CONTENTS

1. Business Environment

CHAPTER OUTLINE

A business enterprise exists and operates within an environment consisting of economic, social, cultural, political, legal and technological forces.

1.1 MEANING AND DEFINITION OF BUSINESS ENVIRONMENT

Meaning : The term business environment means the sum total of all the forces, factors and institutions which are external to and beyond the control of an individual business enterprise but which exercise a significant influence on its functioning and performance.

DEFINITIONS

Business environment is "the aggregate of all conditions, events and influences that surround and affect business." — ***Keith Davis***

Business environment refers to "the total of all things external to firms and industries which affect their organisation and operation." — ***Bayard O. Wheeler***

"Business environment encompasses the climate or set of conditions, economic, social, political, or institutional in which business operations are conducted." — ***Arthur M. Weimer***

1.2 FEATURES OF BUSINESS ENVIRONMENT

The main features of business environment are as follows.

1. **Dynamic :** Business environment is not static but keeps on changing from time to time. For example, demonetisation of high value currency notes of ₹1000 and ₹500 announced by the Prime Minister on 8th November, 2016 has caused a significant change in India's business environment.
2. **Relative :** Business environment is a relative concept as it differs from country to country and even from one region to another within the same country. For example, the Asian countries like India have a different environment than western countries like the USA and UK. Similarly,

the environment in metropolitan cities like Mumbai and Delhi differs from the environment in villages and small towns in India. Sarees and suits are the normal dress for ladies in rural India whereas jeans and trousers are more popular among ladies in metropolitan cities.

3. **Inter-related :** Different elements of business environment are closely inter-related and interdependent. A change in one element affects the other elements. Economic environment influences the non-economic environment which in turn affects the economic conditions. For example, economic liberalisation in India since 1991 has opened up new opportunities for private sector and foreign entrepreneurs. Similarly, increasing awareness for healthcare has led to increase in demand for organic food, slimming centres, health spas, etc. New products and services meant for improving health in turn are causing changes in the lifestyle of people. Likewise, social pressures against pollution led to the enactment of anti-pollution laws. Therefore, managers should not consider environmental factors in isolation from one another. A wholistic approach is necessary for proper understanding of business environment.

4. **Complex :** Business environment is complex because it consists of several inter-related components which keep on changing. A change in one component can have far reaching impact on other components. For example, the change of the central government in 2014 has caused several changes in economic policies and procedures in India. It is, therefore, quite difficult to understand business environment.

5. **Uncertain :** Business environment is largely uncertain because it is very difficult to accurately forecast the future events. The environment is quite volatile particularly in a fast growing country like India. Political, technological and social changes have gained momentum. Presidency of Donald Trump in the USA, Twitter, Smartphone, Paytm, BHEEM and other Apps and women empowerment are examples of recent changes in environment.

6. **Totality of Internal and External Forces :** Business environment is the sum total or aggregate of all the internal and external forces which influence the working and performance of a business enterprise. Internal forces include the top management team, mission and objectives, culture, and resources of an enterprise. These exercise a great influence, for example, the removal of Cyrus Mistry by Ratan Tata from the Chief Executive position in Tata Group Companies has caused a major change in the Tata Group. External forces consist of economic, social, political, legal and technological forces.

7. **General and Specific Forces :** Business environment consists of both general and specific forces. General forces such as economic, social, cultural, political, legal, natural and technological conditions indirectly influence all business enterprises. For example, demonetisation has affected all business enterprises in India. But specific forces such as investors, customers, competitors, suppliers, etc. directly influence an individual enterprise. General forces are common to all enterprises but specific forces differ from one enterprise to another. For example, people who do not own a vehicle are not customers of a petrol pump or a tyre firm. General forces are called **macro environment** whereas specific forces are called **micro environment.**

8. **Universality :** Business environment is universal or pervasive. Every enterprise, whether large or small, manufacturing or trading, has to face the environmental forces, at all times. Every country and region has a particular business environment and no enterprise can function in isolation of its environment.

9. **Various Stakeholders :** Business environment consists of several stakeholders who have a stake (interest) in the functioning and performance of business enterprises. These stakeholders contribute to the success of an enterprise. In return they have some expectations from the enterprise. The main stakeholders are given below.

   (i) **Customers :** The people who buy a firm's products and services are its customers. A business exists to create and satisfy customers. A firm may have different types of customers like individuals, households, Government departments, commercial establishments, etc. For example, the customers of a paper company may include students, teachers, educational institutions, business firms and other users of stationery.

   In order to be successful, a company must understand and meet the needs and expectations of its customers. A firm can select the target customer group or market segment on the basis of factors like profitability, elasticity of demand, dependability, degree of competition and growth prospects. It is generally risky to depend upon a single customer group. The customer environment is becoming global due to increasing globalisation and liberalisation of the economy. With the opening up of Indian market and foreign markets, the customer is becoming more global in the matter of shopping.

   (ii) **Competitors :** A company may have both direct and indirect competitors. Direct competitions are the other firms which offer the same or similar products and services. For example, Sony TV faces direct competition from other brands like LG, Samsung, Onida, Videocon, BPL, etc. Indirect competition comes from firms vying for discretionary income. For example, a cinema house, faces indirect competition from Casino, and other firms marketing entertainment. Due to economic liberalisation and globalisation, Indian companies are now facing competition from both domestic firms and multinational corporations. In order to understand the full range of its competition, a company must look from buyers' viewpoint.

   (iii) **Suppliers :** Suppliers refer to the people and groups who supply raw materials and components to the company. Reliable sources of supply enable the company to carry on uninterrupted operations and to minimise inventory carrying costs. Suppliers also influence quality levels and costs of manufacturing. It is very risky to depend on a single supplier. A strike or any other production problem of the supplier may cause interruptions in manufacturing. Therefore, it is advisable to develop and sustain multiple sources of supply. Some companies like Maruti Suzuki undertake vendor development to ensure timely and regular supply of materials and parts. The relationship between the suppliers and the firm reflects a power equation which is based on the extent to which each of them is dependent on the other.

   (iv) **Marketing Intermediaries or Dealers :** Several marketing intermediaries help a company in promoting, selling and distributing its products to consumers. Middlemen like agents, wholesalers and retailers serve as a link between the company and its customers. Transportation firms and warehouses assist in the physical distribution of products. Advertising agencies, marketing research agencies and insurance companies are other types of marketing intermediaries. Countrywide retail distribution network has contributed significantly to the success of companies like Hindustan Unilever and Dabur India.

(v) **Financiers or Investors :** The shareholders, financial institutions, debentureholders and banks provide finance to a company. Financial capacity, policies and attitudes of financiers are important factors for the company. For example, the company cannot raise funds through shares if the financiers are not risk taking.

(vi) **Government :** Central and State Governments offer infrastructural facilities, funds, subsidies, tax incentives and other support to business enterprises for rapid economic growth of the country. In return, Governments expect business enterprises to abide by the country's laws, culture, policies and programmes, to pay taxes honestly and in time, to minimise pollution, to assist in export promotion, employment generation, development of backward areas, etc.

(vii) **Publics :** Publics include all those groups who have an actual or potential interest in the company or who influence the company's ability to achieve its objectives. Media groups, environmentalists, non-government organisations (NGOs), consumer associations and local community are examples of publics. These publics can have both positive and negative impact on a business firm. For example, media groups can be used to disseminate useful information. A company can cooperate with the local people to improve its image as well as to provide some benefit to the people. On the negative side, local community concerned with public health can force a company to suspend operations or to take pollution control measures. Non-government organisations often organise protests against firms suspected of being guilty for child labour, cruelty against animals and damage to nature. For example, one of the leading companies in India was attacked by the media for writing advertisements on rocks near a famous hill station. Such activities of publics can tarnish the image of business.

(viii) **Workers and Trade Union :** Workers and their union are an important component of micro environment. A firm's relations with its workers and trade union have a significant impact on its functioning and performance. Company's work environment and industrial relations system must be conductive to efficient functioning.

According to Philip Kotler, "Companies must put their primary energy into effectively managing their relationships with their customers, distributors and suppliers. Their overall success will be affected by how other publics in the society view their activity. Companies would be wise to spend time monitoring all their public, understanding their needs and opinions, and dealing with them constructively."

Fig. 1.1 : Stakeholders of A Business Enterprise

1.3 IMPORTANCE OF BUSINESS ENVIRONMENT

Business environment provides the macro framework within which the business firm (a micro unit) operates. The environmental forces are largely those given within which an individual enterprise and its management must function.

Business environment exercises tremendous influence on the working and success of business firms. Different elements of business environment have different types and degrees of influence on business. A factor that has a favourable impact on one firm may adversely effect another firm. Therefore, management of a business enterprise must have a deep understanding and appreciation of the environment. The changes taking place in environment must be continuously monitored to judge their impact on business. Appropriate and timely steps must be taken to face the environmental changes.

The survival and success of any enterprise depends upon its inherent capabilities (physical, financial, human and other resources) and its ability to adapt to the changing environment.

It is very important for business firms to understand their environment and changes occurring in it. Business enterprises which know their environment and are ready to adapt to environmental changes would be successful. On the other hand, firms which fail to adapt to their environment are unlikely to survive in the long run. For example, some Indian firms suffered considerably because they failed to appreciate the tightening regulations against environmental pollution. Knowledge of environmental changes is very helpful in the formulation and implementation of business plans. A business can obtain this knowledge through environmental scanning. Environmental scanning is the process by which organisations monitor their relevant environment to identify opportunities and threats affecting their business. With the help of environmental scanning, an enterprise can consider the impact of different events, trends, issues and expectations on its business operations. Firms which systematically analyse and diagnose the environment are more effective than those which do not.

Some of the direct benefits of understanding the environment are given below.

1. **First Mover Advantage :** Awareness of environment helps an enterprise to take advantage of early opportunities instead of losing them to competitors. For example, Maruti Suzuki became the leader in small car market because it was the first to recognise the need for small cars on account of rising petroleum prices and a large middle class.
2. **Early Warning Signals :** Environmental awareness serves as an early warning signal. It makes a firm aware of the impending threat or crisis so that the firm can take timely action to minimise the adverse effects, if any. For example, when new firms entered in the mid segment cars (threat), Maruti Suzuki increased the production of its Esteem threefold. Increase in production enabled the company to make faster delivery. As a result the company captured a substantial share of the market and became a leader in this segment.
3. **Business Strategies :** In order to survive and succeed in a fast changing and competitive environment, a business enterprise must formulate and execute appropriate strategies. Monitoring of environmental changes provides relevant information which serves as the basis for strategy making. For example, ITC realised that there is a vast scope for growth in the travel and tourism industry in India and the Government is keen to promote this industry because of its employment potential. With the help of this knowledge, ITC planned new hotels both in India and abroad. Study of environment enables an organisation to analyse its competitors' strategies and thereby formulate effective counter strategies. All

strategic decisions such as what business to do, whether to expand or reduce a business, and so on require a thorough understanding of the internal and external environment of the organisation.

4. **Competitive Advantage :** Business enterprises try to gain and sustain an edge over each other. As competition is increasing, gaining a sustainable competitive advantage has become necessary. For example, Reliance Communication has gained a competitive advantage by launching Jio. The data speed of Jio 18.17 MB is double that of its rivals. The firm is again going to disrupt India's smartphone market with its low cost 4G voice over LTE or VOLTE feature phones and low cost tariff plan.
5. **Customer Needs and Confidence :** In order to gain confidence of customers, a business enterprise must accurately understand their needs, preferences and expectations. Such understanding will enable the enterprise to design and develop products/services that fully satisfy the aspirations of customers. Customer satisfaction is the best way to create and retain customers. For example, Patanjali Ayurveda has won the confidence of customers who prefer herbal products. It has achieved a sales turnover of ₹5,000 crore and aims at achieving ₹10,000 crore turnover within two years.
6. **Public Image :** A good public image (goodwill) is an invaluable asset for a business enterprise. A business firm can improve its image in public by contributing to the betterment of society and by helping social causes such as employment of disabled, pollution control, public health and education, etc. It must be sensitive to the needs and aspirations of people. Leading business houses such as the Tatas, Birlas, Ambanis and others have built good public image through their support to schemes of public welfare.
7. **Coping with Change :** Business leaders act as agents of change. They create a drive for change at the grass root level. In order to decide the direction and nature of change the leaders need to understand the aspirations of people and other environmental forces through environmental scanning. For example, contemporary environment requires prompt decision-making and power to people. Therefore, business leaders are increasingly delegating authority to empower their staff and to eliminate procedural delays.

   Environmental analysis serves as broad based and ongoing education for business executives. It keeps them in touch with the changing scenario so that they are never caught unaware. With the help of environmental learning managers can react in appropriate manner and thereby increase the success of their organisations. Knowledge of changing environment can keep the organisation dynamic in its approach.
8. **Keeping Pace with Consumerism :** Consumerism means the movement which seeks to increase the rights and powers of consumers. This movement has changed the maxim caveat emptor (let the buyer beware) to caveat venditor (let the seller beware). Consumer associations, voluntary organisations, Non-government organisations (NGOs), media and Government have all contributed to consumerism. Consumerism requires business firms to be increasingly sensitive to the expectations of consumers. Otherwise their survival and success will be in danger. Study and understanding of the changing needs, preferences and aspirations of consumers helps a business enterprise to avoid this danger.

1.4 DIMENSIONS OR ELEMENTS OF BUSINESS ENVIRONMENT

The main dimensions or elements of macro (external) environment of business are as follows.

(*i*) Political and legal environment

(*ii*) Social and cultural environment
(*iii*) Economic environment
(*iv*) Financial environment
(*v*) Technological and physical environment
(*vi*) Natural environment
(*vii*) Global environment

1. **Political and Legal Environment :** Political environment comprises the elements relating to government affairs. It serves as the regulatory framework of business. The main constituents of a country's political and legal environment are as follows :
   (*i*) The constitution of the country.
   (*ii*) Political organisation — organisation and philosophy of political parties, ideology of the Government, nature and extent of bureaucracy, influence of primary groups, business donations to political parties, political consciousness, etc.
   (*iii*) Political stability — structure of military and police force, election system, law and order situation, President's Rule, foreign infiltrations, secessionist activities, etc.
   (*iv*) Image of the country and its leaders.
   (*v*) Foreign policy — alignment or non-alignment, relations with neighbouring countries.
   (*vi*) Defence and military policy.
   (*vii*) Laws governing business, and legal system.

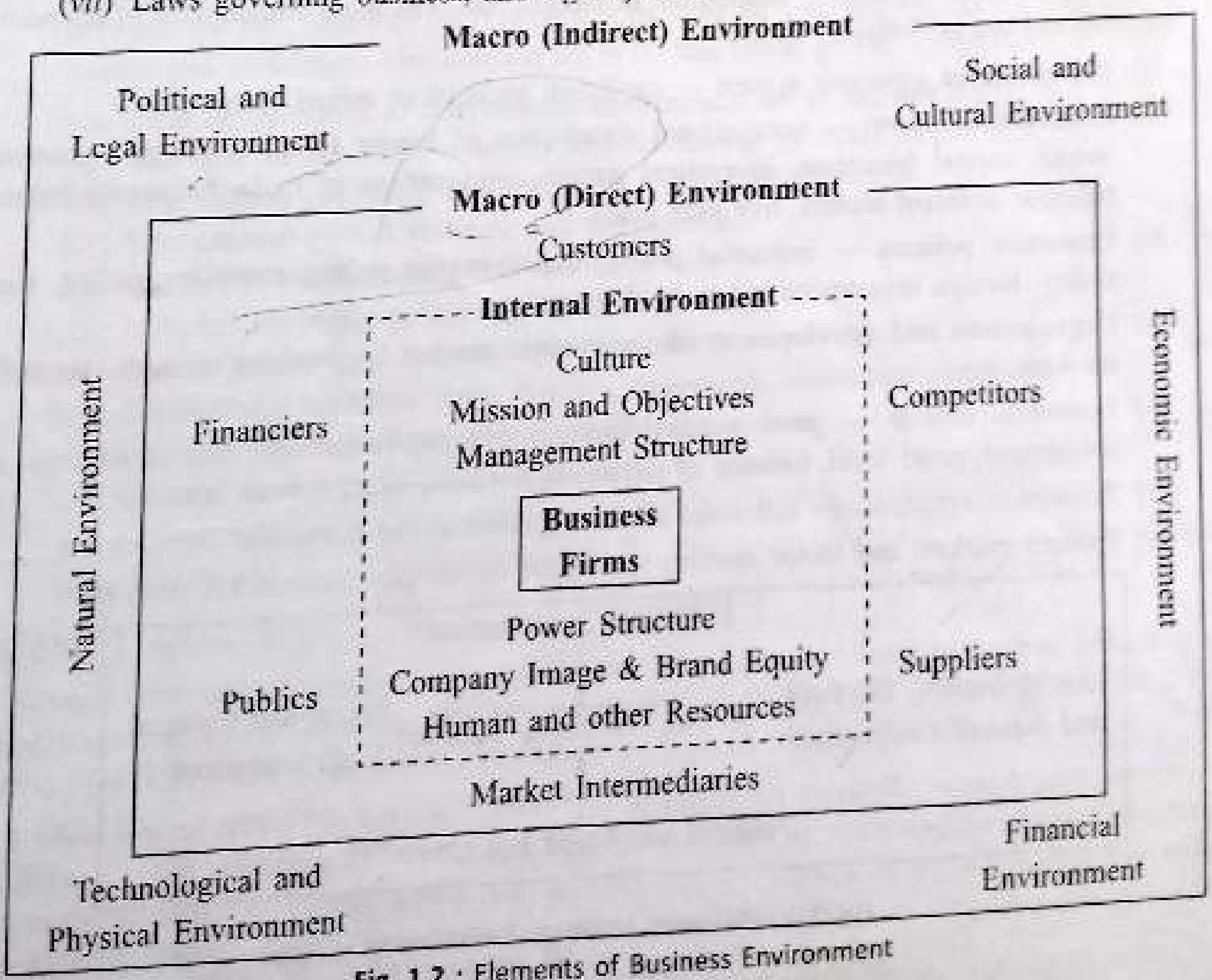

Fig. 1.2 : Elements of Business Environment

(*viii*) Flexibility and adaptability of laws — constitutional amendments and direction of public policies.

(*ix*) The judicial system — implementation and effectiveness of laws.

2. **Social and Cultural Environment :** Social environment refers to the characteristics of the society in which a business firm exists. Social and cultural environment consists of the following :

(*i*) Demographic forces — size, composition, mobility and geographical dispersal of population.

(*ii*) Social institutions and groups.

(*iii*) Caste structure and family organisation.

(*iv*) Educational system and literacy rates.

(*v*) Customs, attitudes, beliefs, values and lifestyles.

(*vi*) Tastes, preferences of people, and their buying behaviour.

Family, marriage, education, religion, attitudes to work and wealth and ethics are some examples of socio-cultural factors.

3. **Economic and Financial Environment :** The economic environment comprises all those economic forces which influence the functioning of business enterprises, *e.g.*, the nature and structure of the economy, the stage of economic development, economic resources, the level of income, economic policies, distribution of income, etc. The main components of economic environment are as follows :

(*i*) The nature of economic system — capitalist, socialist or mixed economy.

(*ii*) Economic structure — occupational distribution of labour force, structure of national output, capital formation, investment pattern, composition of trade, balance/imbalance between different sectors, five year plans.

(*iii*) Economic policies — industrial policy, export-import policy, monetary policy, fiscal policy, foreign investment and technology policy.

(*iv*) Organisation and development of the capital market — banking system, securities markets, etc.

(*v*) Economic indices — gross national product, per capita income, rate of savings and investment, price level, balance of payments position, interest rates, etc.

(*vi*) Economic infrastructure and stage of development of the economy.

(*vii*) Product markets and factor markets — degree of competition, market size, etc.

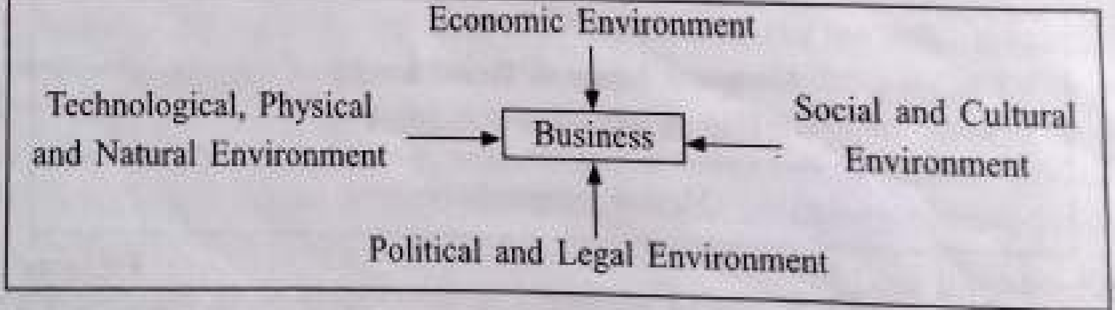

Fig. 1.3 : Elements of Macro Environment

4. **Technological and Physical Environment :** The main elements of technological and physical environment are the following :
   (*i*) Sources and types of technology.
   (*ii*) Rate of technological change.
   (*iii*) Approaches to production of goods and services.
   (*iv*) New processes and equipment.
   (*v*) Research and Development (R&D) systems.
5. **Natural Environment :** The main natural forces are as follows :
   (*i*) Climatic and geographical conditions.
   (*ii*) Agricultural, commercial and other natural resources.
   (*iii*) Ecological system.
   (*iv*) Levels of pollution.
6. **Global Environment :** International agencies (World Bank, IMF, WTO, EEC, etc.), international conventions, treaties and agreements, economic and business conditions in other countries, etc. Certain developments such as a hike in the crude oil price have global impact. Developments in information and communication technologies facilitate rapid spread of culture across countries. Economic conditions abroad affect Indian firms. For example, exports increase when markets expand abroad. International political factors can also affect business. For example, improvements in relations between India and Pakistan has led to higher trade between the two countries. WTO regulations have far reaching impact on business in India. Import and investment liberalisation by WTO has led to greater competition in India.

   The main determinants of international environment are as follows :
   (*i*) The state of the world economy and distribution of world output.
   (*ii*) International economic cooperation.
   (*iii*) International market structure and competition.
   (*iv*) Barriers to international trade and investment.
   (*v*) National economic policies of different countries.
   (*vi*) Role of multilateral economic institutions.
   (*vii*) International economic laws, treaties, agreements, codes and practices.
   (*viii*) Political system and conditions in different countries.
   (*ix*) Cultural factors in different countries.
   (*x*) Growth and transfer of technology.
   (*xi*) Growth and spread of multinationals.

1.5 SWOT ANALYSIS

Several statistical and mathematical techniques have been developed to analyse and diagose the complex environment of business. SWOT analysis, ETOP, QUEST, BCG Matrix, Directional Policy Matrix, PESTLE, etc. are the major techniques.

1.5.1 Meaning of SWOT Analysis : SWOT is acronym for strengths, weaknesses, opportunities and threats. While strengths and weaknesses can be identified by analysing the internal environment (corporate appraisal), opportunities and threats can be identified by analysing the external environment. SWOT analysis can also be modified into TOWS (Threats, Opportunities, Weaknesses and Strengths).

Strength : Strength is an inherent capability of the company which it can use to gain strategic advantage over its competitors. Country-wide distribution network, for example, is a strength of Hindustan Unilever Limited.

Weakness : A weakness is an inherent limitation or constraint of the company which creates strategic disadvantages for it. Family fend is today a weakness of Reliance Industries.

Opportunity : An opportunity is a favourable condition in the company's external environment which enables it to strength its position. Economic liberalisation and globalisation offers an opportunity to companies which want to enter banking, insurance, telecommunication sectors.

Threat : A threat is an unfavourable condition in the company's external environment which causes a damage or risk to its position. Competition from multinational corporations is a threat for Indian firms.

SWOT analysis is helpful in the formulation of an effective strategy that can capitalise on the opportunities and neutralise the threats faced by an organisation.

SWOT Analysis of Hindustan Unilever Ltd. (HUL)

Strengths

- a strong brand portfolio
- consumer understanding
- R & D ability
- distribution reach
- high quality manpower

Weaknesses

- increase consumer spends on education, consumer durable, entertainment, travel, etc. resulting in lower share of wallet for FMCG
- limited success in changing the eating habits of people
- complex supply chain configuration
- unwieldy number of stock keeping units (SKUs)
- dispersed manufacturing locations

Opportunities

- increased penetration especially in rural areas
- brand growth through increased consumption depth
- frequency of usage across all categories
- upgrading consumers through innovation to new levels of quality and performance
- emerging modern trade to be effectively used for introduction of more upscale personal care products.
- growing consumption in out of home categories

Threats

- low-priced competition
- spurious/counterfeit products in rural areas
- changes in fiscal benefits
- unfavourable prices in oils

1.5.2 Importance of SWOT Analysis : SWOT analysis is a very useful technique for analysing and understanding the business environment. Its main merits are as follows :

1. It is very simple to understand, prepare and use.
2. It provides a comprehensive picture of all the components of business environment.
3. It is inexpensive.
4. It does not require much time.
5. It is quite flexible and can be applied in all types of business enterprises.
6. It serves as the basis for strategy making.

SUMMARY

MEANING : Business environment is the aggregate of all the factors, forces and institutions that influence the working and performance of a business enterprise.

FEATURES : Dynamic, relative, interrelated, complex, uncertain, totality of internal and external forces, general and specific forces, universality and various stakeholders.

IMPORTANCE : First mover advantage, early warning signals, business strategies, competitive advantage, customer needs and confidence, public image, coping with change and keeping pace with consumerism.

DIMENSIONS : Economic, social and cultural, political and legal, technological and international.

SWOT ANALYSIS : Analysis of the Strengths (S), Weaknesses (W), Opportunities (O) and Threats (T) of an organisation. SWOT analysis is simple, inexpensive, comprehensive, time saving and flexible tool.

EXERCISES

Short Answer Type Questions

1. Define the term 'Business Environment'.
2. What is meant by 'Stakeholders'?
3. Expand the acronym 'SWOT'.
4. "Business environment includes both general and specific forces." Comment.
5. List four dimensions of business environment.
6. Why is business environment called 'Dynamic'?
7. "The understanding of business environment provides a first mover advantage." Elucidate.

Long Answer Type Questions

1. What is meant by Business Environment? Explain its main features.
2. Explain by giving any eight reasons why business firms need to understand their business environment.
3. Describe by giving suitable examples any four dimensions of business environment.
4. What is SWOT Analysis? Give the SWOT analysis of a company with which you are familiar.

2. Entrepreneurship

CHAPTER OUTLINE

Entrepreneurship is an interesting and challenging subject. The word 'entrepreneur' first appeared in the French language and was applied to leaders of military expeditions and civil engineering. Richard Cantillon, an Irishman living in France, was the first person to use the term 'entrepreneur' to refer to economic activities.

2.1 MEANING AND DEFINITION OF ENTREPRENEUR

Meaning : An entrepreneur is one who undertakes an enterprise. Undertaking an enterprise involves combining labour, capital and other inputs to produce and/or sell a product or service. An entrepreneur introduces some innovation, assembles resources to execute it and bears calculated risk. An entrepreneur may be an individual or a group of individuals who recognises an opportunity, gathers the resources needed to exploit the opportunity and assumes the risk involved. An entrepreneur initiates, organises and controls the affairs of an enterprise to supply products, services or ideas. Innovating, risk bearing and organising are the main functions of an entrepreneur.

Definitions of Entrepreneur

An entrepreneur is "*the agent who buys means of production at certain prices in order to combine them into a product that he is going to sell at prices that are uncertain at the moment at which he commits himself to his costs. For example, a farmer pays out contractual incomes which are certain to the landlords and labourers, and sells at prices that are uncertain.*"

— ***Richard Cantillon***

"*An entrepreneur is the economic agent who unites all means of production — the labour of the one, the capital or land of the other and who finds in the value of products which result from* *their employment, reconstitution of the entire capital that he utilises and the value of the wages, the interest and the rent which he pays as well as profits belonging to himself."* — ***J. B. Say***

"An entrepreneur is an innovator who brings economic development through new combination of factors of production." — ***Joseph Schumpeter***

"An entrepreneur is one who always searches for change, responds to it, and exploits it as an opportunity." — ***Peter F. Drucker***

"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 it for income." — ***David C. Mcclelland***

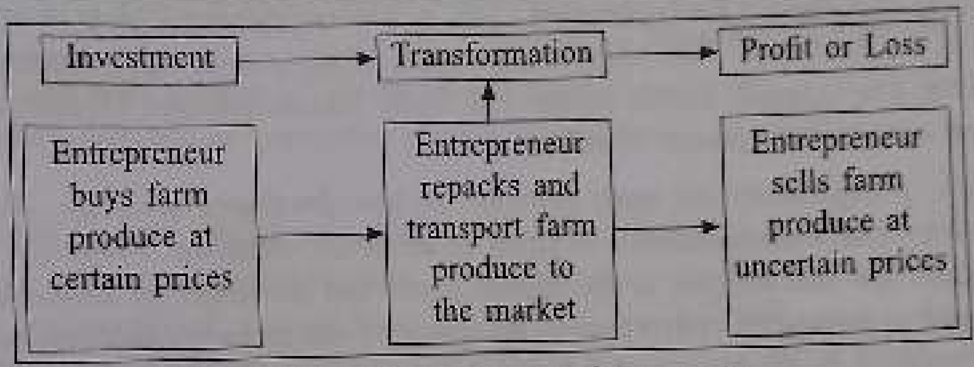

Fig. 2.1 : Cantillion's Early View of Entrepreneur

An entrepreneur needs several traits or qualities such as ability to take risk, ability to assemble resources, capacity to work hard, vision and foresight, imagination and initiative, sound judgement, drive and persistance, creative thinking, strong need for achievement, etc.

Table 2.1 : Distinction Between Entrepreneur and Manager

Basis of Distinction	Entrepreneur	Manager
1. Risk taking	An entrepreneur assumes the risks of enterprise	Manager does not assume risks of enterprise
2. Status	An entrepreneur is his own boss – self employed	A manager works under a boss — an employee
3. Capital Investment	An entrepreneur invests some capital in the enterprise	A manager does not invest capital in the enterprise
4. Return or Reward	Profit which is uncertain, irregular and can be a loss	Salary which is fixed and regular
5. Example	Anand Mahindra-owner of Mahindra & Mahindra	Pawan Goenka/Managing Director of Mahindra & Mahindra

An entrepreneur can also be the top manager of his enterprise. But a manager is not the entrepreneur of the enterprise in which he is employed.

2.2 TYPES OF ENTREPRENEURS

Clarence Danhof has classified entrepreneurs into the following categories.

1. **Innovative Entrepreneurs :** An innovative entrepreneur discovers the opportunity for introducing a new product/service or a new technique of production/distribution. For example,

Ajit Narayan, an IIT Chennai Alumnus created a communication device that converted limited muscle movements (head or finger movements) into speech. He launched Invention Labs to produce and sell the device. Similarly, Vijay Sekhar Sharma launched Paytm, a digital payment system.

Innovative entrepreneurs are more common in developed countries. There is dearth of such entrepreneurs in underdeveloped countries. Such entrepreneurs emerge only when the country has achieved a certain level of development and people look forward to change and progress. Several graduates from IITs and IIMs are emerging as innovative entrepreneurs in India.

2. **Imitating or Adoptive Entrepreneurs :** This type of entrepreneurs adopt or imitate successful innovations created by innovative entrepreneurs. They imitate the technology and systems of others. For example, Sachin Bansal and Binny Bansal launched Flipkart, an e-commerce firm on the lines of Amazon of USA.

   Imitative entrepreneurs are more common in less developed countries. They imitate the technology and business models of firms in advanced countries. There is a need to adjust and adopt new technologies to the special needs and conditions of developing nations. As compared to innovative entrepreneurs, the imitative entrepreneurs face less risk. The former is a creator while the later is an adopter. Imitative entrepreneurs play an important role in countries having limited resources. They make modifications to innovations of innovative entrepreneurs.

3. **Fabian Entrepreneurs :** The entrepreneurs of this type are very cautious and skeptical while practising any change. They have neither the will to introduce something new nor the desire to imitate innovations of others. Fabian entrepreneurs are shy and lazy. They are not willing to take risk and follow the footsteps of their predecessors. Customs, traditions, religion and past practices dominate their dealings. Mom and Pop stores are largely fabian entrepreneurs.

4. **Drone Entrepreneurs :** These entrepreneurs refuse to adopt and use opportunities to carry out changes in production and distribution. Such entrepreneurs may even suffer losses due to their inertia and stubborn nature. They are laggards because they continue to operate in traditional ways and resist changes. They are pushed out of the market when their products/services lose marketability and their operations become uneconomical. Several Indian entrepreneurs wound up their businesses as they failed to face the challenges created by Liberalisation, Privatisation and Globalisation (LPG) which began in 1991. Most of the textile factories in Mumbai closed down because they did not moderise their plant and machinery and did not respond to changing needs and preferences of consumers. DCM Data Products was one of the earliest computer firms in India. But it could not survive due to the failure to keep pace with changes in information technology. Infosys Technologies became a leading information technology company while Patni computers suffered even though Infosys was launched by former employees of Patni computers.

2.3 MEANING AND DEFINITION OF ENTREPRENEURSHIP

The word 'entrepreneurship' has been derived from French root which means to 'undertake'. Entrepreneurship is the process of undertaking an economic activity that involves risk. It consists running an enterprise. It involves innovating, organising and coordinating.

DEFINITIONS OF ENTREPRENEURSHIP

"Entrepreneurship is the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique and selecting top managers of the enterprise."

— ***B. Higgins***

"Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilise human, financial and material resources necessary to bring a project to fruition."

— ***John Kao and Howard Stevenson***

"Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandise profit by production or distribution of economic goods and services."

— ***A. H. Cole***

"Entrepreneurship is the ability to create and build something from practically nothing. It involves initiating and building an enterprise .... . It is the knack for sensing an opportunity where others see chaos, and confusion. It is the know how to find, marshall and control resources and to make sure the venture does not run out of money when it is needed most."— ***Jeffrey A. Timmons***

"Entrepreneurship is any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business." — ***The Global Entrepreneurship Monitor***

2.4 CHARACTERISTICS OF ENTREPRENEURSHIP

The main characteristics of entrepreneurship are as follows.

1. **Economic Activity :** Entrepreneurship involves the creation and operation of an enterprise. Therefore, it is essentially an economic activity. It involves creation of value or wealth.
2. **Creative Activity :** Entrepreneurship involves innovation or introduction of something new. It is a creative response to the environment. An entrepreneur recognises the need for change and initiates it. He does things in new and better ways.
3. **Dynamic Process :** Entrepreneurship thrives on the changing environment which brings new opportunities for business. Flexibility is the hallmark of a successful entrepreneur.
4. **Purposeful Activity :** Entrepreneurship is the purposeful activity of an individual or a group of individuals who seek to earn profits through the production and distribution of economic goods and services.
5. **Risk Element :** Entrepreneurship make decisions in the face of uncertainty. Therefore, risk is an inherent and inseparable element of entrepreneurship. An enterprise is undertaken for profits but there is every possibility of loss.
6. **Organisation Building :** An entrepreneur assembles and coordinates other factors of production, *i.e.*, land, labour and capital. Managerial skills and leadership are other very important facets of entrepreneurship.
7. **Gap Filling Function :** It is the job of an entrepreneur to fill the gaps between needs and goods and services. He has to complete the inputs and provide the knowledge about the production process.

Thus, entrepreneurship is a multi-dimensional concept. It is both an art as well as a science. But it is more of an art than a science. There are very few principles or ground rules that apply to the creation and running of business enterprises. The environment in which entrepreneurs operate is very heterogeneous and dynamic. Success depends on the ability of the entrepreneur to visualise the future correctly and to take effective measures to exploit the environmental changes. Favourable circumstances and background of the person, however, influence success or failure to some extent.

Table 2.2 : Entrepreneur *and* Entrepreneurship

Entrepreneur Refers to	Entrepreneurship Refers to
Visualiser	Vision
Organiser	Organising
Initiator	Initiative
Innovator	Innovation
Imitator	Imitation
Motivator	Motivation
Planner	Planning
Decision-maker	Decision-making
Risk-bearer	Risk-bearing

2.5 MEANING AND DEFINITION OF INTRAPRENEURSHIP

Gifford Pinchot III wrote his famous book **Intrapreneuring** in 1985. He used the term **intrapreneur** to refer to the person who is a senior manager in a big company but functions like an entrepreneur. He is the head of a semi-autonomous division. He is empowered to discover and execute innovative business ideas within the corporate framework or a Strategic Business Unit (SBU). He takes personal responsibility for pursuing the idea and executing it. The company provides him the necessary freedom, funds and other resources to introduce new products, services, processes, etc.

Several senior executives of big companies left their well paid jobs to start their own enterprises because they were not given the authority and resources to pursue their innovative ideas or dreams. They are driven more by the desire for achievement than by monetary gain. The enterprises launched by them in some cases posed a serious threat to the enterprises they left.

Several corporations adopted the practice of intrapreneurship to retain these creative top executives. For example, the International Business Machines (IBM) created Independent Business Units (IBUs). Each IBU is promoted and run by an intrapreneur. Jack Welsch, the former chairman of General Electric (GE) USA said that the key to allure intrapreneurs is to give them a sense of ownership and create an environment that encourages risk taking and tolerates failures.

Intrapreneurship is the process of discovering and exploiting business opportunities within an existing company. It involves launching new business ventures within the framework of a present corporation. Intrapreneurship is also known as corporate entrepreneurship or corporate venturing.

2.6 CHARACTERISTICS OF INTRAPRENEURSHIP

The main characteristics of intrapreneurship are as follows.

1. **Corporate Framework :** Intrapreneurship occurs within the framework of an existing company. The intrapreneur is given the charge of discovering and exploiting business opportunities in an already functioning large and diversified corporation.
2. **Semi-Autonomous :** Intrapreneurship involves creating and nurturing a semi-autonomous business unit which may be a subsidiary, a strategic business unit or a division.
3. **Lack of Ownership :** The intrapreneur is not the owner of the unit he creates and nurtures. In some cases he may be given some stake in the equity of the company.
4. **Senior Position :** An intrapreneur occupies a senior managerial position in the company. He may be a divisional head or chief executive officer.
5. **Low Risk Taking :** An intrapreneur does not bear the full risk of failure. He may lose his job and his image in the industry may suffer but financial loss is not catastrophic.
6. **Not Own Boss :** An intrapreneur is not his own boss in legal terms. He enjoys freedom and get the required resources and support. But he is accountable to the owner / promoter of the company.

Table 2.3 : Distinction between Entrepreneurship and Management

Basis of Distinction	Entrepreneurship	Management
1. Venture creation	It is the process of setting up an enterprise	It is the process of running an existing enterprise
2. Risk taking	It involves a higher degree of risk as an entrepreneur is self-employed	It involves less risk as a manager is employed and gets regular salary
3. Innovation	Entrepreneurship involves innovation	Innovation is not an essential part of management
4. Reward	Profits are the reward of entrepreneurship	Salary is the reward of management
5. Status	Entrepreneurship enjoys a higher status as it is job-creator	Management is not job creator to the extent of entrepreneurship

2.7 DIFFERENCES BETWEEN ENTREPRENEURSHIP AND INTRAPRENEURSHIP

The functions involved in both entrepreneurship and intrapreneurship are by and large similar. However, there are several differences between the two.

1. **Independence :** Entrepreneurship is a fully independent enterprise. On the other hand, intrapreneurship is dependent on the promoters/owners of the corporation.
2. **Capital Investment :** Entrepreneurship involves investment of own capital and raising capital from other sources. On the contrary, intrapreneurship does not involve investment of own capital by the intrapraneur. He is also not responsible for raising capital from others.

3. **Risk Bearing :** Entrepreneurship entails bearing full risk of business failures. But intrapreneurship does not entail risk bearing. The intrapreneur is not responsible for the risk of the ventures he develops and operates.

4. **Framework :** An entrepreneur operates from outside whereas an intrapreneur is an organisation man operating from within the organisation.

5. **Ownership :** An entrepreneur is the owner of his business venture. But an intrapreneur is a paid executive of the company.

6. **Reward :** Profit is the reward of entrepreneurship. On the other hand, the reward of an intrapreneur is salary and stoke options.

Table 2.4 : Difference between Entrepreneur and Intrapreneur

Basis of Distinction	Entrepreneur	Intrapreneur
1. Status	An independent business person	A senior executive within a company
2. Ownership	Owner of the business	An employee, sometimes a share in ownership
3. Financing	Responsible for raising finance for the business	Not responsible for raising the finance
4. Risk bearing	Bears the risk of business	Does not bear the risk of business
5. Reward	Profit which is uncertain and irregular, can be loss	Fixed salary and fringe benefits
6. Context	Leave organisation to launch their business	Pursue their ideas within existing organisation
7. Need for Security	Low	High
8. Justification	They are free to guide their ventures by their own instinctive judgement	They must persuade their bosses that their new ideas are promising

2.8 MEANING AND DEFINITION OF ENTERPRISE

Enterprise means an undertaking or adventure that requires some innovation and investment and thus involves risk. Just as family is the basic unit of society, enterprise is the basic unit of economy. It obtains factors of production, coordinates them, converts them into something useful and provides it to the society. Enterprise always entails decision making, coordination and risk bearing.

The essential features of an enterprise are as follows.

(*i*) An enterprise consists of people who work together primarily for the purpose of making and/or selling a product or service. Production for self-consumption and non-business organisations, e.g. trade associations providing economically valuable services are not enterprises inspite of being important activities in an economy. An enterprise, whether public or private, large or small exists in order to produce a product or service that others consume and pay for it.

(*ii*) An enterprise utilises raw materials, machinery, energy, space and other inputs to produce and/or sell. It has to incur costs on the procurement of these inputs.

(*iii*) Every enterprise makes a comparison between its costs (inputs) and gains (outputs). Therefore, its management must have sufficient autonomy to take appropriate actions to maintain and improve the success of the enterprise.

(*iv*) An enterprise is a continuing entity. It is not an *ad hoc* effort to produce a single product but rather a recurring effort to produce a stream of products. Some firms may go out of business after a single transaction. But this is due to failure of management or unforeseen conditions and not a planned or desired outcome.

To conclude, enterprise is an undertaking involving some economic activity, particularly a new though not necessarily an unknown activity. It may or may not involve an innovation. It always involves risk taking, several factors internal and external to the business world. Some of these factors may be under the control of the entrepreneur. But most of the factors are beyond control. In the modern business world environment has become the decisive factor not only for entering into business but also for survival and growth of business. Entrepreneurs and managers try to monitor and cope with business environment through techniques like business forecasting, SWOT analysis, contingency planning, etc.

2.9 STEPS IN SETTING UP AN ENTERPRISE

An entrepreneur has to take several decisions in order to establish an enterprise. Such decisions are known as entrepreneurial decisions. Entrepreneurial decisions are required to tackle the problems of launching a new enterprise. A promoter or entrepreneur who wants to establish a new business enterprise has to take the following decisions.

1. **Selecting the Line of Business :** The first procedural decision involved in setting up a new enterprise is to select the nature and type of business. The entrepreneur has to decide the line of business in terms of industrial, trading or service. Then he has to select the types of goods and services he will produce or distribute. He has to consider several factors, *e.g.*, nature and source of raw materials, type of technology to be used, source of supply, distribution policy, etc. After deciding the nature of business activity, the promoter has to analyse and forecast the profitability of the proposed business on the basis of probable operating costs and sales revenues. Operating costs imply cost of procuring different inputs while sales revenue depends upon the size of the market, probable market share of the proposed undertaking, expected growth of total market, sales efforts and policies, etc. A market survey may be carried out to estimate these factors. Marketing research may be carried out to ascertain the number, location, needs, etc. of consumers. Then a product analysis is made to determine the design, quality and style of the product to be manufactured. Decisions regarding product design, pricing policy, distribution channel and publicity should be made from the viewpoint of prospective customers.

   While selecting the line of business, a number of criteria or factors must be kept in view. *First*, the expected rate of return must be fair keeping in view the risks involved and the amount of investment required in the enterprise. *Secondly*, the degree of risk involved should be such that the entrepreneur is willing and able to undertake. *Thirdly*, the line of business chosen must be technically feasible, i.e. the requirements of finance, technology, skills, labour and materials, should be within the reach of the promoter. The promoter may prepare a comprehensive report containing the conclusions of all his analysis. Such a report is called project report or feasibility report.

2. **Deciding Size of the Unit :** Determination of the size of the firm or scale of operations is an important decision in the establishment of a new enterprise. An attempt should be made to achieve the size at which the average cost per unit is minimum. In other words the entrepreneur should aim at the optimum size keeping in view the extent of market, technique of production, nature of the product, availability of finance, competence of management, etc. Large scale operations offer several economies of scale but require huge capital investment and expert managerial skills. Where the risks involved are high or a new idea is to be tried, it is often preferable to start with a small size and to expand the firm gradually. According to Shubin, "The initial size of the establishment must be based on judicious sales estimates. With accurate sales estimate the firm can avoid investing in an establishment that is too large and expensive to be profitable at the outset but can select a size sufficiently large to take care of the initial sales and their expected increase during the years immediately ahead." However, the initial size of the enterprise can be large provided the entrepreneur is able and willing to afford the capital required and the risks involved. A careful analysis and reconciliation of technical, managerial, financial, market and such other factors should be made to determine the size of the firm.

3. **Choosing the Form of Ownership :** The choice of the form of ownership determines the division of profits, authority and liability of owner(s), continuity of business, transferability of interest, etc. A business enterprise may be organised in three forms, namely, sole proprietorship, partnerhsip and joint stock company. The choice of the form of ownership depends on several factors such as the nature and size of the business, degree of risk or liability, continuity of business, capital and managerial requirements, tax burden, legal formalities, etc. A good form of ownership should be easy to form, simple to operate, durable, flexible, free from heavy taxation and legal requirements, etc. In some cases, the form of ownership may be prescribed by law. For instance, banking and insurance business can be carried on only in the form of a joint stock company.

4. **Locating the Appropriate Site :** The location of a business firm is an important decision as it influences the costs, profitability and growth of the enterprise. Moreover, once the site is selected, it is very difficult to change it. An unfavourable location may restrict the growth of the firm in addition to higher costs. The objective of location decision is to find out the optimum location so that the per unit costs of production and distribution are the lowest possible. Location is a three-stage process as it involves not only the selection of the region, but choice of locality and selection of the site. Region is selected on the basis of access to raw materials and markets, availability of labour, transportation, and banking facilities. Choice of locality or community is governed by local attitudes, managerial preferences, public facilities, climate, availability of site, financial inducements, etc. Selection of the site depends on cost of land, soil and surface, development costs, etc.

5. **Financing the Proposition :** Proper planning and control of finances is essential to success in business. Adequate funds must be provided at the right time for the start and continuity. Financial planning involves advance decisions in the following areas of business finance.

   (a) Determination of the total amount of capital required for the business, keeping in view the cost of establishing the business (promotional expenses); costs of fixed assets like land, building, plant, machinery, furniture and fixtures, etc. (fixed capital); cost of current assets like stock of raw materials, cash, debtors inventory, etc. (working capital) and other operating costs. While estimating capital requirements, the present as well as future needs for expansion, modernisation, diversification, etc. should be considered. A proper amount of capitalisation should be fixed.

(b) Deciding sources of finance : The form and composition of the securities which are to be issued to raise the estimated capital are decided. The sources of finance have to be settled in terms of ownership securities and creditorship securities. This is the problem of deciding an appropriate capital structure.

(c) Deciding the time, price and method of marketing securities.

(d) Administration of funds.

6. **Provision of Physical Facilities :** An important decision in launching a new enterprise is the selection of machines, equipments, plant, buildings, and other physical facilities. The nature and quantum of physical facilities depend upon the size of the firm (large, medium and small), nature of the business (manufacturing, trading or service), process of production (capital-intensive or labour-intensive), the availability of funds, etc. In the selection of a particular machine or equipment the relative cost and productivity, availability of repairs and maintenance services and spare parts, skills of workers, etc. should be made to improve productivity and to reduce costs rather than in the name of modernity alone. The alternative source of supply of physical facilities should be considered.

7. **Plant Layout :** After selecting the machinery and equipment, it is necessary to arrange them in an efficient manner. Arrangement of physical facilities in the plant is known as plant layout. Good layout is essential for efficient and economical operations. An efficient layout helps to reduce the costs of material handling, inventory, space, etc. The layout should be such that it results in the optimum utilisation of machines, equipment, work force and space. Machinery and equipment should be placed in a proper sequence so as to permit a smooth flow of materials through the necessary operations and in the most direct way possible. The layout should be flexible enough to adapt itself to changing conditions of business. Backhandling of materials and other bottlenecks and delays in production process must be kept to minimum. The type or pattern of plant layout depends upon the nature of production system, space available, volume of output, types of equipment, etc.

8. **Internal Organisation :** Another important managerial decision in the establishment of a new business enterprise is the creation and development of an internal structure. Work is divided among departments like production, marketing, finance, personnel, etc. and arrangements are made for coordination among these various departments. An efficient network of authority-responsibility relationships needs to be created for successful operations. Internal organisation is a structural framework consisting of authority-responsibility relationships among the members of the enterprise. It defines the official channels of communication and reporting relationships, *i.e.*, who is responsible to whom. In a large enterprise, the authority-responsibility relationships are depicted formally on an 'organisation chart'. A sound internal organisation facilitates efficient operations, avoids duplication of work, promotes mutual cooperation and coordination, and facilitates expansion and growth of business. It provides the arteries and nerves through which the organisation members communicate with one another. Creation of a sound internal structure involves problems like departmentation, delegation, decentralisation, span of control, etc.

9. **Acquiring the Required Human Resources :** The next step is to estimate the needs of people or employees to perform different jobs in the internal organisation structure. The forecasting of the number and type of employees is known as manpower planning or human resource planning. After this, the procurement, development and motivation of the required managers and workers becomes necessary. Persons with required skills, aptitude and experience must be recruited and selected. Once the personnel are employed and placed on jobs, they must be motivated (through proper compensation and non-financial incentives) to make their best possible contribution towards the accomplishment of organisation objectives. Plans are prepared for all these activities at this stage.
10. **Compliance with Statutory Requirements :** The new venture must comply with all the prescribed statutory conditions such as registration, licensing, listing on one or more recognised stock exchange, constitution of the Board of Directors, filing the prescribed documents, obtaining no objection certificate from the Pollution Control Board, etc.
11. **Launching the Enterprise :** The completion of physical, organisational and financial aspects leads ultimately to the actual launching of the enterprise. Acquisition of required materials, machinery, money, workers and managerial ability, start of production and advertising of products, etc. are functions performed at this stage. According to Shubin, "The firm is launched by assembling and organising the physical facilities, developing operation and production processes, advertising its product and initiating a sales promotion campaign, recruiting labour and accumulating inventories."

2.10 START UP BUSINESS

A new venture goes through three specific phases – pre-start up, start up and post start up. The pre-start up phase begins with a business idea and ends when the doors are opened for business. The start up phase starts when sales activity is initiated and ends when the business is finally established and is beyond short run threats to survival. The post start up phase lasts until the venture is terminated or sold away.

The main focus during the pre-start up and start up phases are on :

(*i*) the relative uniqueness of the new venture;
(*ii*) the investment size at start up;
(*iii*) the expected growth of sales and profits as the venture moves through its start up phase;
(*iv*) the availability of products/services during the start up phase; and
(*v*) the availability of customers.

Start up business means an enterprise which has a formal business plan, searches for capital, develops a managerial team and begins selling its initial product or service. In a start up business the founder(s) is normally involved in every aspect of the day-to-day life of the business. There are no or very few written rules or procedures. The main goal is to get off to a good start and to gain momentum in the market place. The main challenge before a start up is to ensure the initial product/service is right and to lay the groundwork for growth. It is important to not rush things or become impatient.

Figure 2.2 describes the stages common to the life cycles of entrepreneurial companies. It shows the relatively predictable progression of the small business. The firm begins with the *birth stage* — where the entrepreneur struggles to get the new venture established and survive long enough to test the viability of the underlying business model in the marketplace. The firm then passes into the *breakthough stage* — where the business model begins to work well, growth is experienced, and the complexity of managing the business operation expands significantly. Next comes the *maturity stage* — where the entrepreneur experiences the advantages of market success and financial stability, while also facing continuing management challenges of remaining competitive in a changing environment.

Entrepreneurs often face control and management dilemmas when their firms experience growth, including possible diversification or global.

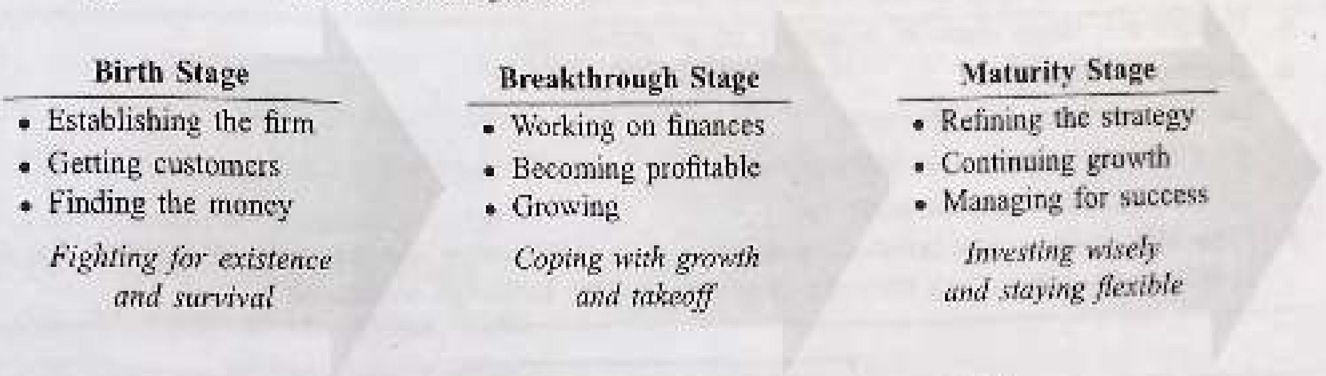

Fig. 2.2 : Stages in the life cycle of an entrepreneurial firm

SUMMARY

ENTREPRENEUR : A person or group of persons who undertakes an enterprise.

TYPES OF ENTREPRENEURS : Innovative, Imitative, Fabian and Drone.

ENTREPRENEURSHIP : The process of launching an enterprise.

CHARACTERISTICS : Economic activity, creative, purposeful, dynamic, risk element, organisation building and gap filling function.

INTRAPRENEURSHIP : Entrepreneurial activity within an existing company.

CHARACTERISTICS OF INTRAPRENEURSHIP : Coorporate framework, semi-autonomous, lack of ownership, senior position, low risk taking, not own boss.

ENTREPRENEURSHIP VS. INTRAPRENEURSHIP : Independence, capital investment, risk bearing, framework, ownership, reward.

ENTERPRISE : An undertaking that carries on some economic activity, requires investment and involves risk. May or may not be a legal entity or incorporated/registered.

STEPS IN SETTING UP AN ENTERPRISE : Selecting the line of business, choosing the form of ownership, locating the unit, financing the venture, physical facilities and layout, acquiring human resources, complying with the statutory requirements, launching the enterprise.

START-UP BUSINESS : A new enterprise which has just started its business operations.

EXERCISES

Short Answer Type Questions

1. Define the term Entrepreneur.
2. Define Entrepreneurship.
3. Define Intrapreneurship.
4. Define the term 'Enterprise'.
5. What is a start up Business?

Long Answer Type Questions

1. Explain the types of entrepreneurs as suggested by Clarence Danhof.
2. Discuss the characteristics of entrepreneurship.
3. Explain the characteristics of intrapreneurship.
4. Differentiate between Entrepreneurship and Intrapreneurship.
5. Explain the steps involved in setting up an enterprise.
6. Distinguish between :
   (a) Entrepreneur and Manager
   (b) Entrepreneurship and Management
   (c) Entrepreneur and Intrapreneur
7. "The setting up a new business enterprise is in many ways, like the birth of a child." Expla[in] in this context the steps involved in starting a new business enterprise.

QUESTION BANK

Q.1. "An entrepreneur is an independent owner whereas an intrapreneur is dependent o[n] the owner." Explain.

Ans. An entrepreneur either starts a new enterprise or inherits/buys an existing enterprise. Therefor[e] he is the owner and indepenedent to carry on business. On the other hand, an intrapreneur [is] a senior manager in an existing company. He is given the authority and resources to spot an[d] exploit new business opportunities. He is dependent on the founder/owner of the company.

Q.2. "Entrepreneurship and intrapreneurship are not mutually exclusive but dependent on each other for the economic development of a country." Explain.

Ans. Entrepreneurship is essential for intrapreneurship to thrive. Only a well-established and lar[ge] company can provide the environment required for the emergence of intrapreneurs. Similar[ly] intrapreneurship makes entrepreneurship more successful. Several businesses created b[y] intrapreneurs have contributed significantly to the success and growth of the parent busines[s].

Q.3. "Developing countries need initiative rather than innovative entrepreneurs." Do yo[u] agree? Give reasons in support of your answer.

Ans. Developing countries are usually short of advanced technology, capital resources and soun[d] industrial infrastructure. Moreover, most of the people have low risk bearing capacity. Failure[s] are often not tolerated and a stigma is attached to those who fail in their ventures. Therefore most of the entrepreneurs imitate the business ideas of developed countries. Such initiativ[e] entrepreneurs make minor modifications in existing products, processes, etc. to suit loca[l] demand.

This does not mean developing countries do not need innovative entrepreneurs. Innovation[s] lead to breakthroughs and speed up economic progress. Developing countries require fa[st] progress and can gain a lot through innovative entrepreneurs. Such entrepreneurs buil[d] business empires, wealth and acquire international reputation. New age entrepreneurs suc[h] as Sunil Mittal (Airtel), Gautam Adani (Adani Ports), Rana Kapoor (Yes Bank), Vijay Sekha[r] Sharma (Paytm), Sachin Bansal (Flipkart), Kunal Bahl (Snapdeal), Deep Kalra (Makemytrip. com) and several others have been pioneers. They have created immense wealth fo[r] themselves as well as for their country.

Thus, developing countries need both imitative and innovative entrepreneurs.