods of management be it in the field of advanced technology or marketing.

2. **Limited access to finance:** Financial inadequacy is one of the most inhibiting factors in the growth of entrepreneurship. The following are some of the limiting factors in accessing business finances:
- i) ***New is too risky:*** Entrepreneurial businesses are generally viewed as risky investment due to their newness and smallness. Consequently, financial institutions resist providing loans for entrepreneurs.
 - ii) ***No preferential interest rates:*** most entrepreneurs are unable to afford the high interest rates charged by banks and other financial institutions.
 - iii) ***Longer loan processing time:*** The processing time for loan applications by entrepreneurs tends to be long. The approval procedures are slow, often times leading to slower disbursements.
 - iv) ***Lack of collateral demanded by lenders:*** Since the entrepreneurial activities are considered to be risky businesses, the collateral demanded by banks is often inhibiting. Usually the collateral demanded is higher than the value of the loan.
3. **Technological forces:** Technological forces are often the most abrupt and unpredictable part of an entrepreneurial environment. The knowledge behind a technological change may take several years to develop, but the impact of the breakthrough in to an actual product or a process makes it seem more like a revolution than evolution when the application of technology actually occurs.
4. **Limited access to market:** Another important factor in the development of entrepreneurship is the availability of market for the products offered. Entrepreneurs face overall limitations on penetrating and servicing their markets. The cost of penetrating the existed or the new market is relatively high for the newly developed business of an entrepreneur.
5. **Political factors:** A variety of forces can be at work in the political arena of an entrepreneurial environment. Entrepreneurs more and more must anticipate and adjust to changes in regulation, directives, and laws form various levels of government and governmental agencies.

The following table summarizes the various problems encountered by entrepreneurs:

Problems of Entrepreneurs	
A) Internal	B) External
1- Choice of an idea 2- Feeble structure 3- Faculty planning 4- Poor project implementation 5- Poor management 6- Poor production 7- Poor quality 8- Marketing 9- Financial crunch 10- Labor problems 11- Capacity utilization 12- Lack of vertical horizontal integration 13- Inadequate training 14- Poor and loose organization structure 15- Lack of strategies 16- Lack of vision 17- Inadequate connections 18- Lack of motivation	1- Infrastructure i) Location ii) Power iii) Water iv) Post office v) Communication 2- Financial i) Capital ii) Working capital iii) Long term funds iv) Recovery 3- Marketing 4- Taxation 5- Raw material 6- Industrial financial regulations 7- Technology 8- Government policy 9- Competitive volatile environment 10- Political environment

Source: Vasant Desai, (1999), *Dynamics of entrepreneurial development and management*.

Generally, the problems of entrepreneurs are multidimensional. These can be solved by the coordinated efforts of entrepreneurs, coordinated functioning of promotional agencies, and governmental assistance without red tape or bureaucratic delays. The entrepreneur has to be educated, and he/she should have a proper training in acquiring the necessary skill in running an enterprise within these various forces.

1.7 THE ROLE OF ENTREPRENEURSHIP IN THE ECONOMY

The entrepreneur is the catalyst that plays a crucial role in developing a country's economy. Following are some contributions of the entrepreneur.

1. Creation of Job Opportunities

The hard work of the entrepreneur often results in the formation of a small business that opens job opportunities to many others in addition to the entrepreneur himself or herself.

2. Better Production Methods and Products

Entrepreneurs often introduce better production methods in terms of processing speed, quality of output, energy consumption, etc. Improved production methods in turn result in better goods and services. The improvement may be in terms of price, quality, location, ease of use, packaging, effectiveness of the product, etc.

3. Identification of Business Opportunities and Markets

Entrepreneurs always keep their eyes open to identify and exploit market opportunities. Once they identify an exploitable market opportunity, they devote themselves to satisfying the market gap. However, in real situation their act brings the opportunity for others to establish their own similar businesses and meet rest of the markets need.

4. Conservation of Natural Resources.

Some people became successful entrepreneurs because they managed to invent production methods that consumed less energy and raw materials. Such technologies result in the conservation of natural resources.

5. Abolition of Monopoly and Enhancement of Competition

Entrepreneurs often bring an end to monopolies that have existed for long. Such entrepreneurs discover the key knowledge or secrete technology that has endured a monopoly. Or they create alternative methods that can supply similar or substitute goods and services. Similarly, by supplying substitute goods and services, entrepreneurs foster keener competition in many markets, which naturally results in lower prices for consumers.

6. Development of Complementary Goods Producers

Complementary goods are products that are used together. Tea and sugar are good examples. For instance, the entrepreneur that establishes a local car manufacturing company that will sell its cars locally will indirectly contribute to the establishment of a number of local car repair shops.

7. Increase in Per Capita Output and Income

Entrepreneurial business activities result in increased income for the entrepreneur, his or her employees and other related businesses. The supply of goods and services in the economy will also be increase. This eventually leads to an increase in per capital output and income in the economy.

8. Generation of Foreign Currency

Entrepreneurs that are in the export business generate significant amount of foreign currency (dollar) to their home countries. This situation indirectly contributes to the development of the countries' economy by making more foreign currency available for increased volume of imports.

9. Better Utilization of Resources

Some entrepreneurs become successful by inventing methods and processes that enable the production of goods out of resource that have been ignored and labeled as “useless”. Such initiative leads to improved use of neglected resources and conservation of the ones already in use.

10. Improvement of Business Policies and Procedures

Entrepreneurs create businesses that involve new transactions which do not fit into the existing business regulatory system and thus require the development of new business systems, laws, rules and policies. Such businesses instigate the revision of the existing business policies and procedures and lead to the development of new ones which ultimately result in better and safer business environment.

11. Positive Externalities

Externalities are the good (eg. New road constructed) or bad (e.g pollution) byproducts of a business which the nearby community will enjoy or be exposed to. The entrepreneur, while establishing his or her business, may develop infrastructure such as streets, electricity and water – wells that will be shared by the community as well.

12. Business Opportunity for Suppliers.

The entrepreneur needs to acquire inputs such as employees and raw materials to produce goods and services. In most cases the entrepreneur will not be able to supply these inputs for the business on his or her own. Therefore, these resources have to be supplied by other businesses, a situation that results in a business opportunity for suppliers.

1.8 The Myths of Entrepreneurship

Throughout the years many myths have arisen about entrepreneurship. These myths are the results of a lack of research on entrepreneurship. As many researchers in the field have noted, the study of entrepreneurship is still emerging, and thus “folklore” will tend to prevail until it is dispelled with contemporary research findings. Ten of the most notable myths with an explanation to dispel each myth appear next.

Myth 1: Entrepreneurs are Doers, Not Thinkers

Although it is true entrepreneurs tend toward action, they are also thinkers. Indeed, they are often very methodical people who plan their moves carefully. The emphasis today on the creation of clear and complete business plans is an indication that “thinking” entrepreneurs are as important as “doing” entrepreneurs.

Myth 2: Entrepreneurs are Born, Not Made

The idea that the characteristics of entrepreneurs cannot be taught or learned, that they are innate traits one must be born with, has long been prevalent. These traits include aggressiveness, initiative, drive, a willingness to take risks, analytical ability, and skill in human relations. Today, however, the recognition of entrepreneurship as a discipline is helping to dispel this myth. Like all disciplines, entrepreneurship has models, processes, and case studies that allow the topic to be studied and the knowledge to be acquired.

Myth 3: Entrepreneurs are Always Inventors

The idea that entrepreneurs are inventors is a result of misunderstanding and tunnel vision. Although many inventors are also entrepreneurs, numerous entrepreneurs encompass all sorts of innovative activity. For example, Roy Kroc did not invent the

fast-food franchise, but his innovative ideas made McDonald's the largest fast-food enterprise in the world. A contemporary understanding of entrepreneurship covers more than just invention. It requires a complete understanding of innovative behavior in all forms.

Myth 4: Entrepreneurs are Academic and Social Misfits

The belief that entrepreneurs are academically and socially ineffective is a result of some business owners having started successful enterprise after dropping out of school or quitting a job. In many cases such an event has been blown out of proportion in an attempt to "profile" the typical entrepreneur. Historically, in fact, educational and social organizations did not recognize the entrepreneur. They abandoned him or her as a misfit in a world of corporate giants. Business education, for example, was aimed primarily at the study of corporate activity. Today the entrepreneur is considered a hero – socially, economically, and academically. No longer is he or she a misfit, the entrepreneur is now viewed as a professional.

Myth 5: Entrepreneurs Must Fit the "Profile"

Many books and articles presented checklists of the characteristics of the successful entrepreneur. These lists were neither validated nor complete; they were based on case studies and on research findings among achievement-oriented people. Today we realize that a standard entrepreneurial profile is hard to compile. The environment, the venture itself, and the entrepreneur have interactive effects, which result in many different types of profiles.

Myth 6: All entrepreneurs Need is Money

It is true that a venture needs capital to survive; it is also true that a large number of business failures occur because of a lack of adequate financing. Yet having money is not the only bulwark against failure. Failure due to a lack of proper financing often is an indicator of other problems: managerial incompetence, lack of financial understanding, poor investments, poor planning, and the like. Many successful entrepreneurs have overcome the lack of money while establishing their ventures. To those entrepreneurs, money is a resource but never an end in itself.

Myth 7: All Entrepreneurs Need is Luck

Being at “the right place at the right time” is always an advantage. But “luck happen when preparation meets opportunity” is an equally appropriate adage. Prepared entrepreneurs who seize the opportunity when it arises often seem “lucky.” They are, in fact, simply better prepared to deal with situations and turn them into success. What appears to be luck really is preparation, determination, desire, knowledge, and innovativeness.

Myth 8: Ignorance is Bliss for entrepreneurs

The myth that too much planning and evaluation lead to constant problems – that over analysis leads to paralysis – does not hold up in today’s competitive markets, which demand detailed planning and preparation. Identifying a venture’s strengths and weaknesses, setting up clear timetables with contingencies for handling problems, and minimizing these problems through careful strategy formulation are all key factors for successful entrepreneurship. Thus careful planning – not ignorance of it – is the mark of an accomplished entrepreneur.

Myth 9: Entrepreneurs Seek Success but Experience High failure Rates

It is true that many entrepreneurs suffer a number of failures before they are successful. They follow the adage “If at first you do not succeed, try, try, and try again.” In fact, failure can teach many lessons to those willing to learn and often leads to future successes. This is clearly shown by the corridor principle, which states that with every venture launched, new and unintended opportunities often arise.

Myth 10: Entrepreneurs are Extreme Risk Takers (Gamblers)

The concept of risk is a major element in the entrepreneurial process. However, the public’s perception of the risk most entrepreneurs assume is distorted. Although it may appear that an entrepreneur is “gambling” on a wild chance, the fact is the entrepreneur is usually working on a moderate or “calculated” risk. Most successful entrepreneurs work hard through planning and preparation to minimize the risk involved in order to better control the destiny of their vision.