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NAAC ACCREDITED 'A' GRADE



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# ENTREPRENEURSHIP DEVELOPMENT

UNIT 01: INTRODUCTION- Meaning, Elements, Determinants and Importance of entrepreneurship and creative behavior, Entrepreneurship and Micro, Small and Medium Enterprises, Role of Family Business in India, The contemporary role models in Indian business and their values, business philosophy and behavioural orientations, Conflict in family business and its resolution.

## REFERENCE BOOKS:

1. Entrepreneurship Development and Business Ethics by Abhik Kumar Mukherjee and Shaunak Roy-Oxford University Press
2. Entrepreneurship Development and Business Ethics by Dr. Buddhadeb Chandra and Dr. Bhaskar Biswas- TEE DEE Publications

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## INTRODUCTION

### Meaning

The word entrepreneur is derived from the French word '*entreprendre*' which means 'to undertake'. Entrepreneurs is an individual who organizes production, manages business, takes decisions regarding the production and the business, hires the factors of production and bears the risk of uncertainty in business. Entrepreneurship is the functions performed by an entrepreneur in conducting a business.

### Elements

**Opportunity:** An entrepreneur must identify the opportunity. The unutilized opportunity can be used for a successful business idea to generate profits.

**Innovative Idea:** Innovation is also a task of entrepreneurship. An innovative idea can make the business successful. Innovation is the act of bringing new ideas into action for development of new products and services.

**Risk and Uncertainty:** An entrepreneur has to bear the risk of production and other business activities. The new product or service provided by an entrepreneur may or may not be encouraged by the potential customers.

**Strategy Formulation:** The entrepreneur should be a visionary and be sharp enough to formulate strategies regarding financial planning, product promotion, managing business, compete the competitors etc.

**Motivation and Commitment:** An entrepreneur should believe in his/her idea and should be positive and have patience because in initial years of business the profits earned are very low and the risk involved is high.

Example: Medlife and PharmEasy. Medicine is an essential commodity but when in need consumers have to spend long hours in pharmacies standing in queue to get their medicines. This creates an opportunity for business and an innovative idea of delivering medicines to the door step through online purchase and booking of medicines come into effect. There is definitely a risk involved as to whether the customers will appreciate and participate in such business model. The discounts, on time delivery, cash back offers, authentic prescription are some business strategies taken up by the entrepreneur who is motivated and committed to make this business model a success.

## **Determinants of Entrepreneurship**

**Family Background-** This factor influences the entrepreneurial mindset to a great extent. The support, motivation, economic status of the family plays a great role in building up an entrepreneur.

Example: a typical middle class family will generally want their children to pursue a government job which ensures job security rather than taking up business risks.

**Educational Levels-** An entrepreneur should have adequate knowledge regarding the sources of finance, laws, policies of central, state and local governments, managing the finance, managing the employees, planning, organising etc. Thus the level of education influences the entrepreneurial mindset.

Example: an entrepreneur should be aware of the tax laws so that he can take tax benefits and not be a part of tax evasion

**Access to Finance-** If access to financial markets are restricted an entrepreneur will never be encouraged to start a new business. The entrepreneur should have access to financial institutions, financial intermediaries and financial markets for raising funds to support the business activities.

Example: Start-ups and developing business are funded by venture capitalists, angel investor, private equity etc.

**Risk profile-** The risk bearing capacity of the business and the entrepreneur also play a key role. Expansion is dream for every entrepreneur and to turn it into reality huge funding, innovative trade practice, innovative products, marketing techniques etc. are required which involves risk. The entrepreneur and the business should be capable enough to reduce the risk or diversify the risk.

Example: A small business making investments in equity markets is under a threat of losing the money if market conditions deteriorate but if the investment is made in a secured investment avenue the risk can be reduced.

**Market conditions-** the business nature and the market conditions play a crucial role in encouraging an entrepreneur. The economic status, purchasing power, interest of the consumer, demography of the nation etc. are important factors in encouraging entrepreneurship.

Example: Developing countries will promote the new enterprises whereas developed countries will provide excess of challenges for a business.

## **Importance of Entrepreneurship**

**Capital Formation-** Entrepreneurship promotes formation of capital by mobilizing the savings. The company employs their own resources as well as resources of others for creation of wealth and generation of returns.

**Increases National Income-** An entrepreneurship increases the investment avenues, introduces new products, develops the market, provide jobs etc, which increases the national income

**Employment Generation-** An entrepreneur cannot run the enterprise alone, he/she needs other people to work as well as help him in managing the business which creates employment opportunities for the public.

**Improves standard of living-** By providing new investment avenues, job opportunities, increased returns the entrepreneurship actually increases the purchasing power of people which result in improved standard of living as they are capable of purchasing superior goods.

**Reduces Regional Disparity-** Entrepreneurship is followed by development. The regions where an entrepreneur decides to perform generally witnesses growth and development. The areas in which business performs tend to grow with business.

## **Determinants of Creative Behavior**

**Willingness-** Creative behavior cannot be forced on an individual. It has to be voluntary. The willingness is the key to an individual's creativity.

**Accepting Challenges-** Creativity always has a risk of acceptance. A creative individual has to accept challenges in order to fulfill his responsibility.

**Research-** Ample amount of research is to be done to know and explore the scope of creativity.

## **Importance of Creative Behavior**

- i) Encourages the thinking habit of people.
- ii) Enables the business to get new solutions to problems in form of new business ideas
- iii) Enhances productivity of the business concern.

## Entrepreneurship and Micro, Small and Medium Enterprises

Small-scale enterprises are known as MSME(Micro, Small and Medium Enterprise). The definition of MSME shall be as follows:

MANUFACTURING SECTOR	
ENTERPRISE	INVESTMENT IN PLANT AND MACHINERY
MICRO ENTERPRISE	NOT MORE THAN Rs. 25 lakhs
MEDIUM ENTERPRISE	MORE THAN Rs. 25 lakhs BUT LESS THAN Rs. 5 crore
SMALL ENTERPRISE	MORE THAN Rs. 5 crore BUT LESS THAN Rs. 10 crore

SERVICE SECTOR	
ENTERPRISE	INVESTMENT IN EQUIPMENTS
MICRO ENTERPRISE	NOT MORE THAN Rs. 10 lakhs
MEDIUM ENTERPRISE	MORE THAN Rs. 10 lakhs BUT LESS THAN Rs. 2 crore
SMALL ENTERPRISE	MORE THAN Rs. 2 crore BUT LESS THAN Rs. 5 crore

### Features of MSME

- i) Generally MSME is a one –man show i.e. it is typically run by sole proprietors as it grows it takes form of other business.
- ii) Proprietor is also the manager of the business hence all decisions are made by him/her.
- iii) MSME generally operates on small scale and caters the need of regional and local demands

### Importance of MSME

- i) plays an important role in employment generation
- ii) has low gestation period
- iii) eliminates regional disparity

### Role of Family Business in India

As discussed earlier, family background plays a crucial role in building up an entrepreneur. The family values, culture, attitudes and belief make the entrepreneurial mindset in a potential entrepreneur from a very tender age. These factors are much vibrant if the family is itself engaged in business. India has witnessed the rise of many such family businesses which are carried on for generations. These family businesses try to maintain their legacy through their performance in the market, they try to stand different from other business in respect of the business ethics, work culture, employer-employee relationship, fund management etc. India has witnessed growth of many such family businesses which have led up to become big corporates.

## **Features**

The family business generally starts with **one man show** i.e. the only one man is owner of the business. The business is carried on for generations- **multiple generations** of the same family is involved with the business activity. The **management** of such business is **family oriented**. The family business is influenced by the family emotions and decision making power is in hands of the family members associated with business.

## **Challenges**

The raising of finance is a challenge for a family-owned business compared to non-family owned business because there exists a chance for involvement of emotions in decision making. Family conflict is a major challenge for the family business. The feud in personal life of the owners are often reflected in the business activity which can result in splitting up of business. Recruitment of employees is also a big challenge for the family related business specially, at the higher levels or top-level of management because the owners try to restrict the power of decision making to themselves (among the family members).

## **Conflict in family business and its resolution**

Conflict means difference in opinions between two groups or two individuals. This difference in opinion can be because of family related problems or related to business. The business conflict may be due to the generation gap, sibling rivalry, succession planning, hunger for power and position etc. However, conflict should not be considered as a negative word, sometimes conflict of ideas promotes creativity and innovation.

The conflicts in a family business should be paid utmost attention otherwise it may harm the functioning of the company, productivity of top-level managers, miscommunication among top level authority, delayed decision making etc.. The conflicts can be resolved by identifying the source of conflict, reason of conflict, creating a win-win situation for the parties involved in conflict, requesting family meeting, proper succession planning etc.

Example: Late Dhirubhai Ambani, the business magnet achieved success in India as a budding entrepreneur and his sons (Mukesh Ambani and Anil Ambani) inherited the business skills as a family values and beliefs. Reliance Industries Limited witnessed the spark of a budding entrepreneur with all qualities to be a successful entrepreneur but unfortunately Reliance Industries Limited also witnessed the family conflict and sibling rivalry of two successors of late Dhirubhai Ambani.

### **The contemporary role models in Indian business: their values, business philosophy and behavioural orientations**

1. JRD Tata born in Parsi family in 1904 also best known for being the founder of several industries under the Tata Group. He was architect in expansion of Tata Group, India's largest industrial empire. The Tata group has business in various sectors like steel, power, hotels, chemicals, automobiles, pharmaceuticals, financial services and information technology.
2. Vandana Luthra founder of VLCC (Vandana Luthra Curls and Curves) Health Care Ltd, a beauty and wellness brand in 1989. She promoted the health skin care and fitness among the Indian youth She has been felicitated with a Padma Shri.
3. Brijmohan Lal Munjal born in 1923 founded the biggest motorcycle brand in India, Hero MotorCorp.

These bright name of Indian business are successful entrepreneur due to their values, business philosophy and behavioural orientations. All these entrepreneurs are ethical, futuristic, brave understand the need of stakeholders and positive minded. They identified the needs of the economy, added to value for the public. Such visionaries are always encouraged in the business world.

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