



## **E-CONTENT-SERIES ON ENTREPRENEURSHIP AND MSMEs**

by

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### **Entrepreneurial Process**

At its simplest what entrepreneurs do can be viewed as a Six-stage procedure:

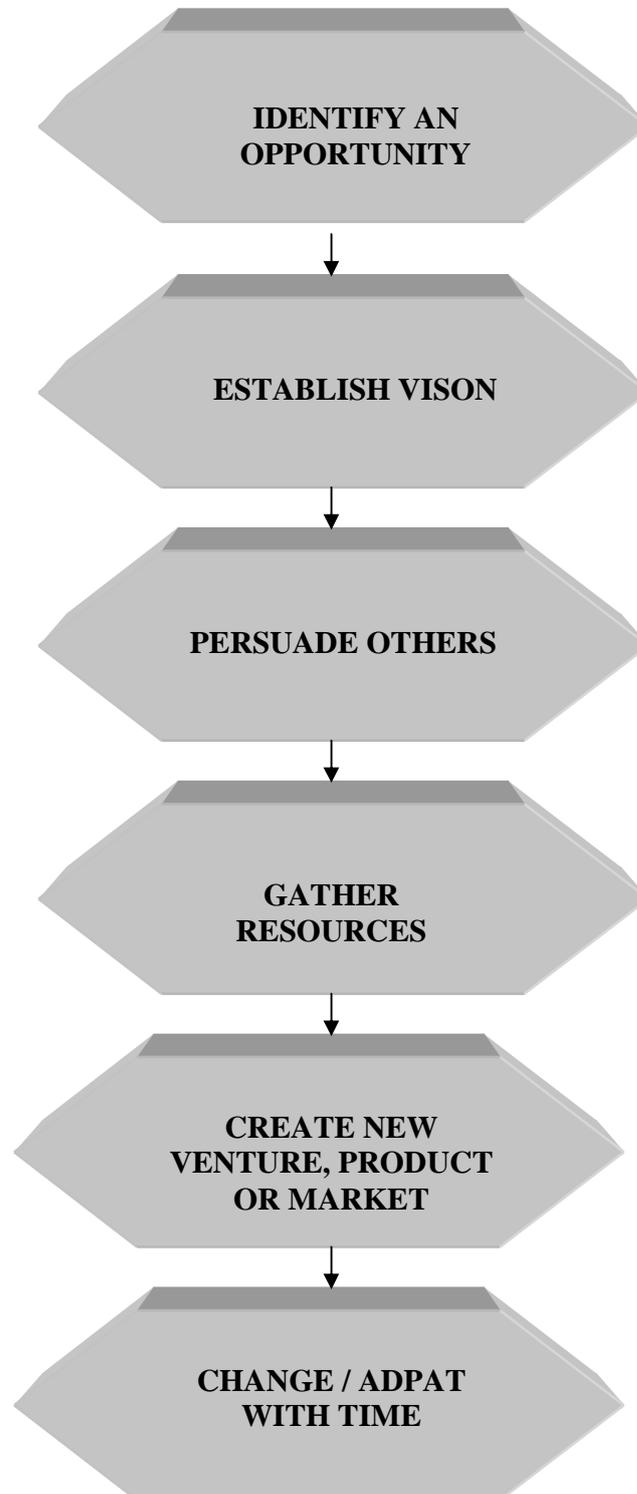
1. They see opportunities where others don't.
2. They have a 'vision', a clear understanding of the concept and of what they're trying to do.
3. They persuade others of their vision, they can communicate the concept effectively.
4. They gather resources to make their vision become reality (money, people, things).
5. They organize these resources to create a new venture, product or market (leadership, teams).
6. They constantly change / adapt themselves according to the changing demands of the market.

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**Entrepreneurial Process: A Diagrammatic View Of Entrepreneurial Process**



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### **I) Identify an opportunity**

According to Timmons (1989) entrepreneurship is about sensing an opportunity where others see chaos, contradiction and confusion.

Identification of an opportunity is the first step towards building & running a successful business enterprise. Entrepreneurs identify opportunities where others see obstacles and impossibility. Identification of opportunity at the right time is of utmost importance as it gives 'first movers advantage' and takes an enterprise ahead of others who take time to catch up. The first movers advantage not only provides product identification & higher market credibility but also provides better profits and faster economies of scale.

Entrepreneurs sense opportunities since they are creative and are open to the new ideas, they seek challenges even at the time of smooth running of the operations. [Like Kushagra Bajaj of Bajaj's Hindustan after coming back from US in 2000 with a master degree in management, he found a big opportunity in the sugar industry in India, the demand for sugar is on rise and there were 100 sugar mills declared sick out of a total of 553 mills in sugar industry. He took this problem as an opportunity and posted Bajaj Hindustan to the top notch position in 2005 and became the leader in sugar industry in India..

### **II) Establish Vision**

Seeking opportunity is not enough, an entrepreneur further moves to establish a vision – a dream for future which can be achieved if opportunities are tapped at the right time. He has complete faith in his vision and it is quite clear to him i.e.; he can visualize how he is optimistic that even if some market forces change he would readjust his vision to keep his



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dream viable and fruitful. And believe it, the entrepreneurs have big visions, something which others might consider as impossible.

Dhirubhai Ambani of Reliance had dreamt that he would give mobile in every individual's hand), dreaming so big in a poverty stricken country like India needs guts and the rest is a history we all know that now even Vegetable sellers, farmers, milkmen, gardeners etc are all carrying mobile.

### **III) Persuade Other**

An entrepreneur does not work alone, he understands that multiple skills are required to make business successful. Kathleen Alen, an American academician calls this phase of entrepreneurial process as 'forming the foundation team' ie; an entrepreneur forms a group of individuals who would work together to visualize his dream. An entrepreneur prepares a business plan to make the vision and means of achieving the vision clearer to 'the others' who would join the team. These individuals are not just the skilled people who would join in but also include financiers and even family members who put in their trust in the entrepreneur. Like Narayanmurthy of Infosys was supported by wife for fiancés and psychological backing and was joined by couple of friends- who together lead to what Infosys is today! These trusted people are still part of Infosys and are still working together for further growth of business.

Gather Resources

### **IV) Gather Resources**

Identifying an opportunity, establishing vision and persuading others to join is not enough, a business enterprise needs resources to become successful. This is the phase, which can convert entrepreneurs dream into reality. Although we are presenting this process as if it happens step by step, implying that resourcing issues are considered here, the reality is that part of the early



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evaluation of the concept will inevitably involve a preliminary evaluation of whether it can be properly resourced.

Resources can be considered under four categories:

1. Financial
2. Operating
3. Human
4. Knowledge

### **1. Financial resources**

Finance is the life blood of any organization. They are required to start, run and expand the business. Financial resources can be gathered from

- Personal savings
- Family & Friends
- Retained Capital
- Commercial Partnerships
- Banks
- Venture Capital
- Government Institutions
- Non-Governmental Organizations
- Floating Public Issues

All the above sources have their own merits & demerits and entrepreneurs weigh each on of them to finally decide which source of finance would be most suitable for the business enterprises.

### **2. Operating Resources**

The Operating resources are of two Types- Tangible and Intangible.

The Tangible Operating Resources include

- a) Machineries
- b) Raw Material

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- c) Land & Building
- d) Office Equipments etc.

The tangible resources involve heavy investments. Hence entrepreneur needs to decide whether he wants to buy, rent or hire-purchase them. Depending on the available finances with the entrepreneur this decision is taken.

The intangible resources are the ones that we cannot see or touch. They include:

- a) Companies Image
- b) Operating Procedures
- c) Transportation
- d) Management

The intangible resources decide the fate of the company.

### **3. Human Resource Management**

The human resource is the only living & vibrating part of the organization. They are the most important resource to the organization. Over the years the importance of HR has risen. This is due to rising competition, privatization & globalization. Organizations are realizing that it is only the HR that can provide the cutting edge over others. The decisions in relation to HR include

- a) Whether to employ permanent or temporary/ casual employees
- b) What should be the number & type of Manpower in the organization
- c) What should be the procedure for Recruitment & Selection to have the best of the resources available in the market
- d) What should be the system for training the employees
- e) How should the compensation system be designed
- f) What method of performance appraisal be used by the organization
- g) What should be the rewards system
- h) How could healthy IR be maintained between employee & employer
- i) What should be the reward system
- j) What method of grievance procedure be adapted



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k) How to maintain healthy organizational culture

### **4. Information Resources**

With the advent of information superhighway reliance on information resource has increased manifold. Both the employee and customers are well aware about wide ranges of choices available to them. Organization have to work hard to run an efficient MIS (Management of Information Systems) in order to have active information about customers, markets, external environment and even employees. The information resource needs to be connected with each other in such a way that employees, customers and managers are networked on the real-time basis. This would not only provide the information at the earliest but would also speed up the actions based on the information.

### **V) Create New Venture**

Once the entrepreneur has arranged for the resources mentioned above the next step is creation/ establishment of new venture and running the business venture successfully while the former task (creation of new venture requires lot of enthusiasm, persuasion so that he is able to gather optimum resources the latter task (running the business venture) requires lot of perseverance and passion to believe in self .

### **VI) Change / Adapt with time**

As change has become the rule of the game in today's business environment the entrepreneur needs to continuously keep the organization upgraded and up breast with the changing time. This task is not easy as it not only involves availability of funds for introducing change but also (which is even more difficult) human resources adaptability towards the changed environment.

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### *Kudos to Modern Entrepreneurs!*

Is the concept of entrepreneurship new to India? On the superficial look it seems to be as old as Gupta and Chola dynasty, which traded spices with the rest of the world, followed by Mughals and Britishers. But during all these era entrepreneurship was more about creation and accumulation of wealth in the hands of few. But the essence of entrepreneurship is creation of wealth - YES but not accumulation but distribution of Wealth. And when it is distribution of wealth none of the dynasties and rulers of the past pass the qualification. In this context it is only the entrepreneurs of the post liberalization era that fit the bill. Entrepreneurs of the recent era not only work for their own growth but also for the growth of all those who are associated with it. Narayanmurthy of Infosys is a good example for this. Naryanmurthy not only created Wealth (the Infosys ) but also distributed the fate of Infosys to all its members by introducing ESOP (Employee Stock Option Plan) through which he made all its employee partners to growth and development. He recently retired from the post of CEO after attaining the age of 60 and made way for the younger generation. Hence the essence of entrepreneurship is not creation & accumulation of wealth but distribution of wealth amongst all those who are associated with the business.

### **The Scope of Entrepreneurship In India**

There is a growth in the number of individuals opting for entrepreneurship as a career.the reasons as discussed above range from desire of control over ones future, more profits, lack of employment opportunities and government measure to promote entreprneurship, to name a few. An entrepreneur need not necessarily innovate, even if he imitates any technique of production / marketing from a developed country, he is an entrepreneur in his own right and makes a contribution to economic development as long as he starts business, undertakes risk and bears uncertainties. The concept of entrepreneurship is not different in developing economies. Infact in developing economies like that of India the scope and need of entrepreneur is higher. The reasons are many. Unemployment, disguised employment, underemployment, poverty are



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growing in the developing nations and entrepreneurship can be an answer to all of them as entrepreneurship not only provides employment and source of earning to the entrepreneur but to all those who get associated with the business enterprise. Moreover the increase in number of entrepreneurs can reduce monopoly of rich businessmen and lead to balanced regional development and growth of the entire economy.

Hence entrepreneurs are the need of the hour. Despite the critical importance of entrepreneurs and entrepreneurship in the present context, few developmental programmes or strategies include any systematic means for identifying entrepreneurial potential, or for enhancing that potential, or for stimulating new sources of entrepreneurship programmes. Though favorable policies have been formulated, both financial & non-financial institutions do exist to assist entrepreneurs, entrepreneurship-training institutes have been established but when it comes to actual benefits to the entrepreneur there are few. The entrepreneurs find difficulties in getting financial support and even more difficulties in assistance for operation of their business. Efforts have been made for the success of new ventures not only by policies makers, government bodies but also by entrepreneurs themselves, only then will our country be able to reap the fruits of entrepreneurship.