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## **BBA-306 Entrepreneurship Development**

### **Unit I**

**Introduction:** The entrepreneur: definition, emergence of entrepreneurial class; theories of entrepreneurship; role of social economic environment; characteristics of entrepreneur; leadership; risk taking; decision making and business planning.

### **Unit II**

**Promotion of a Venture:** Opportunities analysis; external environmental analysis-economic, social and technological; competitive factors; legal requirements of establishment of a new unit and rising of funds; Venture capital sources and documentation required.

### **Unit III**

**Entrepreneurial Behaviour:** Innovation and entrepreneur; entrepreneurial behaviour and psycho-theories, social responsibility.

**Entrepreneurial Development Programmes (EDP):** EDP, their role, relevance and achievements; role of government in organizing EDP's critical evaluation.

### **Unit IV**

**Role of entrepreneur:** Role of an entrepreneur in economic growth as an innovator, generation of employment opportunities, complimenting and supplementing economic growth, bringing about social stability and balanced regional development of industries: role in export promotion and import substitution, forex earnings, and augmenting and meeting local demand.

## **Unit I**

## **Entrepreneurship Development**

### **Meaning and Definition of entrepreneur**

The word entrepreneur has come from the France word "entreprenra" which means to undertake, to pursue opportunities to fulfill needs and wants through innovation to undertake business.

In the year 1725 the word entrepreneur was first brought into economics by a social scientist named Richard cantilion.the expert who invented the theory of entrepreneurship was David mc cellion in 1961.



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## **An Entrepreneur**

An entrepreneur is an individual who accepts some sort of risk — usually financial — in the pursuit of new ventures. The word can apply to any person organizing a new project or opportunity, though it is most often used in a business context. A person in this role is often characterized as innovative, independent, optimistic, creative, and hard-working.

"An entrepreneur sees an opportunity which others do not fully recognise, to meet an unsatisfied demand or to radically improve the performance of an existing business. They have unquenchable self-belief that this opportunity can be made real through hard work, commitment and the adaptability to learn the lessons of the market along the way.

"They are not diverted or discouraged by skepticism from 'experts' or from those from whom they seek backing and support, but willing to weigh all advice and select that which will be helpful. They are prepared not just to work seriously hard but to back their judgment with personal investment at a level which will cause problems if they are wrong about the opportunity. They understand that achievements are the result of team work and knows how to choose the necessary blend of talents and inspire them with their vision."

There was various definition of entrepreneur.

### **According to America heritage dictionary;**

“Entrepreneur is a person who organizes operates and assumes the risk for business venture”

**The dictionary of social science** has defined entrepreneur from functional viewpoint. According to it “entrepreneur is a person 1) who exercise the function or 2) initiating coordinating controlling or institute major change in a business enterprise and or 3) bearing those risk of operation which arise from the dynamic nature of society and imperfect knowledge of the future which can cast through transfer calculation or elimination

### **According to encyclopedia Britannica**

“Entrepreneur as the individual who bears the risk of operating a business in the face of uncertainty about future condition and who is rewarded accordingly by his profit or losses”.

**Richard cotillion** says



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“Entrepreneur is the agent who purchased the means of production for combination into marketable product”.

So we can say that entrepreneur a person who takes risk for establishing a new venture or business in order to create utility for the welfare of human being as well as for him of herself. She or he is always a person who seeks out opportunities and takes on challenges.

### **Meaning and Definition of entrepreneurship:**

Entrepreneurship is considered as of assuming the risk of an entrepreneur.

### **According to natheal h. leff:**

Entrepreneurship is the capacity for innovation investment and expansion in new markets product and techniques.

Webster highlights entrepreneurship as economic venture organizing and risk taking capabilities.

Joshep a Schumpeter describe entrepreneurship is the force of creative destruction whereby established way of doing things are destroyed by the creating of new and better ways to get things done.

### **According to S. S. kanaka:**

Entrepreneurships is a process involving various actions to be taken to establish an enterprise.

From the functional view point entrepreneurship is defined as the combination of activities such as perception of market opportunities gaining command over scarce resources purchasing input producing and marketing of product responding to competition and maintaining relation with political administration and public bureaucracy for concession licenses and taxes etc.

### **Characteristics of an entrepreneur:**

An entrepreneur is a person who initiates a business venture. there are some essential feature of an entrepreneur which are describe below.

- **Risk taking capability:** every business has risk of time money etc .so an entrepreneur must have the risk taking capability.

- **Creativity and innovation:** an entrepreneur has an initiator possesses creativity and



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innovative power.

- **Need for achievement:** the entrepreneur has strong desire to achieve the goal of business. he is always driven by the needs for achievement.
- **Need for autonomy:** an entrepreneur does not like to be under anybody. it is the need for autonomy which drives a person to be an entrepreneur.
- **Internal locus of control:** an entrepreneur believes in him his work.
- **External locus of control:** he also believes in fate for ultimate result.
- **Self confident:** an entrepreneur has confidence in him.
- **Leadership capability:** an entrepreneur must have leadership capability to lead works under him
- **Industriousness:** a successful entrepreneur must have leadership capability to lead workers working under him.
- **Decision making capability:** the entrepreneur has capability to take quick decision
- **Adaptability:** he has the capacity to adapt with any kind of situation that arise in the enterprise
- **Foresightness:** The entrepreneurs have a good foresight to know about future business environment.
- **Others;** the other feature are dynamism, ambition, education and training, long term involvement, future orientation.

### **Qualities of successful entrepreneur:**

To become a successful as an entrepreneur in its business life, a businessman should possess a quite a number of essential qualities. Those are noted below:

1. **Moderate risk taking:** an entrepreneur always takes calculated risk to operate the organization
2. **Hard work:** an entrepreneur is very much hard worker, he or she always busy with various types work.



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3. **Accountability:** a successful entrepreneur is accountable well as his associates always accountable to him.
4. **Educated in real sense:** successful entrepreneur is educated In real sense .he tries to implement his organizational objectives through his education.
5. **Analytical mind:** a successful entrepreneur is analytical minded. he scrutinizes every activity on the organization.
6. **Dynamic leadership:** a successful entrepreneur is always dynamic to operate the organization
7. **Presence of mind:** a successful entrepreneur is always at present of mind he is always aware of activities that to happening in the organization and around him
8. **Accommodative:** a good entrepreneur has the capacity to make his own place at every sector
9. **Courageous and tactful:** Corsages and techniques is very much essential for a successful entrepreneur
10. **Maker of right decision:** A successful entrepreneur makes right decision in right time in right place
11. **Foresighted:** a successful entrepreneur foresights the future and take decision accordingly
12. **Right perception of things:** A successful entrepreneur things in a right way
13. **Enjoy simple life:** A successful entrepreneur always deals a simple life a general people of the society
14. **Strong desired to success:** A successful entrepreneur have a strong desire to success. he is driven by the desire to success
15. **Innovation:** innovation is the process of making new something. A successful entrepreneur is innovative
16. **Self confidence:** A successful entrepreneur is self confidence. does not really on other for decision or fate
17. **Goal setting:** a successful entrepreneur set the goal



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18. **Keen observation:** A successful entrepreneur always observes the origination
19. **Sociable:** A successful entrepreneur is sociable person
20. **Loves to work;** A successful entrepreneur is very much addicted to work
21. **Loves new ideas:** A successful entrepreneur loves new ideas of the organization
22. **Team builder:** A successful entrepreneur builds a suitable team
23. **Clean understanding:** A successful entrepreneur clearly understands every things
24. **Ability to conceptualize:** A successful entrepreneur is able to conceptualize the reality
25. **other:** the other qualities are patience, optimistic ,strategist, etc

## Unit II

### 1. **Relationship between entrepreneur and entrepreneurship:**

The relationship between entrepreneur and entrepreneurship are discussed below:

#### **Entrepreneur vs Entrepreneurship**

1. Entrepreneur is a person.
2. Entrepreneurship is a process.
3. Entrepreneur is an organizer.
4. Entrepreneurship is an organization.
5. Entrepreneur is an innovator.
6. Entrepreneurship is an innovation.
7. Entrepreneur is a risk bearer.
8. Entrepreneur is a risk bearing.
9. Entrepreneur is a motivator.
10. Entrepreneur is a motivation.
11. Entrepreneur is a creator.
12. Entrepreneur is a creation.
13. Entrepreneur is a visualizer.
14. Entrepreneur is a vision.



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15. Entrepreneur is a leader.
16. Entrepreneurship is a leadership.
17. Entrepreneur is an imitator.

## **Distinction between an entrepreneur and a manager.**

Sometimes the word entrepreneur and manager are used as synonyms. In fact there are some differences between them. They are described below –

**Subject matter      -----      Entrepreneur      -----      Manager**

### **1. Motive**

Thinking function. His main motive is to start a new venture by setting up an enterprise.

Doing function. His main motive is to render service to the organization already established.

### **2. Status**

Entrepreneur is the owner of the enterprise.

Manager is the service holder or servant of the enterprise.

### **3. Risk bearing**

Being owner of the enterprise assume all risk and uncertainty involved in the enterprise.

As the servant don't take or bear risk and uncertainty involved in the organization.

### **4. Reward**

Reward is profit which is highly uncertain.

Get salary as a reward which is fixed and certain.

### **5. Innovation**

An entrepreneur is an innovator.

A manager is not an innovator in that sense he implements the plan prepared by the entrepreneur.



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## 6. Qualification

They are not highly qualified but have extraordinary experience forecasting.

They are highly qualified (institutional education).

After the above discussion we can say that at a time an entrepreneur can be a manager but a manager cannot be an entrepreneur.

### Different types of entrepreneurs:

On the basis of nature *Clarence Danhof* classified entrepreneurs into four categories. These are –

- 1. Innovative entrepreneurs:** An innovative entrepreneur is one, who introduces new goods, inaugurates new method of production, discovers new market and recognizes the enterprise. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved and people look forward to change and improvement.
- 2. Imitative entrepreneurs:** These types of entrepreneurs creatively imitate the innovative technical achievement made by another firm. Imitative entrepreneurs are suitable for underdeveloped countries as it is hard for them to bear the high cost of innovation.
- 3. Fabian entrepreneurs:** Fabian entrepreneurs are characterized by very great caution and skepticism to experiment any change in their enterprises. They usually do not take any new challenge. They imitate only when it becomes perfectly clear that failure to do not so would result in a loss of the relative position in the enterprise.
- 4. Drone entrepreneurs:** They are characterized by a refusal to adopt any change even at cost of severely reduction of profit.

### Some other types of entrepreneurs:

- (i) Solo operators:** These are the entrepreneurs who essentially work alone and if needed at all employ a few employees. In the beginning most of the entrepreneurs start their enterprises like them.
- (ii) Active partners:** Active partners are those entrepreneurs who start or carry on an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business.





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**(iii) Innovators:** Such entrepreneurs with their competence and creativity innovate new products. Their basic interest lies in research and innovative activities.

**(iv) Buyers' entrepreneurs:** These are the entrepreneurs who do not like to bear much risk. They do not take the risk of production but take the risk of marketing a product i.e. wholesaler and retailer.

**(v) Life timers:** These entrepreneurs believe business as an integral part of their life. These entrepreneurs actually inherit their family business i.e. goldsmith, potter etc.

**(vi) Challengers:** These are the entrepreneurs who initiate business because of the challenges it presents. They believe that 'No risk, No gain'. When one challenge seems to be met, they begin to look for new challenges.

Beside these, there are Govt. and Non-govt. entrepreneurs.

### **Factors of Entrepreneurship development:**

#### **(A) Personal factors**

1. Ability to cope with the situation
2. Age
3. Education
4. Personality
5. Intrapersonal communication ability
6. Achievement motivation
7. Competence
8. Emotion
9. Understanding capacity

#### **(B) Environmental factors**

##### **1. Socio-cultural factors**

1. Religion
2. Values
3. Rural-urban orientation
4. Marginality



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5. Education
6. Tradition

## **2. Political and legal factors**

1. Govt. legal bindings
2. Govt. policies
3. Rules and laws related to the industry and business

### **(C) Institutional factors:**

- Financial institution
- Training and development institution
- Consulting firms
- Incubators organization (old & pioneer)
- Research organization

### **(D) Micro factors**

- Enterprise itself
- Suppliers
- Intermediaries
- Customers
- Competitors
- Public

### **(E) Macro factors:**

- Demographic factors
- Economic factors
- Physical factors
- Technological factors
- Cultural/social factors

### **(F) Others:**

- Venture capital



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- Experience entrepreneurs
- Technically skilled labor force
- Supplier's accessibility
- Proximity to universities
- Availability of land facilities
- Accessibility of transportation
- Favorable loan and financial policies
- Decepted population
- Availability of supportive
- Attractive living condition
- Capital intensiveness
- Research and development activities
- Capital incentive ness
- Proximity to corporate head quarters
- Competitive situation

### **Causes of success and failure of entrepreneur:**

An entrepreneur may sometime become successful and sometime becomes failure. There are some causes of such success and failure. They are noted below:

1. **Selection of business:** It is an important aspect. That means an entrepreneur has to determine what type business he is going to start. Form various points of view the feasibility of the business should be tested.
2. **Proper planning:** Proper planning me s also important. For planning, planning premises like political, economic, social premised should be considered first. The steps of planning should be followed properly.
3. **Initial capital:** if the initial capitals are not an optimal level the organization would fall. So whether the enterprise is big or small the initial capital should be sufficient enough.
4. **Determination oof market demand:** Through research the demand in the market should be identified. Both for long term and short term it should be considered.
5. **Marketing of product:** If the promotion policy, channel of destitution, transportation is not good the enterprise would fall.
6. **Education and experience:** One of the important tasks of the entrepreneurs is to select right person for the right post because the success of an enterprise depends on the right selection of employees.
7. **Joint initiative:** One may have much money and another may have more merit. Through joint initiative it can be balanced. But sometime for joint initiative misunderstanding arise, or sometimes corruption occur which may result in fall of enterprise.



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8. **Employment:** Recruitment and appointment should be properly done. Those who have specialized skill should be appointed to that specialized job. Inefficient, corrupted employees may be responsible for fall of business.
9. **Location of business:** Site selection is an important factor. While starting a new business, an entrepreneur should think about the location of the business. In this case, many factors should be considered such as availability of raw materials, proper communication system, availability of labor, marketing facilities and so on.
10. **Qualities of management:** The management must have a minimum quality to success otherwise it would fall.

### Unit III

#### **MEANING OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMME -**

Entrepreneurial Development Programme (EDP) designed to help a person instrengthening and fulfilling his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. Towards this end, it is necessary to promote his understanding of motives, motivation pattern, their impact in behavior and entrepreneurial value. And programme which seeks to do this can qualify to be called a programme. This has to be stressed here, because there are a number of programmes which aim at providing informational or managerial inputs or focus on preparation of a project. Although all these inputs are required by a new entrepreneur, a programme not touching entrepreneurial motivation and behavior cannot be called an EDP. EDP is primarily meant for developing those first-generation entrepreneurs, who on their own cannot become successful entrepreneurs. It covers three major variables; location, target group and enterprise (entrepreneurial activities). Any of these can become the focus or starting point for initiating and implementing an EDP. The remaining two then will follow by making proper synthesis with the first. As for example, if the objective is to promote women entrepreneurs, suitable location and proper entrepreneurial activities must match or if the objective is to develop North-East region, then the potential target group and feasible entrepreneurial ventures must follow. EDP by itself therefore aim at achieving the specific objective of the programmes and therefore cannot create any managerial result. It is a continuous process of training and motivating than to set up profitable enterprises in large measure.

#### **OBJECTIVE OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMME -**



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The important objectives of EDPs are to; i) Develop and strengthen their entrepreneurial quality, i.e., motivation or need for achievement. ii) Analyze environmental set up relating to small industry and small business. iii) Select product. iv) Formulate project for the product. v) Understand the process and procedure uninvolved in setting up a small-scale industry. vi) Know the sources of help and support available for starting a small-scale industry. vii) Acquire the necessary managerial skills required to run a small enterprise. viii) Know the pros and cons in becoming an entrepreneur. ix) Appreciate the needed entrepreneurial discipline. Besides, some of the other important objectives of the EDPs are to; i) Let the entrepreneur himself /herself set or reset objectives for her/ his business and strive for their realization. ii) Prepare him/her to accept the uncertainty involved in running a business. iii) Enable him/her to take decisions. iv) Enable to communicate clearly and effectively.

#### Unit IV

## **Role of an Entrepreneur**

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy are as follows.

### **(1) Promotes Capital Formation:**

Entrepreneurs promote capital formation by mobilising the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

### **(2) Creates Large-Scale Employment Opportunities:**



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Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more.

### **(3) Promotes Balanced Regional Development:**

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc.

### **(4) Reduces Concentration of Economic Power:**

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

### **(5) Wealth Creation and Distribution:**

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

### **(6) Increasing Gross National Product and Per Capita Income:**

Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities encourage effective resource mobilisation of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country.

### **(6) Improvement in the Standard of Living:**

Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

### **(7) Promotes Country's Export Trade:**

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

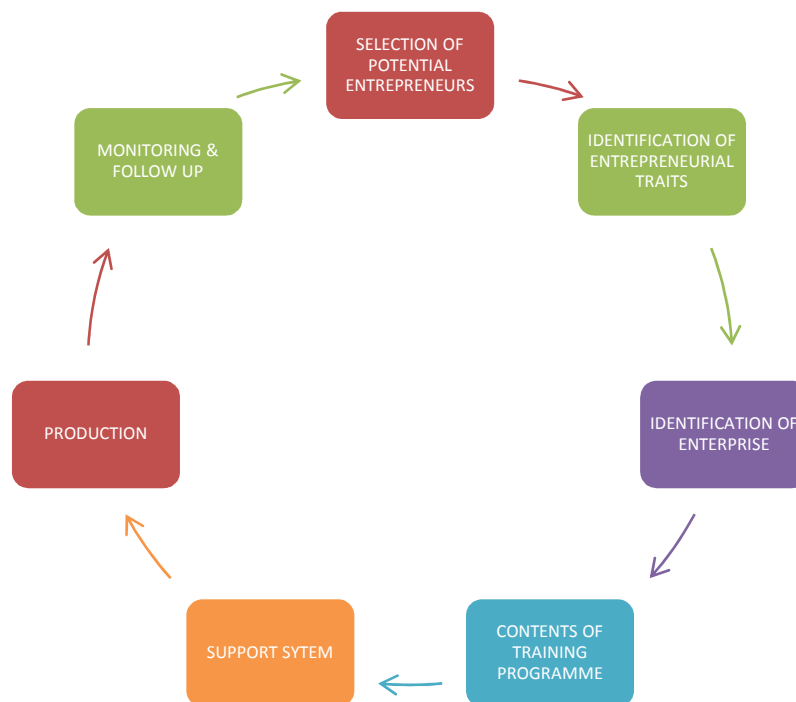
### (8) Induces Backward and Forward Linkages:

Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

### (9) Facilitates Overall Development:

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units.

## Process of developing entrepreneurial characteristics



**Process to develop entrepreneurial skills**

### 1. Selection of potential entrepreneurs:



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The first and foremost step in the EDP is the proper and right selection and identification of potential entrepreneurs. It refers to find out individuals who can be converted into entrepreneurs. The utmost care should be taken in identifying the right participants for the EDP.

Various modes of selections such as test, group discussions and interviews may be adopted in the selection of potential entrepreneurs.

The two essential components such as identification of entrepreneurial qualities in the potential entrepreneurs and identification of suitable and viable opportunity or project for each identified entrepreneur should be kept in mind in selection of potential entrepreneurs.

## **2. Identification of entrepreneurial traits and skills:**

Every participant must have a minimum level of eligibility for becoming an entrepreneur. The entrepreneurial traits are broadly grouped into two categories:

### **(a) Family background:**

The knowledge about the family background of a participants help to create entrepreneurial environment and occupational awareness for the entrepreneurs.

There are certain special types of families traditionally involved in certain types of work. Most people prefer to adopt similar tasks to family business.

#### **(i) Family**

##### **(ii) Age:**

##### **(iii) Education level:**

##### **(iv) Size and type of family:**

##### **(v) Working hands:**

##### **(vi) Social participation:**

### **(b) Human Resource Factors:**

These are the inherited or acquired skills. The following human resource factors must be considered.

#### **(i) Achievement motivation:**

##### **(ii) Willingness to take risk:**

##### **(iii) Influencing ability: .**

#### **(iv) Personal efficacy:**





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(v) **Aspirations:**

### **3. Identification of enterprise:**

It is essential to identify a suitable enterprise or project for potential entrepreneur after studying his socio-personal and human resource characteristics. The entrepreneurial project must be suited to the requirements of potential entrepreneurs.

A number of factors such as his skill, experience, physical resources, family occupation etc. should be taken in consideration before selecting an enterprise. After deciding the enterprise, the potential entrepreneur has to study the viability in terms of financial resources, availability of raw materials, marketing, profitability etc.

### **4. Contents of training programme:**

There are different kinds of participants having different backgrounds and qualities to attend the entrepreneurial development programme. The following types of training are provided during the time duration of programme.

**(a) Technical knowledge and skills:**

After the choice of a particular enterprise by a potential entrepreneur, the in-depth knowledge about the technical aspect of the trade should be imparted to him which will enable him to well-conversant with the process of manufacturing and trading in trade.

A number of field trips to industrial units can be very helpful to understand the economic aspects of the technology.

**(b) Achievement motivation training:**

Development of achievement motive is essential in order to develop human resources. The main aim of achievement motivation training is to develop the need and desire to achieve, risk-taking, initiative and other such personal behavioural qualities, the self-awareness and self-confidence can be created among the participants through an achievement motivation programme which enable them to think positively and realistically.

**(c) Support systems and procedures:**

The proper training relating to support systems and procedure should be imparted to participants. The participants become able to understand the functioning of various agencies like commercial banks and financial institutions, industrial service corporations and other institutions dealing with supply of raw materials, equipment, marketing etc.

This session of the training programme helps the participant to understand the support system, procedures for approaching them, applying and obtaining support from them and availing of the services provided by these agencies.



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#### **(d) Market survey:**

An opportunity to actually conduct market surveys to select the project is provided to participants. This will help them to understand the actual marketing position.

#### **(e) Managerial skill:**

A participant requires managerial skills to start the enterprise. It should involve all the managerial factors such as planning, organization, coordination, leadership, supervision, control etc.

The main aim of managerial training is to enable the participants to run the enterprise successfully.

### **5. Support system:**

The new entrepreneur is ready at this stage to set up his new venture. He requires some type of assistance and support of many agencies in order to launch his new venture. Support system is the important part of the EDP. It is considered the backbone of an EDP.

It is absolutely necessary to develop various support systems in the initial stage of growth in order to accelerate the growth of entrepreneurship.

One method of increasing opportunity and ensuring entrepreneurial success is by providing a network of support systems under entrepreneurial development programme. These support systems provide variety of information relating to credit, finance, marketing service etc.

### **6. Production:**

After the enterprise is set up, production starts. At this step, the managerial and technological skill acquired in the EDP comes into use. Once the production starts the entrepreneur has to initiate supply of products through suitable marketing channel.

The production and marketing are the most crucial stage in an Entrepreneurial Endeavour. Failure in either would mean a breakdown in EDP.

### **7. Monitoring and follow-up:**

Continuous monitoring and follow up is essential for the success of any entrepreneurial development programme. At every stage of EDP, a system of proper monitoring needs to be built in. The defects and problems of EDP can be identified and removed through a proper monitoring system.

Monitoring should provide continuous guidance to ensure better results. The monitoring and follow up should be conducted during each stage of pre-training and post-training of EDP. Pre-training follow up includes evaluation of training infrastructure and training syllabus.



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