

Characteristics attributes of successful entrepreneurs

Entrepreneur, according to Joseph A. Schumpeter, is a person who foresees a potentially profitable opportunity and tries to exploit it. He is basically an innovator who introduces new combinations. He makes new things or makes things in a new way. His innovations of this kind may take such forms as introduction of new goods, introduction of new method of production, opening of a new market, conquest of a new source of material, etc.

He, however, makes a distinction between an inventor and an innovator. An inventor discovers and finds out new methods or techniques. Innovators make use of these inventions for commercial purposes. Thus, the innovator applies to practice the ideas conceived by the inventor.

Similarly, an innovator is very distinct from the routine manager. A manager more or less looks after day-to-day routine affairs of an organization. On the other hand, the innovator attempts to change the course of action to raise production and/or productivity. Thus, the entrepreneur is an innovator, endowed with an innate ability to innovate something new or do the same in a different manner.

Since, he charts a different course; there is no past experience to guide him in his chosen path. As such, there is an element of risk involved in this new approach of his. It is possible that an entrepreneur does not succeed in his willingness to assume the business risk and commit himself to that cause.

According to Frank H. Knight, entrepreneurs are a specialized group of persons who bear uncertainty. Uncertainty is some amount of risk which cannot be ensured against and is incalculable. So, an entrepreneur is the economic function that undertakes the responsibility of uncertainty.

According to McClelland, an entrepreneur is one who likes to take reasonable risk, wants to know how they can turnout as quickly as possible and has high degree of need for achievement. He is an individual responsible for the operation of a business including the choice of a project, the mobilization of necessary capital, decisions on product prices and quantities, the employment of labour, and expanding or reducing the productive facilities.

concept:

While John Kunkel considered entrepreneurship as a function of social, political and economic structure, Max Weber treated it as a function of religious beliefs. The concept of entrepreneurship involves four key elements.

They are:

1. Organising
2. Risk-bearing
3. Vision and
4. Innovating.

These four elements are interrelated and form a continuous process in business.

1. Organising:

Organising involves mobilization of resources and utilization of them to initiate, maintain or enhance profit by the production or supply of goods or services. Entrepreneurs also mobilize other factors of production such as land, labour and capital.

2. Risk-Bearing:

Starting a new enterprise always involves risk. The enterprise may earn profit or incur loss. The entrepreneurs should be bold enough to assume this risk.

3. Vision:

Entrepreneurial vision encompasses the relentless pursuit of operational excellence, innovative technology and responsiveness to the needs of the market.

4. Innovation:

Innovation refers to introduction of something new in the economy, ex. a new product or a new method of production. According to Schumpeter, economic development can take place only through creative innovations and changes. The innovations may be related to new products, new technology, new sources of raw material, new market or new organisation.

To sum up, entrepreneurship is the practical ability to create and build up something new from nothingness. It is fundamentally an act of human creativity. The act of merely observing, analysing or interpreting a process is not entrepreneurship.

Concept of Entrepreneurship – Explained in a Nutshell

Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources.

Also, it was generally recognized that entrepreneurs serve as agents of change, provide creative, innovative ideas for business enterprises and help businesses grow and become profitable.

Whatever the specific activity they engage in, entrepreneurs in the twenty-first century are considered the heroes of free enterprise.

Many of them have used innovation and creativity to build huge enterprises.

Entrepreneurship is now regarded as “pioneer ship” of business. According to Peter E Drucker “Entrepreneurship is defined as ‘a systematic innovation, which consists in the

purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation”

The concept of Entrepreneurship refers to a special skill or ability to mobilize the factors of production – Land, labour & capital and use them to produce new goods and services. The history of the early industrial development and trade and subsequent innovation in any country is largely the history of its entrepreneurs.

It describes people with the pioneering spirit, intuitive and inspiration and a willingness to work hard and take risks. They are the energetic self-starters who make it their mission to meet business challenges, independently and are restless in working for someone else, for a salary.

In a nutshell, concept of entrepreneurship can be understood as under:

- (i) Entrepreneurship involves decision making, innovation, implementation, forecasting of the future, independency, and success.
- (ii) Entrepreneurship is a discipline with a knowledge base theory and is an outcome of complex socio-economic, psychological, technological, legal and other factors.
- (iii) It is a dynamic and risky process.
- (iv) It involves a fusion of capital, technology and human talent.
- (v) Entrepreneurship is equally applicable to big and small businesses, to economic and non-economic activities.
- (vi) Different entrepreneurs might have some common traits but all of them will have some different and unique qualities.
- (vii) Entrepreneurship is a process. It is not a combination of some stray incidents.
- (viii) It is the purposeful and organized search for change, conducted after systematic analysis of opportunities in the environment.
- (ix) Entrepreneurship is a philosophy – it is the way one thinks, one acts and therefore it can exist in any situation, be it business or government or in the field of education, science & technology.
- (x) Entrepreneurship can be described as a process of action that an entrepreneur undertakes to establish his enterprise.
- (xi) Entrepreneurship is a creative activity.
- (xii) It is the ability to create and build something from practically nothing.
- (xiii) It is a knack of sensing opportunity where others may see chaos, contradiction and confusion.

(xiv) Entrepreneurship is the attitude of mind to seek opportunities, take calculated risks and derive benefits by setting up a venture.

(xv) It comprises of numerous activities involved in conception, creation and running an enterprise.

(xvi) Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions.

(xvii) Essential ingredients include the willingness to take calculated risks-in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources;

Therefore “Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks-in terms of time, equity, or career, ability to formulate an effective venture team, creative skill to organize needed resources, the fundamental skill of building a solid business plan and, above all, the vision to recognize opportunity where others see chaos, contradiction, and confusion.”

Entrepreneurship – The Qualities of an Entrepreneur

The concept of entrepreneur came into existence since 16th century. In the beginning it was limited to the military services and civil engineering fields. With growth of time the scope of entrepreneurship developed and today “An entrepreneur is one who is ready to create something new with risks of economic uncertainty”.

According to the above definition, an entrepreneur is “An organiser who can undertake a number of complex operations like obstacles to be surmounted, anxieties to be suppressed, misfortunes to be repaired and expedients to be devised”.

It gives a feeling that, besides the above factors an entrepreneur should also possess the following qualities:

- (i) Knowledge of business world
- (ii) Capital command
- (iii) Moral qualities of work judgement
- (iv) Perseverance
- (v) Economic aspect.

As stated above an entrepreneur is “an inventor” and hence he should have foresightedness, visualization, marketability of the product, economic aspect and risks’ involvement, a successful entrepreneur may create the following prospective –

- (i) May introduce new product in the market
- (ii) May bring new manufacturing technology
- (iii) May create a new market
- (iv) May establish a new organization
- (v) May generate a new avenue for the market.

Modern Concept: With Views on Entrepreneurship

Modern Concept:

Entrepreneurship is a capacity which is used for establishing a venture, controlling the venture, directing the venture as well as improving and changing the venture.

Features of Modern Concept:

- (i) Capacity of establishing a venture.
- (ii) Capacity of controlling a venture.
- (iii) Capacity of directing a venture.
- (iv) Capacity of improving a venture.
- (v) Capacity of changing a venture.

Various Views of Entrepreneurship:

The various views of entrepreneurship by different authors are as following:

1. Risk Bearing Capacity:

Richard Cantillion, “It is a function of bearing non insurable risk.”

According to him, risk bearing forms a unique constitutive function of entrepreneurship. E.g., the farmer pays out contractual incomes which are certain to the landlords and labourers and sells at prices that are certain.

Investment → Transformation → Profit or losses

Frank H. Knight, "It is a risk bearing capacity which is incalculable and cannot be insured as well."

According to him, he distinguishes between risk and uncertainty. Risk can be insured and calculated while uncertainty can neither be insured nor can be calculated.

2. Function of Organisation and Coordination:

J.B. Say, "Entrepreneurship is a function of organising and collecting the production factor."

Here, entrepreneur is an organiser and collector. He says that entrepreneurship is an economic factor which includes all production factors.

Alfred Marshall, "Entrepreneurship is an economic factor which collects all production factors."

3. Managerial Skill:

B. F. Hoesslitz, "Financial ability is not the prime factor in entrepreneurship. Managerial skill is an important factor of venture."

J. S. Mill, "Superintendence, control and direction are the abilities of entrepreneurship."

J. S. Mill, "Entrepreneurship is a capacity of risk bearing as well as direction."

4. Innovation Activity:

Joseph Schumpeter, "Entrepreneurship is a creation and innovative activity."

According to him, it is extraordinarily powerful like converting the crude oil into an energy source, whereby established ways of doing things are destroyed by the creation of new and better ways to get things done.

5. Groups Level Reactiveness:

F.W. Young, "Entrepreneurship is a group level reactiveness. It is not related to any individual. Entrepreneurship is a cause of social and cultural changes."

6. Organisation Building Ability:

Fredric Harbison, "Organisation building ability is an important base of industrial development, human development and coordination between new views in venture."

7. Capacity of High Achievement:

McClelland, "There are two features in any entrepreneurship i.e.,

(1) Ability to do any function with new & skilled manner;

(2) Capacity to take any decision at the time of uncertain time period."

They think that entrepreneurship is not a causal behaviour, it is fully related to psychological activity.

Conclusion:

Thus, we can divide the concepts of entrepreneurship in three categories:

1. Classical concept
2. Neo classical concept
3. Modern concept

1. Classical Concept:

Richard Cantillon, Frank H. Knight, Adam Smith, J.B. Say, J.S. Mill, David Ricardo are included in classical ideology. (See ref. below)

Elements:

- (i) Capacity of bearing uncertainty and risk.
- (ii) Ability of collecting and organising various production factor.
- (iii) Ability of collecting production factors and their control and superintendence. (It can be applied on undeveloped economy)

2. Neo Classical Concept:

Waltus Alfred Marshall, Joseph Schumpeter are the supporters of neo-classical concept. (See ref. below)

Elements:

- (i) Various managerial functions regarding business such as preparing plan, organising the production factor, their control and direction ability.
- (ii) The changing ability or innovative ability.
- (iii) It is applied on all developing countries.

3. Modern Concept:

Peter F. Drucker, H.W. Johnson, Robert Lamb are the supporter of modern concept. (See ref. below)

Elements:

- (i) Wider coverage area of commercial and industrial activities.

(ii) Risk bearing & promotion of new venture are the basic of modern ideology.

(iii) Searching new opportunities, new innovation, social innovation, dynamic leadership are the result of modern concept.

Core Elements, Experts' Views and Nature

Entrepreneurship is the process of identifying opportunities in the market place, marshalling the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.

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

This definition states that entrepreneurship is a goal-oriented process involving production or distribution of products or services. It may be undertaken by one person or by a group of persons.

In the words of Higgins, “entrepreneurship is meant 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, discovering new sources of raw materials and selecting top managers for day-to-day operations of the enterprise.”

This definition highlights risk-taking, innovating and resource organising aspects of entrepreneurship.

According to Kao, “entrepreneurship is the attempt to create value 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 necessarily to bring a project to fruition.

This definition recognises that entrepreneurship involves the fusion of capital, technology and human talent to complete a project successfully and with reasonable degree of risk.

“Entrepreneurship is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self-employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good”. — National Knowledge Commission.

Four Core Elements of Entrepreneurship:

From various definitions, it emerges that entrepreneurship primarily – consists of four main elements:

(a) Creativity and Innovation form the core of entrepreneurship that enables the entrepreneur to think entire new ways of working. Key part of entrepreneurship is to identify opportunities that no one else has noticed earlier. Such opportunities need not be large; these can even be small ones. Creative people are receptive to new ideas generated by other.

(b) Ability to Apply the Creativity – Besides the entrepreneurs have an ability to apply the creativity to business problems. They understand the people and the environment around them. They can effectively martial resources for the same. It is not enough to think creatively, successful entrepreneurship demands thoughts be translated in to action and result. They need an ability of getting things done.

(c) Change – They have a sound belief in their ability to change the status quo-the way the things are being done presently. With their drive and passion to achieve success they change the way things the being performed.

(d) Creating Value – Entrepreneurs focus on creating value by doing things in cheaper, better an, faster manner.

Thus, entrepreneurship can be defined as – “Creation of value through people working together 1 implement an idea through the application of drive and willingness to take risk.”

Experts’ Views on Entrepreneurship:

Entrepreneurship is considered as the process or action of setting up of the new venture and the venture so set-up is called the enterprise Schumpeter described it as a process and the entrepreneurs as innovators who use the process to shatter the status quo through the combination of resources and new methods of commerce.

McClelland’s View on Entrepreneurship:

McClelland’s Need Theory explains the concept of entrepreneurial motivation. He identified three motivating needs, – (i) Need for power (ii) need for affiliation and (iii) need for achievement. McClelland is of the view that the need for achievement is a distinct human motive that can be distinguished from other needs.

McClellan’s subjected a group of fifty two entrepreneurs in India to the concentrated achievement motivation course. Two thirds of them were found usually active in the ‘post training period’. Some of them actually started new business and others investigated new product lines.

His study showed that achievement motivation is a major contributory factor for entrepreneurship. Need for achievement is simply the desire to do well not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal accomplishment. It is this need for achievement which guides an entrepreneur’s actions.

McClelland Identified Two Characteristics of Entrepreneurs:

(i) To do something in a new and better way,

(ii) To take decisions under uncertainty.

Entrepreneurial role involves doing things in a new and better way. A business man who simply behaves in traditional ways is not an entrepreneur. On the other hand, if there is no significant uncertainty and the action involves applying known and predictable results entrepreneurship is not at all involved.

Following psychological factors contribute to entrepreneurial motivation:

- (1) Need for achievement through self-study, goal setting and inter personal support.
- (2) Keen interest in situations involving moderate risk.
- (3) Desire for taking personal responsibility.
- (4) Concrete measures of task performance.
- (5) Anticipation of future possibilities.
- (6) Organisational skills.
- (7) Energetic or novel instrumental activity.

The needs are the basic stimulating factors and the need, or, achievement stimulates the behaviour of a person to be an entrepreneur.

Joseph A. Schumpeter's View of Entrepreneurship as a Function of Innovation:

Joseph A. Schumpeter, for the first time, put the human agent at the centre of process of economic development and assigned a critical role to the entrepreneurship in his theory of economic development. He described an entrepreneur as a key man in the process of development.

He innovates new ideas and puts them into practice. Schumpeter treats entrepreneurs as motivated and talented class of people who forces the profitable opportunities and exploits them.

The entrepreneur Schumpeter's view is basically an innovator, and innovator is one who carries new combinations of means of production such as:

- (1) The introduction of new goods, that is, one with which consumers are not yet familiar, new quality of goods;
- (2) The introduction of a new method of production, that is, one not yet tested by experience in the branch of manufacture concerned which need by no means be founded upon a discovery significantly new, and also exist in a way of handling in commodity commercially;
- (3) The opening of a new market, that is, a market into which that particular branch of manufacture of the company in question has not previously entered, irrespective of whether this source already exists or whether it has market has existed before;

- (4) The conquest of a new source of raw materials or half manufactured goods, again irrespective of whether this source already exists or whether it has to be created;
- (5) The conquest of a new source of raw materials or half manufactured goods, again irrespective of whether this source already exists or whether it has to be created;
- (6) The carrying out of a new organisation of any industry, like the creation of a monopoly position, for example, through trustification or the breaking up of a monopoly position.

Entrepreneurship is not a profession or permanent occupation and therefore it cannot formulate a social class like capitalists or wage earners. Psychologically, entrepreneurs are not solely motivated by profit. According to Schumpeter, both interest and profit will arise from progress (change) and would not exist in the static society.

Schumpeterian innovation' is a creative response to a situation Schumpeterian theory of economic development was conceived in the context of industrial revolution. His explanations of development are influenced by the experiences of that period. As far as the magnitude of this theory is concerned it was based on big private entrepreneurship. This theory has less application in under developed countries.

Arthur Cole's View of Entrepreneurship as a Decision-Making Process:

Arthur H. Cole of the view that main functions, of an entrepreneur is make decisions. He takes decisions regarding activities of the enterprise. He decides about the type of business to be done and the ways of doing it. Herberton Evans views the entrepreneur as the person or group of persons who has (or assumes) the task of determining the kind of business to be operated.

Once decisions are taken then Implementing such decisions is the managerial part, Evans notes that once these them are decided the role of the entrepreneur does not cease, instead of must be continuously alert and ready to make new decisions in the light of the changing market conditions and arising opportunities.

Arthur H. Cole describes an entrepreneur as a decision maker half a dozen spheres of action in which he must engage.

He has the following functions of the entrepreneur:

- (1) The determination of the business objective of the enterprise and the change of those objectives as conditions require or make advantageous.
- (2) The development and maintenance of an organisation, including efficient relation with subordinates and employees.
- (3) The securing of adequate financial resources, the retention of them and the creation of good relations with investors.
- (4) The acquisition of effective technological equipment and the revision of it as new machinery appear.

(5) The development of a market for products and the devising of new product to meet or anticipate consumer demands.

(6) The maintenance of good relations with public authorities and with society at large.

REFERENCES

1. Schumpeter's Theory on Entrepreneurship - sourced on April 23rd 2019 from - <https://relivingmbadays.wordpress.com/2013/04/24/schumpeters-theory-on-entrepreneurship/>
2. Profit and entrepreneurial functions - Frank H. Knight - The Journal of Economic History, 1942
3. Achieving society - DC McClelland, 1961
4. Values and behavior in economic development - JH Kunkel - Economic Development and Cultural Change, 1965
5. The Protestant Ethic and the Spirit of Capitalism theories by Max Webber (from Wikipedia - https://en.wikipedia.org/wiki/Max_Weber)
6. Marketing IS management: the wisdom of Peter Drucker -FE Webster Jr - Journal of the Academy of Marketing Science, 2009
7. An essay on commerce in general - R Cantillon - History of Economic Thought Books, 1755
8. The Entrepreneurship Concept of Alfred Marshall and the Relationship between Entrepreneurial Capital and Economic Growth, May 2011. - Harun Doğan and Burulça Sulaymanova
9. Hoselitz theory of entrepreneurship - Burt F. Hoselitz (retrieved from <https://entrepreneurshiptheories.blogspot.com/2018/10/hoselitzs-theory-of-entrepreneurship.html>)
10. Essays on economics and society - John Stuart Mill
11. Peasant entrepreneurs in China's "second economy": an institutional analysis V Nee, FW Young - Economic Development and Cultural, 1991

12. Industrialism and industrial man - C Kerr, Fedric H. Harbison, JT Dunlop, CA Myers - Int'l Lab. Rev., 1960
13. Principles of economics: unabridged eighth edition A Marshall (1842-1924) - 2009
14. The shape of things to come: An interview with Peter F. Drucker - PF Drucker - Leader to leader, 1996
15. Organizations - PF Drucker - Harvard business review, 1992
16. Education for Management and Technology in the 1970's: The universities and business must foster entrepreneurship and its interaction with technology HW Johnson - Science, 1968
17. Entrepreneurship in the Community, - Robert K Lamb - Explorations in Economic History, 1950
18. An approach to the study of entrepreneurship: A tribute to Edwin F. Gay, Arthur H Cole - The Journal of Economic History, 1946