

FACULTY OF JURIDICAL SCIENCES

Lecture-12



Functions of Entrepreneurship

The various functions of entrepreneurship are Innovation and creativity, Risk taking and achievement and organization and management, Catalyst of Economic Development, Overcoming Resistance to Change and Research. These have been depicted, at a glance, with the help of the given Figure and are being discussed, in brief, below.

Innovation and Creativity – Innovation generally refers to changing processes or creating more effective processes, products and ideas. For businesses, this could mean implementing new ideas, creating dynamic products or improving your existing services. **Creativity** is defined as “the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others. Creativity and innovation have always been recognized as a sure path to success. Entrepreneurs think **outside of the box** and explore new areas for cost-effective business solutions.

Risk taking and Achievement – Entrepreneurship is a process in which the entrepreneur establishes new jobs and firms, new Creative and growing organization which is associated with **risk**, new opportunities and achievement. It results in introducing a new product or service to society. In general, entrepreneurs accept four types of risks namely Financial Risk, Job Risk, Social & Family Risk & Mental & Health Risk, which are as follows:

(a) Financial Risk – Most of entrepreneurs begin by using their own savings and personal effects and if they fail, they have the fear of losing it. They take risk of failure.

(b) Job Risk – Entrepreneurs, not only follow the ideas as working situations, but also consider the current risks of giving up the job & starting a venture. Several entrepreneurs have the history of having a good job, but gave it up, as they thought that they were not cut out for a job.

(c) Social and Family Risk – The beginning of entrepreneurial job needs a high energy which is time consuming. Because of these undertakings, he/she may confront some social and family damages like family and marital problems resulting on account of absence from home and not being able to give adequate time to family.

(d) Mental Health Risk – Perhaps the biggest risk that an entrepreneur takes it is, the risk of mental health. The risk of money, home, spouse, child, and friends could be adjusted but mental tensions, stress, anxiety and the other mental factors have many destructive influences because of the beginning and continuing of entrepreneurial activity. This can even lead to depression, when faced with failure.

Organization and Management – The entrepreneurial organization is a simple organizational form that includes, one large operational unit, with one or a few individuals in top management. Entrepreneurial management means the skills necessary to successfully develop and manage a business enterprise. A small business start-up under an owner-manager is an example of an **entrepreneurial organization**. Here, the owner-manager generally maintains strict control over business operations. This includes directing the enterprise's core management functions. **According to Mintzberg**, these include the **interpersonal roles, informational roles and decision-making roles**. The smaller the organization, the more concentrated these roles are in the hands of the owner-manager. The entrepreneurial organization is generally unstructured.

Research – An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his/her ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analyzing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he/she applies the ideas in practice. The selection of an idea, thus, involves the application of **research methodology**.

Overcoming Resistance to Change – New innovations are generally opposed by people because it makes them change their existing behavior patterns. An entrepreneur always first tries new ideas at his/her level. It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. His/her will power, enthusiasm and energy help him/her in overcoming the society's resistance to change.

Catalyst of Economic Development – An entrepreneur plays an important role in accelerating the pace of economic development of a country, by discovering new uses of available resources and maximizing their utilization. Today, when India is a fast developing economy, the contribution of entrepreneurs has increased multi-fold.

Process/Steps involved in Entrepreneurship

Entrepreneurship is the act and art of being an entrepreneur or one who undertakes innovations or introducing new things, finance and business acumen in an effort to transform innovations into economic goods. **The most obvious form of entrepreneurship is that of starting new businesses.** In more recent times, the term entrepreneurship has been extended to include elements not necessarily related to business formation activity, but it also includes specific forms **of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship.**

Following are the steps involved in the entrepreneurial process. This entrepreneurial process is to be followed, again and again, whenever any new venture is taken up by an entrepreneur, therefore, it is an ever ending process.

Search for a new Idea – An entrepreneurial process begins with the idea generation, wherein the entrepreneur identifies and evaluates the business opportunities before him/her.

Preliminary assessment of Idea – The identification and the evaluation of opportunities is a difficult task; therefore, an entrepreneur seeks inputs from all the persons including employees, consumers, channel partners, technical people, etc. to reach to an optimum business opportunity. Once the opportunity is decided, the next step is to evaluate it.

Detailed analysis of promising Idea – An entrepreneur can evaluate the efficiency of an opportunity by continuously asking certain questions such as, whether the opportunity is worthy of investing, its attractiveness, proposed solutions feasibility, chances of competitive advantage & various risks associated with it etc. Above all, an entrepreneur must analyze his/her personal skills & capabilities to ensure realization of entrepreneurial Goals.

Selection of the most promising Idea – Once the analysis is done at both macro & micro level, and then the entrepreneur selects the best possible option amongst the chosen few, on the basis of the key factors identified by him/her before idea generation.

Assembling the Resource and Personnel – The next step in the process is resourcing, where in, the entrepreneur identifies the sources from where the finance and the human resource can be arranged. Here, the entrepreneur finds the investors for its new venture and the personnel to carry out the business activities.

Determining size of unit – On the basis of the ability to manage resources, the entrepreneur determines the initial size of the business and the possibilities of expansion.

Deciding location of Business & Planning Layout – This is a significant decision. Entrepreneur should ideally decide the location where there are Tax holidays & cheap labor & material are available in abundance.

Sound Financial Planning – Once the funds are raised and the employees are hired, business location and layout have been finalized, and then efforts are made to do sound financial planning with the available financial resource in order to put it to optimum use.

Launching the Enterprise – Launching the enterprise by an entrepreneur can be a daunting adventure as the entrepreneur needs to stay focused and should always be open to suggestions. If he/she is mission-driven entrepreneur, it must be remembered that building a truly great company is a marathon, not a sprint.

Managing the Company – Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy, which is required to solve the operational problems, as and when they arise.

Harvesting – The final step in the entrepreneurial process is harvesting, wherein, an entrepreneur decides on the future prospects of the business, such as its growth and development. Here, the actual growth is compared against the planned growth and then the decision regarding the stability or the expansion of business operations are taken.