



ਜਗਤ ਗੁਰੂ ਨਾਨਕ ਦੇਵ
ਪੰਜਾਬ ਸਟੇਟ ਓਪਨ ਯੂਨੀਵਰਸਿਟੀ
ਪਟਿਆਲਾ

The Motto of Our University
(SEWA)

SKILL ENHANCEMENT

EMPLOYABILITY

WISDOM

ACCESSIBILITY



JAGAT GURU NANAK DEV

PUNJAB STATE OPEN UNIVERSITY, PATIALA

(Established by Act No. 19 of 2019 of the Legislature of State of Punjab)

MASTER OF ARTS

CORE COURSE (CC): ECONOMICS

SEMESTER- II

MAEC24203T -ENTERPRENEURSHIP DEVELOPMENT

Head Quarter: C/28, The Lower Mall, Patiala-147001

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PREFACE

Jagat Guru Nanak Dev Punjab State Open University, Patiala was established in December 2019 by Act 19 of the Legislature of State of Punjab. It is the first and only Open University of the State, entrusted with the responsibility of making higher education accessible to all, especially to those sections of society who do not have the means, time or opportunity to pursue regular education.

In keeping with the nature of an Open University, this University provides a flexible education system to suit every need. The time given to complete a programme is double the duration of a regular mode programme. Well-designed study material has been prepared in consultation with experts in their respective fields.

The University offers programmes which have been designed to provide relevant, skill-based and employability-enhancing education. The study material provided in this booklet is self-instructional, with self-assessment exercises, and recommendations for further readings. The syllabus has been divided in sections, and provided as units for simplification.

The University has a network of 100 Learner Support Centres/Study Centres, to enable students to make use of reading facilities, and for curriculum-based counselling and practicals. We, at the University, welcome you to be a part of this institution of knowledge.

Prof. G.S
Batra Dean Academic
Affair

M.A (ECONOMICS)
MAEC24203T-ENTREPRENEURSHIP DEVELOPMENT
SEMESTER – II

MAX. MARKS:100

EXTERNAL:70

INTERNAL:30

PASS:40%

CREDITS:6

OBJECTIVES:

The basic objective of this course is to help the students to understand various issues involved in setting up a private enterprise and develop the required entrepreneurial skills in economic development. It also aims to motivate students to opt for entrepreneurship and self-employment as alternate career options.

INSTRUCTIONS FOR THE PAPER SETTER/EXAMINER:

1. The syllabus prescribed should be strictly adhered to.
2. The question paper will consist of three sections: A, B, and C. Sections A and B will have four questions from the respective sections of the syllabus and will carry 10 marks each. The candidates will attempt two questions from each section.
3. Section C will have fifteen short answer questions covering the entire syllabus. Each question will carry 3 marks. Candidates will attempt any ten questions from this section.
4. The examiner shall give a clear instruction to the candidates to attempt questions only at one place and only once. Second or subsequent attempts, unless the earlier ones have been crossed out, shall not be evaluated.
5. The duration of each paper will be three hours.

INSTRUCTIONS FOR THE CANDIDATES:

Candidates are required to attempt any two questions each from the sections A and B of the question paper and any ten short questions from Section C. They have to attempt questions

only at one place and only once. Second or subsequent attempts, unless the earlier ones have been crossed out, shall not be evaluated.

Section A

UNIT 1- Introduction: Entrepreneurship: Concept, Characteristics, Entrepreneurial mindset. Evolution and Growth of Entrepreneurship in India. Role and Functions of Entrepreneur. Types of Entrepreneurs.

UNIT 2- Theories: Economic, Psychological, Sociological, Anthropological, Opportunity-Based, and Resource-Based entrepreneurship

UNIT 3- Innovation: Meaning, Types of innovations, features, and needs. Latest innovations in manufacturing and service sectors. Management Skills: Hard Skills, Soft skills, Problem-solving and building relationships, Team building, Empowering and delegating, Managerial Roles

UNIT 4- Types of entrepreneurship: Social and commercial entrepreneurship. Women Entrepreneurship- Problems Faced, Suggestions, Role of Government to Promote Women Entrepreneurship

Section B

UNIT 5- Design Thinking - Design Thinking-Concept, Origin of Design Thinking, Features, Use of Design Thinking, Applications of Design Thinking. Design Thinking vs. Scientific Method, Problem Focused vs. Solution Focused.

UNIT 6- Entrepreneurship: Role of stimulating creativity, Creative teams and managerial responsibilities. Government Schemes & Promotional Agencies in Entrepreneurship development

UNIT 7- Start-Ups: Meaning, Types of Start-Ups, Creativity and Innovations in Start-Ups, Benefits. Difference between a Start-Up and Business

UNIT 8- Creativity and Entrepreneurship: Characteristics of Creative entrepreneur, Personal traits, Interpersonal skills, Critical thinking, Practical Skills, Business Thinking vs Creative

Thinking, Creative Process – Preparation, Thinking outside the box, Incubation, Illumination, Verification, Critical Thinking.

Suggested readings:

1. Desai, Vasant (2003). Small-Scale Industries and Entrepreneurship. Himalaya Publishing House, Delhi.
2. Kaulgud, Aruna (2003). Entrepreneurship Management. Vikas Publishing House, Delhi.
3. Chandra, Ravi (2003). Entrepreneurial Success: A Psychological Study. Sterling Publication Pvt. Ltd., New Delhi.
4. Balaraju, Theduri (2004). Entrepreneurship Development: An Analytical Study. Akansha Publishing House, Uttam Nagar, New Delhi .
5. Taneja, S., & Gupta, S. L. Entrepreneurship Development-New Venture creation. New Delhi: Galgotia Publishing House.



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M.A (ECONOMICS)

SEMESTER-II

MAEC24203T-ENTREPRENEURSHIP DEVELOPMENT

COURSE COORDINATOR AND EDITOR: DR.KULDEEP WALIA

SECTION A

UNIT NO:	UNIT NAME
UNIT 1	Introduction: Entrepreneurship: Concept, Characteristics, And Entrepreneurial Mindset. Evolution And Growth Of Entrepreneurship In India. Role And Functions Of Entrepreneur. Types Of Entrepreneurs.
UNIT 2	Theories: Economic, Psychological, Sociological, Anthropological, Opportunity- Based, And Resource- Based Entrepreneurship.
UNIT 3	Innovation: Meaning, Types Of Innovations, Features, And Needs. Latest Innovations In Manufacturing And Service Sectors. Management Skills: Hard Skills, Soft Skills, Problem- Solving And Building Relationships, Team Building, Empowering And Delegating, Managerial Roles
UNIT 4	Types Of Entrepreneurship: Social And Commercial Entrepreneurship. Women Entrepreneurship-Problems Faced, Suggestions, Role Of Government To Promote Women Entrepreneurship

SECTION B

UNIT NO:	UNIT NAME
UNIT 5	Design Thinking - Design Thinking-Concept, Origin Of Design Thinking, Features, Use Of Design Thinking, Applications Of Design Thinking. Design Thinking Vs. Scientific Method, Problem Focused Vs. Solution Focused.
UNIT 6	Entrepreneurship: Role Of Stimulating Creativity, Creative Teams And Managerial Responsibilities. Government Schemes & Promotional Agencies In Entrepreneurship Development.
UNIT 7	Start-Ups: Meaning, Types Of Start-Ups, Creativity And Innovations In Start-Ups, Benefits. Difference Between A Start-Up And Business

UNIT 8	Creativity And Entrepreneurship: Characteristics Of Creative Entrepreneur, Personal Traits, Interpersonal Skills, Critical Thinking, Practical Skills, Business Thinking Vs Creative Thinking, Creative Process – Preparation, Thinking Outside The Box, Incubation, Illumination, Verification, Critical Thinking.
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**M.A (ECONOMICS)
SEMESTER II
MAEC24203T- ENTREPRENEURSHIP DEVELOPMENT**

UNIT -1 ENTREPRENEURSHIP

STRUCTURE

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Concepts and Overview of Entrepreneurship**
- 1.3 Characteristics of Entrepreneur**
- 1.4 Entrepreneurial Mind set**
- 1.5 Evolution and Growth of Entrepreneurship in India**
- 1.6 Role of Entrepreneurship in Economic Development**
- 1.7 Types of Entrepreneur**
- 1.8 Questions**
- 1.9 Suggested Readings**

1.0 LEARNING OBJECTIVES

After completing this unit, students will be able to

- Define : Concepts and overview of Entrepreneurship
- Understand : Characteristics of entrepreneur and entrepreneurial mindset
- Define : Types of Entrepreneurs
- Explain : Role of Entrepreneurship in Economic Development.

1.1 INTRODUCTION

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. However, as a basic entrepreneurship definition, it's a bit limiting. The more modern entrepreneurship definition is also about transforming the world by solving big problems. Like initiating social change, creating an innovative product or presenting a new life-changing solution.

What the entrepreneurship definition doesn't tell you is that entrepreneurship is what people do to take their career and dreams into their hands and lead it in the direction of their own choice. It 's about building a life on your own terms. No bosses. No restricting schedules, and no one holding you back. Entrepreneurs are able to take the first step into making the world a better place, for everyone in it.

Entrepreneurship is an evolving phenomenon. With the advancement of science and technology it has undergone metamorphosis change and emerged as a critical input for socioeconomic development. Entrepreneurship is the process of being an entrepreneur, of gathering and allocating the resources, financial, creative, managerial or technological, necessary for the success of new ventures. Entrepreneurship is characterized by creative solutions to problems and ingenuity and innovation are the forte of an entrepreneur. Economies have been characterized by innovations and new products that entrepreneurs have brought to the market. Further, entrepreneurship has acted as the catalyst to transfer a segment of new generation of people into self-employed business owners to provide jobs and motivation for the rest. Entrepreneurship is a phenomenon associated with entrepreneurial activity and entrepreneurs who seek to generate value by identifying and exploiting new products, processes, markets and creating or expanding economic activities

1.2 Concepts And Overview Of Entrepreneurship

Definition:

The entrepreneur initiates, organizes, manages and controls the affairs of a business unit. He is in the centre of industrial production system. He is the owner of the business unit and works with the profit motive. The maximization of profit depends on many factors, such as the capital output, quality of the product, demand of the product and the internal management.

But above all it requires entrepreneurial skill in the producer.

Kindly examined various theories of entrepreneurship and called the effort of understanding entrepreneurship —hunting the Hefðalump (Hefðalump is a large animal which, despite ingenious devices, could not be captured). Likewise, there has always been an unsuccessful search for source of dynamic entrepreneurial performance.

Kilby has evaluated theories of entrepreneurship and suggested some principles on which some traps may be designed. However, the dictionary meaning of the term ‘_entrepreneur’ is

—the person, who organizes, manages and assumes the risks of a businessl.

Originally, the term ‘_entrepreneur’ in the French language was used to refer to a person engaged in a leading military operation. Canutillo was perhaps the first to use this concept.

According to him, the essence of the function of an entrepreneur was to bear uncertainty.

Entrepreneur is a person who buys factor services at certain prices and sells them at uncertain prices in future. In the late 18th century, Nicolaus Bandeau called the agricultural cultivator an entrepreneur and credited him with the essential characteristics of risk-taking and innovation.

Yale Brazen, following the terminology of Clarence Dalhoff, mentioned four types of entrepreneurs:

1. Innovating entrepreneurs:

They make aggressive assembling of information and have capacity for putting an attractive combination of factors of production.

2. Imitative entrepreneurs:

They have readiness to adopt successful innovations used by the first group.

3. Fabian entrepreneurs:

They are characterized by caution and skepticism but do imitate if they feel that the failure to do so would cause a decline in the relative position of the enterprise.

4. Drone entrepreneurs:

They are characterized by refusal to make any change even at the cost of reduced returns in comparison to others. Technological advancement, according to Brazen, is possible where innovative and imitative types of entrepreneurs are heavily supplied. The sluggishness of the last two types will frustrate the attempt to advance technology rapidly. This is truer particularly in the case of less developed countries. Redlich himself finds the entrepreneurs of Indian subcontinent to be only imitators and warns them against mere copy and duplication of the American type as it would yield unexpected and detrimental results.

There would hardly be a business leader in the Asian and African countries who is an innovator in the true Schumpeterian sense and perhaps none is visionary enough to strike out for previously unexplored territory. All are imitators and adaptors of experiences gained in the economically more advanced countries keeping in view the existing conditions of their own. The technology they apply is usually borrowed from abroad, the legal marketing practices they employ are adaptations of those developed in advanced countries and often the commodities they produce and sell are selected because of the operation of 'demonstration effect' through which consumption of the more advanced countries becomes popularized and enters the general demand in developing countries.

Subramanyam, however, finds entrepreneurs of England more innovative, whatsoever, than their counterparts in India. Evans also rejects innovation as an essential criterion and defines entrepreneur as —the person or a group of persons in a firm whose function is to determine the kind of business that is to be conducted.

The entrepreneur has to take decisions regarding:

- (a) the kinds of goods and services to be offered,
- (b) the value of these goods and services, and
- (c) The clientele to be served.

It must be borne in mind that the interaction that has advanced between industry and scientific laboratory by now and the growing multiplicity of market and industry-related research institutions has reduced the innovational requirements on the part of entrepreneurs.

Laboratories and market research institutions innovate and explore for entrepreneurs only to employ them in their enterprises.

The entrepreneur now is to be characterized as having a personality formed of strong will to achieve, courage and readiness to utilize resources to the best of capability, ability to arrange and manage the functioning of enterprise and ability to take risk.

The entrepreneur, however, is essentially concerned with small and medium industrial units.

Coleman emphasizes this view and entrusts entrepreneurs with the responsibility of continuously adopting to small changes in the market, both for factors and products. Small enterprise in India is defined in terms of initial investment limit in plant and machinery and the limit is Rs. 10 million (Planning Commission, 2001).

Indian entrepreneurs, in most of the cases, are not even near this limit. Most of industrial units are tiny in terms of both size and turnover and work for large industrial enterprises. Most of the entrepreneurs here are mere imitators. They do not dare to carry out radical changes in enterprises.

The external factors, particularly

market competition and customer needs, were the major motivating factors for small-scale entrepreneurs to engage in innovations.

Salient Features of Entrepreneurs:

The entrepreneurs' motivation for creative activity lies in their intense urge for self-realization.

The following are some of the important characteristics of an entrepreneur:

- (i) High need for achievement
- (ii) Acquisitiveness
- (iii) Self-confidence and autonomous personality
- (iv) Non-dogmatic and non-conformist personality
- (v) Aggressiveness and risk-bearing capability
- (vi) Rationality and pragmatism
- (vii) Creative and technical mind
- (viii) Adaptability
- (ix) Managerial skill and leadership qualities
- (x) Administrative ability

- (xi) Sound decision-making ability
- (xii) High personal efficacy
- (xiii) High commitment to the task

1.3 CHARACTERISTICS OF ENTREPRENEUR

To be successful, there are definite characteristics that the entrepreneurship must possess.

A few of them are mentioned as follows: -

- **Risk Taker**- Starting any new venture involves a considerable amount of failure risk. An entrepreneur must be bold enough to take risks, which is an essential part of being an entrepreneur. An entrepreneur normally avoids the situation where risk is low.
- **Innovation**- Entrepreneurship should be highly innovative to generate new ideas and start a company. The entrepreneur brings a change for launching of a new product in the market. He may also develop a process that does the same thing in more efficient and economical manner.
- **Visionary and Leadership quality**- With their Leadership quality, leaders influence their employees towards the right path of success. Furthermore, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, he needs a lot of resources and employees. With Open-Mind, every circumstance as an opportunity can be used for the benefit of a company. For example, Repay, Google pay, and Pat etc. in the wake of demonetization acknowledged the need for online transactions.
- **Flexibility**- An entrepreneur should be flexible enough to change according to the situation. He should be equipped to embrace change in a product and service, according to the market needs.
- **Awareness**- An entrepreneur should know the product offerings and also be aware of the latest trend in the market. For this, he must be knowing of the available product or service on the parameters of the current market. Being able alter the product or service as needed, is a vital part of entrepreneurship.
- **Resilient**- A successful entrepreneur must show resilience to all the difficulties. In the times of failure or rejection they must keep pushing forward. To Start your business is a learning process and any learning process comes with a learning curve, which can be frustrating, especially when money is on the line. It's important never to give up through that's important never to give up through the difficult times if you want to succeed.
- **Focused**- A successful entrepreneur must stay focused and must be free from doubts that come in mind while running a business. By not believing in instincts and ideas, entrepreneur may step forward to failure and lose the end goal. A successful entrepreneur must always remember the vision for starting the business and remain on course to see it through.
- **Business Smart**- An entrepreneur should be smart enough to manage money and financial statements that are critical for running their own business. It is essential for him to check

revenues, costs, and how to increase or decrease them. While implementing a sound business strategy, it is necessary to know target market, competitors, strengths and weaknesses.

- **Communicators-** An entrepreneur must possess efficient communication skills. Successful communication is important in almost every walk of life. It is also of the utmost importance in running a business. Good communication also means that conveying ideas and strategies to potential investors in an efficient manner.

1.4 ENTREPRENEURIAL MIND SET

The following resources can be helpful in developing the Entrepreneurial Mindset: -

- **Assertive:** The ability and willingness to put his firm foot ahead to overcome challenges and for promotion of his venture.
- **Persuasive:** The ability to clearly express ideas to others by persuading them to work towards a common goal. For this, he must have to use good communication quality
- **Critical Thinking:** It is the capacity to apply process-oriented thinking, consider an issue from a range of possible perspectives, and use that thinking while making decisions.
- **Comfort with Risk:** The capacity to move forward with a decision despite inevitable uncertainty and challenges.
- **Initiative:** an entrepreneur has to initiate a new idea to carry business activity working through obstacles independently. The power to take ownership of a project without any input or guidance.
- **Future Orientation:** An optimistic disposition with a focus on obtaining the skills and knowledge required to transition into a career.
- **Looking for Opportunity:** An entrepreneur must have the practice of seeing and experiencing problems as opportunities. He has to avail these opportunities for profit earning
- **Creative:** An entrepreneur is out to devise most effective strategies to achieve the objectives of his enterprise. The ability to think of ideas and create solutions to problems without clearly defined structures.
- **Comfort with Risk:** For an entrepreneur, he must have the capacity to move forward with a decision despite inevitable uncertainty and challenges. Our attitude to risk shapes our whole life. Behind making business or life decisions, there is always an element of risk. We are all risk takers and take risks every day, driving at 85 when the limit is 70.
- **Persistence:** Continuous efforts describes the notion of taking various unrelated situations and creating something bigger in adverse situations too.

- **Self-confidence:** Entrepreneurs make loads and loads of mistakes. But, they don't get give up by it. With Self-confidence, they just move on to the workaround or next idea swiftly even in case of failure.

- **Learn quick:** The entrepreneur learns quick, but always shares the results whether good or bad with the team for completing the desired task.

- **Work smart:** Entrepreneurs are often gifted with a meticulous planning. He needs to Work smart to plan activities in the light of his strengths and

Weaknesses

1.5 EVOLUTION AND GROWTH OF ENTREPRENEURSHIP IN INDIA

The growth and transformation of entrepreneurship in India began in the early times when the 'barter system' was a common means of exchange. However, before proceeding, let us understand what entrepreneurship is and who entrepreneurs are.

Entrepreneurs are those individuals or groups who create new businesses and job opportunities. Entrepreneurship is the ability of an entrepreneur to run and operate a business with goal-oriented objectives. In this article, we will focus on the following:

Evolution of entrepreneurship and their classification into different areas.

The importance of entrepreneurship in India

The need of entrepreneurship

Evolution of Entrepreneurship in India

Medieval Age

To discuss the growth or development of entrepreneurship in India, you must understand that India has one of the oldest and most civilized business histories. During the Harappa civilizations around 2700 BC, there was an internal and external trade culture. Also, due to this, most foreign countries recognize Indian entrepreneurial skills.

Moreover, the increase in trade occurred during the era of Mughal rule. The popularity of Indian products, arts, crafts, Vedic tools, foods, and much more attracted attention from different parts of the world. The Arab mainland, western colonial counties and African countries were the major parties involved in the trade.

At the same time, different countries like UK, France and Portugal expanded their colonies in different parts of the world. However, a significant entrepreneurial change occurred when the East India Company started its business from the Bay of Bengal and later occupied parts of Bengal. It indirectly linked the entire Indian state into one business ecosystem.

There were some major downsides to the colonial mindset of England. However, it also played some good aspects in developing entrepreneurship in India.

Modern and pre-independence

This was the era of industrialization in India, where some of India's best entrepreneurs rise. The major events changed the face of entrepreneurship in India.

The first cotton textile mill was revolutionized in 1854 by an Indian entrepreneur, Awaji Dover. It was one of India's boldest steps in the modern development of entrepreneurship development. Jamsetji Tata founded the company Tata Group in the year 1868. With the foundation of the Tata Group, he has created a bar for entrepreneurship development in India.

1874 Cotton Mill by JRD Tata, TISCO by Daribi Tata, 1932 Tata Airlines, Tata Steel Plant, and more were high-rate businesses in India. At the same time, it has also played a major role in various independence initiatives.

Post-independence

Entrepreneurship in India, along with the national economy, was ground-breaking after independence. There was not much left in the Indian economy at that time. However, the government took major steps to support India's development which is as follows.

Prime Minister Nehru adopted the economic structure line of the Soviet Union. It gave a major push to the New Industrial Policy of 1956. Similarly, this policy liberalized the bar and standards set by the British government, which were the ultimate impediment to industrial development.

Economic reforms were carried out in the initial phase of governance. Also, prominent economists adopted the Mahalanobis model, which primarily aims to support entrepreneurs.

As all these influential policies were in operation, few major industries were established as opposed to the traditional textile and natural resource industries. Since independence, there was a huge growth in entrepreneurship in India.

However, it may seem that most of the top entrepreneurs were already in business. But the reality was different. Economic policies were not giving much support to the entrepreneurs. due to which there was rough growth. However, the transformation of entrepreneurship began in 1990.

Transformation of Entrepreneurship in India

The major transformation of entrepreneurship in India began with the 'Economic Policy Reform' in 1991. The policy was further expanded in 2022. So, you can easily categorize the major transformation of entrepreneurs in India by these two policies and events.

New Economic Policy

The New Economic Policy of 1991 was a huge turning point. This policy has included three major aspects, which are as follows.

Aspects	Role
Liberalization	Providing some provisions in different parts of the industry It boosts the private sector, including banks and the stock market
Privatization	Disinvestment of Public Firms to reduce the burden Promote the national entrepreneurs for good business
Globalization	Welcoming FDI's, and FPI Creating SEZ and Economic

Aftermath

The major objective was economic reform, which has also served in the transformation of entrepreneurship in India. Before the policy, India's entrepreneurship was based on the model of traditional industries and agro-industries.

However, after the implementation of the policy, major changes were seen in the technology. The rise of Infosys, TCS, Wipro, HCL, and more. Also, in automobiles, Maruti, Tata, Mahindra, Bajaj, and more were emerging. But there is a limitation to this policy as it favors a lot of big companies and does not give a chance to a small and new startup to take off.

Growth of Startups

In 2016, startups started to grow. There are some key aspects of this startup initiative whose main objective is to provide and lend support for entrepreneurship development in India. By the year 2015, startups were rampant in India. Moreover, India is also known as the 'poster child of an emerging market'. Some of the key aspects of the 2016 Startup Initiative are as follows.

The MSME ministry swung into action by supporting small and micro startups and firms.

The Make in India initiative allows entrepreneurship to live in India and work on its growth.

The NITI Analog scheme was also launched. Its objective is to develop skills and provide training to become a skilled resource.

New innovators and potential entrepreneurs are helping their businesses in the Indian market daily. If you consider the growth of entrepreneurship since 1990, you will see a sharp growth every year.

The current Indian entrepreneurship world is becoming a highly favorable market for any company to invest in. Also, most Indian companies have marked their potential in international trade and shown the growth of entrepreneurship in India. However, among all other top start-ups and companies, the IT sector of India is on the boom. It alone handles a large part of the development of the entrepreneur representing India.

1.6 ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

An Entrepreneur should possess all such characteristics with help of which he/she can perform successfully. Entrepreneurs have a wide variety of roles and responsibilities to take care of. The more time and energy that an entrepreneur puts into a project, the better are the chances for its success. The following points highlight the role of an entrepreneur.

Role of Entrepreneur**1. Founder of a company**

An entrepreneur is an individual who initiates the creation of a business with an idea and develops a plan to make it a reality. They work to identify existing and trending marketing opportunities, launch a business plan, raise funds, and oversee complete operations.

Entrepreneurs sell their business products and services to users not only to earn money, but to experience the joy of fruitful results. Their primary responsibilities are product and market knowledge, building client relationships, managing finances and ensuring smooth operations. The entrepreneur craves out opportunities for himself.

The entrepreneur is the bearer of the highest risk and the key person responsible for securing the capital to support the idea and is primarily responsible for bearing the consequences if the idea fails.

An entrepreneur can be successful if work and personal life are balanced

2. Hire the right candidates

Entrepreneurs play a key role in making significant economic changes in addition to making money. As the business needs grow, entrepreneurs need to hire more employees. Entrepreneurs play a key role in minimizing risk by employing people who can work on the idea and contribute to growth. Such people can be investors or shareholders. That's why they help businesses succeed. The entrepreneur allocates the organization's resources and the primary one is the workforce. They are essential in recruiting the right staff for effective decision making. It also includes the design of the organizational structure and divisions for efficient workflow. An entrepreneur must first of all build trust and create a great team. Importantly, they must act to establish healthy communication between different departments. They must know how to assess the skills of candidates.

3. Create a strategy

Preparing a business strategy is a key role of an entrepreneur. It helps to stay in tune with market trend. A good entrepreneur must accept challenges, whether it is to finance a new project or to improve an existing company policy that is not suitable. A good strategy is to find the right market and customers that initiate success and create value for customers and employees.

4. The visionary

The role most people associate with entrepreneurship is that of a "visionary". Entrepreneurs are imaginative people who are always looking for opportunities to innovate and find new ways to tackle old challenges. This role doesn't go away once your business takes off. You will need to constantly look for new ways to improve and new directions for your company to grow.

An effective visionary performs two key roles:

- (a) A charismatic role which involves establishing support for a vision and direction
- (b) He plays an architectural role in order to build an appropriate organization structure. He has to look after various functions of management and discharge them effectively

5. Know about the field

Entrepreneurs must be aware of the ongoing market and recognize methods that help their organization stand out from the competition. The best way to develop it is to be a part of different forums, participate in more events, etc.

6. Develop marketing methodologies

Entrepreneurs need to learn about sales and marketing to stay competitive. Understanding your customers drives you to create information that can garner massive applause through social media platforms and other marketing means.

Advertising, content optimization and branding are different marketing methodologies. A sale is a later marketing event. A good team can guide the process from cold calling to closing deals.

7. Develop a financial budget

An entrepreneur's financial budget is the allocation of funds to meet various expenses such as salaries, rent, etc. To make your business thrive, be clear about how resources and money are distributed. He just has to figure out how the money flows. He could be betrayed depending on other people knowing the financial activities.

8. Courage to face adversities

Entrepreneur face the adversities boldly and bravely. He has faith in himself and attempt to solve the problem even under pressure. Every unpredictable situation is a challenge before him which he overcome and survives through.

Entrepreneurship is important because it improves the standard of living and generate capital. Let us look at some of the reasons for the importance of entrepreneurship.

Economic Development by Entrepreneurs

It shows the importance of entrepreneurship in the best possible way. New products and services produced by entrepreneurs can fuel the economic development of the companies concerned. This is also true for areas that need to support new business.

For example, the boom of IT industries during the 1990s. The industry grew rapidly and it helped many other businesses. Businesses have grown in related sectors, such as call centre operations, network repair firms and hardware suppliers.

Contribution of Entrepreneurs to National Profit

Entrepreneurial projects help create fresh wealth. Established companies may remain confined to existing markets and reach a threshold in terms of profits. Better goods, services or technology from businesses enable the development of new markets and the creation of new wealth.

Entrepreneurial projects help create new capital. Better goods, services or technology from businesses enable the development of new markets and the creation of new wealth. Also, higher income in the form of increased jobs and higher tax revenue and expenditure leads to better national income.

So, this importance of entrepreneurship helps in making the national income of a country. The government will use these proceeds to invest in the country.

Social Change by Entrepreneurs

This importance of entrepreneurship breaks with tradition and reduces reliance on outdated systems by providing unique products and services. This will improve the quality of life. Such as the smartphone industry continues to grow, tech entrepreneurship will have a huge, long-term impact on the planet.

The indirect effects of entrepreneurship are not so visible, yet they are equally important for economic development. The following are indirect effects:

Money Flow in the Market

The flow of money in an economy is as important. The more it flows, the healthier the economy. Enterprises help in the flow of money in the market by creating employment and increasing production and consumption.

Infrastructural Development

Start-ups thrive in the ecosystem. When an ecosystem is formed in a particular city, there is an increase in the infrastructure of the city or particular area. For example, startups growing in Bangalore, Hyderabad and Delhi. These cities were developed strategically to create a better environment to support start-ups to meet the need for entrepreneurship.

Indirect Employment

Direct employment is the employment created by entrepreneurship within the business. But it is not the only employment. Entrepreneurship also creates a lot of indirect jobs. For example, in an area like Poway in Mumbai, infrastructural development creates a need for hotels, restaurants, transportation, etc.

Increase in Related Services

When entrepreneurs grow and expand their operations, it requires many services. These services may be outside their core expertise. For example, an end-tech start-up would require several services like human resources, marketing, consulting, legal services, etc. Therefore, when the number of entrepreneurs increases, so does the demand for related services.

Need of Entrepreneurship for Economic Growth

Entrepreneurship is an instrument of social change and economic development. Entrepreneurs firmly believe that it is entrepreneurship that will beat and transform the market with new-age technologies.

The following factors define why entrepreneurship is needed in economic development.

1. Innovation

Innovation is the primary element of entrepreneurship. New-age entrepreneurs are passionate about innovations in technology and business models. Some of the primary examples of this are Airbnb, Innova8, Ola, Zinger etc. These companies not only bring innovation in technology but also created unique business models that never existed before. It helps in making your life much easier.

Policymakers of an economy consider innovation while creating a road map for the country's economic development. Innovation creates market ease and new opportunities and encourages consumption. Therefore, entrepreneurship in India is important as it inspires innovation.

2. Employment

Employment is an important factor in the development of any economy. A low employment rate indicates the poor health of an economy. An economy needs to generate more jobs and wage opportunities to accelerate growth. It plays an important role in job creation.

The bigger the enterprise, the more job and salary opportunities are created. Therefore, the need for entrepreneurship in India becomes important for economic development.

3. Living standard

The standard of living is, in a way, directly proportional to employment. Because employment pays people, they spend their money on the purchase of goods and services. Therefore, the consumption rate increases in an economy and so does the production rate. This eventually raises the basic wage, and people become able to consume higher quality goods and services.

If entrepreneurship in an economy is sector agnostic, it will go a long way in raising the standard of living of the people. Therefore, the need for entrepreneurship in India becomes important for overall economic development.

4. Social change

Social entrepreneurship is a modern term that encourages entrepreneurs to bring about change in society. For example, crowdfunding companies are usually involved in social work such as raising funds for NGOs. Their businesses bring positive changes to society. They not only help the needy but also spread social awareness.

A prosperous society facilitates the path of community development. Therefore, the need for entrepreneurship in India is important as it brings together social reform and economic development.

5. Research and Development

Research and development are the progress of innovation. When an entrepreneur comes up with innovative ideas and builds a business from them, they need to continuously develop their innovation to keep up with the market and improve the user experience. As the enterprise grows, they spend more resources on research and development, which leads to technological progress.

Technological advancement not only supports a particular company but the entire nation. It contributes to the growth of science and technology. The economy further utilizes these developments to implement in various sectors to make progress. Therefore, the need for entrepreneurship in India is necessary for the progress of science and technology.

1.7 TYPES OF ENTREPRENEUR

The various types of entrepreneurs are classified on certain parameters. Some important classifications are described below:

I. According to the Type of Business: Depending on the type of business, entrepreneurs are found in different types of business concerns of different sizes. We can broadly classify them as follows

Business Entrepreneur: Business entrepreneurs are individuals who get an idea for a new product or service and then create a business to make their idea a reality. In search, they use both production and marketing resources to create a new business opportunity. They can set up a large establishment or a small business unit. They are called small entrepreneurs when they are in small business units such as a printing house, a textile processing house, an advertising agency; ready-made garments or confectionery. In most cases, entrepreneurs are found in small business and manufacturing businesses and business thrives when the size of the business is small.

Industrial Entrepreneur: An industrial entrepreneur is essentially a manufacturer who identifies potential customer needs and adapts a product or service to marketing needs. He is a product-oriented man who starts in an industrial unit because of the possibility of making some new product. An entrepreneur has the ability to transform economic resources and technology into a highly profitable enterprise. It is found in industrial units such as electronics industry, textile units, machine tools or video cassette factories and the like.

Corporate entrepreneur: A corporate entrepreneur is a person who demonstrates his innovative abilities in the organization and management of corporate business. A corporate enterprise is a form of business organization that is registered under some law or statute that gives it a separate legal entity. A trust registered under the Trusts Act or a company registered under the Companies Act are examples of corporate undertakings. A corporate entrepreneur is therefore a natural person who plans, develops and manages a legal entity.

Agricultural Entrepreneur: Agricultural entrepreneurs are those entrepreneurs who engage in agricultural activities such as cultivation and marketing of crops, fertilizers and other agricultural inputs. They are motivated to develop agriculture through mechanization, irrigation and the application of technologies for land-based agricultural products. They cover a wide spectrum of the agricultural sector and include its related occupations.

II. According to the use of technology The application of new technologies in various areas of the national economy is essential for the future growth of business. We can broadly classify entrepreneurs based on the use of technology as follows:

Technical Entrepreneur: A technical entrepreneur is basically likened to a "craftsman". Thanks to its craftsmanship, it develops better quality goods. It focuses more on production than marketing. Not much sales generation and not doing various sales promotion techniques. It demonstrates its innovative capabilities in the field of production of goods and provision of services. The greatest strength a technical entrepreneur has is his skill in manufacturing techniques.

Non-Technical Entrepreneur: Non-Technical Entrepreneurs are those who are not concerned with the technical aspects of the product they are dealing with. They are only concerned with developing alternative marketing and distribution strategies to support their business.

Professional entrepreneur: A professional entrepreneur is a person who is interested in starting a business, but is not interested in managing or operating it once established. A professional entrepreneur sells a running business and starts another business with the proceeds of the sale. Such an entrepreneur is dynamic and comes up with new ideas for the development of alternative projects.

III. According to the entrepreneur and motivation: Motivation is a force that affects the efforts of an entrepreneur to achieve his goals. An entrepreneur is motivated to achieve or demonstrate excellence in work performance. He is also motivated to influence others by demonstrating his business skills.

Pure Entrepreneur: A pure entrepreneur is an individual who is motivated by psychological and economic rewards. He is in business for his personal satisfaction in work, ego or status.

Induced Entrepreneur: An entrepreneur who is induced to undertake entrepreneurial work as a result of government policies that provide support, incentives, concessions, and necessary overhead and equipment to start a business. Most of the induced entrepreneurs enter the business for a variety of financial, technical and other benefits provided by governmental entrepreneurship promotion agencies. Now a day, import restrictions and the allocation of production quotas have led many to set up small-scale industries.

Motivated Entrepreneurs: New entrepreneurs are motivated by a desire for self-actualization. They arise because of the opportunity to manufacture new products and sell them to consumers. Entrepreneurs are further motivated by profit-oriented rewards once the product is developed to the point where it is ready for sale.

Self-motivated entrepreneurs These entrepreneurs start their businesses as entrepreneurs. They are individuals with initiative, courage and confidence in their ability to inspire entrepreneurship in underage people. Such entrepreneurs have strong beliefs and beliefs in their innate abilities.

IV. According to Growth and Entrepreneurship: New business

development is more likely to be successful. A new open business field for entrepreneurs. Customer approval of a new product brings psychological satisfaction and huge profits to the customer. Industrial units are identified as high, medium, and low-growth industrial units. So there are growth entrepreneurs and super-growth entrepreneur.

Growth Entrepreneur: Growth Entrepreneurs are those who are forced to enter high-growth industries with significant growth potential.

Super Growth Entrepreneurs: Super Growth Entrepreneurs are people who have made phenomenal growth in their businesses. Growth performance is identified by liquidity, profitability and leverage of funds.

V. According to entrepreneurs and stages of development:

Entrepreneurs can also be divided into first generation entrepreneurs, modern entrepreneurs and classical entrepreneurs according to their stage of development.

First Generation Entrepreneurs: First generation entrepreneurs are industrial units with innovative power. He is an innovator at heart, combining different technologies to create marketable products and services.

Modern Entrepreneurs: Modern entrepreneurs are those who undertake ventures that successfully respond to changing market demands. They undertake ventures that meet current marketing needs.

Classic Entrepreneur: A Classic Entrepreneur is someone who addresses customer and marketing needs through the development of an independent business. He is the quintessential entrepreneur whose goal is to maximize financial profit at a level consistent with the survival of the business, with or without a growth factor.

1.8 QUESTIONS

Long Answer Questions

1. Explain the various concepts of Entrepreneurship
2. Explain Evolution and Growth of Entrepreneurship in India
3. Elaborate need of entrepreneurship
4. How does growing entrepreneurship effect the economy of the country
5. Classify entrepreneurs on the basis of use of technology

Short Answer Questions

1. Give an overview of entrepreneurship
2. What is the role of entrepreneurship in economic development of the country
3. Define characteristics of entrepreneurial mindset
4. List down the characteristics of Entrepreneurs
5. List down the various types of entrepreneurs

B. Multiple Choice Question

1. The owner of the business unit and works with the profit motive
 - a. Entrepreneur
 - b. Employee
 - c. Manager
 - d. CEO
2. They have readiness to adopt successful innovations used by the first group.
 - a. Imitative entrepreneurs
 - b. innovative entrepreneurs
 - c. Drone
 - d. Executive
3. These are entrepreneurs that are very careful in their approaches and cautious in adopting any changes.
 - a. Imitative entrepreneurs
 - b. innovative entrepreneurs
 - c. Fabian entrepreneurs
 - d. Executive
4. Which of these actions of an entrepreneur will most likely result in creative destruction?
 - a. Lowering prices of your product or service
 - b. Issuing shares to individuals and institutions
 - c. Taking over a competitor's business
 - d. Developing a new product
5. According to Schumpeter, innovative entrepreneurs would
 - a. Thrive in the market
 - b. Get absorbed within larger innovative businesses
 - c. Not survive and disappear from the market.
 - d. Get absorbed within non-innovative businesses

Answers:

1.a, 2.a, 3.c, 4.d, 5.b

19 SUGGESTED READINGS

Kotter, J. (1996). *Leading Change: An Action Plan from the World's Foremost Expert on Business Leadership*.

Mariota, S., & Towel, T. (2010). *Entrepreneurship: Owning your future*. Prentice Hall.

Hirsch, R. D., Peters, M. P., & Shepherd, D. A. (2012). *Entrepreneurship*. McGraw-Hill Education.

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M.A (ECONOMICS)
SEMESTER II
MAEC24203T- ENTREPRENEURSHIP DEVELOPMENT

UNIT 2- THEORIES

STRUCTURE

2.0 Learning Objectives

2.1 Introduction

2.2 Economic theory of entrepreneurship

2.3 Sociological theory of entrepreneurship

2.4 Psychological theory of entrepreneurship

2.5 Anthropological theory of entrepreneurship

2.6 Questions

2.7 Suggested Readings

2.0 LEARNING OBJECTIVE

After completing this unit, students will be able to

Define: Concepts and overview of Entrepreneurship theories

Understand: Economic theory of entrepreneurship

Define: Psychological theory of entrepreneurship

Explain: Sociological and Anthropological theory of entrepreneurship

2.1 INTRODUCTION

It is a well-known fact that entrepreneurship plays a significant role in economic growth. An entrepreneur takes risks and operates in an unpredictable environment. However, economists made no attempts to develop a systematic theory of entrepreneurship. William J. Baumé asserts that the economic theory has not adequately analyzed either the function of entrepreneurship or its supply.

The traditional notion of an entrepreneur is that he brings together the factor inputs and organizes productive activity. The traditional models treat the entrepreneurial function like a managerial function.

Similarly, in modern growth theory also, any contribution of entrepreneurship is typically contained in a residual factor. This residual, variously termed as 'technical change' or 'coefficient of ignorance'. It includes among other things, technology, education, institutional organisation and entrepreneurship.

There are different types of entrepreneurs and the term entrepreneurship has been defined differently by many authors. Thus, some of the theories of entrepreneurship evolved over a period of time, have been described as follows: -

1. Economic theories: Schumpeter's Theory of Innovation, Mark Caisson Theory

According to this theory, an entrepreneur executes all activities due to economic incentives. The main aim of this theory is profit motive.

2. Sociological theories: Max Weber's Theory of Social Change, E. E. Hagen's Theory

Entrepreneurship is a sociological concept and process. According to this concept, the sociological factors are the secondary source of entrepreneurship development. As such, the social factors like social attitudes, values and institutions significantly influences the entrepreneurial supply in a society.

3. Psychological theories: (Kunkel's Theory)

Entrepreneurship is a psychological process and concept. According to this concept, psychological factors are the primary source of entrepreneurship development. When there are sufficient number of persons having the same psychological characteristics in the society, then there are bright chances of development of entrepreneurship.

Let us explain theories of entrepreneurship in detail: -

2.2 ECONOMIC THEORY OF ENTREPRENEURSHIP

1. **Economic theories:** Economists such as Schumpeter and Mark Caisson have contributed towards theories of entrepreneurship as follows: -

• Schumpeter's theory of innovation:

Joseph Schumpeter originated innovative theory of entrepreneurship. He takes the case of a capitalist closed economy which is in stationary equilibrium. He believed that entrepreneurs take the economy to a new level of development by introducing innovation and thereby, bring changes in the circular flow of the economy. According to Schumpeter the entrepreneur is not a man of ordinary managerial ability, but having the ability to introduce something entirely new. Schumpeter also differentiated between invention and innovation. He described that invention refers to creation of new materials and by innovation means the application of new materials into practical use in industry. Similarly, between an innovator and an inventor; The inventor is the one who invents new materials and new methods, whereas, the innovator is the one who utilizes these inventions and discoveries in order to make new combinations.

In practice, new combination theory covers five cases which are given below:

- (I) The introduction of a new good which consumers, are not yet familiar—or of a new quality of a good.
- (ii) The introduction of a new method of production, that one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially.

(iii) The opening of a new market i.e. a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.

(iv) The conquest of a new source of supply of raw materials or half manufactured goods, irrespective of whether this source already exists or whether it has first to be created.

(v) The carrying out of the new organisation of any industry like the creation of a monopoly position (for example, through russification) or the breaking up of a monopoly position.

Criticism: Schumpeter's theory has been subjected to the criticism that it ignored the organizing aspects of entrepreneurship and over-emphasized on innovative functions of the entrepreneur only.

However, Schumpeter's theory suffers from following limitations:

(i) It excludes individuals who merely operate an established business without performing innovative functions.

(ii) Innovating entrepreneur represents the most vigorous type of enterprise. However, this type of entrepreneur is rarely available in developing countries like India.

(iii) It laid too much emphasis on innovative functions. But it ignores the risk taking and organizing aspects of entrepreneurship.

(iv) It assumes an entrepreneur as a large scale business man. He is a person who creates something new. But in practice, an entrepreneur cannot have large scale operations from the very beginning.

(v) It fails to provide a suitable answer to question like— why some countries had more entrepreneurial talent than others?

• **Mark Caisson Theory:**

According to Mark Caisson's theory, there is no established economic theory of the entrepreneur. Entrepreneur can be a property developer or a small businessman. He provided a balanced view on the topic of entrepreneur.

The Mark Caisson's book the Theoretical Reconstruction proceeds on two fronts. The first one describes that the individuals differ not only in their tastes but in their access to information. Individuals with similar taste but with different information may take different decisions. The second one describes that the area of reconstruction stems from recognition of the difficulty that is inherent in organizing a market. Mark Caisson suggested that in reality transaction involves a significant resource cost, therefore, the entrepreneur's success depends on how he minimizes the transaction cost. Thus, according to Mark Caisson, the entrepreneur is defined as someone who specializes in taking judgmental decisions about the coordination of scarce resources.

2.3 Sociological theory of entrepreneurship

Sociological theories: These theories are comprised of Max Weber's Theory of Social Change (Emphasis on Impact of Religion), E. E. Hagen's Theory (Emphasis on Withdrawal of Status Respect) discussed as follows: -

• Max Weber's Theory of Social Change:

According to Max Weber, religion had a profound influence on the growth of entrepreneurship. He felt that sociological explanation for the growth of entrepreneurship must also be considered. He opined that the entrepreneurial energies of a society generated and supplied by religious beliefs. According to some religions, it is the foremost duty to earn and acquire money. Whereas, some religions put less emphasis on it. Max Weber claimed spirit of capitalism as a fundamental concept. Capitalism means the economic system where market forces of demand and supply play freely. Therefore, the spirit of capitalism promotes the entrepreneurs to engage in entrepreneurial pursuits and earn more and more profits. Weber felt that the belief systems of Hinduism didn't encourage entrepreneurship. Because, Hinduism laid less emphasis on wealth accumulation and materialism. Weber was of the opinion that the Protestant ethic provided the mental attitude in a society for capitalism and favors entrepreneurship. The Protestants advanced in establishing capitalism in Europe. Protestant ethic granted them the attitude of accumulating assets, and materialism

Criticism: Max Weber's theory is based on unrealistic and invalid assumptions and have been found empirically invalid. He has been criticized by many sociologists on his assumptions about Hinduism and entrepreneurship. As in the post-independence period in India, the expansion of entrepreneurship disproved his views about Hinduism. Also, the views on Protestant ethic were disapproved. Capitalism also flourished where Protestant ethic was not present.

Critical Evaluation:

The theory of social change propounded by Max Weber is based on the invalid assumptions. So expected results are not valid in all cases.

These assumptions are as follows:

- (i) There is a single system of Hindu value.
- (ii) The Indian community internalized those values and translated them in to day to day behavior and
- (iii) These values remained immune to and insulated against external pressures and change. The studies further show that Hinduism is not averse to the spirit of capitalism and to adventurous spirit. The Hinduism has contributed a lot in entrepreneurship development in India which is based on capitalism.

• Hagen's Theory:

E. E. Hagen presumes a general model of the society. His theory viewed the entrepreneur as a creative trouble shooter who contributes to economic development. The entrepreneur brings about social transformation and economic development. He didn't encourage the entrepreneurs to imitate western technology. According to Hagen, the social group that experiences the withdrawal of status respect turns into aggressive entrepreneurship. In such a situation the status losing group its members try to regain their status by an entrepreneurial drive.

Hagen described four possible reactions to the 'Withdrawal of status respect': -

- (i) The retreats – An individual working in the society but indifferent to the work and position.
- (ii) The ritualist – An individual who works according to the manner approved by the society but does no hope for improving his/her position.
- (iii) The reformist – A person who fights against the injustice and tries to form a new society.
- (iv) The innovator – An individual who makes efforts to bring about new changes. This personality has bearing upon the personality of an entrepreneur.

Criticism: Hagen's Theory has been criticized on the grounds that the social groups must behave in the manner proposed in the theory does not always hold true. This theory ignores other factors which can be accountable for development of entrepreneurship

agent opined that creative innovation or change is the basic feature of economic growth. He describes an entrepreneur as a creative problem shooter interested in things in the practical and technological realm. Such type of individual feels a sense of increased pleasure when facing a problem and tolerates disorder without discomfort. In traditional societies, position of authority is granted on the basis of status, rather than individual ability. That is why he visualized an innovative personality.

There are 4 responses:

- (1) One who combines to work in the society but remains indifferent to work and position is called Retreats.
- (2) One who adopts a kind of defensive behavior and acts in the ways accepted and approved in his society but with hopes on of improving his position is called Ritualist.
- (3) One who forms a rebellion and attempts to establish a new society is called Reformist.
- (4) A creative individual who is likely to be an entrepreneur is called Innovator.

Innovation requires creative and such creative individuals cause economic growth. Whenever there is a withdrawal of status respect, it would give rise to birth of innovation of a creative individual who is likely to be an entrepreneur.

Critical Evaluation of E. Hagen's Theory:

This theory acts as dis-tinction between entrepreneurship and intrapreneurship. There are different factors within the organisation which motivate the executives and professionals to do some innovative behavior leading to new product and services.

Actually, they are not governed by status withdrawal. The theory only suggests that the people who had enjoyed social standing at some stage in their histories fall into a retreats phase with an urge to regain the lost status and emerge as an entrepreneurship personality.

2.4 Psychological theory of entrepreneurship

Kunkel's Theory

(Emphasis on Entrepreneurial Supply) John H. Kunkel advocated the theory on the edifice of entrepreneurship supply. He was of the opinion that the sociological and psychological are the main determinants for the emergence of entrepreneurs. Supply of entrepreneurs has a functional relationship with the social, political and economic structure. According to Kunkel, the supply of entrepreneurship depends on the following factors of the economy: -

(i) Demand Structure: It means the demand situation prevailing in the economy. The demand structure of an economy can be enlarged by rewarding the entrepreneurs with material rewards for their entrepreneurial activities. The demand structure is of economic nature. This structure is changing day by day according to economic progress and government policies. The behavior of individual can be made enterprising by affecting the main elements of demand structure.

(ii) Limitation Structure It means the entrepreneurs and other members of a society restricts specific activities. We can say that the limitation structure is social and cultural. This structure affects the development of an entrepreneur.

(iii) Opportunity Structure: This structure includes the existing market structure, the available managerial and technical skills, information about production techniques, supply of labor and capital. The opportunity structure is formed by combination of supply of capital, managerial and technical skill production methods, labor and market, training opportunity establishment of an enterprise and conducting different activities.

(iv) Labor Structure: This structure includes the availability of skilled labor willing to work. In Kunkel's theory, the behavior of the individuals is highly subjected to the conditioning procedure surrounding the environment of the individuals. The labor structure is directed by several factors such as source of livelihood, traditional outlook and life ambitions. The quality of labor influences the emergence and growth of entrepreneurship. Rather than capital intensive, labor intensive will serve our interest in a better manner. The problem of labor immobility can be solved by providing infrastructural facilities including efficient transportation wherever an entrepreneurship is promoted.

Criticism:

Kunkel's theory is based on unrealistic postulates. The different structures that influence supply of entrepreneurship are not realistic. It also ignored the ambiguous concepts like values, personality etc. social networks,

Assumptions of Kunkel Theory:

The theory assumes the ideal structures for the supply of entrepreneur. But generally there is discrepancy between objectives, structures and the actual incidence of entrepreneurs. It is due to the fact that there are inadequate or incorrect perception. In practice, entrepreneurship is also governed by the specific combination of circumstances which are generally not available in the environment.

At last but not the least, we conclude that all the authors i.e., J. A. Schumpeter, David C. McClelland, Everett E. Hagen and John H. Kunkel have given their own opinion on concept of psychological theory of entrepreneurship. This theory presents the certain psychological motives that are responsible for the evolution of entrepreneurship.

Schumpeter's theory is one of the most important concepts of entrepreneurship which is richer and relevant. He has laid emphasis on innovativeness or creativity of an individual which makes him an entrepreneur.

McClelland theory has numerous practical implications. The person with high need achievement needs great concern for exercising influence and control.

Hagen's theory laid more stress on technological changes which is the result as individual's creativity. His concept depended upon withdrawal of status.

John H. Kunkel theory laid more stress on types of structure i.e., demand, opportunity, labor and limitation. All the structure affects development of an entrepreneur.

Opportunity based Entrepreneurship: Peter Drucker's View on Entrepreneurship:

Peter Drucker explained the entrepreneur as a unique agent of change and "the entrepreneur always searches for change, responds to it, and exploits it as an opportunity."

The main point which is focused on all the theories is on the individual and his personality inference by environment factors in general and internal values in particulars.

2.6 Questions**Long Answer Questions**

1. Write a short note on theory of innovation
2. Explain Max Weber's Theory of Social Change
3. Write a short note on Hagen's Sociological theory of entrepreneurship
4. Write down the assumptions and criticisms of Kunkel's theory
5. Explain Kunkel's Psychological Theory of entrepreneurship

Short Answer Questions

1. Write down the criticisms of theory of innovation
2. What are the five points of innovation given by theory of innovation?
3. Explain the concept of sociological theory of entrepreneurship

4. Write a short note on Hagen's Theory
5. According to Kunkel, the supply of entrepreneurship depends on which of the following factors

B. Multiple Choice Questions

1. _____ innovated theory of innovation
 - a. Joseph Schumpeter
 - b. Henry fail
 - c. Adam Smith
 - d. Johnson
 2. The _____ is the one who invents new materials and new methods
 - a. Inventor
 - b. entrepreneurs
 - c. Managers
 - d. Leaders
 3. According to _____ the entrepreneur is defined as someone who specializes in taking judgmental decisions about the coordination of scarce resources.
 - a. RR Carlson
 - b. John Schumpeter
 - c. Mark Caisson
 - d. Emerald
 4. According to Max Weber, _____ had a profound influence on the growth of entrepreneurship.
 - a. understanding
 - b. Education
 - c. Experience
 - d. Religion
5. An individual working in the society but indifferent to the work and position.
- a. The ritualist
 - b. The retreats
 - c. The reformist
 - d. The innovator

Answers:

1-a, 2-a, 3-c, 4-d, 5-b.

2.7 Suggested Readings

Kotter, J. (1996). *Leading Change: An Action Plan from The World's Foremost Expert on Business Leadership*.

Mariota, S., & Towel, T. (2010). *Entrepreneurship: Owning your future*. Prentice Hall.

Hirsch, R. D., Peters, M. P., & Shepherd, D. A. (2012). *Entrepreneurship*. McGraw-Hill Education.

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M.A (ECONOMICS)
SEMESTER II
MAEC24203T- ENTREPRENEURSHIP DEVELOPMENT

UNIT 3- INNOVATION AND MANAGEMENT SKILLS

STRUCTURE

3.0 Learning objectives

3.1 Introduction

3.2 Concept of innovation

3.2.1 Meaning and Definitions

3.2.2 Types of Innovation

3.3 Features, Need and Importance of Innovation

3.3.1 Features of Innovation

3.3.2 Need and Importance of Innovation

3.4 Latest Innovations in Manufacturing and Service Sectors

3.5 Management Skills

3.6 Questions

3.7 Suggested Readings

3.0 OBJECTIVES

After studying the Unit, you would be able to:-

- Understand the detailed concept of Innovation in Entrepreneurship along with characteristics
- Explore the concept of social entrepreneurship

- Find out about the latest innovations in the manufacturing and service sector.

3.1 INTRODUCTION

Innovation is the development and implementation of new tools and techniques to create major and minor changes to goods, processes, and services, resulting in the introduction of something new for the company, which provides value to consumers and contributes to the organization's knowledge store. In the era of extreme competition, global business presence, and arising issues and awareness about environmental and governance aspects of business, new innovations in manufacturing and trading of goods and services have been frequent and prominent.

Natural sciences, social sciences, health sciences, and other fields contribute to the outcomes of innovation. Basic scientific knowledge aids understanding in such disciplines and to completely comprehend technology or technological potential for advancement in procedures and hence the betterment of final product. The evolution of today's electric bulbs is an outstanding example of innovation right from the history of invention, creation and mass production of electric bulbs.



As the diagram depicts, the history of electric light, which improves our daily lives is the contribution of numerous scientists. James Lindsay, Frederick Moleyns, Heinrich Göbel, Humphrey Davy, and Thomas Edison were among those who made significant contributions to the development and advancement of electric light. From simple light bulbs to CFL and LEDs, bulbs have to go through a long path.

3.2 CONCEPT OF INNOVATION

Innovation is a phenomenon through which a product, or a service is refreshed and kept updated by the application of new procedures, latest techniques, or the establishment of innovative concepts to generate new value to increase customer satisfaction and demand.

Innovation thus modifies the features and performance of the products, processes, or other activities of a business that leads to higher value addition for the business organization, consumers and the industry as a whole. A product is considered innovative when it has:

1. Unique Function or feature,

2. Unique design,
3. or both,
4. And is superior to what was previously offered in the market.

Innovations mostly lead to ease of doing business operations, efficient consumption and effectiveness of the products, solves a previously faced issue by the consumers of the products and related stakeholders etc. For example: online interaction with customers to sell and orient them with basic features as well as take feedback from them has proved beneficial. Similarly advanced laser machine models are constant example of frequent and significant innovations in the business of medical industry. The Sunscreens these days not only protect consumers from UV rays of the sun as they traditionally did but also from other light rays coming from electronic devices that we are exposed to these days as a result of increased screen time.

An innovation increases the wealth of the business by making it gain a competitive edge in the marketplace. It has become a major aspect in marketing a product. Customers tend to switch between brands being attracted by the innovative practices opted by a business especially a new enterprise can create a quick and big market share in comparatively less time if they have a USP (unique selling point) of some innovative feature in their product or service. While innovation frequently results in a victory for someone, it may also result in a loss for someone else. It's a fight out there.

3.2.1 Meaning and Definitions

The term "innovation" comes from the Latin word "innovare," which meaning "to refresh " or "to renew ". To enhance or replace anything, such as a method, a product, or a service, is to innovate.

"Innovation is the creation of something that improves the way we live our lives"

-Barack Obama.

"Innovation is change that creates a new dimension of performance."

-Peter Drucker.

Turning an idea into a solution that adds value from a customer's perspective

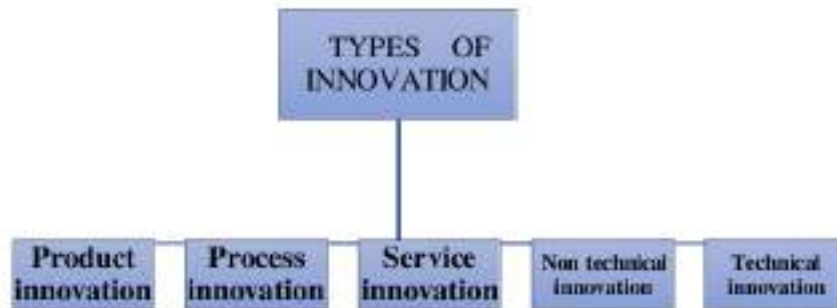
Nick Skillicorn Innovation is something fresh (new, original, or improved) that creates value.

-Jeff Duce.

"Innovation is significant positive change".

-Scott Berkun

3.2.2 Types of Innovation:



The concept of innovation has various dimensions or types as follows:-

- **Product innovation:** A new kind of product invented which tackles an existing problem posed to customers or serves an additional feature that may increase the utility of the product.
- **Process innovation:** The process of production or sale and after sale services is creatively modified to either reduce the cost of production or improve business-customer relationship.
- **Service innovation:** An innovative method to provide the same service in a creative and more beneficial way that may help increase customer base, reduce problems of the business, the customers and the society. For example applications like OYO ,MakeMyTripetc have eased out the selection and booking of hotels and planning trips . they provide same services as a travel agent but in a more convenient and trustworthy way. They ensure better services, prices, security and safety to both the customers and business.
- **Technical innovation:** Technological innovation is concerned with changes in the physical characteristics and features of a product or modification of methods of manufacturing the products. For example; Introduction of smart phones, smart watches were a technical innovation in the market.
- **Non-technical innovation:** Non-technical innovation is generally related to organization structure changes and marketing channels. Any innovative supply chain management or customer relationship management are good examples of this.

3.3FEATURES, NEED AND IMPORTANCE OF INNOVATION

3.3.1 Features of innovation: The concept of innovation has the following characteristics:-

1. **Relevance** – A process or product is termed innovative when it brings freshness to the market and is relevant to the basic objective of providing utility to the customers or the business houses selling and manufacturing the product. The stakeholders of the innovation

need to see the benefits of the particular innovation as compared to the traditional product or service. Innovative changes can be done in any of the following aspects:

- Better user interface and ease of using the product or doing the process.
- Improve the quality and effectiveness of product or service or the process innovated for example new age sunscreens that not sticky and also provide protection from blue light of devices.
- Combining several functionalities into a single tool, for example, a mobile phone these days works as a watch, a computer, a camera and a phone, all in one device.
- Increase the durability of product or process.
- Reduce the requirement of other equipment and supplies.
- Increase the efficiency and productivity.
- Increased usefulness.
- Reduce pollution.

The innovation of computer word processing programs as a substitute to typewriters is a simple yet brilliant example. The innovation reduced the burden of extra physical accessories other than a personal computer, constant demand for ink, the documents easily editable and files could be saved for a lifetime and transferred to other computers very conveniently with the use of small devices like pen drives, CDs etc.

2. **Solution to problems:** An innovation is the result of time and efforts spent on creating a new concept of production and customer satisfaction to address a currently faced problem. The most common issues addressed by innovations in business processes and products are concerned with:

- Low waste generating manufacturing system
- Reduced Pollution
- Healthy after effects on consumer
- Ease of doing business
- Ease of procuring and utilizing materials

3. **Results in change:** Innovation is a process that leads to change: change in the utility of product or service; change in the design; change in consumer experience; change in the production process; change in selling arrangements. The basic purpose of innovation is always betterment of experience and functioning on part of both seller and buyer.

4. **Adds value:** The advancement made through innovation is always to add value to a product. Innovation reflects advancement in technology which adds value to the product and service with additional benefits, elongated use, environment friendly and positive health effects. An innovative product is always deemed superior to other peers in the market so is always sold on premium. Hence innovation adds value to the price due to added benefits.

5. **Entrepreneurial opportunity:** Innovation in any aspect and field is an entrepreneurial opportunity created in itself which can be sold at higher profit as well as it

will have the potential to serve as a competitive edge for the enterprise. Any enterprise that comes to the market with innovative base always grows higher and faster.

6. Inevitable in enterprise: An ordinary business becomes an enterprise only when the product or service offered is innovative and is different from the kind of products present in the market already. Innovation and entrepreneurship go hand in hand with USP (unique selling point) being freshness in the idea, better performance and solution to existing problems, continuous updating etc.

7. Systematic process: Innovation is a systematic process to be applied through all the levels of management. every business organization is managed through an interdependent set of management functions and departments. Introduction of an innovative product or process, is going to affect all the functional departments of the organization directly and indirectly so it is inevitable to observe effects of innovation on every aspect of business.

3.3.2 Need and importance of Innovation

1. Survival in competition: Innovation is an unavoidable characteristic in a business model and product these days due to immense global competition and frequent advancements in technology and science. Technologies are getting obsolete frequently. No business can stay constant in techniques and product features provided by them else they may end up in heavy losses. Best example of this is Nokia phones which was considered to have largest market share in the market but they went to a significantly low position however their competitor Samsung and Xiaomi managed to acquire more market shares in spite of having competition from brands like Apple.

2. Competitive edge: Innovation has become a pioneer in providing a competitive edge to business over their rivals. Apple I-phone and other products of the company is the best example of this as the company is not just able to sell the products at high demand but also due to their innovative products and services, they charge way too high prices and have created a superior image in the global market.

3. Socially aware customer: Spread of social media has further accelerated the awareness among the society about the pros and cons of various products on them individually as well as socially. Consumers are much more actively participating in giving their opinion about the products they consume and demand for better technology in every aspect at lowest price possible. There is not much scope of salesmanship marketing in the present era because the society itself is evolving day by day as intelligent and completely aware of the products they consume and the technologies that are involved. Word of mouth marketing spreads more effectively where in people actually inform each other about the various positives and negatives about businesses online very conveniently.

4. Creating brand value: Businesses may promote the impression that they create revolutionary items by showing innovation to consumers. The customers like to be associated with brands that have the leading edge of innovation, using the most advanced unique products.

5. USP (unique selling point): Innovation have proved to be the reason and the only factor for establishment and success of certain brands in the market. for example Apple I-phones

,Macbook, Apple smart watch revolutionized the market.

6. Marketing hype: Innovation leads to self-publicity and promotion of the enterprise and creates a trend in the society. For example; Facebook, Snapchat etc. initially managed to establish themselves as a recreational activity and excited people about using these applications.

3.4 LATEST INNOVATIONS IN MANUFACTURING AND SERVICE SECTORS

Innovations in the business world are becoming more and more frequent due to the spread of internet and access to the global markets. New age entrepreneurs are competitive enough to revolutionize the market with brilliant unique ideas faster than even before a technology becomes common. Newer versions are launched even before the previous ones have even penetrated the market completely.

1. Digital Transformation: The biggest transformation in the business world these days is digitalization. There is a parallel market operating in today's era which is the virtual online market. It has increased its share in the business to a very significant size that it has become impossible for businesses to succeed and grow without having presence on the internet.

2. Customization: From computers to cars, Jordan shoes to Bare Anatomy shampoos- customers have access to the privilege of customizing their own products as per their choices and requirements these days. Many brands have gained customers on the ground of providing ample liberty to customers to decide and design their own products to consume for example Dell computers, Jordan shoes, Bare Anatomy shampoos etc.

3. Artificial Intelligence: The technology these days have advanced to unimaginable scenario. Artificial intelligence is being used these days by Human resource management teams of businesses to recruit and select candidates. It has proved to be a boon in marketing and advertising industry as the artificial intelligence is even used to analyze the potential future buys of people which they r either planning to or are having some interest in any product or service. Whatever we search or talk about or surf on the internet is used to send us the relevant advertisements, and offers of brands.

4. Faster frequent global transactions: Businesses these days have global reach thanks to technological advancement, electronic devices, internet and social media. Many business have flourished due to their innovative customer relationship management and social media fame. For example: 1) Many designers there days take measurements and sell their designs to customers abroad online and courier the designer dresses. 2) Many dieticians provide online diet plans to customers etc.

5. Online economy: Financial transactions these days have increased through online modes more like online money transfer applications, Whatsapp, bank accounts etc. Bitcoins and cryptocurrency is another pioneer of emergence of a virtual financial market presence. This innovation although has increased the scope for small businesses as they can now just operate financially with the help of their personal phones conveniently. Payment have become easy, quick and safe through these applications.

6. Marketing strategies: The marketing techniques have evolved a lot different from what traditionally these were practiced as. Traditional advertising is becoming irrelevant day by day. Advertising is more through content creators on social media and through online modes or innovative customer building chain organizations like one followed by Amway - Nutrilite, Avon etc.

7. Cross industry innovations: Technological innovations lead to rise in cross industry competition. Innovation of smart phones posed competition to watches, offline service providers and computer industry which further resulted in inevitable changes in the traditional services and products to survive. For example, watches had to be evolved into smart watches, offline education institutes had to start doing operations online etc.

8. Minimum or no side effects: Innovations in the manufacturing and service sector are more concerned about reducing the bad effects if any on the life of a customer. For example: Invention of laser technology leads to medical procedures go pain-free, scar free and gives instant results. Service entrepreneurs' these days have to put efforts to convince consumers about the elimination of side effects from their procedures.

3.5 MANAGEMENT SKILLS

Management skills can be defined as certain attributes or abilities that an executive should possess in order to fulfill specific tasks in an organization. They include the capacity to perform executive duties in an organization while avoiding crisis situations and promptly solving problems when they occur. Management skills can be developed through learning and practical experience as a manager. The skills help the manager to relate with their fellow co-workers and know how to deal well with their subordinates, which allows for the easy flow of activities in the organization.

Good management skills are vital for any organization to succeed and achieve its goals and objectives. A manager who fosters good management skills is able to propel the company's mission and vision or business goals forward with fewer hurdles and objections from internal and external sources.

Hard Skills

Hard skills, also called technical skills, are job-specific, relevant to each position and seniority level. In other words, each position in every company will require a unique hard skills list. For example, an accountant needs to know how to reconcile bank statements, while that knowledge is unnecessary for a developer. At the same time, reconciliation is important for accountants no matter their level of experience, but preparing business budgets is a skill that's not usually required of a junior accountant.

Soft Skills

Soft skills are general characteristics, relevant to personality traits. Some soft skills you'd like to see in all employees regardless of their position or expertise, while other soft skills make sense in certain jobs and are less important in others. For example, if you value collaboration in your company, you want to hire employees who are great team players and can communicate well with others. On the other hand, networking and relationship-building skills might be essential for sales and marketing roles, but irrelevant for engineering roles. Likewise, leadership abilities make sense for people who'll manage a team no matter their department.

Developing hard skills vs. soft skills

Employees develop hard skills through education and on-the-job practice, while they develop soft skills through various, life-long professional and personal experiences. For example, marketers can learn marketing techniques and tools by attending a marketing course, whereas they could grow their collaboration skills by participating in a sports team.

Measuring hard skills vs. soft skills

Hard skills are measurable and can be described using numerical or yes/no criteria. On the other hand, soft skills are often intangible or hard to quantify and are usually described with qualitative scales. For example, one salesperson might be:

an excellent user of X CRM software having used its features on a daily basis for the past 5 years and;

a good communicator being able to explain 'fairly well' the benefits of a product to a potential customer.

Management and leadership skills are often used interchangeably as they both involve planning, decision-making, problem-solving, communication, delegation, and time management. Good managers are almost always good leaders as well.

In addition to leading, a critical role of a manager is to also ensure that all parts of the organization are functioning cohesively. Without such integration, several issues can arise and failure is bound to happen. Management skills are crucial for various positions and at different levels of a company, from top leadership to intermediate supervisors to first-level managers.

Types of Management Skills

According to American social and organizational psychologist Robert Katz, the three basic types of management skills include:

1. Technical Skills

Technical skills involve skills that give the managers the ability and the knowledge to use a variety of techniques to achieve their objectives. These skills not only involve operating machines and software, production tools, and pieces of equipment but also the skills needed to boost sales, design different types of products and services, and market the services and the products.

2. Conceptual Skills

These involve the skills managers present in terms of the knowledge and ability for abstract thinking and formulating ideas. The manager is able to see an entire concept, analyze and diagnose a problem, and find creative solutions. This helps the manager to effectively predict hurdles their department or the business as a whole may face.

3. Human or Interpersonal Skills

The human or the interpersonal skills are the skills that present the managers' ability to interact, work or relate effectively with people. These skills enable the managers to make use of human potential in the company and motivate the employees for better results.

Examples of Management Skills

There is a wide range of skills that management should possess to run an organization effectively and efficiently. The following are six essential management skills that any manager ought to possess for them to perform their duties:

1. Planning

Planning is a vital aspect within an organization. It refers to one's ability to organize activities in line with set guidelines while still remaining within the limits of the available resources such as time, money, and labor. It is also the process of formulating a set of actions or one or more strategies to pursue and achieve certain goals or objectives with the available resources.

The planning process includes identifying and setting achievable goals, developing necessary strategies, and outlining the tasks and schedules on how to achieve the set goals. Without a good plan, little can be achieved.

2. Communication

Possessing great communication skills is crucial for a manager. It can determine how well information is shared throughout a team, ensuring that the group acts as a unified workforce. How well a manager communicates with the rest of his/her team also determines how well outlined procedures can be followed, how well the tasks and activities can be completed, and thus, how successful an organization will be.

Communication involves the flow of information within the organization, whether formal or informal, verbal or written, vertical or horizontal, and it facilitates smooth functioning of the organization. Clearly established communication channels in an organization allow the manager to collaborate with the team, prevent conflicts, and resolve issues as they arise. A manager with good communication skills can relate well with the employees and thus, be able to achieve the company's set goals and objectives easily.

3. Decision-making

Another vital management skill is decision-making. Managers make numerous decisions, whether knowingly or not, and making decisions is a key component in a manager's success. Making proper and right decisions results in the success of the organization, while poor or bad decisions may lead to failure or poor performance.

For the organization to run effectively and smoothly, clear and right decisions should be made. A manager must be accountable for every decision that they make and also be willing to take responsibility for the results of their decisions. A good manager needs to possess great decision-making skills, as it often dictates his/her success in achieving organizational objectives.

4. Delegation

Delegation is another key management skill. Delegation is the act of passing on work-related tasks and/or authorities to other employees or subordinates. It involves the process of allowing your tasks or those of your employees to be reassigned or reallocated to other employees depending on current workloads. A manager with good delegation skills is able to effectively and efficiently reassign tasks

and give authority to the right employees. When delegation is carried out effectively, it helps facilitate efficient task completion.

Delegation helps the manager to avoid wastage of time, optimizes productivity, and ensures responsibility and accountability on the part of employees. Every manager must have good delegation abilities to achieve optimal results and accomplish the required productivity results.

5. Problem-solving

Problem-solving is another essential skill. A good manager must have the ability to tackle and solve the frequent problems that can arise in a typical workday. Problem-solving in management involves identifying a certain problem or situation and then finding the best way to handle the problem and get the best solution. It is the ability to sort things out even when the prevailing conditions are not right. When it is clear that a manager has great problem-solving skills, it differentiates him/her from the rest of the team and gives subordinates confidence in his/her managerial skills.

6. Empowering

The ability to motivate is another important skill in an organization. Motivation helps bring forth a desired behavior or response from the employees or certain stakeholders. There are numerous motivation tactics that managers can use, and choosing the right ones can depend on characteristics such as company and team culture, team personalities, and more. There are two primary types of motivation that a manager can use. These are intrinsic and extrinsic motivation.

7. Building good working relationships with people at all levels.

Recommended by 79.9% of managers surveyed.

The most important management skill, the survey found, is the ability to build good relationships with people at all levels. For example, an approach to relationship building described in the book focuses on creating "high-quality connections" through respectful engagement.

Bottom Line

Management skills are a collection of abilities that include things such as business planning, decision-making, problem-solving, communication, delegation, and time management. While different roles and organizations require the use of various skill sets, management skills help a professional stand out and excel no matter what their level. In top management, these skills are essential to run an organization well and achieve desired business objectives.

3.6 QUESTIONS

Long Answer Questions

1. Explain the concept of innovation. What is role of innovation in the success of an enterprise? Why is it considered inevitable for the survival and success of an enterprise?
2. Describe the features of innovation in context of entrepreneurship. Give examples.
3. What are the benefits of innovation to an entrepreneur?
4. What are the latest innovations in the manufacturing and service sector? Explain.

5 Define Hard skills and Soft skills of Managers

Short Answer Questions

1. Define innovation.
2. What are the different types of innovation?
3. Distinguish between leadership and management
4. What are the qualities of good and successful leader?
5. Explain the concept of Leadership and subordinate development

3.7 Suggested Readings

Kotter, J. (1996). *Leading Change: An Action Plan from The World's Foremost Expert on Business Leadership*.

Mariota, S., & Towel, T. (2010). *Entrepreneurship: Owning your future*. Prentice Hall.

Hirsch, R. D., Peters, M. P., & Shepherd, D. A. (2012). *Entrepreneurship*. McGraw-Hill Education.

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M.A (ECONOMICS)

SEMESTER II

UNIT 4: ENTREPRENEURSHIP: SOCIAL, COMMERCIAL, WOMEN ENTREPRENEURSHIP

STRUCTURE

4.0 Objectives

4.1 Introduction

4.2 Types of Entrepreneurship

4.3 Social Entrepreneurship

4.4 Commercial Entrepreneurship

4.5 Women Entrepreneurs

4.5.1 Successful Women Entrepreneurs

4.6 Successful women entrepreneurs

4.7 Concept of women entrepreneur

4.7.1 Definitions of women entrepreneurs

4.7.2 Characteristics of women entrepreneurs

4.7.3 Functions of women entrepreneur

4.7.4 Others functions of women entrepreneur

4.8 Problems faced by women entrepreneurs

4.9 Remedial steps to support women entrepreneurs

4.10 Selection of industry by women entrepreneur

4.10.1 Schemes of government for women Other government initiatives

4.11 Questions

4.12 Suggested readings

4.0 LEARNING OBJECTIVES

After studying the Unit, you would be able to:-

- Understand the concept of Women Entrepreneurship.
- Identify the problems and challenges faced by Women Entrepreneurs.
- Find out the role of government to promote Women Entrepreneurship.

Outline the suggestions to overcome the challenges faced by Women Entrepreneurship

4.1 INTRODUCTION

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. Entrepreneurship is the art of starting a business, or as a venture offering creative

product, process or service. Entrepreneurship is used with different meanings such as innovation, risk bearing, adventurism, wealth creation etc.

Entrepreneurship is an evolving phenomenon. With the advancement of science and technology it has undergone metamorphosis change and emerged as a critical input for socioeconomic development. Entrepreneurship is the process of being an entrepreneur, of gathering and allocating the resources, financial, creative, managerial or technological, necessary for the success of new ventures. Entrepreneurship is characterized by creative solutions to problems and ingenuity and innovation are the forte of an entrepreneur. Economies have been characterized by innovations and new products that entrepreneurs have brought to the market. Further, entrepreneurship has acted as the catalyst to transfer a segment of new generation of people into self-employed business owners to provide jobs and motivation for the rest. Entrepreneurship is a phenomenon associated with entrepreneurial activity and entrepreneurs who seek to generate value by identifying and exploiting new products, processes, markets and creating or expanding economic activities

4.2 TYPES OF ENTREPRENEURSHIP

As there are different types of entrepreneurs, there are also different types of businesses they create. Different types of entrepreneurship have been mentioned as follows:-

Small Business Entrepreneurship

Small business entrepreneurship is concerned with opening a business without turning it into a large conglomerate or opening many chains. Examples of small business entrepreneurship include; A single-location restaurant, grocery shop, a retail shop to sell your handmade goods etc.

The individuals involved in small business entrepreneurship usually invest their own money and succeed if their business gains profit. They take a loan only if it in case of need or it helps continue the business.

Scalable Startup

These are companies that start with a unique idea. Such startups enter in market with a unique product or service and continue growing the company and continuously scaling up with the passage of time. To grow their idea and reach multiple markets, such companies require investors and large amounts of initial capital mostly.

Large Company

Large company entrepreneurship is a new form of business created within an existing company. The existing company plans to shift into other sectors or to get involved in new technology.

Leaders of such companies either foresee a new market for the company or the manpower within the company put forward the ideas that help to start the process.

Social Entrepreneurship

The social entrepreneurship is aimed at providing benefit to society and humankind. Through their products and services, they facilitate communities or the environment. Earning profits is not the sole aim rather they help the world around them.

4.3 SOCIAL ENTREPRENEURSHIP

An enterprise is said to be a social enterprise when the business is established in an arrangement to provide benefits to the society in some form. Social entrepreneurship is that form of entrepreneurship which creates value for the society as a whole rather than focusing on just earning money the enterprise aims at solving current issues in the society, benefiting some weaker or underprivileged section of the society through its operations, address existing cultural, communal and environmental issues. The main purpose of a social enterprise is to benefit the society. The social enterprises work for greater good rather than just generating profits. Examples of social enterprises include; Microfinance institutions, self-help groups, waste management organizations etc.

Meaning

A social enterprise is an innovative business model with a social mission that functions on a sustainable entrepreneurial strategy. The objective of the enterprise is to bring about a positive change in the society using constructive opportunities in innovative ways to facilitate transformations and sustainability.

Amul - the social enterprise of India

A very famous example of social entrepreneurship in India is of a well-known brand Amul. Amul was set up with a social motive and provides access to thousands of farmers who can't establish their own platforms to sell in the national market. Amul provided a systematic supply chain management system to thousands of poor farmers in the country. Amul was a part of a cooperative movement in Anand, Gujarat, against Polson Dairy, which bought milk from local farmers in Kaira District at very low prices and sold it to the Bombay government.

Characteristics of a Social Enterprise

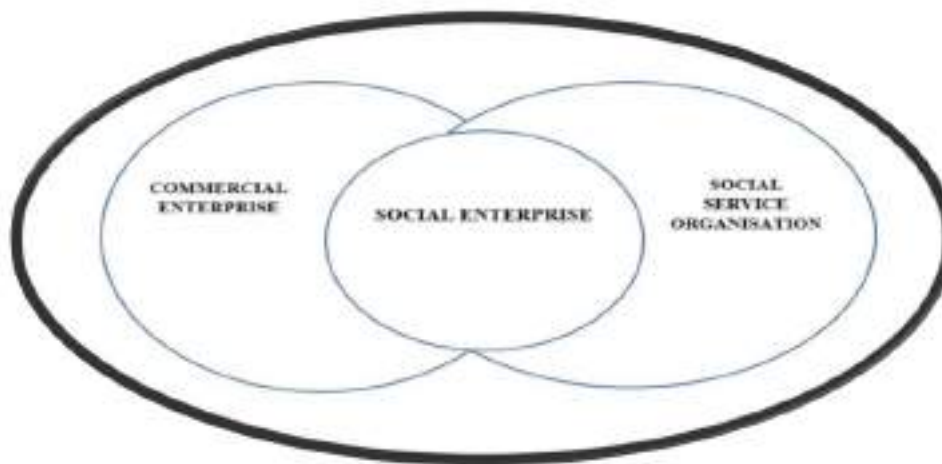
1. **Social motive:** The fundamental concept of a social enterprise is that this business is established with the basic motive of benefiting the society. The entire establishment is focused on generating solutions to the existing problems in the society.
2. **Sustainability:** A social enterprise model is mostly created with an idea of sustainable business activities with special focus on having the least possible side-effects on the environment, and society. It helps in making it function in a sustainable and eco-friendly

manner.

3. **Underprivileged sections:** The social entrepreneurs try and help the underprivileged sections of the society by either providing them with employment opportunities, education, better living conditions and equip them enough to be self-dependent.

4. **Transformation:** The entrepreneur aims at bringing about a positive change in the world through his business idea by transforming the society in an innovative manner.

5. **Profit Earning Social Work Entity:** Social enterprise is a blend of a pure commercial enterprise whose basic motive is to earn profit and wealth maximization and a social work organization that works as a non-profit entity functioning to serve the society and aim at social welfare.



6. **Social value:** The enterprise idea creates a social value through its activities. The process starts when a socially active person gets an idea to solve an issues of the society. He recognizes an opportunity to serve the people in an innovative business venture. So he takes up accountability as a good citizen to learn and adapt to the new idea and execute it to make the world a better place.

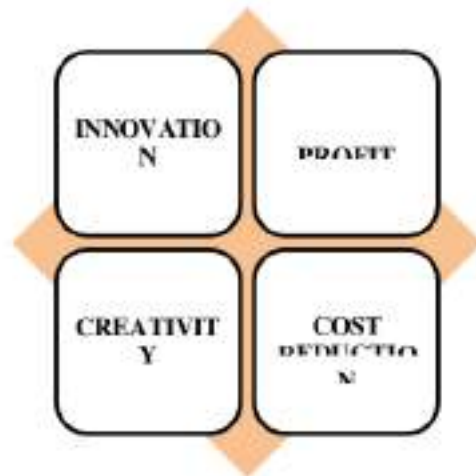
4.4 COMMERCIAL ENTREPRENEURSHIP

It refers to a unique innovative idea of business which is new in the market and has profit generating potential. It is like an ordinary business only just the basic idea of such business needs to be new creative and unique in itself.

- Commercial entrepreneur uses innovation to explore new opportunities and unsatisfied needs of the consumers in market.
- Innovation is focused on reducing the cost and generating high income generating

products and services that can be sold at higher profits.

- The main motive is financial growth of the organization.
- Innovative efforts are made to maximize wealth and minimize the cost
- The product is more into satisfying the consumers as much as possible so they enjoy it relish it and buy more of it or even at premium prices.



DIFFERENCE BETWEEN COMMERCIAL AND SOCIAL ENTERPRISE

An enterprise is a business entity that aims to earn profit by indulging in an innovative and unique business idea. A social enterprise however tries to benefit the society as well through its business idea and operations, be it through employing weaker sections of the society, opting for a sustainable eco-friendly production method or solving any other issues in the society.

BASIS OF DIFFERENCE	SOCIAL ENTERPRISE	COMMERCIAL ENTERPRISE
Purpose	Bring about as positive change in the world.	Earn profit through acquiring the maximum share in the market .
Risk	Risk involves business financial risk and social aspect is also under concern.	Risk involves majorly on financial front.
Strategy	Strategy involves addressing some societal issues in addition to earning profit.	Strategy is to earn compete in the market and generate maximum profit possible.
Objective	Social welfare	Wealth maximisation
Value creation	Social value creation	Financial value addition
Priority	Social welfare is always given preference over any other objective of the business	Financial earning is always the priority.

Focus	Social enterprise focuses on the needs of the society, what is needed for the weaker sections or the society as a whole or for the betterment of the environment.	Focus is on needs of the customers who can pay for products. Pure business motive. Needs that may generate money if served are of interest.
Uniqueness	The uniqueness of this enterprise lies in its innovative management of a social issue.	The uniqueness of this enterprise lies in the innovative product or service that serves the unsatisfied needs of the customers.
Examples	Self-help groups, Amul, the better India etc.	Apple, Facebook, BMW etc.
Importance	Social enterprises provide social welfare, sustainability and prosperity in the society. They hold social importance in the country.	Commercial entrepreneurs accelerate economic growth, generate employment opportunities and is crucial for the economic growth and financial wellbeing of the country.
Financial performance	Mostly it is observed that the financial growth and results of social enterprise are lower than commercial enterprises.	Commercial enterprise's operations at all levels are focused on reducing cost, maximising profits and sales so they are generally observed to perform better financially.
Government Aids	Social enterprises since are benefitting the weaker sections of the society so the government also tends to value them more and is lenient to them in terms of taxes to facilitate growth and maintain survival.	Commercial enterprises donot get such privileges or support from government to this extent.

SIMILARITIES BETWEEN SOCIAL ENTERPRISE AND COMMERCIAL ENTERPRISE

1. **Process of establishment:** The social and commercial enterprises both emerge from an idea or vision of an innovative mind. Identifying entrepreneurial opportunities and transforming visions into attainable operations.
2. **Common goals:** Both are business entities hence aspire to expand their sales and earn profits although the objectives and goals may differ due to prioritization of financial and social benefits.

3. **Innovative:** Both type of enterprises are businesses that sell innovative goods and services that were never experienced before in the market and are result of unique fresh ideas.

4.5 WOMEN ENTREPRENEURSHIP

Woman is a person who accepts challenging role to meet her personal needs and become economically independent. Women have played a small role in the field of business. In a patriarchy society, women face number of problems in businesses. She considered as weak and dependent on their father, husband and son. traditionally, outside the domain of economic activities. Women must be part of economic growth, because it will ensure the social development and economic growth of women along with providing more human resources to strengthen the economy of the country. In traditional Indian society, parents prefer male child to female. After pregnancy tests reveals that a female child, then parents destroyed female child. They have many excuses regarding that why they don't want female child. In several developed countries like India, parents assumed that only marriage is the career for most of women. They don't want our female child do anything as an entrepreneur. They have number of logics regarding, not to do any business. Parents already decided about to choose profession teaching, medicine and office work etc. for a woman.

Feminism isn't about making women stronger. Women are already stronger; it's about changing way the world perceives that strength.

Women empowerment is empowering the women to take their own decisions for their personal development as well as social development. When a woman stands for herself than she also stands for the society to adapt the changes being by the women. The best way to empowering women is to develop women entrepreneurship. The role of women has changed drastically in the past few years for the better. A lot of women are entering in the business to earn bigger and better. India needs more women entrepreneurs to grow economically, socially and culturally. To facilitate this growth, better access to finance has been offered especially for women in India. The government of India has formulated various training and development cum employment generation programmes for the women to start various types of business. Government and non- government, promotional and regulatory agencies have come forward and play supportive role in promoting the women entrepreneur in India. A congenial environment is created to enable women to participate actively in the entrepreneurial activities.

4.5.1 Successful Women Entrepreneurs

The increasing presence of women as entrepreneurs has led to the change in the developing phase of business and economic growth of country. Women owners are playing a prominent role in society inspiring others and generating more employment opportunities in the country. With the increasing number of competitors, women faced list of problems while during their business. There are lots of women entrepreneurs who overcome this difficulty and also encourage others to do the same. Some of the successful women entrepreneurs are as follows:

1) **Kalpana Siraj:** She is known as the first women entrepreneur of India. She was born in Maharashtra village and belongs to Dalit family. At that time, it was very difficult to enjoy freedom and child marriage was very common. That time girls are considered as burden and this was reason they were married off at early age. She got married at the age of 12 but her in laws treated as slave and due to this reason, her took her back. Due to the society pressure she tried to end her life but her family saved her. She then decides to do some big things in life. She heard about government provide loan to Dalit on radio which help to use that money to become a women entrepreneur.

2) **Kripa Dharmaraj:** From being an IT professional to homemaker to CEO, Kripa Dharmaraj has made many hats. For seven years, Kripa had served more than 1000 million lunchboxes everyday as a part of her business -MCs lunchbox. Kripa and her husband brought together the team of 50 plus members to start up this business. Over the years, she explained her business and setup "green canteen" for several schools in Chennai to served balanced diets meals to kids.

3) **Falguni Nayer:** She is the founder and CEO in Nykaa. She built a beauty and style retail empire with a portfolio of 1500 plus brands, including its own private label, available online and across 68 stores in India.

There are women who choose their career as women entrepreneur and become successful but all of them face many problems in life.

4.7 CONCEPT OF WOMEN ENTREPRENEUR

A woman entrepreneur means who adopts, taking initiatives, discover new concepts and ideas in business is called woman entrepreneur. A woman entrepreneur is who has performed all the activities in establishing an enterprise. The role of women has changed drastically in the past few years for the better. A lot of women are entering in the business to earn bigger and better. India needs more women entrepreneurs to grow economically, socially and culturally. To facilitate this growth, better access to finance has been offered especially for women in India. The government of India has formulated various training and development cum employment generation programmes for the women to start various types of business. Government and non-government, promotional and regulatory agencies have come forward and play supportive role in promoting the women entrepreneur in India. A congenial environment is created to enable women to participate actively in the entrepreneurial activities.

4.7.1 Definitions of women entrepreneurs

Women entrepreneurship has been defined by various authors in different perspective and here we discuss some of these:

According to Government of India, "A woman entrepreneur is defined as an enterprise owned and controlled by a woman and having a minimum financial interest of 51% of the employment generated in the enterprise to woman".

According to J. Schumpeter, "Woman who innovates, imitates or adopts a business activity is called woman entrepreneur."

According to Frederick Harbison, "Any woman or group of women which innovates, imitates, or adapts an economic activity may be called woman entrepreneurship."

The term woman entrepreneur signifies that section of female population who started out into industrial activities that is manufacturing, assembling, job works, repairs or servicing and other enterprises.

4.6.2 Characteristics of women entrepreneurs

On the basis of definitions given by different scholars, the following characteristics have been identified:

- A woman who controls and manages the whole business of enterprise under her own supervision and guidance is the main feature of woman entrepreneur.

- A woman entrepreneur must have good leadership quality.
- A woman entrepreneur faces any problem and uncertainty with confidently.
- A woman entrepreneur is considered as good organizer, coordinator, and manager in all factors as land, labor and capital. She can manage all factors of production from the society and distributes a product with finishing product.
- A woman entrepreneur has self-confidence. She should have a trust in herself and her abilities too. She has a confidence to implement to change and how to overcome any resistance to change.
- A woman is a good decision maker. So, as an entrepreneur, it assumed that she takes good decision for her business. She must be clear with her decision-making process.
- A woman entrepreneur is one who can invent new ideas and she can start her business with these new ideas and can provide new added value to the society through her enterprise.
- A woman entrepreneur is willingness to do hard work. She believes on the principle, "hard work is the key to success".
- A woman entrepreneur has an achievement orientation derive. She can face challenges and can get success.
- A woman entrepreneur must be optimistic. Her positive or optimistic attitude can give a positive environment to her business.
- A woman entrepreneur must have the technical know-how.
- A woman entrepreneur has trust on herself so that she can get success with boldly and bravely facing problems.
- A woman entrepreneur must have sound mind person. She has to clear her mission and vision.

4.7.3 Functions of women entrepreneur

Like a male entrepreneur, a woman entrepreneur has to perform the following function:

(A) Entrepreneurial functions

1) **Innovation:** The main function of woman entrepreneurship is innovation. She has to generate new ideas, creation of new markets and productions, discover new ideas and better sources of finance and make better form of industrial organization.

2) **Risk taking:** A woman entrepreneur should be risk taker. This is another function of entrepreneurial function of innovation. Whenever an innovation is done then there is some risk associated. So, a woman entrepreneur should be visualized opportunities for introducing new ideas and handle uncertainty.

3) **Organization building:** A woman entrepreneur alone decides the line of business to growth and expansion and how to utilize capital and build healthy organization.

(B) Promotional functions

1) **Discover new idea:** A woman entrepreneur visualizes new idea for her business so that she can raise new funds and ventures in new business.

2) **Detailed investigation:** After getting detailed investigation from all areas that she will think of arranging of finances for the new enterprises.

3) **Assembling the requirements:** A woman entrepreneur canvass to select new location for factory, decides the plant and machinery and contact with suppliers of raw materials.

4) Financing the proposition: The woman entrepreneur will estimate requirements of finances for her enterprise. The financial requirements for short term and long term are estimated.

(a) Managerial Functions

1) Planning: Planning means thinking before doing or thinking in advance. It is a decision in advance, what to do, when to do, how to do and who will do a particular task. Planning is process which involves thinking or mental state of woman entrepreneur. She will think before undertaking a work.

2) Organizing: A woman entrepreneur has another function of organizing is to arrange, guide, coordinate, direct and control the activities of other factors of production that is men, material, money and machines so accomplish the goals of the enterprise.

3) Staffing: a woman entrepreneur has to perform the function of staffing which includes manpower planning, recruitment, selection, and training, placement of manpower, development, promotion, transfer and determination of employee remuneration.

4) Directing: directing is concerned with managerial functions. Group activities should be accomplished by employees under the direction of planned actions.

5) Leadership: A woman entrepreneur should have the quality of leadership. A woman should lead by example, so that every employee working in her firm should have faith in women owner to achieve organization goals. To be successful leader, she must possess the qualities to create motivation.

6) Motivation: A women entrepreneurs motivate their employees by providing incentives and canvass their employees for achievement of objectives of their enterprise.

7) Supervision: Women entrepreneur should have aim of supervision. Supervision means to oversee their employees and give direction to employee how to achieve their goals. If any employee does work then the women entrepreneur should correct them.

8) Controlling: Controlling is another function of managerial. With control process a woman entrepreneur to implement her rules and regulations and can take corrective actions if performance is not up to mark.

9) Coordination: Coordination is also very much important function of managerial. Coordination creates spirit to work and helps in achieving goals through collective efforts.

(D) Commercial Functions

1) Production: A woman entrepreneur has a key function is production function. This function contains manufacturing and advisory activities.

2) Personnel: With the help of people and workers a woman entrepreneur can achieve their goals. Workers can develop their organization with coordination.

3) Finance: With the help of finance functions of woman entrepreneur can achieve goals. The need of money is continuous. It deals with estimating financial requirements, deciding capital structure, selecting a source of finance, proper cash management etc.

4.7.4 Others functions of women entrepreneur

There are some other functions as following.

- Exploration of the prospects of starting a new business
- Handling of economic uncertainties involved in business.
- Introduction of innovations in business.

- Disciplinarian as business woman
- Manage risk and taking good decision to expand her business.
- Develop confidence amongst in workers
- Awareness regarding new technology
- Conducting proper and routine supervision
- Arranging proper source of finance,
- Managing good factors of production in timely.

4.8 PROBLEMS FACED BY WOMEN ENTREPRENEURS

Women entrepreneurs face many problems in their efforts to develop their enterprises. The main problems faced by the women entrepreneurs are discussed as follows:

- 1) **Family restrictions:** This is the most common problem faced by women. They are expected to spend more time with their family, friends. They do not encourage women to travel around the world to grasp the opportunity for developments.
- 2) **Lack of education:** Women are generally denied of higher education, especially in rural areas and undeveloped countries. Women are not allowed to enrich their knowledge in technical and research areas to introduce new products.
- 3) **Role conflict:** Marriage and family are given more importance than career in Indian society. It is expected from women to be a good house wife and take care of family rather than go outside for work.
- 4) **Lack of finance:** Family members do not encourage women entrepreneurs. They hesitate to invest money in the business initiated by women. Banks and financial institutes also hesitated to provide financial support to women.
- 5) **Lack of information:** Women entrepreneur are not generally aware of the subsidies and incentives available for them. Lack of knowledge may prevent them from availing the special schemes.
- 6) **Stiff competition:** Women face of competition with men due to limited mobility they find it difficult to compete with men.
- 7) **Lack of raw material:** The lack of material required is one the big problem which is faced by a woman entrepreneur. Women entrepreneurs face number of problems to procure the required raw materials for production in sufficient quantity and quality.
- 8) **Limited managerial ability:** As a woman, she may not be expert in all managerial activities. She could not be able to give her time in various types of activities.
- 9) **Lack of risk taking ability:** As a woman, she has not much ability to face uncertainties and not ever bear a uncertain risks. This problem is due to lack of infrastructure and hesitation in quick decisions.
- 10) **High cost of production:** Another problem faced by women entrepreneurs is high cost of production. To reduce high cost of production, have to increase efficiency. So, it creates high cost of production.

4.9 REMEDIAL STEPS TO SUPPORT WOMEN ENTREPRENEURS

The following measures may be adopted to solve the problems faced by women entrepreneurs in India:

1. **Promotional help:** Government and NGO'S must provide assistance to entrepreneur, both in financial and non-financial areas so that it can help them to improve more in this field.
2. **Training:** They must be given training to operate and run a business successfully. Training has to be given women who are still reluctant to take up the entrepreneurial task.
3. **Finance:** Finance is one of the major problems faced by women entrepreneur. Both family and government organizations should be liberal in providing financial assistance to them.
4. **Family support:** Family should support women entrepreneurs and encourage them to establish and run business successfully. Family support help the women to encourage more and take the risk to compete in the men dominate business world.
5. **Concessional rates of interest:** Finance should be provided at concessional rates to woman entrepreneur.
6. **Proper supply of raw materials:** To make products cost competitive and at reasonable price to woman entrepreneur at right time.
7. **Changing the social attitudes:** A society should have to change their attitudes regarding women entrepreneurs. Parents should have to support female child so that they could become a good entrepreneur.
8. **Setting up marketing cooperatives:** To set up and manage business enterprises of their own successful business, women should have potential. So that they could achieve their goals. If women will join that stream, it will enhance the national economy and may generate employment too.

4.10. SELECTION OF INDUSTRY BY WOMEN ENTREPRENEUR

The type of industry a woman entrepreneur can establish depends on her family background, education, interest, attitude, training, and local market conditions. Other factors to be considered as availability of funds, raw materials, labour, local people demand, power etc. Small industry service institute SISI has been recommended the number of industries for women entrepreneurs: -

- 1) Production and manufacturing of pickle, papad, handicrafts, packaging, stationery, bedsheets, boutique etc.
- 2) Operating Centre's for repairs of television, electric repairs, radio and watches repair, office maintenance on contract basis, catering, batik painting, embroidery, tutorial classes, stenography etc.
- 3) Retail shops for readymade garments, grocery shops, drug stores, snack bars, soft drinks, florist shops etc.
- 4) Operating of crèches, photographic studios, dry cleaning, travel agencies, working women hostels etc.

For running small industries, government providing various types of assistance to women entrepreneurs, such as,

- 1) Providing financial assistance to women entrepreneur as credit for fixed and working capital.

- 2) Providing training in which they want to establish their small industries.
- 3) Providing help in promotional activities as in preparation of project report, registration, and licensing etc.
- 4) Providing proper training, so that women entrepreneurs can achieve their goals.
- 5) Providing marketing assistance.

4.10.1 SCHEMES OF GOVERNMENT FOR WOMEN OTHER GOVERNMENT INITIATIVES

The role of women has changed drastically in the past few years for the better. A lot of women are entering in the business to earn bigger and better. India needs more women entrepreneurs to grow economically, socially and culturally. To facilitate this growth, better access to finance has been offered especially for women in India. The government of India has formulated various training and development cum employment generation programmes for the women to start various types of business. Government and non- government, promotional and regulatory agencies have come forward and play supportive role in promoting the women entrepreneur in India. A congenial environment is created to enable women to participate actively in the entrepreneurial activities. There are number of schemes have been launched by government for women entrepreneurs as follows:

1) Mudra yojna scheme

Government has launched Mudra yojna scheme for women who want to commence new business or want to grow their business. This scheme can be helpful for new business entrepreneurs. Under this scheme government provide loans to Rs. 50k to Rs. 100k. This scheme is perfect for small businesses like salons, or home-based businesses. This scheme is divided into three categories:

- A) Kishore Loans up to 50k/-
- B) Shishu Loans above 50k/- and up to 500k/-
- C) Tarun Loans above 500k/- and up to 10 lacs.

One of important point here is that there is no need of any collateral security or any guarantor for this loan.

2) Dena Shakti Scheme

Under this scheme government provide loans for women entrepreneurs in certain sectors are as:

- . Agricultural businesses
- . education
- . retail stores
- . housing
- . micro organisations

If any women are planning to commence any of above business then under this scheme maximum loan limit is Rs. 20 lacs and rate of interest is 0.25% below that of base rate. For applying this loan, entrepreneur has to fill application form and submit required documents to avail of the loan. It is very easy to get loan under this scheme.

3) Udyogini scheme

A woman can commence a business under this scheme, which comes from small income family. Under this scheme, there are no restrictions to get loan. Amount of loan, a woman can avail is Rs. 3 lacs at low rate of interest. This scheme can help a woman to start business or enterprise or to make self-reliant. This scheme was started firstly by the Karnataka state women development. Many financial institutions have adopted this scheme with number of variations. Through online mode anybody can apply for this scheme and get easy loans.

4) Cent Kalyani scheme

This scheme is for who want to commence small scale business. This scheme is launched by Central Bank of India for women entrepreneurs. Under this scheme any women can avail loan up to Rs. 100 lacs. In this scheme, there is no collateral or processing fees.

5) Mahila Udyam Nidhi Scheme

This scheme is launched by Punjab National Bank and to assist small scale industries. The main objective of this scheme is to promote small scale business by providing modern technologies and advancement. These loans are hassle free loans.

6) Women entrepreneurship platform

NITI Aayog has started an initiative called Women entrepreneurship platform that support women to commence business. This scheme is for budding women entrepreneur. Under this scheme, to train the women who want to start business according to their choicest business, give them knowledge about laws, how to get financial assistance and raising of funds, and providing community and network of same consensus women etc.

7) Stree Shakti Package

This scheme is offered by the state bank of India branches in India and main aim to provide loan to women business. The biggest benefits to women are that there is no security for loans up to Rs. 5 lacs. Bank is providing various concessions to women, and loan amount could exceed up to Rs. 2 lacs or more.

8) Annapurna scheme

Under this scheme Government provides loans to women entrepreneur up to Rs. 50k. This scheme is for women who want to commence agricultural business. This scheme is firstly launched by the state bank of Mysore and Bhartiya mahaila bank. Loan amount has repaid through EMI's for 36 months with the interest rate prevailing in the market. Here, women entrepreneur needs a guarantor along with assets of the business being pledged as collateral security.

9) Orient Mahila Vikas Yojna Scheme

This scheme is launched by oriental bank of commerce for women entrepreneurs who hold 51% share capital individually or jointly in a business. This scheme provides loan amount up to Rs. 10 lacs to Rs. 25 lacs for women entrepreneurs in the small-scale enterprises. There is no need of collateral security. The repayment of loan is of 7 years and interest rate is 2% only.

10) Pradhan Mantri Mudra Yojna

This scheme is launched in 2015 by the government of India for women entrepreneurs. This scheme provides financial support to women entrepreneurs for starting their own

business. It helps to promote women in the country. Various financial institutions have extended Mudra loans under this scheme.

Other Government Initiatives for growth of women entrepreneurship

There are number of programmes followed by government for promotion of women entrepreneurs such as:

1) Steps taken in seventh five year plan:

A special chapter on the integration of women in development was introduced by the government of India with following number of suggestions:

- a) Efforts should be made to increase their efficiency and productivity through appropriate technologies, equipment's and practices.
- b) In this plan, it was suggested to provide required assistance for marketing the products produced by women entrepreneurs.
- c) It was suggested that to arrange new vocational training facilities for women to suit their changing needs and skills.
- d) It was suggested that to treat a women as specific target groups in all major development programmes of the country.
- e) It was suggested that to involve the women in decision making process.

2) Steps taken by government during eighth five year plan:

The government of India revised special programmes to increase employment and income generated activities for women in rural areas. The various plans were launched during eighth five-year plan like:

- a) Prime Minister Rojgar Yojna and EDP's were introduced to develop entrepreneurial qualities among rural women.
- b) To generate employment opportunities for women KVIC took special measures in remote areas.
- c) Women cooperatives schemes were formed to help women in agro- based industries like dairy farming, poultry, animal husbandry, horticulture, etc.
- d) Training of rural youth for self-employment and several others schemes were started by the government to eliminate poverty and provided reservation to women under these schemes.

3) Steps taken by the government during ninth five year plan:

- a) Swam Jayanti Gram Swarozgar Yojna and Swaran Jayanti Sehkari Rozgar Yojna were introduced by government to encourage women entrepreneurs.
- b) State industrial and development bank of India has been introduced to assist the women entrepreneurs.
- c) Trade related entrepreneurship assistance and development scheme was launched by Ministry of small industries to develop women entrepreneurs in rural, semi-urban and urban areas by developing entrepreneurial qualities.
- d) Government has provided special strategy to assist women entrepreneurs.
- e) Government introduced new scheme named women development corporations who will help in arranging credit facilities.

Chamber of women entrepreneurs of India provides various platforms to help women entrepreneurs to develop new and innovative techniques of production, finance and marketing. There are number of bodies or boards or organisations that help rural and urban areas women entrepreneurs.

- 4) Training programmes or schemes were arranged for women entrepreneurs to generate self-employment.
- 5) Rashtriya Mahila Kosh was set up in 1963 to provide grant to women entrepreneurs at lowest rate of interest under less cost and with simple procedure.
- 6) SIDBI has developed this fund for the entrepreneurial development of women especially in rural areas. Under Mahila Vikas Nidhi grants loan to women are given to start their venture in the fields like spinning, weaving, knitting, embroidery products, block printing, handlooms, handicrafts, bamboo products etc.

Women entrepreneurship played an important role in economic growth and stability for any country. Women entrepreneurs inspire other women to start businesses. This will lead to further job creation for women which ultimately helps in reducing the gender gap available in workforce of any country. A successful woman is confidently feminine and eager to learn and grow. She has maintained balance in all aspects of her life.

4.11 Questions

Long Answer Questions

1. Explain various types of entrepreneurship
2. Define a woman entrepreneur. What are the functions of a woman entrepreneur?
3. Explain women entrepreneurs. Discuss the important characteristics of woman entrepreneur.
4. Discuss the problems faced by women entrepreneurs. What are the steps taken by government to solve these problems?

Short Answer Questions and Answers

1. Define entrepreneur.
 2. What are the main features of woman entrepreneur?
 3. Explain promotional functions.
 4. Explain managerial functions?
 5. Explain entrepreneurial functions?
 6. Discuss problems faced by women entrepreneurs.
 7. Motivational factors behind women entrepreneurs.
 8. What are the various steps taken by government of India to promote women entrepreneurs?
 9. Highlight the examples of some successful women entrepreneurs.
 10. Which of the following areas are preferred by women entrepreneurs?
 - A. Administration
 - B. Organization
 - C. Utilities
 - D. Manufacturing
- Answer (A)
11. A typical Inventor is usually.....
 - A. Highly creative & in love with the invention
 - B. Does not encourage change

- C. Willing to modify the invention
- D. Not enthusiastic

Answer (A)

12. An individual who initiates, creates and manages a new business can be called

- A. A leader
- B. A manager
- C. A professional
- D. An entrepreneur

Answer (D)

13. implies the availability or otherwise of plant and machinery and technical know-how to produce the product.

- A. Economic viability.
- B. Financial feasibility.
- C. Technical feasibility.
- D. Managerial competence

Answer (C)

4.11 SUGGESTED READINGS

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**M.A (ECONOMICS)
SEMESTER II
MAEC24203T- ENTREPRENEURSHIP DEVELOPMENT**

UNIT T- 5 DESIGN THINKING AND INNOVATION

STRUCTURE

- 5.0 Learning Objectives**
- 5.1 Introduction**
- 5.2 What is Design Thinking?**
- 5.3 Origin of design thinking**
- 5.4 Features of Design thinking**
- 5.5 Use of Design Thinking**
- 5.6 Applications of Design thinking**
- 5.7 Design thinking Vs Scientific Method**
- 5.8 Problem focus Vs Solution Focused**
- 5.9 Questions**
- 5.10 Suggested Readings**

5.0 LEARNING OBJECTIVES

After completing this unit, students will be able to

Define: –The applications of design thinking.

Understand: Examine the use of design thinking.

Define: the design thinking vs. scientific method.

Explain: Team Work and Collaboration

5.1 INTRODUCTION

Design thinking is a problem-solving framework that is ideal for tackling ill-defined or unknown problems. This makes it very effective for addressing the multifaceted problems faced by today's increasingly complex organisation. In the words of IDEO Founder, Tim Brown, for businesses, "design thinking is all about upgrading within constraints" – meaning companies must innovate without disruption to drive growth and stay relevant.

The successful ones are those which are always seeking new ways to compete in their sector – and design thinking is one framework that can help them achieve this.

What Is Design Thinking?

Design thinking was developed by Stanford Professor David Kelley who is also the founder of the design agency IDEO. His work was also influenced by Professors Terry Win grad and Larry Lifer at the school at

Stanford University. Unfortunately there is no single, agreed upon definition of design thinking. However, in a study conducted by the Nielsen Norman Group, the majority of the UX and design professionals define it roughly the same, regardless of industry and experience. Still, there is no agreement on the specifics.

A concise sentence that defines design thinking would be the following:

Design Thinking is a human-centric, iterative, solution-based, problem-solving framework

Whoa! Let us break this down.

Design thinking is:

A problem-solving approach: It is a methodology that is ideal for tackling complex problems that are ill-defined or unknown. This is because design thinking helps us define a problem, challenge any assumptions and thus reframe it in a way that will help us come up with solutions that may potentially solve it.

Human-centric: In design thinking, we seek to understand the user. This is why the user – the person for whom we are designing our products or services for, is considered at each stage of the design thinking process.

Iterative: This means that in the different stages of the design thinking process, you will use the results to review, question and improve any initial assumptions, understandings and outcomes. This makes the design thinking approach a non-linear one.

Solution-based: The design thinking process provides a very hands-on approach to problem-solving. You will formulate several potential problem-solving approaches, prototype them and test them in the context of the problem being solved. Due to the iterative nature of design thinking, you will be able to re-shape and optimise these approaches until an optimal solution is chosen.

Characteristics Of The Design Thinking Process

Design thinking can be seen as 'out-of-the-box' thinking since it encourages you to explore alternatives by creating different, and often innovative solutions that you might not have thought about. At the same time, it focuses on the users' needs, and thus, it will help you address the problem as experienced by the user, and that includes contextual and cultural factors.

Another critical aspect of design thinking is that it encourages collaborative, multidisciplinary teamwork to leverage skills, personalities and thinking styles of different persons. This will come in handy in all the stages of the design thinking process.



Fig :5.1 Design Thinking

Configuration believing is a critical thinking system that is great for handling not well characterized or obscure issues. This makes it exceptionally successful for resolving the diverse issues looked by the present progressively complex associations. In the expressions of IDEO Founder, Tim Brown, for organizations, "plan believing is tied in with updating inside imperatives" - significance organizations should enhance without interruption to drive development and remain applicable. The fruitful ones are those which are continuously looking for better approaches to contend in their area - and configuration believing is one system that can assist them with accomplishing this.

In this article, we will initially talk about inside and out what configuration believing is. Then, at that point, we will cover the plan thinking process, by which we will likewise go through the five phases of the plan thinking process: Empathize, Define, Ideate, Prototype and Test.

Configuration believing is a term used to address a bunch of mental, vital and functional cycles by which plan ideas (recommendations for items, structures, machines, interchanges, and so on) are created. A considerable lot of the vital ideas and parts of configuration thinking have been recognized through investigations, across various plan areas, of plan insight and plan action in both research facility and normal contexts. An iterative, non-direct course of getting clients, testing suppositions, reclassifying issues, and making creative answers for model and test is called plan thinking.

Configuration believing is likewise connected with remedies for the advancement of items and administrations inside business and social contexts. Some of these solutions have been condemned for misrepresenting the plan interaction and minimizing the job of specialized information and abilities.

By and large, fashioners would in general be involved uniquely in the later pieces of the course of new item improvement, concentrating on the style and usefulness of items. Numerous organizations and different associations currently understand the utility of inserting plan as a useful resource all through hierarchical strategies and practices, and configuration thinking has been utilized to help a wide range of sorts of business and social associations to be more useful and innovative. In the 2000s there was a huge development of interest in plan thinking as an impetus for acquiring upper hand inside business, yet questions around configuration thinking as a panacea for progress have likewise been expressed. Designers bring their techniques into business either by participating themselves from the earliest phases of item and administration advancement processes or via preparing others to utilize plan techniques and to assemble creative thinking abilities inside associations. All types of expert plan training can be thought to be creating configuration thinking in understudies, regardless of whether just certainly, yet configuration believing is presently unequivocally instructed overall as well as expert schooling, across all areas of training. Plan as a subject was brought into optional schools' instructive educational programs in the UK during the 1970s, bit by bit supplanting or potentially creating from a portion of the conventional craftsmanship and specialty subjects, and progressively connected with innovation review. This improvement ignited related examination studies in both schooling and design.

New courses in plan thinking have additionally been presented at the college level, particularly when connected with business and advancement studies. An eminent early course of this kind was presented at Stanford University in 2003, the Hasso Plattner Institute of Design, known as the d.school.

In the K-12 schooling area, plan believing is utilized to improve learning and advance inventive reasoning, cooperation, and understudy liability regarding learning. A plan based way to deal with instructing and learning has likewise grown all the more broadly all through training.

Drawing on mental investigations of innovativeness from the 1940s, like Max Wertheimer's "Useful Thinking" new imagination procedures during the 1950s and plan techniques during the 1960s prompted plan thinking as a specific way to deal with imaginatively tackling issues. Among the principal writers to expound on plan believing were John E. Arnold in "Innovative Engineering" (1959) and L. Bruce Archer in "Methodical Method for Designers".

In his book "Innovative Engineering" (1959) Arnold recognizes four areas of plan thinking:

- i. Novel usefulness, for example arrangements that fulfil an original need or arrangements that fulfil an old need in a completely new manner.
- ii. Better execution levels of an answer.
- iii. Lower creation expenses or
- iv. Expanded saleability.

Arnold suggested a fair methodology - item engineers should look for open doors in every one of the four areas of configuration thinking: "It is somewhat fascinating to investigate the formative history of any item or group of items and attempt to order the progressions into one of the four regions ... Your gathering, as well, could have gotten into a trench and is coincidentally doing all of your plan thinking in one region and is missing great wagers in different regions.

Albeit L. Bruce Archer's "Methodical Method for Designers" was concerned essentially with a precise course of planning, it likewise communicated a need to widen the extent of traditional plan: "Ways have must be found to fuse information on ergonomics, artificial intelligence, promoting and the executives science into configuration thinking". Bowman was additionally fostering the relationship of configuration thinking with the board: "The time is quickly moving toward when plan navigation and the executives dynamic procedures will share such a great amount for all intents and purpose that the one will turn out to be something like the augmentation of the other".

Arnold started a long history of configuration thinking at Stanford University, stretching out through numerous others, for example, Robert McKim and Rolfe Faste who educated "plan thinking as a technique for inventive action", and going on with the shift from imaginative designing to advancement the executives in the 2000s. Design believing was adjusted for business purposes by Faste's Stanford partner David M. Kelley, who established the plan consultancy IDEO in 1991.

Bryan Lawson's 1980 book How Designers Think, basically tending to plan in engineering, started a course of summing up the idea of plan thinking. A 1982 article by Nigel Cross, "Designerly Ways of Knowing", laid out a portion of the characteristic characteristics and capacities of configuration imagining that likewise

made it applicable in everyday training and in this way for more extensive audiences. Peter Rowe's 1987 book *Design Thinking*, which depicted techniques and approaches utilized by modelers and metropolitan organizers, was a huge early use of the term in the plan research literature. A global series of examination symposia in plan thinking started at Delft University of Technology in 1991. Richard Buchanan's 1992 article "Underhanded Problems in Design Thinking" communicated a more extensive perspective on plan thinking as tending to unmanageable human worries through plan.

Configuration believing is an idea utilized in numerous unique situations and it is fairly not well characterized. Most frequently it is utilized to portray a sort of plan strategy. Dorst recognizes two standards of current plan technique: plan considered to be a sane critical thinking cycle and configuration considered as an intelligent practice.

As per Callahan "Specialists have directed examinations inside and outside the plan fields to work on comprehension and control of the plan cycle. Inside the plan fields, these analyst try to comprehend the nonverbal cycles of planners and how these cycles are connected to plan hypothesis and practice. Outside the fields, the longing to comprehend the plan cycle is driven by a need to bridle its imaginative power. The expression 'plan thinking' connects these two ways to deal with the examination of plan."

Configuration thinking ordinarily infers a client focused methodology that incorporates prototyping. There are likenesses between configuration thinking drives in bigger associations and the "creator" development. "The most common way of making, ideating, and pondering the interaction in advanced manufacture conditions has a nearby likeness to configuration thinking (for example Nelson and Stolterman, Cross, Cross). In cycles of computerized manufacture and plan thinking, the understudy professional draws in with not well characterized or "underhanded" issues, and investigations of experimentation, to settle on their own decisions in light of bits of knowledge or previous experience."

Configuration believing isn't equivalent to plan science. Inside plan science one can observe different sorts of configuration thinking, however configuration thinking likewise exists in different regions, for example the executives and, all the more as of late, instruction.

Here and there, plan believing is introduced as a solution to current muddled issues. Brown closes: "Regardless of where we look, we see issues that can be tackled distinctly through advancement. These issues all have individuals at their heart. They require a human-focused, inventive, iterative, and functional way to deal with tracking down the smartest thoughts and extreme arrangements. Configuration believing is simply such a way to deal with development."

Configuration thinking presumably started in item configuration, however at that point spread to different regions, for example business: "Plan thinking, first used to make actual items, is progressively being applied to perplexing, in-substantial issues, for example, how a client encounters a help. No matter what the specific situation, plan scholars will generally utilize actual models, otherwise called plan relies, to investigate, characterize, and convey. Those models-essentially outlines and portrays supplement and sometimes supplant the spread-sheets, details, and different records that have come to characterize the conventional hierarchical climate. They add a liquid aspect to the investigation of intricacy, taking into consideration

nonlinear idea while handling nonlinear issues." (Harvard Business Review). One more illustration of more interest to instructive innovation is additionally portrayed by Kolko: "The MIT Media Lab formalizes this in its adage, "Demo or pass on," which perceives that main the demonstration of prototyping can change a thought into something genuinely important all alone, thoughts are very common."

Prototyping is just a single part of configuration thinking in business associations, the other, related, alludes to more adaptable perspectives.

Configuration thinking can be connected to advancement. As per the executives researchers Carlgren, Rauth, and Elmquist, M. "The advancement potential in plan has been featured by a few researchers". The creators likewise bring up that "In the administrative talk, DT commonly doesn't allude to exemplary plan trains, for example, designing plan, modern plan or correspondence plan; rather it is introduced as a general human-centred way to deal with critical thinking, imagination and advancement. Roger Martin contends that organizations should turn out to be more similar to configuration shops, with the principle accentuation on the mental cycles of planners, which in his view could likewise help supervisors. Martin depicts these cycles as 'integrative reasoning', which is a perspective that 'joins the age of novel thoughts' (abductive rationale) with their investigation and assessment of how they apply.

As per Carlgren et al. "Despite the uncertainty in these fundamental works (e.g., discipline versus approach versus perspective), a few famous colleges, for example, Rotman School of Management and Stanford University have presented DT programs. The d.school at Stanford University (2010), which has been incompletely credited for the spread of DT, has proposed a stepwise, iterative cycle system which is frequently portrayed as a grouping of exercises that can be deciphered as straight: relate (assortment in light of, for instance, ethnographic examinations), characterize (information union to acquire a refined issue understanding), ideate (recommend thoughts for tackling the issue), model (foster unmistakable and experienceable portrayals of the thoughts) and test (with likely clients)."

5.2 WHAT IS DESIGN THINKING

Design thinking is a collaborative approach to problem-solving that can also be used to develop organizational strategy.

According to Tim Brown, CEO of IDEO, design thinking is "a human-centered approach to innovation that draws from the designer's toolkit to integrate the needs of people, the possibilities of technology, and the requirements for business success."

Here are the basic steps:

Empathize: Set aside your own assumptions and understand the problem.

Define: Use different activities and exercises to clearly define the problem.

Ideate: Choose from a wide variety of techniques to generate ideas.

Prototype: Create a model or simple version of the final product (or process).

Test: Does the prototype solve the problem? What are the issues?

Deliver: After multiple iterations, tests, and rounds of problem-solving, deliver the solution.

Design thinking not only works for designing tangible products, but also as a leadership approach. Design thinking helps the Florida Institute of Technology test and improve their spacesuit design. Similarly, it can help an HR team develop a new approach to managing the employee life cycle.

Design Thinking Can Be Your Superpower, Even If You Don't Develop A Product

Many organizations that we work with already use design thinking in their product development process. However, the real magic happens when they implement design thinking, also known as human-centered design, into their leadership approach.

Design thinking applies tools from the field of design for use in any industry. Above all, it puts the customer at the center of the innovation process. Anna Bracco, our in-house expert on design thinking and leadership, highlights the simplicity of design thinking and its ability to adapt to your organization's needs. "It's not rocket science. It's just a different way of thinking about leadership."

Think about a process that you would like to test or improve. Consider the problems you're trying to solve based on the goals for your organization.

What Does A Design Thinking Organization Look Like?

Applying aspects of design thinking to your company can be incredibly valuable in promoting organizational adaptability.

First off, let's look at a well-known example of two companies on opposite ends of the organizational adaptability spectrum. Netflix and Blockbuster were two video industry heavyweights with drastically different outcomes based on their ability to be flexible and empathize with their customers.

In 2004, Blockbuster was doing what worked: renting physical videos. Netflix, on the other hand, was "constantly re-evaluating what their customers want and need," says Bracco. "Netflix was doing mail-order DVDs and then they launched online. This ended up disrupting their whole business. If Blockbuster had done something like that, maybe they'd still be around."

Above all, organizations with a more agile approach are more apt to react to what's happening in the environment. However, others are slow to move and slow to make changes. Therefore, by constantly ideating, evaluating, and testing their own processes, agile organizations are able to stay one step ahead.

Bracco underlines that you can react more quickly to changes in the industry and the landscape if you "have a constant understanding of what your customer wants and needs. Therefore, you can react to that versus being surprised like some of these large companies that have failed."

You don't have to disrupt an entire industry. Are you doing enough to disrupt and push the limits on your current processes? Do you have a culture of innovation?

Define Your Customer (Hint: They Might Not Be The End Customer)

Design Thinking's first two steps, Empathize and Define, require you to determine who your customer actually is and then look at the problem from their point of view.

Your customer isn't always the end customer. If you work for Netflix, your end customer might be the binge-watching Grey's Anatomy fan. If you're the head of Human Resources at Netflix, your customer may be the employee or the team that reports to you, instead of the end customer.

Let's look at another example. The financial and international accounting department of a large company needed to define their real customer. This team had no contact with the end customer. Therefore, to determine their actual customer, the team asked themselves questions such as:

Who receives our numbers?

Who interacts with those numbers?

Do they need those numbers presented in a different way?

How would it help them if we delivered the numbers in a different way?

After you define your customer, it's easier to highlight what is important to them. As a result, you can ensure that the process or product you are designing fits their needs.

In your role, what are the questions you need to ask yourself and your team in order to discover your actual customer?

Innovate And Reduce Risk With Design Thinking

Bracco also works closely with space flight organizations in her work as a facilitator for our Launch Point Leadership Experience.

Understandably, risk is a main concern for these organizations. Risk is inherent in space flight. However, design thinking's focus on identifying problems and testing solutions allows for problem-solving in the middle of production. As a result, this saves time and reduces risk at the end of production.

Consider the Human Spaceflight Laboratory at the Florida Institute of Technology. The Lab is helping develop Federal Aviation Administration guidelines for safer commercial spaceflight. By using human-centered design – and rigorous testing with a 500-pound simulator for human subjects – they anticipate various risks.

"There's not a lot of incentive for commercial companies to spend money and time thinking about human factors," says Ondrej Doule, Founder and Director of the Human Spaceflight Laboratory. Doule is also our Subject Matter Expert at our Launch Point Leadership Experience.

"They're really focused on getting their vehicles to work. That usually means making a rocket work and putting a person in it. As a result of implementing design thinking, they collaborate with end-users such as astronauts and potential commercial flight customers. Therefore, they are able to make beneficial changes to spacesuit requirements."

Your end product might not be as high-risk as spaceflight. But you can certainly minimize risk for leadership processes by following the design thinking methodology. Therefore, when you get to the high-stakes environment, you've already identified and addressed the potentially high-risk problems.

Configuration Thinking is an iterative cycle wherein we look to comprehend the client, challenge suppositions, and reclassify issues trying to recognize elective systems and arrangements that probably won't

be right away evident with our underlying degree of comprehension. Simultaneously, Design Thinking gives an answer based way to deal with tackling issues. It is a perspective and filling in as well as an assortment of involved techniques.

Configuration Thinking rotates around a profound interest in fostering a comprehension of individuals for whom we're planning the items or administrations. It helps us notice and foster sympathy with the objective client. Configuration Thinking helps us during the time spent addressing: scrutinizing the issue, scrutinizing the suppositions, and scrutinizing the ramifications. Configuration Thinking is incredibly helpful in handling issues that are not well characterized or obscure, by re-outlining the issue in human-driven ways, making numerous thoughts in meetings to generate new ideas, and embracing an active methodology in prototyping and testing. Configuration Thinking additionally includes continuous trial and error: outlining, prototyping, testing, and evaluating ideas and thoughts.



Fig :5.2 Design Thinking

Configuration thinking is certifiably not an elite property of creators generally incredible pioneers in writing, craftsmanship, music, science, designing, and business have polished it. Things being what they are, the reason call it Design Thinking? Exceptional with regards to Design Thinking that architects' work cycles can assist us with deliberately removing, instruct, learn and apply these human-focused strategies to take care of issues in an inventive and imaginative manner - in our plans, in our organizations, in our nations, in our lives.

A portion of the world's driving brands, like Apple, Google, Samsung and GE, have quickly taken on the Design Thinking approach, and Design Thinking is being instructed at driving colleges all over the planet, including d.school, Stanford, Harvard and MIT. Be that as it may, do you have at least some idea what Design Thinking is? What's more why it's so well known? Here, we'll get to the point and stop for a minute it is and why it's so sought after.

People normally foster thought processes displayed on monotonous exercises and usually got to information. These help us in rapidly applying similar activities and information in comparative or recognizable

circumstances, however they additionally can possibly keep us from rapidly and effectively getting to or growing better approaches for seeing, comprehension and tackling issues. These thought processes are regularly alluded to as blueprints, which are coordinated arrangements of data and connections between things, activities and contemplations that are animated and started in the human brain when we experience a few natural boosts. A solitary blueprint can contain a tremendous measure of data. For instance, we have an outline for canines which includes the presence of four legs, fur, sharp teeth, a tail, paws, and various other discernible attributes. Whenever the ecological improvements match this outline - in any event, when there is a dubious connection or a couple of the attributes are available - a similar example of believed is brought into the brain. As these blueprints are stultated naturally, this can block a seriously fitting impression of the circumstance or keep us from seeing an issue such that will empower another critical thinking system. Inventive critical thinking is otherwise called "thinking outside about the container".

Thinking outside about the crate can give a creative answer for a persistent issue. Nonetheless, thinking outside about the case can be a genuine test as we normally foster thought processes that are displayed on the dull exercises and ordinarily got to information we encircle ourselves with.

A few years prior, an episode happened where a transporter attempted to pass under a low extension. Be that as it may, he fizzled, and the truck was stopped solidly under the extension. The driver couldn't keep passing through or invert out.

The story goes that as the truck became stuck, it caused enormous traffic issues, which brought about crisis faculty, specialists, firemen and transporters social affair to devise and arrange different answers for dislodging the caught vehicle.

Crisis laborers were discussing whether to destroy portions of the truck or work on pieces of the extension. Each discussed an answer which fitted inside their separate degree of aptitude.

A kid strolling by and seeing the serious discussion took a gander at the truck, at the extension, then, at that point, checked out the street and said casually, "Why not simply let the air out of the tires?" to the outright shock of the multitude of trained professionals and specialists attempting to unpick the issue.

At the point when the arrangement was tried, the truck had the option to drive free easily, having experienced just the harm brought about by its underlying endeavour to pass under the extension. The story represents the battles we face where as a rule the clearest arrangements are the ones hardest to drop by as a result of the purposeful limitations we work inside.

5.3 ORIGIN OF DESIGN THINKING

As a mindset and methodology, design thinking is relatively young. In comparison, the scientific method has stood centuries of rigorous investigation; and modern management practices such as Six Sigma and lean manufacturing have benefited from decades of practice and examination. Design thinking has seen just 15 or so years of widespread adoption. For the most part, it's still largely a set of heuristics for guiding team-based collaboration.

The essence of the practice was a response to the question of what design had to contribute to the modern world. Designer and scholar Richard Buchanan framed this ongoing challenge for design thinking in 1992 through the notion of “wicked problems,” though scholars trace the term farther back, to 1935, with John Dewey and the melding of aesthetics and engineering principles for a new age. Buchanan built on theorist Horst Rittel’s challenge to designers in the early 1970s to move from solving simple problems to “wicked problems”—problems that are complex, open-ended, and ambiguous. These are problems that do not lend themselves to easy judgments of “right” or “wrong.”

Today, design thinking has become common parlance in many industries and disciplines. The approach is fresh and effective, and newcomers can easily learn and engage productively with it. But it’s also easy to get stuck in the basic motions of design thinking, while missing opportunities for fuller integration. As the concept has spread, it hasn’t always retained a consistent meaning, nor a uniform depth. The term “design thinking” can be used as currency without a true commitment to understanding and applying the practice. At IDEO, we believe that applying design thinking with integrity means continuing to deepen and refine—to be lifelong learners and practitioners at the same time.

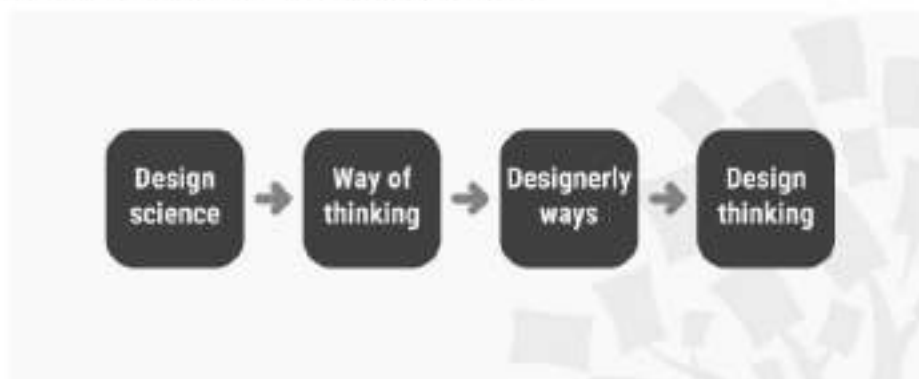


Fig :5.3 Origin of Design Thinking

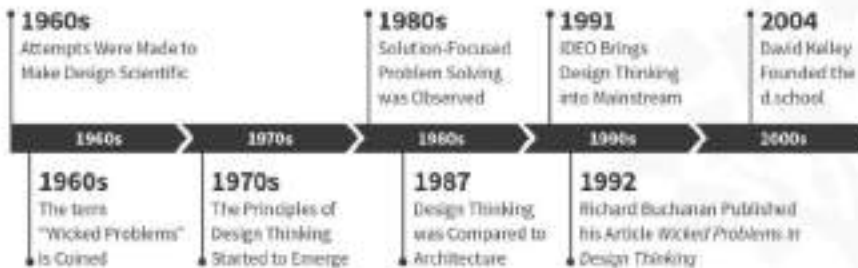
We need to appreciate the roots and origins of a concept to truly understand it—we need to know how it came to be. Let’s take a look at how design thinking emerged from an exploration of theory and practice to become one of the most effective ways to address the human, technological and strategic innovation needs of our time.

It’s virtually impossible to list all of the influential factors that led to the contemporary understanding of design theory, process and practice. Business analysts, engineers, scientists and creative individuals have studied the methods and processes behind innovation for decades. Early glimpses of design thinking date back to the 1950s and 1960s, although these references were more within the context of architecture and engineering — fields which struggled to grapple with the rapidly changing environment of that era.

World War II did have a profound effect on strategic thinking, however, and we have looked for new ways to solve complex problems ever since. In fact, we can say this huge world event fundamentally changed the way we apply ourselves to management, production and industrial design in the modern world. Let’s

take a look at the history of design thinking, decade by decade, and see how the story unfolds from this point onwards.

Design Thinking Process Timeline



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Fig :5.4 Desing Thinking process Timeline

The 1960s: Attempts Were Made to Make Design Scientific

In the '60s, people applied scientific methodology and processes in an attempt to understand every aspect of design—how it functions and what it's influenced by, for example.

Nigel Cross—Emeritus Professor of Design Studies at The Open University, UK—unpicks the struggle that began to unfold in the early 1960s in the paper "Designerly ways of knowing: design discipline versus design science" (2001). Cross highlights statements made by radical technologist Buckminster Fuller, in which he refers to the "design science decade":

"[Fuller] called for a 'design science revolution', based on science, technology and rationalism, to overcome the human and environmental problems that he believed could not be solved by politics and economics."

– Nigel Cross

The struggle continued throughout the decade as further attempts were made to bring the field within the objective of rational sciences and, ultimately, make design scientific.

The term "Wicked Problems" is Coined

In the mid-1960s, Hoest Rittel wrote and spoke extensively on the subject of problem-solving in design... so much so that he's known as the design theorist who coined the term "wicked problem" to describe problems which are multidimensional and extremely complex. Rittel specifically focused on how design methodologies could be used to tackle wicked problems and how these methodologies were influential to the work of many design practitioners and academics of the time.



Fig :5.5 Wicked problem

Wicked problems are at the very heart of design thinking because it is precisely these complex and multidimensional problems that require a collaborative methodology to gain a deep understanding of humans’ needs, motivations and behavior.

The 1970s: The Principles of Design Thinking Started to Emerge

Cognitive scientist and Nobel Prize laureate Herbert A. Simon was the first to mention design as a way of thinking in his 1969 book, *The Sciences of the Artificial*. He then went on to contribute many ideas throughout the 1970s which are now regarded as principles of design thinking.

Simon is noted to have spoken about rapid prototyping and testing through observation, for example—concepts which form the core of many design and entrepreneurial processes today, including two of the major phases in the typical design thinking process. Simon touched on the subject of prototyping as early as 1969 when he stated the following in *The Sciences of the Artificial*:

“To understand them, the systems had to be constructed, and their behaviour observed.”

Early research in the field of artificial intelligence, such as the work by Herbert Simon, Allen Newell and Cliff Shaw involving chess software, also resulted in a better understanding of design as a way of thinking.

Image courtesy of Carnegie Mellon University.

What’s more, a large proportion of his work was focused on the development of artificial intelligence and whether human forms of thinking could be synthesized—a topic which is very prevalent in the design world today.

Robert H. McKim, Emeritus Professor of Mechanical Engineering, also referred to the notion of design thinking in his 1973 book, *Experiences in Visual Thinking*. McKim differed from Simon in that he is best described as an artist and engineer—he focused his energies more on the impact visual thinking had on our ability to understand things and solve problems. McKim’s book unpicks various aspects of the visual thinking and design methods used to solve problems. He places an emphasis on the combination of left and right brain modes of thinking, to bring about a more holistic form of problem-solving. The ideas discussed in his book ultimately underpin the design thinking methodology we use today.

The 1980s: Solution-Focused Problem-Solving was Observed

In 1982, Nigel Cross continued to make history in the design thinking world when he discussed the nature of how designers solve problems in his seminal paper “Designerly Ways of Knowing”. (Please note, this is not to be confused with his series of articles and papers similarly titled “Designerly Ways of Knowing”, published much later in the 2000s). In his 1982 paper, Cross compared designers’ problem-solving processes to the non-design-related solutions we develop to problems in our everyday lives.

Bryan Lawson, Emeritus Professor at the School of Architecture, University of Sheffield, UK, also discussed the insights he’d gathered from a series of interesting tests. The main goal of the tests was to compare the methods used by scientists and architects when they attempted to solve the same ambiguous problem.

Lawson conducted the tests on postgraduate architectural students (i.e., the “designers”) and postgraduate science students (the “scientists”). The problem he set for each group required the students to arrange colored blocks according to a set of rules—some of which were unknown to the students.

The results were as follows:

Scientists	Designers
Systematically explored every possible combination of blocks.	Quickly created multiple arrangements of colored blocks.
Formulated a hypothesis about the fundamental rule they should follow to produce the optimal arrangement of blocks.	Tested their arrangement of blocks to see if it fit the rules.

1987: Design Thinking was Compared to Architecture Once Again

Peter Rowe, then Director of Urban Design Programs at Harvard, published his book *Design Thinking* in 1987. It focuses on the way architectural designers approach their tasks through an inquisitive lens.

“This book is an attempt to fashion a generalized portrait of design thinking. A principal aim will be to account for the underlying structure and focus of inquiry directly associated with those rather private moments of “seeking out,” on the part of designers, for the purpose of inventing or creating buildings and urban artifacts.”

– Peter Rowe (1987)

As you can see, the progression of design thinking as a subject made its journey through various fields of specialization over the decades. Thinkers within those various fields explored the cognitive processes within the scope of their own knowledge until design thinking finally became a separate concept and moved into a space of its own.

The 1990s to the Present

1991

It is widely accepted that IDEO is one of the companies that brought design thinking into the mainstream. They developed their own customer-friendly terminology, steps and toolkits over the years, and made the process more accessible to those not schooled in design methodology.

1992

Richard Buchanan, then Head of Design at Carnegie Mellon University, published his article “Wicked Problems in Design Thinking”, which discussed the origins of design thinking. In the article, he discusses how the sciences developed over time to become more and more cut off from each other until they finally became specializations in their own right. He clarifies that design thinking is a means to integrate these highly specialized fields of knowledge so they can be jointly applied to the new problems we face in the world today—and from a holistic perspective.

2004

David Kelley founded the Hasso Plattner Institute of Design at Stanford—commonly known as the d.school. The d.school has made the development, teaching and implementation of design thinking one of its central goals since inception, and it serves as a source of huge inspiration to design thinkers across the world, including us here at the Interaction Design Foundation.

Present Day

At present, the design thinking movement is rapidly gaining ground—with pioneers like IDEO and the d.school paving out a path for others to follow. Other prestigious universities, business schools and forward-thinking companies have adopted the design thinking methodology to varying degrees, and have sometimes even re-interpreted it to suit their specific context or brand values.

The understanding and use of the term ‘wicked problems’ has matured too, and Human-Centered Design pioneers and leaders like Don Norman now prefer the term ‘complex socio-technical systems’.

5.4 FEATURES OF DESIGN THINKING

Design thinking is a non-linear, iterative process that teams use to understand users, challenge assumptions, redefine problems and create innovative solutions to prototype and test. Involving five phases—Empathize, Define, Ideate, Prototype and Test—it is most useful to tackle problems that are ill-defined or unknown.

“Design thinking is a human-centred approach to innovation that draws from the designer’s toolkit to integrate the needs of the people, the possibilities of technology, and the requirements for business success.” — Tim Brown, chair of IDEO.

Design thinking refers to the cognitive, strategic and practical processes by which design concepts (proposals for products, buildings, machines, communications, etc.) are developed.-

As an organization, if you are looking to adopt the design thinking methodology it is important to understand the key elements that are core to this method.

Features of Design Thinking

1 – Process

IDEO, the creator of the design thinking approach, has developed a well-structured process of design thinking. This process is based on years of experience of IDEO, which has been strengthened with time. They have validated the process through many innovations and organizations.

When you have a process in place, it saves a lot of time for you to understand the concept. And also gives direction to the team.

The design thinking process has 3 phases i.e. Inspiration, Ideation, and Implementation.

Inspiration includes research and understanding of the problem. Ideation involves coming up with ideas and solutions based on the research in the inspiration stage. And implementation is launching the idea out in the market.

These phases are further expanded into multiple steps

Design Thinking Phase 1 – Inspiration

Framing the problem statement or design challenge.

Observing and meeting people – It includes tasks like user interviews, group interviews, and user behaviour analysis.

Design Thinking Phase 2 – Ideation

Generate Ideas – Brainstorming on all ideas.

Make Ideas Tangible – Build prototypes of the shortlisted ideas using minimum viable tools. It could be as basic as a paper cutout.

Test Prototypes – Test prototypes with actual users. Gather feedback and gain insights.

Design Thinking Phase 3 – Implementation

Share the story – Once you have the ultimate solution, share it with the relevant people.

Launch – Launch the ultimate solution in the market.

The process looks linear, but it works in iteration, especially the ideation phase where you keep testing prototypes till you have the ultimate solution. An ultimate solution is that which solves the user problem and is validated by actual users.

This process is the key element of the design thinking approach as it gets the team aligned on where to start and what to do next. This process will lead to a successful solution.

2 – Empathy

The users for whom we are solving a problem have unique characteristics, personality, and needs. Most of the time, we assume user characteristics and cannot relate ourselves to the user. Thus, creating a solution that is not well accepted in the market.

To build a successful product or solution, the design thinking team needs to get into the user's psyche. They need to build a complete understanding of user behaviour and thought process.

It's like being an actor in a movie, play the role of the user while you are working on their problem.

“Design thinking is a human-centred process and knowing the humans you are designing for is the core. Remove your self-reference idea and focus on the user.”

One of the greatest examples of building a solution by creating a strong empathy towards the user is the scanning machine GE Healthcare designed for paediatric patients.

Doug Dietz, an industrial designer at GE Healthcare, one day observed a little girl who was crying on her way to a scanner that was designed by him. It clicked to him that the machine he has designed scares users and is a very uncomfortable experience for patients, especially kids.

That's where he got back to the drawing board to solve a problem, to build a scanner that children will love. He started by observing and gaining empathy for young children and by talking to child specialists. Finally, he came up with a design that was like an adventure ride for the kids.

Many of the world's most successful brands created breakthrough ideas that are inspired by a deep understanding of consumers' lives. Some brilliant advertising campaigns have come from a specific deep consumer insight.

A successful product is not the one that is first in the market but the one that builds a stronger connection with the user. iPod was not the first MP3 player. Building empathy is one of the key element of Design Thinking.

3 – Team Work and Collaboration

The design thinking approach is not a single man act. It requires an excellent team to collaborate and coordinate with each other. It works best with the synergy of unique minds aligned to a single goal and objective.

The team members need to have a mindset where they are not biased towards their own ideas and should be open to other's ideas as well.

To have more creative juices flowing, it is essential to have different perspectives and viewpoints. With more variations in ideas, there is more scope to innovate. It's like jamming and toasting of ideas.

Consider it as a music band where you have unique members like guitarist, vocalist and drummer to create a brilliant piece of music.

The team needs to be multidisciplinary. Have a few professionals who have expertise in the industry for which you are trying to solve the problem. Have a few generalist design thinking professionals. It's also good to have a marketing or sales professional to understand the market potential of the solution.

Also, include unique personality characteristics. The team should include thinkers (people with high imaginative skills), makers (who can design a prototype using minimum resources in a short time), and doers (who will test the prototype among themselves and in the market)

One of the key element in getting the team to work together is holding effective brainstorming meetings. These brainstorming sessions are where idea jamming and toasting will happen. It's important to follow the key principles of brainstorming meeting.

Get your team to toast on many ideas and perspectives to form a single ultimate solution.

4 – Un-Learn and Relearn

"You must unlearn what you have learned" – Master Yoda

Before you apply the design thinking process in your organization, you and your team should go through a shift in mindset. Design thinking is a process that works best when you start by accepting that you know nothing. That's when you will respect and accept many data points.

Unlearn what you know about the problem, and be ready to relearn. Unlearning is a process that means forgetting what we know so that we can learn from a fresh perspective. We have so much information and data that sometimes there is no space for new information, thus limiting your understanding of the problem.

If you start with a certain belief or perspective of the problem, then you will only try to find points that validate those beliefs. You may ignore the points that will conflict with your belief. This could cause not reaching the most ideal solution and missing certain points of the problem.

When you and your team start the process, make sure you are open to all kinds of information and learn from the start the problem you are trying to solve.

Example of applying un-learn and learn in design thinking process

By analysing things from a fresh perspective, Mobisol was able to reinvent the solar panel in rural Tanzania. Mobisol provides clean, reliable energy to rural off-grid households in the Sub-Saharan African region.

While starting the project, the common belief among top advisers was to make an affordable system, as people will only pay €5/month. But Mobisol realized: if people really want something, they find ways to pay for it — also in small Tanzanian villages.

People did not want just light. Their needs were more advanced, like radio (information), TV (status) and cell phone charging (communication). They were ready to pay more to meet those needs. With this insight, Mobisol built a product with a higher monthly cost and power output. They also had an option to own the panel with 36 monthly instalments. As another insight was rent will win games but ownership wins championships, Mobisol has over 35,000 customers and has helped 100K+ students to study at night.

Make sure you are not analysing the problem from your own perspective and biases. Throw out what you know. Relearn the problem you are trying to solve from the scratch.

5 – Creative Confidence

Creativity does not come naturally to many people. It is a trait that is present among all humans. Each one of us is creative. Some steps and processes can tap into our creative side. It is something that can be learned.

Creative Confidence is the belief in us that we can be creative and that we will find the ultimate solution. Creative Confidence is the concept coined by David Kelly and Tim Kelly, founders of IDEO. Based on several success stories of IDEO, they identified the principles that allow us to tap into our creative potential.

There is a lot of creativity and innovation required while working on a design thinking project. And most of us feel we won't be able to find the best solution as we are not creative. But the process is designed in a way that naturally taps into each one of our creative potentials.

While working on the project, trust the process and have a belief that you will reach the solution. It may take time, there will be times when you will feel stuck but keep following the process and you will find the solution. Be okay with not knowing the answer for a prolonged time. Building that creative confidence is a very important element of design thinking.

Another important aspect of creative confidence is being open to failure. To find the right solution, you will go through many rejected solutions. You will fail many times to succeed in the end. As Albert Einstein famously says

5.5 USE OF DESIGN THINKING

1. Assists in enhancing team collaborations: Creating a successful design is a team effort that requires input from the entire team as well as inspiration from other sources. You can suggest the same type of notion in an approach to any business difficulties by using a design thinking technique.

If a company is having trouble keeping customers, the design strategy may inspire employees to find fresh, creative approaches to sales instead of only using tried-and-true methods.

2. Aids in Brainstorming: Design thinking is the process of creating new goods and services while reevaluating elements that can be enhanced in the present. Continuous idea and concept testing can assist organisations in making significant advancements and implementing improved methods of operation.

3. Assists in Overcoming Creative Obstacles: Design thinking enables you to examine creative obstacles from a unique angle. Your designers can develop original concepts that can broaden the knowledge of the learners by using brainstorming.

Additionally, it enables your designers to interact, work on consumer input, and provide them with better experiences.

4. User-Focused: One of design thinking's main advantages is that it is user-focused. Understanding your target user is essential for each new technology or project management solution that you design.

5. Effectively Supports Client Requirements: Design thinking encompasses MVP-stage product prototype and experimentation. You may provide your customers with unique items by conducting numerous rounds of testing and incorporating user input. This will enable you to directly involve them in the design process and meet their expectations.

6. Aids in Knowledge Enhancement: The design thinking method calls for numerous evaluations and analyses. Additionally, the process is ongoing and doesn't end even when the product is finished.

Businesses measure the outcomes based on customer feedback to guarantee that the final customer has the best possible experience with the product.

This aids design thinkers in bridging gaps in their knowledge of clients and increasing their productivity.

5.6 APPLICATIONS OF DESIGN THINKING

In 2009, a hospitality company from San Francisco, California, was on the verge of bankruptcy. Desperate for solutions, one of the founders remembered a simple, human-centered design process from design school which could be used to discover innovative solutions to problems. By using the design thinking process, the founder discovered a creative solution to help customers publish appealing advertisements so they could rent their private homes and apartments in New York City. Without employing design thinking to solve customers' issues, this company may not have revolutionized the tourism industry, by producing more than 1,500,000 ads in 192 countries and 34,000 cities [1]. This company is known as Airbnb.

Many believe the design thinking process can be applied only for design-related industries; however, research shows that design thinking is a relevant and helpful strategy for innovation across all types of industries, benefiting organizations, employees, and customers alike. Numerous companies have experienced great success as a result of employing the design thinking process. Design thinking can be applied to all industries because of its potential for innovation, focus on serving customers, and added value to products and services.

The design thinking process entails a structured set of phases. According to the *Journal of Strategic Innovation and Sustainability*, the most central aspect of design thinking methodology is its focus on deep user understanding. This aspect enables companies to acquire rich user insights and discover their implicit needs, which eventually leads to creativity and innovation. Design thinking integrates what is desirable from the human point of view with what is technologically feasible and economically viable [2]. Figure 1 shows the steps included in the design thinking process.

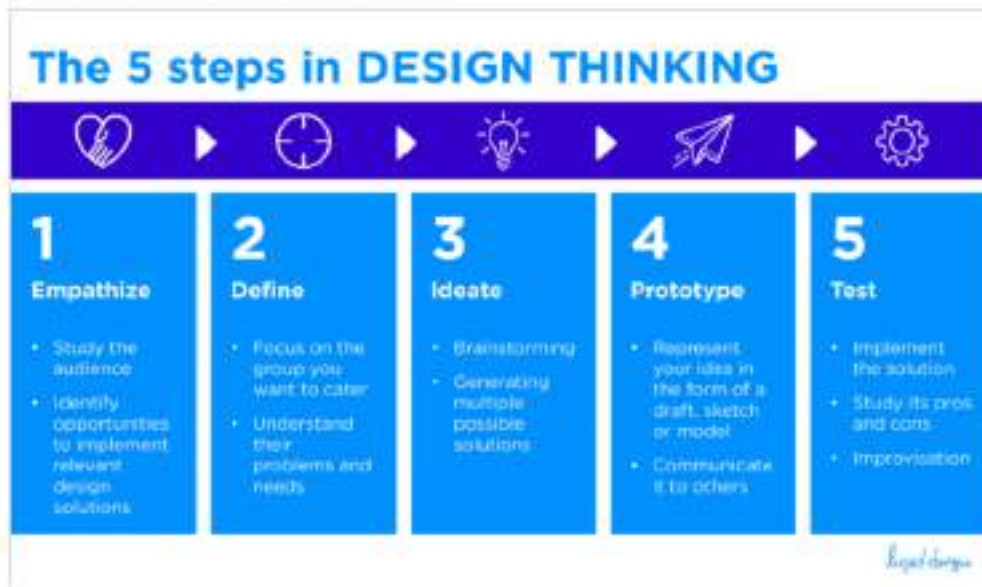


Fig :5.6 The 5 Steps in Design Thinking

Design thinking enables individuals who have no prior experience as designers to use creative tools to address a vast range of challenges. IDEO U, an online school that champions design thinking, suggests to start practicing this process by identifying your end-user, their needs, and what problem needs to be fixed in the empathy stage. Next, you gather inspiration in the define stage by looking for solutions that could possibly help you to rethink the way you're working. Use that to push past obvious solutions and arrive at breakthrough ideas in the ideation stage. Then, the prototyping stage involves building rough prototypes to make those ideas come to life and find what's working and what's not. Gather feedback, go back to the drawing board, and keep going. Finally, once you have arrived at the right solution, introduce your ideas to your colleagues, clients, and users in the testing stage. Some of these steps may happen several times, and

you may even jump back and forth between them. However, design thinking can take you from a blank slate to a new, innovative idea [4].

Potential for Innovation

The design thinking process can be applied to any industry due to its potential for innovative thinking. The more a company knows about its customers, the more potential for better ideas and innovations. For example, a health company start-up, MeYouHealth, partnered with an established industry incumbent, Healthways, to figure out how to use social networking to increase well-being by helping individuals take healthier practices one step at a time. MeYouHealth could more easily find solutions to improve its customer's health as a result of capitalizing on Healthways's depth of knowledge about its customers and experience in the industry.

Another example of the influence that design thinking has on innovation can be observed in business operations. Toyota employed design thinking to analyze one of its West Coast customer-contact centers from the ground up, engaging a cross-functional team of frontline call reps, software engineers, business leaders, and change agents in a redesign process that transformed the service center experience for both customers and associates [6]. Across all industries, the design thinking process enables individuals to work in cross-functional teams, which increases a company's ability to innovate according to customer needs.

Focus on Serving Customers

Next, customers are more effectively served through companies that employ design thinking. Companies should seek customer feedback throughout each of the design stages, especially during the empathy and define phases. The insights companies gain from customers counteract previous human biases and misconceptions. Through the design thinking process, innovators are encouraged to step into their customers' shoes in order to live the customer experience. By involving the customers, companies achieve broad customer commitment to change.

Furthermore, by interacting with customers, companies gain valuable insights to design criteria that fit the customers' needs. Consequently, a company's enhanced innovative offering can lead to better financial performance and more satisfied customers.

Added Value to Offerings

Not only can design thinking lead companies to create new products, services, or processes, but design thinking can add value to these aspects. Applying the design thinking methodology to existing products and services leads to creating unique customer value, differentiating a company's offerings from its competitors. Creating this competitive advantage over competitors builds a premium brand image by more closely aligning with customers' needs. The design thinking process encourages customers to be involved in every step of product and service development.

Consider what happened at the Kingwood Trust, a UK charity helping adults with autism and Asperger's syndrome. One design team member, Katie Gaudion, got to know Pete, a nonverbal adult with autism. The first time she observed him at his home, she saw him engaged in seemingly damaging acts—like picking at a leather sofa and rubbing indents in a wall. She started by documenting Pete's behavior and defined the

problem as to how to prevent such destructiveness. But on her second visit to Pete's home, she asked herself: What if Pete's actions were motivated by something other than a destructive impulse? Putting her personal perspective aside, she mirrored his behavior and discovered how satisfying his activities actually felt. Katie's immersion in Pete's world not only produced a deeper understanding of his challenges but called into question an unexamined bias about the residents, who had been perceived as disability sufferers that needed to be kept safe. Her experience caused her to ask herself another new question: Instead of designing just for residents' disabilities and safety, how could the innovation team add value by designing for their strengths and pleasures?

Design thinking finds its application across a variety of professions. From sports, education and research to business, management and design, design thinking is widely used by professionals around the globe.

Design thinking is halfway between analytical thinking and intuitive thinking. Analytical thinking involves purely deductive reasoning and inductive logical reasoning that utilize quantitative methodologies to come to conclusions. However, intuitive thinking refers to knowing something without any kind of reasoning.

These are two extreme kinds of thinking. Design thinking makes use of both the extremes in an optimum manner. The intuitive thinking helps in invention for the future, whereas analytical thinking to create something creative in the present, which is replicable. The willingness to use these futuristic solutions is what is called abductive logic.

Business

Design thinking helps in businesses by optimizing the process of product creation, marketing, and renewal of contracts. All these processes require a companywide focus on the customer and hence, design thinking helps in these processes immensely. Design thinking helps the design thinkers to develop deep empathy for their customers and to create solutions that match their needs exactly. The solutions are not delivered just for the sake of technology.

Information Technology

The IT industry makes a lot of products that require trials and proof of concepts. The industry needs to empathize with its users and not simply deploy technologies. IT is not only about technology or products, but also its processes. The developers, analysts, consultants, and managers have to brainstorm on possible ideas for solving the problems of the clients. This is where design thinking helps a lot.

Education

The education sector can make the best use of design thinking by taking feedback from students on their requirements, goals and challenges they are facing in the classroom. By working on their feedback, the instructors can come up with solutions to address their challenges.

For example, Michael Schurr, a 2nd grade instructor from New York, realized that his students would be more comfortable with bulletin boards lowered. He also found the idea of creating comfortable semi-private space for working students as it provided them space to study. As a result, his students became more engaged and felt free to move.

Healthcare

Design thinking helps in healthcare as well. The expenditure on healthcare by the government and the cost of healthcare facilities is growing by the day. Experts worldwide are concerned about how to bring quality healthcare to people at low cost.

Venice Family Clinic in Venice, California has come up with innovative solutions to the challenge of opening a low-cost children's clinic to serve the low-income families. Problems of finance, transportation, and language barriers had to be solved. And all this had to be done at low cost for the poor kids. Fostering good health along with profits was a challenge, as it does not sound sustainable. Using design thinking, the inefficiencies in the system and the perennial crises were addressed.

This was followed by mind-blowing innovations to serve the children. How they solved the various issues will be seen in the later sections of the tutorial.

Whether in the healthcare, manufacturing, digital technology, engineering, or education industries, the design thinking process can serve as a valuable approach to create or improve any type of business offering. Much like Airbnb, organizations, and employees across all industries can empathize, define, ideate, prototype, and test to empower innovation, focus on serving customers, and add value to products and services.

5.7 DESIGN THINKING VS SCIENTIFIC METHOD

Design thinking is a human-centred approach in which intangible things such as emotion and visual design play a key role. This is less important in the scientific process which focuses on tangible, objective and measurable results.

Design thinking starts with a problem, it tests assumptions about the solution to the problem and creates innovative solutions to things that do not exist yet.

Scientific education starts with a question, it tests hypotheses and looks at what is already exists in the world. You could say that design thinking images the future and the scientific process examines the past (or observable).

Looking at the steps of design thinking and the scientific process there are a few similarities and differences

Empathy vs Question

Researchers start by asking questions and following their curiosity. Designers start by empathising with the people they are designing for. They use their curiosity to step into the shoes of others so they can identify with what it is to experience this problem.

Define vs Research

When scientists have formulated a question, they start to research how others have answered this question and how they can add to gaps in the knowledge around the topic.

After designers have empathised with their users, they will start to define the problem more clearly, so they are solving the right problem. This problem might be quite different to what you started with. In this phase, designers also record what requirements are needed in the solution.

Ideate vs Hypothesis

Designers brainstorm different solutions to the problem and choose the solution they think is best to start building in as a prototype.

Scientists in this phase will formulate hypothesis around their research question. These hypotheses will be tested during the experiment.

Prototype vs Experiment

The goal of the prototype is to gather data on whether the solution is really solving the problem.

The difference in this phase is that there is usually one experiment in a research project, in the design process there will almost always be multiple prototypes.

Test vs Analyse

During the test phase in design thinking the data is gathered and interpreted. This is like the analysis phase in research where you interpret the results of your experiment.

As mentioned before, design thinking is an iterative process. Within one design project designers go back and forth between the phases. Even though the scientific process is mostly displayed as a linear process, scientists will tell you that it is an iterative process.

Analysts in administration science and other sociologies progressively search for the results of their exploration to offer some incentive straightforwardly to specialists of the field, as well as fulfilling the afflictions of value scholastic grant. Such examination looks to recommend general arrangement ideas for pragmatic settings. By and large, these settings have been perceived and examined through conventional examination with a more logical direction. The writing talking about this point depicts the overall arrangements as curios or innovative guidelines. As indicated by Tranfield, cited in Huff mechanical principles are results of examination that "give model answers for original issues". Such innovative principles or relics are ipso facto the results of a plan interaction, and numerous scientists have embraced plan science as the worldview to impact the point of specialist pertinence. Plan science has gathered a significant writing and there is a creating understanding among its specialists regarding what it is, the thing it isn't, and what it involves. This paper adds to this agreement. Herbert Simon addressed the all-inclusive nature of plan as a study of the fake. His was essentially a positivist, rationalistic worldview that focussed on plan as a science. We comprehend 'science' here to mean an unbiased, lucid assemblage of information got and approved by thorough pragmatist techniques. Similarly, the more extensive plan local area has a voluminous writing on the idea of configuration, portraying the way that its concentration and hypotheses have created in the course of the last century. Bousbaci portrays this improvement as far as the 'models of man', closely resembling the 'homo-economicus' or 'sane' man that was implied in the conventional investigation of financial aspects before Simon's presentation of the idea of limited levelheadedness. As per Bousbaci, the model of man verifiable in plan talk preceding 1950s was of a natural and creative architect. This gave way in the last part of the 1950s to a legitimate and pragmatist model, which is the predecessor of present day plan science. Through the 1980s, the plan model took its lead from Simon and took a limited reasonableness viewpoint. This changed again during the 1990s to the model of creator as an intelligent professional who takes part in a 'discussion' with materials and clients, after Schön.

It isn't in the extent of this paper to survey in full the writing on the ways of thinking and models of plan. In any case, obviously the entirety of commitments regarding this matter grasp configuration as being in excess of a pragmatist or positivist science. This is in accordance with well-known view of plan, we accept, where inventiveness, instinct and human-intelligence would be high on the rundown of characterizing plan qualities. An extensively perceived model of configuration frets about human practices, mentalities, values and sensibilities notwithstanding item attributes, implications and styles. This isn't simply in the public insight. Researchers, for example, Cross, Bousbaci, Findeli and others concur. Cross suggests the conversation starter about "... the turn of events, explanation and correspondence of plan information. Where do we search for this information?" accordingly, he says that plan information has three sources: "individuals, cycles and items. Plan information dwells right off the bat in individuals: in fashioners particularly, yet additionally in everybody somewhat."

Conversely, cycle, content and objectivity are the main issues of science. The cycles should show thorough check or falsifiability of new information (Popper). Other than the age and confirmation of information, great science should be worried about the order, attachment and intelligibility of the information base. Also, positivist science assumes a free, objective truth that has presence outside of the individual or ancient rarity. Configuration doesn't assume this; it worries about the evil definition and vulnerability of comprehensive critical thinking or complex circumstance improvement. To do this, important information is perceived to be fused in the specialist of plan as well as in the actual antique.

From the above brief history and outline of plan, the clear division in the characterisation of plan between natural, relativist creativity on the one limit and sane, positivist science on the other limit recommends that there might be beyond what one way that plan can go about as mechanism for the executives studies to carry advantageous importance to the board specialists. This is without a doubt the case. The last option (pragmatist) sort of configuration is intervened as plan science; the previous (instinctive) kind of configuration is interceded as configuration suspecting. Configuration Thinking frets about the "investigation of the mental cycles that are appeared in plan activity". Then again, plan science adjusts the course of plan to the logical strategy necessities of the board science research. As opposed to plan science for research, plan thinking accentuates plan's capacity to manage human awareness's, socio-social agreement, vulnerability and integrative treatment of not well characterized issues, which are more attribute of the 'chaotic' field of the board practice and most particularly for development the executives. In this paper, we embody the vital qualification between configuration thinking and plan science in the circle of the board concentrates as follows. Plan science adjusts and supplements the purposeful, positivist and realist strategies, which are utilized in ordinary planning, as a strategy for remedy situated sociology research, the result of which is brought to settings of sociology practice through a developing bank of completely commented on true information. Configuration thinking outfits and fosters the natural, inventive, integrative, visual thinking, constructivist aspects of master configuration practice and brings these to intricate and 'mischievous' settings of training, thanks to the human professionals.

Like Star Trek, the mission of configuration believing is to strikingly go where no science has gone previously - or is probably going to go sooner rather than later'. Both plan thinking and plan science are gotten from plan and expect to help the executives studies' importance. However, shockingly, there is little intercourse between the two fields. It is hard to track down a distribution that alludes to both plan science and configuration thinking. Cross depicts the 'designedly' perspective as various and corresponding to a science perspective, with regards to the recorded advancement of plan theory as portrayed previously. Anderson et al give a portrayal of a use of plan science to Chevron's advancement cycle that verges on connecting the two yet neglects to do as such expressly. Different models are intriguing. We could guess that the shortfall of intercourse and cross referring to between the types of configuration thinking and plan science should be because of an absence of common commonality, comprehension or regard. If valid, this is unfortunately unexpected. Both draw from the rich well of plan's heritage with a similar extreme reason. Both are moving toward similar objective according to alternate points of view. The positivist viewpoint of plan science sees its centre functional commitments as curios that aggregate the information base. There is an implied supposition that the information is level headed and somewhat generalisable. In its centre working (for example doing it as unmistakable from learning about it), plan believing is exemplified in the plan mastermind, as far as practices, values, perspectives, instinct, imagination. This is a relativist and constructivist point of view where information is fundamentally occupant in the scholar or setting. Obviously, the last option is more fit to circumstances which are exclusively novel or 'messy' as are numerous pragmatic settings and every mischievous issue. By the way, it is in some cases failed to remember that a college's job is to educate, for example to frame understudies' psyches, in equivalent or much higher measure as to investigate. Newman in his original work *The Idea of a University*, said: 'A university is a position of showing general information. This suggests that its article is ... the dissemination and augmentation of information rather than the progression of knowledge. In the event that its item were logical and philosophical disclosure, I'm not sure why a university ought to have understudies obviously, research is these days perceived to be a fundamental and significant job. On a basic level, obviously the act of plan science and configuration thinking individually focus on the two jobs of exploration and instructing, and that they complete one another in this manner. Obviously, to help a plan thinking mastery for educating, it is thusly important to investigate the actual point and this is a developing examination region. Hevner depict the attributes of good plan science research and give seven rules to directing and assessing great plan science research.

These are issue significance, plan assessment, research commitments, research meticulousness, plan as a pursuit interaction, correspondence of exploration. All the more concisely, Hevner portrays a three-cycle perspective on plan science research. This is repeated with some variation of format. He depicts it subsequently: 'The pertinence cycle spans the relevant climate of the examination project with the plan science exercises. The meticulousness cycle interfaces the plan science exercises with the information base of logical establishments, experience, and skill that illuminates the examination project. The focal plan cycle repeats between the centre exercises of building and assessing the plan antiques and cycles of the

examination." Hevner places that "these three cycles should be available and obviously recognizable in a plan science research project".

5.8 PROBLEM FOCUS VS SOLUTION FOCUSED

Every person approaches a problem in a different way. Some focus on the problem or the reason why a problem emerged (problem focused thinking). Others prefer to think about possible solutions that help them to solve a problem (solution focused thinking). Problem Oriented Thinking: Approaching a difficult situation problem-oriented might be helpful if we attempt to avoid similar problems or mistakes in the future, but when it comes to solving the problem we simply waste large amounts of our precious time! Problem-focused thinking does not help us at all to solve difficult situations, which is especially necessary in times where one must find quick solutions to an upcoming problem. Furthermore, the problem focused approach can have negative effects on one's motivation, but more on this later.

The whole "problem vs. solution oriented thinking" – approach does not only apply when a person faces a problem or a difficult situation (as previously mentioned), but is also being applied in one's everyday life, when we have to face a challenging task or when having to perform several duties. In fact: if we really focus our attention on this topic we can discover that the majority of our decisions and our attitudes towards tasks, problems and upcoming situations will either be problem or solution oriented. In order to demonstrate you the problem and solution focused approach I have chosen to give you the example of a college student:

Let's say there is a college student that really does not like math at all (it doesn't matter what subject he does not like, but I do not like math as well). Just like every other college student, he will have to do some homework for math and if he wants to pass the exams he will have to study a lot, whether he likes math or not. The student would be approaching the subject math problem-oriented if he would continuously imagine all the negative aspects of math that he does not like and might ask himself the question, "Why do I have to study for math? For what kind of reason?". The college student would be talking with his fellow students about the pointlessness of math, which will only strengthen his negative opinion about math. Rather than focusing his energy on studying for math he will get uptight and spends large amounts of his time in an ineffective way, that won't help him to pass the exams.

When I was in school I heard similar questions whole the time, especially when it came to subjects that the majority of my classmates did not like. To be honest, when I was younger I was asking myself these questions as well, especially in subjects that I knew were pointless for the profession I wanted to become. When I grew older I started to scrutinize this behavior and noticed how senseless it was to focus all my attention on problem focused thinking, especially as this only decreased my motivation and strengthened my resentment towards these subjects.

Discovering that one is majorly approaching tasks and challenges problem focused can be really difficult, but once we are aware of this we can start to change our focus from the problem towards the solution and make use of the solution-focused thinking.

Let us come back to the example of the college student that was thinking problem oriented. In order to think solution oriented, he would need to completely accept the fact that math is a part of his schedule and will, therefore, be tested in his exams, whether he likes math or not. By accepting this fact he will easily destroy the root cause for questions that focus on the reason for something ("Why?") and that only waste his time.

We start to think solution oriented once we are aware that we cannot change certain facts/problems and will only spend our time in an inefficient way when we seek for the possible reasons for these situations. By clarifying the reasons why the task we have to face (e.g. math) might be important, for example, to get accepted to a good university or to increase our GPA, we can bring the solution focused thinking to a further level.

It is really astounding to see how many people are thinking problem oriented, especially as this behavior starts in school and can be found in the professional world as well, for example when an employee has to face a new task that he is not familiar with, or has little to no knowledge about. Those that think problem-oriented would be imagining all the negative consequences they might have to face or all the mistakes they might commit when trying to solve the task. The employee will talk about his difficult situation with different colleagues, his partner or friends, which will only increase his fear of the upcoming task.

The employee that quite in the contrary knows of the benefits of solution focused thinking does not struggle with the new task for a second, as he is too busy to take necessary preparations to solve it. He will completely accept the new task as a challenge, or even consider the task as a chance to prove his boss that he is capable of solving even the more advanced tasks.

How to avoid problem focused thinking?

#1 Self-knowledge:

In order to avoid problem focused thinking and to replace it with solution-oriented thinking we firstly need to discover that we approach different tasks, problems, challenges, etc. in a problem-oriented way. This is the utmost important step to do. You can identify whether you approach tasks problem-oriented by paying attention towards the questions that arise when you have to face a task that you do not like, which might be indicators for problem focused thinking:

Why do I have to perform this task?

What is the reason that I have to study this subject?

Why do I even spend time with this?

#2 Fight problem-oriented questions:

The very first step to approach problems with solution focused thinking is to avoid questions that mainly focus on the reason or the problem in general. You need to clarify yourself that the question for the "WHY" will only waste important time that you could have invested to solve a given problem.

#3 Clarity:

When you come to the conclusion that a task needs to be done you will see the pointlessness of further evaluating the usefulness or non-usefulness of a task. So when you have to face a task that you dislike you

could ask yourself the question, "Has this task to be fulfilled?" and when you conclude that the answer is "Yes", then you know that every further attempt to evaluate the reasons and the "Why's" is a waste of time.

#4 Why is it important to solve this task?

Questioning and clarifying the importance of a task will finally erase the root cause of every problem-oriented question. By clarifying the reasons why a task needs to be performed we can effectively change our focus from the problem to possible solutions.

#5 Think about the solution:

The final step to profit from solution focused thinking the most is to ask yourself different questions on how you can solve a given task or problem:

How can I solve this task?

How can I address this problem?

What would be the first step to solving this problem?

What kind of preparations will be necessary for this task?

Why does problem focused thinking decrease motivation?

Just imagine yourself having to study for an upcoming test (whether it is for school or a professional development is unimportant). While you are sitting in front of your table you start thinking about the exam and how much you dislike the whole subject. Questions that address the reason why you have to study for this subject start to arise and will ensure that you lose even the slightest interest in your task. Without being interested and a dozen of different questions that start to arise we finally lack the motivation to study for the exam!

Problem vs. Solution oriented thinking was presented by our Personality Growth Website. What is your preferred way of thinking? We're excited to hear about your experiences in the comments section below.

5.9 QUESTIONS

Long Answer Questions

1. Explain the design-thinking process for innovation.
2. Illustrate the concept of design thinking in leadership.
3. Explain the Features of design thinking.
4. Examine the applications of design thinking.

Short Answer Questions

1. How design thinking helps to have a growth mindset
2. Illustrate the difference with problem focused vs. solution focused.
3. Explain the Origin of design thinking
4. How design thinking can make you better leader
5. How Design thinking adds value to the innovation

B. Multiple Choice Question

1. What is design thinking?
 - a. Thinking after design
 - b. Think only about the existing solution
 - c. Plan different types of thinking
 - d. Workout the optimal solution based on users' perspectives

2. Design thinking starts with
 - a. Empathize
 - b. Prototype
 - c. Test
 - d. Ideate

3. A good approach to empathy should not have the following attribute
 - a. Judgment of other's opinion
 - b. Curiosity
 - c. Optimism
 - d. Respect for other's opinion

4. Which of the following design principles provides limitations to the user?
 - a. Constraint
 - b. Discoverability
 - c. Feedback
 - d. Visibility

5. Making of interaction models takes place in which step of the interaction design process?
 - a. Identifying needs
 - b. Developing alternative designs
 - c. Building prototypes
 - d. Evaluating

Answers:

1-d, 2-a, 3-a, 4-b, 5-c

5.10 SUGGESTED READINGS

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M.A (ECONOMICS)
SEMESTER II
MAEC24203T- ENTREPRENEURSHIP DEVELOPMENT

**UNIT 6 ROLE OF STIMULATING CREATIVITY, GOVERNMENT SCHEMES IN
ENTREPRENEURSHIP DEVELOPMENT**

STRUCTURES

6.1 Introduction

6.2 Creativity and problem solving

6.3 Role of Creativity in Entrepreneurship

6.4 Creativity Process

6.5 Role of Government to support Entrepreneurs

6.6 Summary

6.7 Questions

6.8 Suggested Reading

6.1 INTRODUCTION

Entrepreneur is one of the most important segments of economic growth. Basically, he is a person responsible for setting up a business or an enterprise. An entrepreneur is a person who perceives a need and then brings together manpower, material and capital required to meet the need. The concept of entrepreneurship is an age-old phenomenon that relates to the vision of an entrepreneur as well as its implementation by him. Entrepreneurship is a creative and innovative response to the environment. It is also the process of setting up a new venture by entrepreneur. Entrepreneurship is a composite skill that is a mixture of many qualities and traits such as imagination, risk taking ability to harness factors of production i.e. land, labour, technology, and various intangible factors. Entrepreneurship culture implies a set of values, norms and traits that are conducive to the growth of entrepreneurship.

The entrepreneur is a visionary and an integrated man with outstanding leadership qualities. With a desire to excel, he gives up priority to Research and Development. He always works for the well-being of society. It is the ability and quality of an entrepreneur to identify an investment opportunity and to organize an enterprise in order to contribute for the real economic growth.

Entrepreneurship plays a dominant role in the growth and development of an economy. Entrepreneurship can solve problems like unemployment, concentration of economic power in the hands of very imbalanced regional development. Entrepreneurial competence makes all the difference in the rate of economic growth. In India, state and private entrepreneurship co-exist. The small scale industrial sector and business are left completely to private entrepreneurs. It is in this context that an increasingly important role has been assigned to the identification and promotion of entrepreneurs for this sector.

6.2 CREATIVITY AND PROBLEM SOLVING

Creativity:

Creativity is the ability of a person to conceive something unpredictable, original, and unique. Creativity is to generate new ideas, alternatives, solutions, and possibilities in a unique and different way. It is the mirror of how beautifully a person can think in any given circumstances. Creativity is a brainstorming and mind blogging activity in which a person has to think beyond his

imagination for bringing something worthwhile. It is an activity unveiling something which was previously hidden or never creating something new that existed before.

Definition of creativity:

According to Oxford dictionary creativity means, "the use of imagination or original ideas to create something."

Characteristics of a Creative Entrepreneur

A creative entrepreneur should possess following features:

1. An entrepreneur experiments with his ideas as the first step, later converting ideas into implementation.
2. An entrepreneur adheres to rules and principles only when they add value to the organization and have a potential to attract more customers.
3. An entrepreneur is less afraid to lose and is always keen to experiment in new ventures.
4. A creative thinker is interested in bringing totally opposite things together to create new products or services.
5. A creative thinker will take inspiration from new ideas in every area directly or indirectly related to enterprise.
6. An entrepreneur shares an idea and is open to feedback that improves and refines the idea.
7. An entrepreneur is not afraid to appreciate new ideas irrespective of who comes up with them.
8. A creative entrepreneur learns different things whether they are related to the industry or not.

6.3 ROLE OF CREATIVITY IN ENTREPRENEURSHIP:

Creative thinking is the must have 'skill' of an entrepreneur for the creation of new ideas. Creativity allows a person to devise interesting processes which gives numerous benefits to entrepreneurs. Creativity leads to success by:

- i. Creative new ideas for competitive advantage: the whole process of entrepreneurship is rooted in creation and exploration of new ideas. When an entrepreneur can generate new idea that is feasible as well as efficient, it gives him a competitive edge over competitors.
- ii. Developing new products and improving the business: Creativity helps develop new ways of improving an existing product or service and optimizing a business.
- iii. Thinking and unthinkable: Creativity requires imagination to produce the most obscure ideas. Imagination is needed to cross the boundary of usual and normal or to have out of box thinking. It enables the entrepreneur to think beyond the traditional solutions, come up with something new, interesting versatile and yet have success potential.
- iv. Finding similar patterns in different areas: Sometimes due to following a routine or a habit the thinking process also goes along the line of those established processes. Creativity enables people

to connect dissimilar and unrelated subjects and make successful entrepreneurial ideas. Merging different fields creates interesting intersections that develop new niches.

- v. Developing new niches through creativity and entrepreneurship: In entrepreneurship, it is important that new aspects of traditional business are explored. This can be in the form of changing the method of manufacturing the product or delivering the service or mechanism through which they are supplied to the users. All these areas can create a niche that has great potential in business.

6.4 PROCESS OF CREATIVITY

A Typical process of creativity goes through the following steps



Step 1. Preparation: The first stage is the preparation of some basic ideas to hold onto. There must be some inspiration that forces or prepares the entrepreneur to move forward. The creative process starts with identifying a problem and then researching for related information. This is an effort to start looking for a feasible solution. An entrepreneur explores every direction to solve the problem, be inside the industry or outside the business domain.

Step 2. Thinking outside the box - going beyond the comfort zone: One has to leave the comfort arena, go beyond and take a risk. Rewards come with effort. "Thinking outside the box" is an expression that has been used in the area of marketing, business and psychology since 1970. It owes its origin to a "nine dot" game that was once used as a test of creativity. The puzzle was designed such that a person had to go beyond the dots to find the solution. However, psychologists say that this external factor is not

external. It is simply the existing solution to the problem. External is only how our brain tends to perceive it as a problem and its solution.

Step 3: Incubation: During the incubation stage, ideas that have the potential to solve a problem tend to flourish. This stage is characterized by the unconscious thought process of refining an idea. Apparently, there are many activities at work during this stage but over all goal is find a solution. Evaluating existing projects can help to generate viable ideas.

Step 4. Illumination: incubation leads to clarity of ideas. This is the solution finding stage. Now the creativity process leads to the knowledge of some practical ideas that can be put to work. It is like a "light bulb moment", hence it is called illumination. During this stage innovators picks up one possible solution capable of solving the problem.

Step 5. Verification: This stage determines whether the "found" solution even has the potential to work or not. This idea can either be accepted as such, modified with minor or major changes or rejected altogether requiring that the whole process to be done again.

Step 6. Critical thinking: Generating innovative ideas is a comprehensive task. The maker success of an entrepreneurial endeavor lies in critically examining the viability of an idea. Critical thinking enables an entrepreneur to self-judge in order to evaluate the idea. It is defined as a self-directed, self-disciplined, self-monitored and self-corrective process of evaluating an idea. The process of creative thinking starts with brainstorming "ends at the critical analysis of idea's viability. The resulting potentially viable ideas can leads to the creation of entrepreneurial enterprises of improvement of the existing ones.

ENTREPRENEURSHIP AND CREATIVITY:

In today's world, due to globalization and excessive industrialization products are manufactured and exported to international market. As a result, there is easier access to every product, everywhere. The consumer has access to various kinds of products differing in terms of type and quality. So, what does a businessperson do in a market flooded with products? How can someone think of manufacturing and supplying a product in markets where consumers already have their trusted preferences and so many choices to choose from? How can we make a product stand out from the rest?

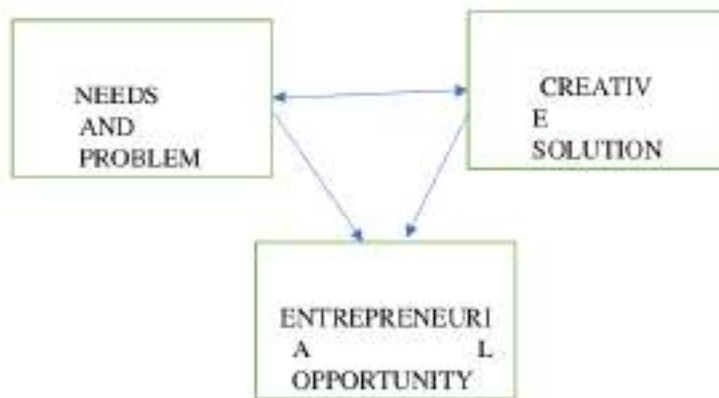
A creative mind answers all these questions. Creativity helps us think of how to improve existing business practices. A creative mind is like an artist who creates new and exciting patterns on canvas; Creativity can come up with the most unthinkable ideas and bring innovation into existing practices. Creativity is simply the ability of imagination. Imagination leads someone to reach never explored areas. In business terms imagination alone what is known as "thinking outside the box". However, a creative mind have entrepreneurial skills to bring those creative ideas to life in a business setting. An entrepreneur assesses the requirements of how to execute an idea by analyzing available required resources and think how to establish a new enterprise and how to manage it. An entrepreneur design business models that can support and execute innovation ideas in the first place. An entrepreneur provides

the science aspect about how to bring artistic creativity to life. Therefore, entrepreneur bridge the gap between the creative genius and a traditional business approach.

ENTREPRENEURS AS PROBLEM SOLVERS:

Entrepreneurs are gifted with the ability to identify problems and provide their solutions in an innovative way, leading to creation of utility and wealth. The word 'entrepreneur' is taken from French word 'entreprendre' which means 'to undertake'. So, an entrepreneur is a person, who undertakes risk and tries to resolve the problems faced by the society and earn profit in this process.

Entrepreneurial actions are efforts to solve the problems of others. When one solves a problem, a new value is created which leads to the creation of new profitable enterprise.



Urban Company, Paytm, Delhivery, Cred, Ola etc. they all are Indian startups. Their success stories inspire entrepreneurs to hold on to their vision. The main reason these ventures succeeded considering many challenges faced by startups in India is that they attacked a real need.

Creativity is the ability of a person to conceive something unpredictable, original and unique. Creativity is to generate new ideas, alternatives, solutions and possibilities in a unique and different way. It is the mirror of how a beautifully a person can think in any given circumstances. Creativity is a brainstorming and mind blogging activity in which a person has to think beyond his imagination for bringing something worthwhile. It is an activity unveiling something which was previously hidden or never creating something new that existed before.

Entrepreneurial actions are efforts to solve problem of others. When one solve a problem, a new value is created which leads to the creation of new profitable enterprise.

6.5 GOVERNMENT ROLE TO SUPPORT ENTREPRENEURS

CHALLENGES FACED BY NEW ENTREPRENEURS

Entrepreneurs often encounter various challenges when it comes to marketing their products or services. Some of these challenges include:

1. **Limited Resources:** Entrepreneurs often have limited budgets and resources for marketing efforts. This can make it challenging to compete with larger companies that have more extensive marketing budgets.
2. **Lack of Brand Awareness:** Building brand recognition from scratch can be difficult. Consumers may be hesitant to try products or services from an unfamiliar brand.
3. **Target Audience Identification:** Identifying and understanding the specific needs and preferences of the target audience can be challenging. Without a clear understanding of the audience, marketing efforts may not effectively resonate with potential customers.
4. **Competition:** Competing against established players in the market can be tough. These competitors may have greater resources, brand recognition, and customer loyalty.
5. **Changing Market Dynamics:** Markets are constantly evolving due to technological advancements, changing consumer behaviors, and emerging trends. Entrepreneurs must stay agile to adapt to these changes.
6. **Marketing Expertise:** Entrepreneurs often need to wear many hats, and they might not have a strong background in marketing. This can lead to less effective strategies or missed opportunities.
7. **Measuring ROI:** Determining the return on investment (ROI) of marketing efforts can be challenging, especially for strategies that don't provide immediate results.
8. **Choosing the Right Channels:** Selecting the most effective marketing channels to reach the target audience can be tricky. Different channels work better for different types of products and services.
9. **Creating Compelling Content:** Developing high-quality, engaging content that resonates with the target audience can be time-consuming and require creative skills.
10. **Consistency:** Consistently maintaining marketing efforts over time is crucial for building brand awareness and customer loyalty. However, maintaining consistency can be challenging amid other business responsibilities.
11. **Negative Feedback and Criticism:** Entrepreneurs may face negative feedback or criticism, which can be disheartening. Learning how to handle negative feedback constructively is important.
12. **Time Constraints:** Juggling marketing efforts with other business responsibilities can be overwhelming. Entrepreneurs must manage their time effectively to ensure a balanced approach.
13. **Technological Challenges:** Keeping up with technological advancements in the digital marketing space can be challenging for entrepreneurs who are not tech-savvy.
14. **Regulatory and Legal Considerations:** Ensuring that marketing efforts comply with relevant laws and regulations, such as data privacy laws, can be complex.

Overcoming these challenges requires a combination of strategic planning, continuous learning, adaptability, creativity, and a willingness to seek help or collaborate with experts when needed. Entrepreneurs who address these challenges effectively can create effective marketing strategies that contribute to their business's success.

MARKETING SUPPORT TO NEW ENTREPRENEURS

New entrepreneurs can benefit from various marketing support strategies to help them establish and grow their businesses successfully. Here are some ways to receive marketing support:

1. **Business Incubators and Accelerators:** These programs offer mentorship, resources, and networking opportunities to startups, including guidance on marketing strategies.
2. **Small Business Development Centers (SBDCs):** Government-funded centers provide free or low-cost business consulting and training, including marketing advice.
3. **Online Courses and Webinars:** Numerous online platforms offer courses and webinars on marketing topics, from basic concepts to advanced strategies.
4. **Networking Events:** Attending local business networking events can help entrepreneurs connect with mentors, peers, and marketing professionals who can offer advice.
5. **Mentorship Programs:** Joining mentorship programs allows new entrepreneurs to learn from experienced business leaders, including marketing experts.
6. **Business Competitions:** Participating in startup competitions can provide exposure, feedback, and potential funding, all of which can contribute to marketing efforts.
7. **Online Communities:** Participate in online forums, social media groups, and communities where entrepreneurs discuss marketing strategies and share insights.
8. **Consultants and Freelancers:** Hiring marketing consultants or freelancers can provide specialized expertise for developing effective marketing strategies.
9. **Local Chambers of Commerce:** Chambers often offer workshops, seminars, and networking opportunities that can help entrepreneurs learn about marketing strategies.
10. **Free Marketing Tools:** Utilize free or low-cost marketing tools such as social media platforms, email marketing services, and content management systems.
11. **Government Resources:** Some governments provide resources and grants for startups, including marketing-related initiatives.
12. **Trade Associations:** Industry-specific associations can provide resources, events, and networking opportunities for entrepreneurs looking to market their products or services.
13. **Pitching Events and Demo Days:** Participating in these events can help entrepreneurs refine their product pitch and gain exposure to potential investors and customers.
14. **Startup Incubation Programs:** These programs offer physical spaces, mentorship, and resources that can aid in marketing efforts.

15. **Collaboration with Universities:** Partnering with universities can provide access to student talent, research, and marketing insights.

16. **Online Resources:** Blogs, podcasts, and YouTube channels focused on entrepreneurship and marketing can offer valuable insights and tips.

17. **Crowdsourcing and Crowdfunding Platforms:** Platforms like Kickstarter and Indiegogo can help entrepreneurs validate their ideas and raise funds for marketing initiatives.

Remember that the availability of these resources may vary depending on your location and industry. New entrepreneurs should seek out the support options that best align with their business goals and needs.

ROLE OF GOVERNMENT TO SUPPORT ENTREPRENEURS

India has implemented several government initiatives to support new entrepreneurs and startups. These initiatives aim to foster innovation, encourage entrepreneurship, and provide various forms of assistance to help startups grow and succeed. Here are some notable government initiatives in India:

1. **Startup India:** Launched by the Government of India, this initiative aims to promote a culture of entrepreneurship and innovation. It offers benefits such as tax exemptions, funding support, and easier compliance for startups.

2. **Atal Innovation Mission (AIM):** This mission aims to promote innovation and entrepreneurship among students. It includes the establishment of Atal Tinkering Labs (ATLs) in schools and Atal Incubation Centers (AICs) to support startups.

3. **Mudra Yojana:** The Pradhan Mantri Mudra Yojana provides financial support to micro and small enterprises, including startups, through loans from various financial institutions.

4. **Stand-Up India:** This initiative aims to promote entrepreneurship among women and marginalized communities by offering financial support for setting up new businesses.

5. **National Small Industries Corporation (NSIC):** NSIC provides support to startups and small enterprises through various services, including training, advisory services, and marketing assistance.

6. **Make in India:** The Make in India initiative encourages investment in manufacturing and promotes entrepreneurship by creating a conducive environment for startups to establish and expand their operations.

7. **Biotechnology Industry Research Assistance Council (BIRAC):** BIRAC provides funding and support for biotechnology startups, helping them bring innovative products and services to the market.

8. **Invest India:** Invest India is the national investment promotion and facilitation agency. It provides information, guidance, and support to startups looking to establish and grow their businesses in India.

9. **NIDHI-EIR:** The National Initiative for Developing and Harnessing Innovations - Entrepreneur in Residence (NIDHI-EIR) program supports innovators and startups by providing financial assistance, mentoring, and incubation support.

10. **NITI Aayog's Women Entrepreneurship Platform (WEP):** WEP supports and empowers women

entrepreneurs by providing access to resources, networking opportunities, and business development support.

11. SIDBI Startup Mitra: **Small Industries Development Bank of India (SIDBI)** offers **financial support** and **assistance** to startups through its Startup Mitra platform.

12. Aadhaar for Business Registration: Aadhaar, the unique identification number, is used for simplified and faster business registration processes, **making it easier for entrepreneurs to start their businesses.**

11 **These initiatives demonstrate the Indian government's commitment to** nurturing entrepreneurship and innovation across various sectors. Entrepreneurs interested in leveraging these initiatives should thoroughly research each program's eligibility criteria, benefits, and application procedures to take full advantage of the support available.

43 **Marketing plays a crucial role in promoting entrepreneurship by facilitating the growth and success of new ventures. Here are several ways in which marketing supports and promotes**

Entrepreneurship:

1. **Creating Awareness:** Marketing helps entrepreneurs create awareness about their products or services in the market. Effective marketing campaigns increase visibility, allowing potential customers to learn about the new venture.

2. **Market Validation:** Through market research and analysis, entrepreneurs can identify gaps and opportunities in the market. Marketing helps entrepreneurs test their ideas, products, or services to see if there is demand or interest.

10 3. **Building a Brand Identity:** Developing a strong brand identity is essential for startups. Marketing helps entrepreneurs **define their brand's values, messaging, and image,** which contributes to building credibility and trust.

10 4. **Customer Acquisition:** Marketing strategies attract and engage potential customers. Entrepreneurs can use **marketing channels to reach their target audience, generate leads, and convert them into paying customers.**

5. **Product Development and Improvement:** Customer feedback gained through marketing efforts can provide valuable insights for improving products or services. Marketing helps entrepreneurs understand customer needs and preferences.

6. **Value Proposition:** Entrepreneurs need to communicate the unique value their products or services offer. Marketing helps articulate this value proposition effectively to potential customers.

7. **Market Expansion:** As startups grow, marketing strategies can help them expand into new markets or reach new customer segments. This contributes to the scalability of the business.

8. **Access to Funding:** Effective marketing strategies can attract investors and funding. Demonstrating

a strong marketing plan can make a startup more appealing to investors, accelerating its growth.

9. **Loyalty and Retention:** Marketing efforts help entrepreneurs engage and retain existing customers. Building customer loyalty is crucial for long-term success and sustainability.

10. **Networking and Partnerships:** Marketing events, conferences, and platforms provide opportunities for entrepreneurs to connect with potential partners, collaborators, and mentors.

11. **Innovation:** Entrepreneurial marketing often involves creative and innovative strategies to stand out in competitive markets. This mindset of innovation can extend beyond marketing to other aspects of the business.

12. **Job Creation:** As startups grow and succeed, they often create job opportunities. Effective marketing can contribute to the company's growth, leading to more employment opportunities.

13. **Economic Growth:** Successful entrepreneurs and their ventures contribute to economic growth by generating revenue, creating jobs, and fostering innovation. Effective marketing accelerates this process.

14. **Learning and Adaptation:** Marketing requires continuous learning and adaptation to changing market trends and customer preferences. This mindset of adaptability extends to the entrepreneurial journey as well.

In essence, marketing acts as a bridge between a startup and its target audience, helping entrepreneurs navigate the challenges of reaching customers, building a brand, and achieving business goals. By effectively using marketing strategies, entrepreneurs can accelerate their business's growth and maximize its potential for success.

6.6 SUMMARY

The entrepreneur is a visionary and an integrated man with outstanding leadership qualities. With a desire to excel, he gives up priority to Research and Development. He always works for the well-being of society. It is the ability and quality of an entrepreneur to identify an investment opportunity and to organize an enterprise in order to contribute for the real economic growth.

Entrepreneurship plays a dominant role in the growth and development of an economy.

Entrepreneurship can solve problems like unemployment, concentration of economic power in the hands of very imbalanced regional development. Entrepreneurial competence makes all the difference in the rate of economic growth. In India, state and private entrepreneurship co-exist. The

small scale industrial sector and business are left completely to private entrepreneurs. It is in this context that an increasingly important role has been assigned to the identification and promotion of entrepreneurs for this sector.

6.7 QUESTIONS

Long Answer Questions

- 1 Explain the steps involved in creative process
- 2 What do you mean by creativity? How entrepreneurs and creativity are linked with each other
- 3 Discuss the significance of government initiatives in India to support marketing knowledge and skills for entrepreneurs

Short Answer Questions

- 1) Explain any three features of creative entrepreneurs.
- 2) Write down two basic skills in entrepreneurs.
- 3) Explain the role of creativity in entrepreneurship
- 4) Explain the purpose of the "Make in India" campaign.
- 5) How does the "Stand-Up India" initiative promote entrepreneurship?
- 6) What is the focus of the "NITI Aayog's Women Entrepreneurship Platform"?
- 7) Define the "Aadhaar for Business Registration" initiative

6.8 Suggested Readings

- Paul Burns and Jim Dew Hunt, Small Business Entrepreneurship, Palgrave Macmillan publishers, 2010. Suman Kalyan Chaudhury, Micro Small and Medium Enterprises in India Hardcover,
- Raj Publications, 2013. Aneet Monika Agarwal, Small and medium enterprises in transitional economies, challenges and opportunities, DEEP and DEEP Publications. S.S. Khanka, Entrepreneurial Development, S. Chand, 2017

M.A (ECONOMICS)
SEMESTER II
MAEC24203T- ENTREPRENEURSHIP DEVELOPMENT

UNIT 7 START UPS: MEANING, TYPES OF START-UPS

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7.0 Learning objectives

7.1 Introduction

7.2 Startups: definition, characteristics and their types

7.2.1 Definition of startup

7.2.2 Characteristics and features

7.2.3 Types of startups

7.2.4 Steps for starting a startup

7.3 Registration process

7.4 Tax benefits for startups

7.5 The legal difference between MSME and startup

7.6 Summary

7.7 Questions

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7.7 Suggested readings

7.0 LEARNING OBJECTIVES

After studying the Unit, you would be able to:

- Introduction and definition of Start up
- Registration process of a startup
- Types of Financial support to start ups by Government of India
- Tax Benefits for Startups
- Types of Startups

7.1 INTRODUCTION

India's startup community is thriving and expanding quickly. India is well recognized for its thriving startup scene, which is influenced by several factors, including Startup Ecosystem Diversity, wherein, India has a wide spectrum of startups in a variety of industries, including technology, e-commerce, healthcare, Fintech, Edtech, agricultural technology, and more. The Startup India programme is only one of the many initiatives the Indian government has started to help companies. These programmes sought to give entrepreneurs access to capital, tax advantages, and simplified company procedures. Venture capitalists, private equity firms, and angel investors from both domestic and foreign sources are making large investments in India. The number of investment rounds and unicorn startups (startups valued at over \$1 billion) are rising across the nation. Another reason for

thriving startup scene is pool of talented and knowledgeable businesspeople who are creating new businesses and going global.

Technology and Innovation is also an important factor for conducive environment for Startups. Indian companies are renowned for their inventiveness, particularly in industries like AI, block chain, and IoT. These firms are tackling a range of issues that the nation and the world are facing. Another factor is E-commerce Boom: Companies like Flipkart, Amazon India, and others are leading the way in India's quickly expanding e-commerce industry. Moreover, as the importance of online education and healthcare services has grown, the creation of Edtech and Healthtech firms has also fueled up. Despite government backing, businesses continued to face regulatory obstacles, notably in fields like fintech and e-commerce. It was nevertheless important to deal with these regulatory restrictions. Growing number of unicorn businesses are created in India, including companies like Flipkart, Ola, Paytm, Zomato, and Byju's. Furthermore, the nation has a robust ecosystem of incubators and accelerators that offered resources, cash, and guidance to companies.

7.2.1 DEFINITION OF A STARTUP

2 An entity shall be considered as a Startup;

- i. Up to a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
- ii. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees.
- iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation. Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

An entity shall cease to be a Startup on completion of ten years from the date of its incorporation/ registration or if its turnover for any previous year exceeds one hundred crore rupees.

General Definition: The concept of a startup is quite comprehensive as it works on a fresh idea and tries to fulfill the basic needs and it demands lot of hard work **15** research, developing business idea, and coping with the challenges and fear of failure as Niel Blumenthal, co-founder of Warby Parker states that a startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed. It shows that a startup requires an expertise, patience, innovative and managerial skills altogether.

37 Among the most popular definitions of a startup, the definition given by Eric Ries (the creator of the Lean Startup methodology) is considered the most suitable. He says, "A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty."

Wil Schroter has defined a startup in his own way. He defines, "A startup is the living embodiment of a founder's dream, and it represents the journey from concept to reality".

Stephanie Caudle claims, "A startup is a company that solves a problem, if your company isn't solving a problem, your company is simply an idea".

Some prominent examples of startups in India: Microsoft, Amazon and eBay are good examples of successful startups worldwide. It is, currently, a great time for startups in India. Business seems to be booming and we can observe their way of working and get some inspiring insights. A number of startups in India are rocking and giving motivation to the new aspirants at large. We can take the example of Wow which is food chain based on Kolkata, growing its business day by day in India. It sells burgers, Tibetan food and just about anything a customer demands for. Everyone knows Ola Cabs, which is currently giving tough competition to the Uber in minicab services. A company named by AddressHealth is providing healthcare in schools and clinics and have proven to be very successful recently. Most of the people especially the Youngsters might be familiar with Zomato which is one of the most well-known startups and perhaps one of the most successful food tech startups in India that has turned into an international business. Paytm is a great example of another very successful startup. This startup is a payment service that allows people to pay funds to each other. It is very similar to PayPal. While it's not at that level yet, it still seems to dominate all over India. FreshToHome, FreshMenu, Myra, Cure.Fit etc. are some of the most leading and successful examples of startups in India.

7.2.2 Characteristics and Features

To understand the concept of a startup, we must pop out with its features. There are various features of startups which are common. Some important features are discussed below as:

Innovation: this type of business needs to have a differentiator competition in order to gain competitive advantage in the market. Innovation may be present in their products or in the business model associated with company. An innovation plays a significant role in the success of a startup. So, all entrepreneurs should seriously consider this aspect.

Age: A startup is new company which is still in early stages brand management, sales and hiring employees. Generally, this concept considers a business as startup that has been on the market for less than 3 years, however, this is always not true.

Growth: A startup is company, whose goal is to grow and expand rapidly, taking up to sometimes drastic proportions. This is one of the points that make a distinction of startups over the small business.

Risk: Once a startup comes into existence, there are always several associated uncertainties about ensuring the success of the business. For this reason, these businesses are considered risk investments with a high failure rate.

Scalability: A startup is company in constant search of a business model that is scalable and repeatable, that is, it can grow without the need to increase human or financial resources.

Work team: startups usually get shaped with limited resources and made up of very few people. Although, this is not the only determining factor for the designation of startup but it is quite common to define it when in working team there less than 100 people.

In short, we can consider that a startup is a company that is in the early stages of development in order to solve real-life problems through a product or innovative service. In India, the term "startup" has gained a lot of popularity and more and more people are showing their interest in becoming entrepreneurs. The term startup refers to a company in the first stages of operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand or demand can be created. These companies generally start with high costs and limited revenue, which is why they look for capital from a variety of sources such as venture capitalists.

7.2.3 TYPES OF STARTUPS

After understanding the concept of what is a startup, it is time to identify the various types of businesses that they can present. Due to the increased demand in this market, it is necessary that future entrepreneurs know the types of startups exist in the market in which their idea of business can fit. According to Steve Blank a reputable entrepreneur of Silicon Valley, there exist 6 different types of startups:



- **Life Style Startups:** These are founded by entrepreneurs who are working for their interests or what else they like. Examples of these are freelancers or web designers who have passion for their work.
- **Small Business Startups:** Small business where the owner follows less ambitious goals, to provide only a comfortable life for his family. Examples of these are hair dressing salons, grocery stores, bakeries, among others.
- **Scalable Startups:** Founded by entrepreneurs who believe from the beginning that can change the world with their business idea and therefore worry about finding a model scalable and repeatable business in order to draw the attention of investors to boost their business. Examples of these are Google, Uber and Facebook.
- **Buyable Startups:** These startups are born with the goal of being sold to large companies after achieving positive results that can catch an attention. These types of startups are very common in web solutions development companies and mobile. Best example of this type of startup is Instagram which is recently purchased by Facebook.
- **Large Company Startups:** They have the main objective of innovation and have a limited duration of life. Changes in customer preferences change in rules and regulations, technologies, increased competition etc. force large companies to create new innovative products and services for new emerged markets. Some good examples of this type of startup are Android and Google.

- **Social Startups:** Finally, business whose entrepreneurs want to make a difference in society and make a better world. Thus, the main objective is not to gain profit, but rather to contribute positively to the community. For example, we can see many charitable institutions in our town or cities working in education and health sector.

7.2.4 STEPS FOR STARTING A STARTUP

A lot of millennials in India these days are eager with the idea of startups. Many of them are carrying the idea of startups in mind already or they are trying to choose something very near to their interests. The reality is there is an intense competition of starting a startup but it needs an exceptionally great skills to sustain in this competition. Before an aspirant work on the idea of startup, he/she needs to ensure what market gap is to be addressed, readiness to take challenges and accept failures and idea must differ to others in its way. Every great startup begins with a great idea but it takes a massive effort to be put into practice and make it successful. Having a great idea is just the beginning and here are few steps you can take that will not only help you in conceptualizing a good business idea but also successfully executing it:

- **Do your market research:** Every entrepreneur has at least one big idea for the next big thing but what matters is not the idea but the willingness to take action on that idea so as to make that idea into a reality. For this, you need to conduct thorough market research so as to know where you stand and if your idea is really worth pursuing further. To know where you stand, begin your research by writing down the problem you think your business idea will solve. For this, you need to either consider writing up a survey for these potential customers to take or talk to them personally to take feedback. It is only after you get your results that you will know where you stand and if it's even worth checking out the competition for your product. After a competition check, aspirant should keep all of results and data with him as it would be really helpful in the coming years to know where the business was and what is needed to take a business on the next level.
- **Find a Co-founder:** During this time businessman also get to decide if he wants co-founders or want to go solo ahead. It is important to know that not having the proper support during this time can make or break your chances of creating a successful venture. Thus, first, look for a founding team or co-founder before making an investment in a startup company. This will not only help build a support system but also having a co-founder will help the business with many other benefits such as decision-making, risk-bearing etc.
- **Get your company incorporated:** Incorporating a company is as big a deal for a startup as it will affect many aspects of its lifecycle. Incorporating means turning your business into a legal entity and deciding how it will be structured for the future. In India after the process of incorporation, a company will typically be incorporated as one of the following:
 - Private Limited Company
 - Public Limited Company
 - Unlimited Company
 - Limited Liability Partnership (LLP)
 - Partnership
 - Sole Proprietorship
 - Joint Venture Company

Also, there are provisions of getting your company incorporated as (a) Liaison Office, (b) Project Office, (c) Branch Office, or (d) Subsidiary Company

- **Secure intellectual property and rights:** To start a startup, one also needs to secure intellectual property rights and research if they are already not patented or trademarked by someone else. Intellectual property or IP refers to the process by which you or your company can own the rights to create your product and then sell them. Examples of IP rights include patents, copyright, and trademarks and they are vital to your success and your company's success in the future. It is important to secure your IP early on as it will protect a business against any copycats. This will also let a businessman to know if he is not one of the "copycats" and product or service is genuine and not violating any existing IP rights.
- **Decide on the branding of product:** Branding is almost as important as IP rights for a company as it builds company's image and reputation. Note that branding is more than just choosing a name for your company as it builds its identity and projects its idea. When one thinks about branding, he needs to see not just the current product, but also its future potential. For example, if you are about to build a platform for selling books on an online platform, you cannot just restrict its name to highlight books as you might expand to selling other products in the future and having a name with the word "books" in it will somehow limit it. It is also important to select a name that you love and want as it would be rather hard to change it once your company had built its brand and reputation. It would also require a lot of hard work and resources to recreate a connection with a new brand or name that people already associate with that name. The biggest example of the above is when Nestle changed the recipe of their noodle Maggie a few years back and lost a huge chunk of their customers due to it.
- **Write a business plan:** Writing a business plan is one of the most important steps in setting up a startup as it covers almost aspects of a company and its future. One can write a good business plan for any company using the market research (that he/she did earlier) and from there on creating that plan for the future and drafting every step for the company. This business plan will also help to determine goals and milestones for a company and help to know when business go off track and guide management on many aspects.
- **Pick a workplace and find a mentor:** When business plan have been developed, it is important to execute it and execute it well, so during the process one should find a workplace for the business main site and also a place which suits company's needs. Where you work also does have an effect on your startup as the right environment is very important to motivate you and your team. While many founders initially choose to work from home so as to save money, however, after a good start and expansion of business a wider and suitable place is needed. Finding a mentor is also important as the right mentor will guide at a crucial time and make a huge difference in the decision that you take for your business. Right mentor can also provide deep industry insight and wisdom that will help you navigate some of the challenges that might come your way in the future.
- **Raise the capital:** For any company, capital is one of the most crucial parts of their launch and raising it is one of the hardest parts for any company. Founders thus have to look for angel investors or venture capital firms for their company and in return for their money have to show a lot of potentials and at times keep everything as collateral. While capital investment is huge for any company it also does have a dark side as a huge financial risk increases in the business. Thus, it should be decided that how much capital you need to raise for your business and how much of it should come from investors as a loan. Once you have that figured this out, you should decide how you will be raising it and how you plan to give it back in the future.

In the beginning, it might take some time to get all these steps completed. So, it demands a patience and thorough knowledge of all these processes as they will help when to move ahead with the operations. Today, there are many large companies in India who were started as startups some years ago. We can look at the examples of Flipkart, Ola, Zomato, Oyo Rooms etc. to find some inspiration.

7.3 REGISTRATION PROCESS

The following stages are normally involved in registering a startup in India:

Start by forming your company as a private limited company, partnership, or limited liability partnership (LLP). Pick a legal framework that supports your company's objectives.

Obtain a Unique Entity Number (UEN): To receive government benefits, you must obtain a Unique Entity Number (UEN), which is typically available within one working day, via the government's specialized portal.

After receiving your UEN, you must self-certify that your company satisfies the requirements outlined in the startup definition. On the Startup India website, this is possible.

Create a Startup India Portal account: Register for an account on the Startup India website (www.startupindia.gov.in) and fill out the necessary information about your company.

Receive Recognition: The Department for Promotion of Industry and Internal Trade (DPIIT) will formally recognize your startup after reviewing and approving your application.

Benefits are available if your business is recognized as a startup, including tax breaks, access to funding opportunities, and involvement in government procurement initiatives.

7.4 FINANCIAL SUPPORT TO STARTUPS IN INDIA

The Indian government offers funding assistance to startups through several programmes and initiatives.

- **Startup India Fund:** The government has established a fund to give companies financial support. This is one of the main financial support vehicles. This fund provides qualifying entrepreneurs with seed money and venture capital.
- **Tax Benefits:** The Startup India initiative offers tax advantages to startups in India. For the first three years in a row, they are eligible for income tax exemptions, and then they pay lower taxes moving forward.
- **Subsidized Patent Filing:** Startups can take advantage of an 80% discount on patent filing costs and accelerated patent review through the Startup Intellectual Property Protection (SIPP) programme, which aims to promote innovation.
- The **Credit Guarantee Fund for companies (CGFS)** assists companies in obtaining loans devoid of collateral. A portion of the default risk faced by banks and other financial

institutions is covered by this fund.

- **Fund of Funds for Startups (FFS):** Venture capital funds receive funding from the FFS, and these funds then invest in new businesses. This makes it easier for businesses to get access to more money. The Indian government has launched several initiatives to support businesses financially. These initiatives are intended to promote entrepreneurship, innovation, and the expansion of startups in a variety of industries.
- **Seed Funding for Startups in India:** As part of the new India initiative, the government established a Fund of Funds with a \$10,000 crore (about \$1.3 billion) corpus to offer new companies with seed money. Through particular venture capital firms, startups can get access to this money.
- **Loans for Women and SC/ST Entrepreneurs** through Stand-Up India Stand-Up India can help startups even though its main audience is SC/ST and female entrepreneurs. The programme offers qualified entrepreneurs bank loans between 10 lakh and 1 crore to help them launch or grow their businesses.
- Startups and small businesses are eligible to apply for **MUDRA loans**, which are offered by the Micro-Units Development and Refinance Agency (MUDRA). MUDRA loans are intended to promote micro and small enterprises by providing financing options at various phases of their growth.
- The **SIDBI Funds of Funds (SFF)** are managed by the Small Industries Development Bank of India (SIDBI), which also invests in several venture capital funds, which in turn invest in start-up businesses. This method of indirect financing enables entrepreneurs to draw from a larger pool of funds.
- **Grants for research and development:** Several government departments and organizations provide grants and other financial assistance to startups working on projects related to research and development, particularly those that are of national relevance.
- **Technology Business Incubators (TBIs):** TBIs are frequently found inside academic institutions and offer funding, networking opportunities, mentorship, and infrastructure to companies, frequently in technology-intensive industries.
- **State-Specific Initiatives:** To encourage local entrepreneurship, several Indian states have also introduced their own startup regulations and incentive schemes. These initiatives come in the form of grants, subsidies, and financial incentives.
- **Export Promotion Capital Goods (EPCG) Scheme:** Under this programme, entrepreneurs can import capital equipment at no additional cost for use in pre-, during-, and after-production.
- **Competitions and challenges:** Both the public and private sectors often hold startup competitions and challenges with cash awards, grants, and other financial incentives for

original concepts and solutions.

7.4 TAX BENEFITS FOR STARTUPS

These are intended to promote innovation, entrepreneurship, and corporate expansion. With the help of these tax benefits, companies' initial operating costs get lessened. The government of India offered a number of tax perks under the Startup India initiative for recognized entrepreneurs. Here are a few typical tax advantages for new businesses in India:

- A tax exemption from income

For the first ten years of their existence, startups who qualify might take advantage of an income tax exemption for three consecutive assessment years.

Exemption from Capital Gains Tax

If startups invest their capital profits into certain funds or assets, they are free from long-term capital gains tax. The purpose of this exception is to promote startup investment.

- Losses are carried forward and offset

For a specific number of years, startups may carry forward and set off their losses. With the help of this clause, they are able to lower their tax obligation by offsetting losses against future profits.

- Compliance Advantages

Startups are given the option to verify their own compliance with specific labour and environmental standards, which reduces their financial and administrative obligations.

- Angel Investment Tax

According to Section 56(2)(vii)(b) of the Income Tax Act, angel investors who made investments in qualified businesses are eligible to get tax benefits. The receipt of compensation for the issuance of shares by qualified startups is free from income tax under this regulation.

- Tax deduction for investments

Under Section 80-IAC of the Income Tax Act, investors in qualifying startups may deduct 50% of their investment from their taxes.

- Lower Tax Rates

A reduced corporate tax rate that is implemented as part of more comprehensive tax reforms is advantageous for startups with a turnover of up to 50 crore rupees. This tax rate cut is intended to help small firms.

- **Fast-Track Patent Review**

Startups may profit from a quicker patent examination procedure that cuts down on the time and expense needed to secure patents for their inventions.

- **GST Advantages**

Startups are exempted from GST registration if their yearly revenue is less than 20 lakhs (\$10 lakh for special category states), which lessened their compliance burden.

- **Benefits of Public Procurement**

Participation in government procurement initiatives is encouraged for startups. To make it possible for startups to compete for government contracts, specific criteria and relaxations are developed. These tax breaks are created with the goal of fostering a supportive environment for new businesses, encouraging innovation, and promoting economic expansion. To ensure compliance with tax regulations and to make the most of the benefits available to them, startups must contact tax or legal specialists since qualifying requirements and specific circumstances may apply.

7.5 THE LEGAL DIFFERENCE BETWEEN MSME AND START-UP

The MSMED Act and the most recent DPIT only permit partnership firms, LLPs, and corporations to have the statuses of 'MSME' and 'start-up,' respectively. If they meet the investment thresholds outlined in the MSMED Act's definitions of MSME, they will be classified as MSMEs. MSME is defined by the MSMED Act. The DPIT's Start-up Notification No. from 19.02.2019 governs start-up. The following summarizes the differences between start-ups and MSMEs:

Sr. No.	MSME	Start-up
1.	As described by the MSMED Act	The Department for the Promotion of Industry and Internal Trade's definition
2.	To qualify as an MSMEs, an organization must meet both the investment and turnover requirements.	The definition of a start-up only applies to businesses with annual revenues up to Rs. 100 crores.
3.	The threshold for MSME designation is measured in terms of net turnover, or turnover less exports.	Gross turnover without limiting exports is the limit for DPIT purposes.

4.	If the investment and turnover thresholds are not exceeded, MSME status will be granted.	Start-up status shall remain for ten years from the completion of incorporation or until annual revenue exceeds Rs. 100 crores, whichever comes first.
5.	The net turnover threshold for MSME status is Rs. 250 crores.	The maximum gross turnover for Start-up Status is Rs.100 crores.
6.	The maximum investment for MSME status is 50 crores rupees. If it is, the business is no longer considered an MSME.	No maximum investment amount to qualify as a start-up
7.	As long as an organization's investment in plant, machinery, or equipment does not exceed Rs. 50 crores and its annual revenue does not exceed Rs. 250 crores, it is eligible to receive MSME status for as long as it has been in existence.	Only 10 years after the date of incorporation is the start-up status valid.
8.	The business needs to submit Udyam Registration in order to be recognized as an MSME.	The business must submit a DPIIT Recognition application to be recognized as a start-up.
9.	The business will be an MSME but not a start-up if the investment cap of 50 crores and turnover cap of 100 crores are not surpassed and ten years have passed after incorporation.	The firm will not be classified as an MSME but rather as a start-up if the investment cap of Rs. 50 crores are exceeded but the turnover cap of Rs. 100 crores are not exceeded, and ten years have not passed from the date of incorporation.
10.	MSME businesses may be structured legally in any way.	Only LLPs, private limited corporations, and partnership businesses will be qualified for start-up status.
11.	Any business model that an organization uses can qualify it as an MSME.	The business model must focus on product or service innovation, development, or improvement for it to be considered a start-up. Scalable company models with

		significant employment or wealth creation potential are required.
12.	Even if a company is created by dissolving or reassembling an already existing business, it will still qualify as an MSME.	An organization cannot be a start-up if it was created by dissolving or reorganizing an already existing company.
13.	If the issue price exceeds Fair Market Value, MSME private limited firms that are not considered start-ups are subject to angel tax on the shares they issue at a premium.	If total contributions, including those from family and friends, do not exceed Rs. 25 crores, startup private limited firms are excluded from angel tax.
14.	An MSME will not be eligible for a tax vacation unless it is a start-up, a private business or LLP, and satisfies the requirements of section 80-IAC.	A startup that is an LLP or private limited company is eligible for a tax holiday under section 80-IAC of the Income-tax Act.
15.	If the promoter's residential property is sold and the proceeds are invested in a private limited business that is an MSME but does not meet the criteria for a start-up, there is no tax exemption for the capital gains.	If the promoter's capital gains from the sale of their residential property are invested in a start-up private limited business, they are free from taxation under Section 54GB1.
16.	MSMEs are eligible for benefits under the MSMED Act. Benefits from the Startup India Scheme, however, won't be given out until the company meets the criteria for being a 'startup' and receives DPIIT registration.	Start-ups are not eligible for benefits under the MSME Act until they meet the investment requirements for MSMEs and submit Udyam Registration forms.

7.5 SUMMARY

we can consider that a startup is a company that is in the early stages of development in order to solve real-life problems through a product or innovative service. In India, the term "startup" has gained a lot of popularity

and more and more people are showing their interest in becoming entrepreneurs. The term startup refers to a company in the first stages of operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand or demand can be created. These companies generally start with high costs and limited revenue, which is why they look for capital from a variety of sources such as venture capitalists.

7.6 QUESTION

Long Answer Questions

- 1 Define the term "Startup".
- 2 Distinguish between MSME and start up.
- 3 Elaborate the steps for the registration of a Startup.
- 4 Investigate the different financial support mechanisms of Government of India to Startups.
- 5 List the various common tax benefits for startups in India..
- 6 Discuss in detail Start up policy framework in India and underlying reasons for thriving start up milieu.
- 7 Discuss the Legal Difference Between MSME and Start-Up

Short Answer Questions

1. State the registration process for Startup
2. Give the main feature of Prime Minister's Employment Generation Programme
3. What do you understand by Seed Funding for Startups in India?
4. State the concept of Angel Investment Tax
5. State two tax benefits for Startup

7.7 SUGGESTED READINGS

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**M.A (ECONOMICS)
SEMESTER II
MAEC24203T- ENTREPRENEURSHIP DEVELOPMENT**

UNIT - 8 CREATIVITY AND ENTREPRENEURSHIP :

STRUCTURE

8.0 Learning Objectives

8.1 Introduction

8.2 Characteristics of Creative Entrepreneur

8.3 Personality Traits of an Entrepreneur

8.4 Interpersonal Skills

8.5 Critical Thinking

8.6 Practical Skills

8.7 Business Thinking Vs Creative Thinking

8.8 Creative Process

8.9 Questions

8.10 Suggested Readings

8.0 LEARNING OBJECTIVES

After completing this unit, students will be able to:

- Define : – Characteristics of Creative entrepreneur,
- Understand : Personal traits, Interpersonal skills of entrepreneur
- Define : Objectives of startup India
- Explain: Critical thinking and Practical skill of entrepreneur

8.1 INTRODUCTION

Over the years, entrepreneurs have become more and more associated with creativity. So much so that when you meet an entrepreneur (especially a successful one), you automatically assume that they must have some creative and innovative qualities. But why is this assumption and association made?

Well, one of the most important requirements of a successful entrepreneur is to offer something of unique value to the marketplace and to fill a niche gap in the market. To pull this off effectively, it usually requires some levels of creativity and innovation. The 'creative entrepreneur' stereotype has been further cemented by eccentric, highly creative, and famous entrepreneurs such as Richard Branson, Elon Musk and the like.

In this article, we have a look at the distinct and interesting links between creativity, innovation, and entrepreneurship and why some of the most successful entrepreneurs are known for being exceptionally creative.

The difference between creativity and innovation

People often get confused about the difference between creativity and innovation and use the terms synonymously.

Creativity can be defined as the ability to develop original concepts and ideas. Aesthetic flair is an important factor when it comes to creativity.

Innovation is the ability to create offshoots, create changes to, or build on already existing ideas, services, and products.

Essentially, creative concepts are usually new and original that take inspiration from outside sources, while innovative concepts are usually built upon a pre-existing idea. Inventions would be ideas, products or concepts that are entirely new and never seen before. They represent a leap in forward-thinking and, often, technology.

Entrepreneurs and creativity

Creativity helps entrepreneurs with one of the most important steps in their business journey: coming up with a business idea. Entrepreneurs with high levels of creativity are often able to come up with exceptionally creative business ideas that fill a niche gap in the market.

Entrepreneurial creativity and artistic creativity are very similar in that entrepreneurs may find inspiration from their favourite books, TV shows, nature, conversations, as well as existing products and services. Brainstorming and mind mapping are the two main methods in which entrepreneurs may use creativity to come up with ideas (coming up with ideas is also known as ideation).

But creativity does not only assist entrepreneurs in the initial stages of coming up with a business idea. Creativity will also be highly valuable in terms of:

Coming up with branding and marketing ideas

Ideas for blogs, other SEO-related content

Finding creative solutions to everyday business problems

Fun and exciting social media strategies

A good balance of linear and lateral thinking

Does an entrepreneur need to possess high levels of creativity to be successful? Of course not, but it definitely helps! Creativity is all around us, and when you start noticing it, it is hard not to be inspired! Creativity can be found in fine art, nature, advertisements, and so much more.

But remember, creativity is practically useless if it is not properly harnessed and implemented.

Entrepreneurs and innovation

Innovation is a change that adds value to an existing idea, product, service or concept. Many business ideas are innovations of things that already exist. There should be a focus on the 'adding value' of innovation because just because you change up an existing product or business model slightly does not mean that you are creating a better version of it in order for innovations to be successful.

Innovation is often a response to changes in the market as well as progressions in outside markets. It should be noted that all innovations are purely creative, and many can be primarily logical in their conception.

Having a good hold on innovation is very important for entrepreneurs. We live in a fast-paced and ever-changing society, with new advances in technology occurring all the time. If an entrepreneur can embrace these changes and find ways to add additional value to them, they are bound to find success in their respective field.

Not only will an innovative mindset be advantageous in coming up with products, services, and business ideas, it will also be exceptionally helpful when it comes to adapting to change and finding new and improved ways of doing things in your business structure.

Disruptive innovation should also be mentioned. Disruptive innovation is a process of innovation that significantly affects the market by making a certain product more accessible and affordable to more consumers and has the ability to reshape an entire industry. A great example of this would be Uber.

Can creativity and innovation be cultivated?

Some people believe that you are either born with creative and innovative tendencies...or not. What is more likely is that your creativity levels are developed in your formative years, depending on what activities you were exposed to as a young child. In adulthood, most adults clearly define themselves as either being very creative or not creative at all.

The truth is that even those who do not deem themselves to be creative have dormant creativity lying inside of them. This creativity can be awakened through simple activities such as drawing, creative writing, mind mapping, reading fiction, and more. There are even apps that you can download on your phone that help cultivate your creativity.

Aspiring entrepreneurs that feel that they are not inherently creative could find immense value in dedicating time to expanding their creativity.

More than just creativity and innovation

While innovation and creativity play a big role in the potential success of an entrepreneur, entrepreneurs also need to possess somewhat opposing skills such as organisation, analytical mindset, attention to detail, etc. An entrepreneur cannot only be a dreamer. They need to have the practical skills to bring their dreams and great ideas to life.

What many creatives lack is a sense of direction, as well as a hard work ethic. They can often be somewhat lazy and procrastinate when it comes to putting ideas into motion.

On top of personal skills, they'll also need to gain knowledge on how the economy works, be aware of their competition and know about the regulations surrounding starting up a business. Only then will they know which ideas can be implemented successfully.

8.2 CHARACTERISTICS OF CREATIVE ENTREPRENEUR

For the last seven years, much of my day-to-day work has focused on helping entrepreneurs get ideas out of their heads and onto paper so they can turn those ideas into dream businesses. Along the way, I've learned a lot about the personality traits that are essential if you want to make a living from something that starts with a single thought.

We entrepreneurs are not like other people. We are a special breed. We are dedicated to our ideas and obsessed with bringing them to fruition. Setbacks and failures can be hard blows to us because the course we've chosen is so personal. These aren't someone else's ideas we are trying to make happen; these are our best ideas and strategies. When they don't work, we have to recover quickly and find ways to put positive spins on what we've just learned. We constantly think and talk about how to improve our craft or make our product or service just a little bit better. Because of this, we can be impossible company for our partners and friends.

Entrepreneurs make important contributions to our society. For example, we are narrowing the gender gap in leadership roles. For every 10 men who start their own businesses, seven women are doing the same. We're evading the glass ceiling by designing our own buildings. Plus, most entrepreneurs start businesses to pursue their goals, not because of financial necessity. This tells me we have more opportunities to be happier. In fact, entrepreneurs are more likely to describe their lives as "excellent" and "close to ideal." Working for yourself is so much better than working for someone else's goals, isn't it?

If you're not already one of us, you may be dreaming of the life you'll have when you finally become an entrepreneur. But first you need to consider if you have what it takes to make your great idea a viable business.

Here are the Top 10 Characteristics of a Successful Entrepreneur:

Passion and drive to turn ideas into success stories.

A "big picture" view. Entrepreneurs want to change the world, or at the very least make an ordinary thing so much better. We clearly see how our products or services influence the ways people interact/live/play. This is the fuel we drive on.

Ability to take hard hits. The road to success is littered with small, medium, and large failures. (Some of which can be very costly.) We must shake off failures and emerge stronger.

Refusal to quit. If it's not this, then we find something different. Entrepreneurs keep looking, adjusting, and fine-tuning. There must be a way to bring an idea this good to market—and we will make it happen.

Good dose of narcissism. We carry the belief that we are the only right person to do this and our idea is simply better than anything else out there.

Desire to work hard. Contrary to what most people think, being an entrepreneur involves hard work and long hours. Even the best idea needs a solid business structure, a logical implementation, and constant tweaking.

Courage to take risks. It takes money to fund an idea, often from our own savings or from generous family and friends. There is no risk-free start-up. Entrepreneurs have the courage to overcome their fears on a daily basis.

Ability to think of the business as its own entity. This is a hard one! All business owners I know feel about their businesses as if they are children. But, you need to take a step back. Aside from love, constant affirmation, and attention, we also have to run it with discipline.

Willingness to learn. Nobody can know everything. Successful entrepreneurs go to conferences, take classes, and read books not just about their own fields but also about business and self-improvement. They continuously want to learn how to run their businesses better.

Contagious optimism. As entrepreneurs, we focus on "how we can make it work" instead of "can we make this work?" We see the payoff of our ideas and we make our businesses our priority.

1. They constantly look for patterns.

It's called Apophenia: the ability to perceive meaningful patterns within random data. It is a pronounced trait among innovative thinkers. Intentionally looking for patterns and drawing connections will allow you to spot potentials for innovations. The ability to "predict" or foresee a problem is highly valuable. Great innovators can see the subtle thread that produces the outlier.

2. They're brilliantly lazy.

Bill Gates said, "I choose a lazy person to do a hard job. Because a lazy person will find an easy way to do it." Gates could substitute "a lazy person" with "an innovative person." Innovators will indeed find the best and easiest route to get a project done. It boils down to efficiency. Innovators live by the saying, "Work smart, not hard." They don't just strive to create the best product, but also the best process.

3. They're obsessive note-takers.

Your conscious mind (working memory) can only process small chunks of information at a time. With a cacophony of streaming ideas, great innovators are incessant note takers. Thomas Edison left 3,500 notebooks behind at his death.

When Richard Branson revealed a key business tool, it wasn't a complicated gadget, but an old fashioned notepad. He's always seeking feedback from flight passengers and cabin crew and using that information to innovate.

Your million-dollar idea can come from anywhere; while you're waiting for your coffee or getting groceries. Keep a compendium of your ideas, it'll be your trail leading to gold.

4. They preach perfection, but practice progress.

Perfectionism is seen as the bad guy. It can be crippling, but discarding it opens the door for mediocrity. Great innovators still fervently preach perfection, yet they live in the reality of progress. It's a healthy pendulum-swing between the two. They strive for the ideal and get work done in the real. Millionaire trader, Timothy Sykes says to "aim for perfection, but keep firing to make progress."

5. They're allied with their fear.

Described as a "quirky creative genius," founder of Kidrobot and Ello, Paul Budnitz says the key to innovation is changing your relationship with fear:

"Every one of my successful ventures has faced bankruptcy, come close to losing key employees, or just collapsed along the way. But by welcoming fear you get the benefit of what being afraid brings -- heightened awareness, compassion for others you are working with, and an unbreakable commitment to survive at all costs."

Fear can enable progress and innovation. When the feeling of fear arises, rather than a fight/flight response, embrace it as an advantageous adrenaline rush.

6. They don't wait for things to break.

You've heard the adage, "Why fix it if it ain't broke?" Great innovators don't wait for things to break; they're constantly fixing and iterating. CEO of Selfie Stick Gear Alynah Patel says the key to staying ahead and being a pioneer in your business is to live by the mantra, "It can always be better."

Rather than wait for a problem and then provide a solution, great innovators find ways to ensure the problem will never even exist.

Related: [Innovation Can Happen in Small But Meaningful Ways](#)

7. They understand the creative process.

Preparation, Incubation, Illumination, Implementation. Those are the four classic stages of the creative process. One of the most crucial stages, just before the eureka moment is "Incubation." Great innovators find novel ways to nurture this stage of creativity; taking long showers, going for a walk in nature, doing yoga headstands.

Incubation requires mental disengagement. It allows for the unconscious process of synthesizing all the information you've consciously encountered. The conscious detachment results in a "marination" of ideas and then solutions coming "out of the blue."

8. They pursue multiple streams.

Elon Musk has Tesla and Solar City. Mark Cuban has too many to name, on top of the Mavericks. It's more than just maximizing income, a hallmark of great innovators is nurturing multiple interests. Just like the creative process, alternative interests overlap and feed off each other. Having multiple projects breaks the psychological-bottleneck and pressure of succeeding in one single venture. It will also expand your breadth of knowledge and overall business acumen.

9. They possess a healthy arrogance.

It may come across as arrogance, but successful entrepreneurs and great innovators are highly confident. When Gallup studied entrepreneurial talent they found that people with high confidence performed better in stressful situations. When others see risk, highly confident and innovative entrepreneurs see opportunity; when others see roadblocks and potential failure, they see victory.

CEO of National Pearl, Emma Schrage says, 'A key part of innovation is implementation -- it's not the first to come up with the idea, but the first to produce it.' Having a healthy arrogance helped her take action in a saturated field, and against more 'competent' competition.

10. They embrace paradoxical thinking.

Great innovators do not see the world in black and white. While many people come to "either/or" conclusions, they strive to see "both/and." When cell phones only made calls, and music devices only played music, innovators overlooked these conventional boundaries.

F. Scott Fitzgerald, the great American novelist said it best, "The test of a first-rate intelligence is the ability to hold two opposing ideas in mind at the same time and still retain the ability to function."

8.3 PERSONALITY TRAITS OF AN ENTREPRENEUR

There are many factors that can contribute to the success of an entrepreneur as they launch, operate, and scale their business. These factors can include the timing of their business launch, how competitive their market is, the reliability of their supply chain, the amount of capital they are able to obtain, and the current economic climate.

In addition to these elements, there are a number of traits successful entrepreneurs have in common that contribute to their business success. Let's dive into what they are.

Successful Entrepreneur Personality Traits

Discipline

Creativity

Self-Awareness

Resourcefulness
Process-Oriented
Empathetic
Communicative
Self-Motivated
Confident
Flexible
Risk-Taker
Resilient

*1. Discipline

Starting and operating a business is no easy feat. Unlike a traditional job where you often have upper-level management driving business objectives and keeping you accountable, being an entrepreneur requires the ability to hold yourself accountable when you don't have a "boss" to do so.

Those who are able to create and execute plans even without external factors holding them accountable have a competitive edge in business. When an entrepreneur has self-discipline they are able to manage the urge to procrastinate and can take decisive action when needed.

Three-time entrepreneur Bill Aulet recognizes that focus and discipline are critical for startup success, and it's even the focus of his book, *Disciplined Entrepreneurship*. He goes so far as to say that, "It is disciplined execution that makes people successful entrepreneurs." His book outlines a 24-step framework for bringing products to market. The rigorous (but fun) methodology comes from Aulet's experience building startups, raising capital, and creating value from shareholders.

2. Creativity

Though creativity is often associated with artistic output, it is an important trait for all entrepreneurs to have. Creativity doesn't only apply to visual elements or branding. Entrepreneurs who are able to creatively solve problems and think outside of the box when facing everyday business challenges, they are able to quickly pivot and implement necessary solutions that lead to business growth.

Inspired by a financial guru and the high cost of sweets in her area, Mignon Francois went from "household manager" to founder and CEO. "I got the idea of having a bake sale everyday while listening to a financial guru on the radio. I was a household manager of 6+1 (aka stay at home mom) and I really couldn't afford the luxury of taking my children out for sweets because everything was expensive and we were struggling. Once I started to get my recipes together I would practice all day."

Originally, she didn't even know how to bake, relying on her daughters and grandmother for help. However, her hard work and ingenuity turned a condemned home into a full-blown bakery and a creative endeavor into a ten-million-dollar business.

3. Self-Awareness

Entrepreneurs who have a sense of self-awareness that they are able to apply professionally to achieve business success. When an entrepreneur is self-aware they are able to own up to their strengths and weaknesses related to running their business.

With this awareness, they are able to zero in on the tasks and elements of running the business they can excel in and are more willing to delegate the areas they are not as strong in. Another benefit of being self-aware is that it increases one's ability to give, receive, and apply meaningful feedback.

Gary Vaynerchuk, lifelong entrepreneur and social thought leader, says that self-awareness is a trait he wishes the business world paid more attention to, more so than hustle or smarts.

"Self-awareness at its finest is accepting your shortcomings and accentuating your strengths."

In his blog post on the topic, he says that the moment you decide to do so, "things will change."

4. Resourcefulness

Many entrepreneurs are faced with tasks and challenges they have never faced before. The ability to be resourceful is a mindset that helps entrepreneurs reach lofty goals without a clear way to achieve them.

When entrepreneurs are able to work resourcefully, they can effectively problem-solve and grow and scale their businesses without having all of the answers or resources to do so. Being resourceful requires a can-do attitude and willingness to work creatively to effectively manage a business without having the immediate know-how.

Mark Cuban — entrepreneur and investor — says that entrepreneurs must have a "willingness to outwork and outlearn everyone." While having access to money and resources can make a difference, a key part of being an entrepreneur is cultivating those resources yourself. "There are no shortcuts, you have to work hard and try to put yourself in a position where, if luck strikes, you can see the opportunity and take advantage of it."

5. Process-Oriented

Having solid processes in place is essential for any successful entrepreneur. In the world of business, a process is a repeatable series of steps that help those working within a business to complete necessary tasks. Processes can apply to various aspects of the business including sales, onboarding new team members, production, and product fulfillment.

When business owners have a process-oriented mindset, they are able to work smarter, not harder. Implementing processes in various areas of the business can prevent waste, allowing business owners to scale and grow their businesses. Additionally, when business owners have repeatable processes in place, they are able to easily train new team members to fulfill important aspects of the business without sacrificing time or quality.

Masaaki Imai, management consultant and founder of the Kaizen Institute Consulting Group, says this about processes and systems: "The message of the Kaizen strategy is that not a day should go by without some kind of improvement being made somewhere in the company."

He is, of course, referring to a principle called Kaizen that champions the guiding philosophy of 'continual improvement' often applied in lean business and productivity processes. Kaizen's impact can be found in the snowball effect that incremental changes to process can make, and it has been practiced throughout the world — most notably at Toyota as part of the Toyota Way Fieldbook and at Trader Joe's as one of the company's core values.

6. Empathetic

Empathy is an essential trait for entrepreneurs. Whether a business owner manages a large team of employees or works directly with their customers as a high-performing solopreneur, they must be able to connect with others on a genuine level.

Successful entrepreneurs are able to put themselves in others' shoes, considering the perspectives of their employees and customers as they navigate key business decisions. In business, empathy can look like anticipating your customer's needs, empowering your team members to take time off to recharge when they need it, and giving both employees and customers space to voice their opinions and concerns.

Business owners who have the soft skills necessary to connect with others, they may experience benefits such as increased customer loyalty, more customer referrals, and increased employee productivity.

Dharmesh Shah, co-founder of HubSpot, considers empathy such an important core value that he modified the organization's Culture Code to include it. "Not too long ago, I found a bug in our Culture Code that needed fixing. We use the acronym HEART to describe qualities we value in our coworkers. For years, these qualities were: Humble, Effective, Adaptable, Remarkable, and Transparent. But something wasn't right. HEART did not clearly capture one of the values that I think is fundamental and part of our core at HubSpot. That value is: empathy."

7. Communicative

According to research from Wroclaw University, the top three communication skills for leaders are effective listening, getting a message across clearly and vividly, and providing feedback in a supportive manner.

These skills can put entrepreneurs at a competitive advantage. When a business owner is able to effectively listen to their customer, they are able to implement customer feedback that can help them improve their offerings. Additionally, when business leaders exhibit these skills with their own employees and team members, they are able to build trust which can improve productivity and business performance.

Communication is a big part of Simon Sinek's message to business leaders. In fact, Sinek's TED talk *Start With Why* covers the topic and is one of the most popular to date. "Communication is not about speaking what we think. Communication is about ensuring others hear what we mean." According to Sinek, this is a vital part of leadership.

8. Self-Motivated

Simply put, when you're your own boss you have to be able to keep yourself motivated to work effectively and consistently. Entrepreneurs must be able to work through creative ruts and points of feeling uninspired to keep their businesses going. This starts with knowing what drives you to keep going and drawing upon necessary inspiration when motivation is low.

A great example of this is entrepreneur Noëlle Santos, who didn't intend to open a book store — she worked in HR for an IT firm — but was shaken by the news that the Barnes & Noble she frequented was closing.

The joy of reading was important to her, so she had to do something. "I was disgusted knowing that there was just one bookstore at the time. So that petition galvanized the property owners and Barnes & Noble and the politicians, they came to an agreement that they would extend the lease two years. So in my mind, I was like, 'Okay, that means I have two years to open a bookstore.' I took responsibility for it."

Dedicated to her mission, she even worked at other bookstores for free over the course of two and a half years to learn the industry. From there, Santos fundraised and energized a community behind *The Lit. Bar*, bringing a bookstore back to the Bronx. The lesson here being that grit has to be inspired by something.

9. Confident

If you have an idea you want to bring to life and share with others, you have to have the confidence to see it through. Whether you are introducing a new product to market, or are seeking outside funding for your business, you must be able to speak to what you offer clearly and confidently. Successful entrepreneurs stand behind their ideas without letting concern over what others may think get in the way.

In an article on women entrepreneurs in tech, Monica Eaton-Cardone emphasizes the importance of confidence, even in the face of failure. "We fail our way to success. It means you had the courage to try and there's no way you can get to success without confronting failures." To Eaton-Cardone, failure isn't an obstacle for confidence, especially when it's so important for entrepreneurs to market themselves. Instead failure can become strength.

She encountered such failure herself on her journey to revolutionize solutions in payment processing, and such obstacles nearly caused her business to crumble. On her website, she says, "Instead of folding up shop, I decided to dig myself out of this pit ... I built an entire program based on every trial and error lesson I had learned — and it worked. Before long, the very same banks that had tried to shut down my business were calling and asking for my assistance."

10. Flexible

To have a sustainable business and see long-term success, entrepreneurs must be willing to pivot when necessary. Whether it is reformulating a product to make it better, or revising a business strategy to remain competitive, entrepreneurs who are too rigid and afraid to embrace change are at a disadvantage.

When an entrepreneur is flexible in their approach, they are able to take advantage of new opportunities as they come which can pay off in the long run. Business owners who are slow to adapt to change can miss out on valuable opportunities to innovate and adapt to their customer's needs.

The lesson of flexibility is one that entrepreneur Hyungsoo Kim learned during the development of Eone's first product, a tactile wristwatch for the visually impaired. The first iteration of the watch relied on braille, didn't have a strong visually aesthetic appeal, and wasn't functional for non-visually impaired individuals.

During a focus group meeting, Kim and his team found out that their customers wanted a product that would be attractive and inclusive even for those who didn't have a visual impairment. This was something the design team hadn't considered, and they had to go back to the drawing board.

"After that meeting, our concept prototype literally went into the trash bin. We were building something that we thought they wanted based out of common misconceptions and stereotypes." However, this lesson influenced their brand and its values. "We changed our name to Eone which is short for Everyone." Read more about their pivot [here](#).

11. Risk-Taker

The ability to take a calculated risk is one of the most valuable skills an entrepreneur can have. When business owners are willing to take risks, they are able to learn valuable lessons in business that can help their company in the long run.

Taking risks also helps businesses find new ways to differentiate themselves from the competition, which is especially helpful in saturated markets. In the event the risk doesn't have the intended result, the entrepreneur can still apply the valuable lessons learned to future business decisions.

Microsoft's Bill Gates is credited with the quote, "To win big, you sometimes have to take big risks." Gates certainly took risks throughout the history of Microsoft, but perhaps his most notable risk was leaving Harvard during his sophomore year in 1975 to found the company. His vision was "a computer on every desk and in every home," which was something no one could have conceived of at the time. The risk he took to make that vision a reality paid off, and Microsoft is worth more than a Harvard degree.

12. Resilient

"Last but certainly not least, successful entrepreneurs must have a sense of resiliency. While running a business, it is common for entrepreneurs to face closed doors and to be told "no" often from potential customers and those they are seeking funding from. Many entrepreneurs may find themselves starting multiple businesses if their initial idea doesn't take off. According to the Bureau of Labor Statistics, nearly half of small businesses fail within the first four years. Some successful business owners may find their first few business ideas weren't sustainable in the long run but can apply those learnings to new businesses. Whether an entrepreneur isn't granted a sale or opportunity or has to start at square one, being resilient and inventive in the face of challenges is a must. Kimberly Bryant, founder and CEO of Black Girls Code, encountered adversity along her career path as a Black woman in electrical engineering and biotechnology. It was when her daughter shared her interests in math and science that Bryant became a champion for STEM education for young girls of color. She founded her organization, Black Girls Code, and was originally met with opposition. In an interview with Shondaland, Bryant details how "People did not want to fund something called Black Girls Code (BGC) — they would try to get us to change our name. Even the few organizations that were doing something similar didn't take us seriously." These roadblocks didn't stop her, and she funded the organization with her own 401k. With perseverance and resilience, the organization gained steam and became a voice for social activism. These traits along with a vision for what you want to accomplish are paramount to your success as an entrepreneur. Once you internalize your drive, you can then begin putting goals to paper and build out concrete action items to realize them

8.4 INTERPERSONAL SKILLS

Entrepreneurship is all about networking and sharing and it cannot exist as a one-man show. Therefore, interpersonal skills are just as valuable as personal ones to make a good entrepreneur. However, there are researchers who argue that some entrepreneurs function better by themselves and it is true that the online environment as a business environment allows for indirect relations. Considering these instances, generally, entrepreneurship relies on communication and good people skills.

a) Four essential people skills of an entrepreneur

There are countless lists of people skills to possess as an entrepreneur. However, some four key elements are always taken into account:

1. Empathy - you need to be able to understand a client, a team member or a potential investor if you are going to interact with them in a productive way and if you want to convince, sell and gain trust. Therefore, being empathic is essential when building your network. Try to put yourself in the other person's shoes and anticipate their needs, wishes and concerns in order to deliver the best product, solution, service or business proposal. People need to know that you will answer their wishes, resonate with them, and not get the feeling that they are forced into something they didn't agree to.

2. Good listener skills - being a good listener also means being an active one, so listen carefully and show people you understand their point of view, even if you don't agree with them. This will take a little more effort than just hearing what the other person says, but it is worthwhile. Keep in mind that the most important part in learning is listening.

3. Leadership skills - good leadership is what transforms a group of people in a team oriented towards a common goal. It can make or break the entrepreneurial pursuit. The most successful entrepreneurs out there are also the most inspirational people and true leaders. The difference between a boss and a leader is that a leader inspires his team to be dedicated, he shares the success, creates a family like atmosphere and can communicate accurately a vision so that others can understand and adhere to it.

4. Persuasive and inspiring - being persuasive is all about good storytelling, so instead of selling things to people, try to tell the story. In order to act, people need to feel inspired. The secret to persuading people is to tell an effective story with an engaging introduction and a compelling narrative. Closely related to persuasion, inspiration is a step above it. When you persuade someone, all you are doing is convincing them to share your beliefs and ideals.

Inspiration, however, means that you are persuading a group of people not just to align their beliefs with yours, but you're also persuading them to take action based on these beliefs.

b) How to improve your people skills

As with most endeavours, optimising your people skills is a simple task and it will provide you with great feedback in your everyday life, and also in your business relations. The changes you need to make in order to become more sociable are pretty intuitive and you would not guess they have such a significant impact. Simply acknowledging the others and focusing on them rather than always thinking about yourself can modify their reaction to you and the way you feel about yourself.

This next action is elementary, but often overlooked: do not be aggressive in your tone, choice of words, body language and actions, because no one wants to converse with an aggressive person.

Learn positive body language: smile, keep your hands in sight, nod when people speak, point your feet and body directly towards them, since this shows interest and openness; don't cross your arms, don't tap your foot or fingers for a conversation to end, don't gaze into the distance; stay away from your wristwatch and phone.

Being an entrepreneur sometimes feel like you are spinning ten dinner plates on ten sticks without letting any fall. It takes a lot of concentration, consistency, and broken plates to do it perfectly.

Any person that follows the entrepreneurial path needs to master various skills in marketing, sales, bookkeeping, finance, management, leadership, and much more at the same time. No matter if you excel in all these, if you're a poor communicator you'll face difficulties. Poor communication is the falling plate that can ruin the entire performance.

The importance of interpersonal skills

The most valuable advice that you can find when asking how to get things done and achieve your goals is to establish good and strong relationships with all the people around you or that you will meet during your path. If you're doing something focused on others, you can't achieve it without collaborating with other people like you that share the same goals. It is crucial that all relationships are in place when you are working toward a goal or when you're part of a team.

Good speaker, attentive listener

Among many other skills, effective communication requires the ability to be a good speaker and listener at the same time. These two skills are key to effective working relationships between you and other people and they impact your relationship with the customer or. You

need to listen carefully, to keep eye contact, and to ask questions in order to make sure that you understood things correctly.

In the meantime, you need to be able to communicate your ideas, plans, and expectations correctly and in a simple way, in order that everyone understands you. Good communication skills verbal and non-verbal result in more productive brainstorming processes.

Good manners

The fast pace of tech development requires that we meet new people not only in person. It is common to contact someone stranger by email or to have a video chat.

Good manners and etiquette are essential in business interaction both for the people that you know better and with perfect strangers that can become perfect business partners. What to consider.

Try to be punctual

Dress appropriately

Be kind and smile

Show interest in what to other persons are saying, be there physically and mentally

Don't be rude and don't interrupt

Empathize

Remember to use good manners with everyone, be humble no matter what's your title or position, and always show respect. These will help you in keeping strong relationships, to make decisions, to negotiate, to make people around you feel good, and what's most important to reach your goal within the set deadline.

If you need to learn more entrepreneurial skills, take the free training courses offered by the Entrepreneurship Campus.

8.5 CRITICAL THINKING

Critical Thinking Defined

Critical thinking means making reasoned judgments that are logical and well-thought out. It is a way of thinking in which you don't simply accept all arguments and conclusions you are exposed to but rather have an attitude involving questioning such arguments and conclusions. It requires wanting to see what evidence is involved to support a particular argument or conclusion. People who use critical thinking are the ones who say things such as, 'How do you know that? Is this conclusion based on evidence or gut feelings?' and 'Are there alternative possibilities when given new pieces of information?'

In essence, critical thinking requires you to use your ability to reason. It is about being an active learner rather than a passive recipient of information.

Critical thinkers rigorously question ideas and assumptions rather than accepting them at face value. They will always seek to determine whether the ideas, arguments and findings represent the entire picture and are open to finding that they do not.

Critical thinkers will identify, analyse and solve problems systematically rather than by intuition or instinct.

Someone with critical thinking skills can:

Understand the links between ideas.

Determine the importance and relevance of arguments and ideas.

Recognise, build and appraise arguments.

Identify inconsistencies and errors in reasoning.

Approach problems in a consistent and systematic way.

Reflect on the justification of their own assumptions, beliefs and values.

Critical thinking is thinking about things in certain ways so as to arrive at the best possible solution in the circumstances that the thinker is aware of. In more everyday language, it is a way of thinking about whatever is presently occupying your mind so that you come to the best possible conclusion.

Additionally, critical thinking can be divided into the following three core skills:

Curiosity is the desire to learn more information and seek evidence as well as being open to new ideas.

Skepticism involves having a healthy questioning attitude about new information that you are exposed to and not blindly believing everything everyone tells you.

Finally, humility is the ability to admit that your opinions and ideas are wrong when faced with new convincing evidence that states otherwise.

Critical thinking should become a second-nature skill for leaders and employees across your organization.

Critical thinking in the workplace ensures objective and efficient problem-solving; it's essential for your business's success.

When teams employ critical thinking, they gain enhanced analytical competency, communication, emotional intelligence and general problem-solving skills.

Patently teach critical thinking in the workplace until it becomes a second-nature skill for employees across your organization.

This article is for small business owners and managers who want to improve critical thinking in their companies to enhance problem-solving and reduce costly mistakes.

Many professionals hope to pursue careers they're passionate about so they can find joy and meaning in their work. Caring deeply about your work is vital for engagement and productivity, but balancing emotions with critical thinking is essential in the workplace.

When employees engage in critical thinking, they use an independent, reflective thought process to evaluate issues and solve problems based on knowledge and objective evidence.

Critical thinking skills can guide your organization toward success, but to truly maximize the problem-solving benefits of critical thinking, it's crucial to teach this skill to your entire team.

We'll explore critical thinking skills and how to teach them in the workplace to help your business improve its decision-making and problem-solving.

What is critical thinking?

Jen Lawrence, co-author of *Engage the Fox: A Business Fable About Thinking Critically and Motivating Your Team*, defines critical thinking as "the ability to solve problems effectively by systematically gathering information about an issue, generating further ideas involving a variety of perspectives, evaluating the information using logic, and making sure everyone involved is on board."

This is a complex definition for a challenging concept. Though critical thinking might seem as straightforward as stepping back and using a formal thinking process instead of reacting instinctively to conflicts or problems, it is actually a much more challenging task.

Critical thinking's ultimate goal is ensuring you have the best answer to a problem with maximum buy-in from all parties involved – an outcome that will ultimately save your business time, money and stress.

Why is critical thinking essential in the workplace?

A World Economic Forum report revealed that critical thinking is one of the most in-demand career skills employers seek when trying to attract and retain the best employees – and employers believe critical thinking skills will become even more necessary in the coming years.

Critical thinking in the workplace guarantees objective and efficient problem-solving, ultimately reducing costly errors and ensuring that your organization's resources are used wisely. Team members employing critical thinking can connect ideas, spot errors and inconsistencies, and make the best decisions most often.

Employees with critical thinking are also more likely to accomplish the following:

Analyzing information

Thinking outside the box

Coming up with creative solutions to sudden problems

Devising thought-through, systematic plans

Requiring less supervision

Did you know?Did you know?: Critical thinkers are sure about the reasoning behind their decisions, allowing them to communicate with employees clearly. This level of communication enhances employee engagement.

What are critical thinking skills?

Critical thinking is a soft skill that comprises multiple interpersonal and analytical abilities and attributes. Here are some essential critical thinking skills that can support workforce success.

Observation: Employees with critical thinking can easily sense and identify an existing problem – and even predict potential issues – based on their experience and sharp perception. They're willing to embrace multiple points of view and look at the big picture.

Analytical thinking: Analytical thinkers collect data from multiple sources, reject bias, and ask thoughtful questions. When approaching a problem, they gather and double-check facts, assess independent research, and sift through information to determine what's accurate and what can help resolve the problem.

Open-mindedness: Employees who demonstrate critical thinking are open-minded – not afraid to consider opinions and information that differ from their beliefs and assumptions. They listen to colleagues; they can let go of personal biases and recognize that a problem's solution can come from unexpected sources.

Problem-solving attitude: Critical thinkers possess a positive attitude toward problem-solving and look for optimal solutions to issues they've identified and analyzed. They are usually proactive and willing to offer suggestions based on all the information they receive.

Communication: When managers make a decision, they must share it with the rest of the team and other stakeholders. Critical thinkers demonstrate excellent communication skills and can provide supporting arguments and evidence that substantiate the decision to ensure the entire team is on the same page.

What are the benefits of critical thinking in the workplace?

Many workplaces operate at a frantic tempo that reinforces hasty thinking and rushed business decisions, resulting in costly mistakes and blunders. When employees are trained in critical thinking, they learn to slow the pace and gather crucial information before making decisions.

Along with reducing costly errors, critical thinking in the workplace brings the following benefits:

Critical thinking improves communication. When employees think more clearly and aren't swayed by emotion, they communicate better. "If you can think more clearly and better articulate your positions, you can better engage in discussions and make a much more

meaningful contribution in your job,” said David Welton, managing partner at Grove Critical Thinking.

Critical thinking boosts emotional intelligence. It might seem counterintuitive to associate analytical rationality with emotional intelligence. However, team members who possess critical thinking skills are less prone to rash, emotion-driven decisions. Instead, they take time to analyze the situation and make the most informed decision while being mindful and respectful of the emotional and ethical implications.

Critical thinking encourages creativity. Critical thinkers are open to new ideas and perspectives and accumulate a significant amount of information when facing decisions. Because of this, they’re more likely to come up with creative solutions. They are also curious and don’t shy away from asking open-ended questions.

Critical thinking saves time and money. By encouraging critical thinking in the workplace, you minimize the need for supervision, catch potential problems early, promote independence and initiative, and free managers to focus on other duties. All this helps your company save valuable time and resources.

Did you know? Did you know?: Critical thinking skills are essential for dealing with difficult customers because they help your team make informed decisions while managing stressful situations.

How do you teach critical thinking in the workplace?

Experts agree that critical thinking is a teachable skill. Both Lawrence and Welton recommend exploring critical thinking training programs and methods to improve your workplace’s critical thinking proficiency. Here’s a breakdown of how to teach critical thinking in the workplace:

Identify problem areas. Executives and managers should assess workplace areas most lacking in critical thinking. If mistakes are consistently made, determine whether the issue is a lack of critical thinking or an inherent issue with a team or process. After identifying areas that lack critical thinking, research the type of training best suited to your organization.

Start small. Employees newly embracing critical thinking might have trouble tackling large issues immediately. Instead, present them with smaller challenges. “Start practicing critical thinking as a skill with smaller problems as examples, and then work your way up to larger problems,” Lawrence said.

Act preemptively. Teaching and implementing critical thinking training and methodology takes time and patience. Lawrence emphasized that critical thinking skills are best acquired during a time of calm. It might feel urgent to seek critical thinking during a crisis, but critical thinking is a challenging skill to learn amid panic and stress. Critical thinking training is best done

preemptively so that when a crisis hits, employees will be prepared and critical thinking will come naturally.

Allow sufficient time. From a managerial perspective, giving employees extra time on projects or problems might feel stressful in the middle of deadlines and executive pressures. But if you want those working for you to engage in critical thinking processes, it's imperative to give them ample time. Allowing employees sufficient time to work through their critical thinking process can save the company time and money in the long run.

How do you identify successful critical thinking?

Successful critical thinking happens during a crisis, not after.

Lawrence provided an example involving restaurants and waitstaff: If a customer has a bad experience at a restaurant, a server using critical thinking skills will be more likely to figure out a solution to save the interaction, such as offering a free appetizer or discount. "This can save the hard-earned customer relationship you spent a lot of marketing dollars to create," Lawrence said. This concept is applicable across many business and organizational structures.

You should also be aware of signs of a lack of critical thinking. Lawrence pointed out that companies that change strategy rapidly, moving from one thing to the next, are likely not engaging in critical thinking. This is also the case at companies that seem to have good ideas but have trouble executing them.

As with many issues in business, company leadership determines how the rest of the organization acts. If leaders have excellent ideas but don't follow critical thinking processes, their team will not buy into those ideas, and the company will suffer. This is why critical thinking skills often accompany positive communication skills.

"Critical thinking doesn't just help you arrive at the best answer, but at a solution most people embrace," Lawrence said. Modeling critical thinking at the top will help the skill trickle down to the rest of the organization, no matter your company's type or size.

Critical thinking is the key to your business success

When critical thinking is actively implemented in an organization, mistakes are minimized, and operations run more seamlessly.

With training, time and patience, critical thinking can become a second-nature skill for employees at all levels of experience and seniority. The money, time and conflict you'll save in the long run are worth the extra effort of implementing critical thinking in your workplace.

8.6 PRACTICAL SKILLS

While becoming a successful entrepreneur is natural for some, others require certain essential skills to start and lead a business to success. These skills determine your entrepreneurial

success. Successful entrepreneurs have mastery over both hard and soft skills. Hard skills like accounting, marketing and financial planning are critical for running and managing a business and soft skills like communication, problem-solving and decision making help you scale up your business. Mastery of entrepreneur skills requires practice and a dedicated learning plan.

Below are practical business skills you should acquire as an entrepreneur:

1. Marketing: A lot of people see marketing as selling which is wrong. Selling is only a part of marketing. Marketing is all things done by a business from the idea of a need in the market to get a product that meets that need to the final consumer.

On a very basic level marketing is basically providing the right product at the right place, with the right promotional methods at the right price.

Learning to manage your marketing well will boost your business a lot. It's going to help people see your business/product the way you intend for them too.

Me writing this I won't lie to you it's marketing on my own personal brand. I want you to know and see me as a business expert.

So, learn the marketing principles and tactics that align with your business then formulate a good strategy with them.

2. Risk management: Over 80% (this is even conservative; I actually think it's more than 80%) of new businesses do not manage risk properly. This skill in business is what separates the pros from the armatures.

Why do you think those executives at the big corporations are paid well? You think it's just because they can motivate alone

If I ask you "What is your total business risk? And what have you done to reduce/remove it?" most of you can't answer this question and it's a pity.

Now, in business, there are several types of risks, which I'm not going to share in this article go and do your own research.

Learning to manage your risk or business exposure can save you from a lot of disasters like sudden fire, exchange rate depreciation, price of raw material sky rocking, etc.

3. Accounting: Most "entrepreneurs" overlook proper accounting which is very bad. You need good accounting to even know if you are making money or not and even what your business is actually worth.

Most new businesses will say nobody wants to lend them money, when I hear this I laugh because I know why most won't get funding from investors. Most have no proper accounting record from which investors can actually analyze their businesses.

Proper accounting will benefit you a lot. If you are not yet carrying it out, please start now there are a lot of benefits doing so.

4. Strategic management: There is a saying "Strategy without tactics is the slowest route to success, while tactics without strategy are the noise before the fall".

Most businesses do not have a clear-cut strategy (a combination of tactics) on how they intend to achieve their goals giving the current business environment they find themselves.

Learning strategic management will help you formulate cutting edge strategies to help you reach your business goals like the pros.

5. Human/People management: Businesses revolve all-around people, I know you might say my business is B2B (Business to business) or even B2C (Business to consumer). The truth is both deals with people. People run the business that buys your product, we are all in the business of P2P (People to People).

Learning proper human management skills will help your business a lot. It will help you interact with your employees and customers in the proper and right way to help you achieve your business goals.

If you don't interact with your employees or customers in the right way it can cost you a lot in business.

6. Research and analytics: I don't know of any successful company that does not have what is called a "Research & Development" department. They may have another fancy name they call it but It's the core of business development.

Learning to do proper research can give you an edge in business. Learn skills like data analysis and data presentation, these are some of my best business skills.

When you make business decisions from a well-studied matter you have a better chance of success than the guys who just gamble their way in business.

7. Fundraising: Yes, I think this is a skill every entrepreneur needs to have. Learn all you can about fundraising either as equity or debt.

Your business needs more money but you don't know how to go about it? It's a skill, learn it.

There is money everywhere looking for a fertile ground where it can be planted to grow

8. BONUS SKILL (Business Law): I'm not saying you should go and train to be a lawyer but at least have a good legal understanding of your business environment.

I hope you take this seriously. I know most of you may have thought I will say you should go and learn, digital marketing, graphic design or even coding and the likes. Well, all those are good skills but they are not business fundamental skills.

When you have the fundamentals, you have a solid foundation where your coding, digital marketing, graphic design skills, etc. can stand.

If you can't learn these skills, hire or partner with people that have them. It's not "waste of time", it's what separates pros from armatures.

Networking skills

Networking involves building and managing relationship with other professionals to grow and promote a business. Effective networking skills open up future opportunities and help build a solid brand. Networking allows entrepreneurs to meet like-minded professionals, build future teams and stay up-to-date with industry trends. It is one of the most desirable skills for entrepreneurs because, through a solid network, they can meet professionals to fund their ideas, access professional business expertise and get feedback on their new venture or idea.

Critical thinking skills

Critical thinking is an entrepreneur skill that objectively analyses the information and draws a rational conclusion. It helps entrepreneurs assess a situation and come up with a logical solution. Employers look for candidates with critical thinking because it helps solve problems and build strategies for business growth. Usually, a critical thinker is independent, competent and reflective. This skill helps entrepreneurs logically connect ideas, scrutinise information, evaluate arguments, find inconsistencies in work and solve complex issues. Instead of memorising information, such candidates use the information to deduce meaningful insights.

Customer service skills

Quality customer service promotes the brand and increases loyalty. Regardless of the industry, excellent customer service skills are essential for business success. From talking to clients to discussing funding opportunities, customer service skills help entrepreneurs connect with their potential customers.

Financial skills

The ability to handle resources, assess investments, calculate ROI is a must for entrepreneurs. Apart from this, they must know how to use accounting and budgeting software to keep track of all the financial processes. By learning financial skills, entrepreneurs avoid overspending and optimally allocate resources.

Leadership skills

Being able to inspire colleagues, empower the workforce and lead from the front requires excellent leadership skills. Exemplary leaders lead by examples and can take a leadership role and work as a part of a team. Entrepreneurs with leadership skills motivate their employees, manage operations and delegate tasks to reach the business goal.

Time management and organisational skills

Effective time management increases productivity and organises your workspace. Entrepreneurs with time management and organisational skills understand different ways to prioritise tasks and avoid procrastination. For ensuring timely completion of projects, entrepreneurs analyse their and their team's time, set time limit for each task, complete priority

tasks first, delegate work to others, create a to-do list and use technology to keep the workspace organised.

Technical skills

Technical skills are hard skills that are gained by using digital tools and software. Entrepreneurs must know how to use planning, marketing and budgeting software. Knowledge of software helps in managing projects, tracking sales and allocating a viable budget for the project.

How to improve entrepreneur skills

Mastery of these entrepreneur skills can help you outperform at your job and steer your business to success. To improve your skills, you may read books, take a course or attend seminars. Here are some steps you must follow to improve your entrepreneur skills:

1. Read business books

Reading books encourages self-improvement and is an excellent way to get advice on effective business strategies. It improves your cognitive ability, increases your decision-making and you get to learn from the failure of others. Therefore, read books to achieve success as an entrepreneur.

2. Enrol in a course

Another way to sharpen your skill set is by enrolling in a management, marketing or finance course. Taking and completing a professional course may help boost your business management and financial planning skills.

3. Attend workshops

Always attend entrepreneurial workshops and networking events. Many of these workshops may have experienced business owners as speakers. It helps fill the knowledge gap and you may gain valuable insights on how to run your business to success. Such workshops are a great way to build networks and talk with industry leaders.

4. Listen to podcasts

One of the best ways to consume business-related information on a busy day is listening to a podcast of successful entrepreneurs. Listening to business podcasts may give you insights into how different entrepreneurs use technology to speed up their business growth. It also improves your listening skills.

5. Hire an experienced business mentor

Experienced mentors can help you develop the skills that you are lacking. You can either work under a successful business owner for some time to understand how to manage a business. You can also meet up regularly with a professional group of like-minded people and discuss

different ways of building and marketing a brand. Mentors help in providing valuable insights and professional advice that is necessary for success.

8.7 BUSINESS THINKING VS CREATIVE THINKING

Business Thinking is a process of deconstructing the common factors that affect decision-making — organizational understanding, politics, leadership, culture, and change — to construct new patterns of trust, confidence, and empowerment. It's applying the principles of design, business, and, most importantly, behavior change, to the challenges designers face in being heard: gaps in understanding, silos and politics, lack of leadership, and organizational culture.

At its core, it's a process to develop and demonstrate the ability to understand and respond to different business situations well. I've been developing this process as a way to help individual designers, teams, and organizations gain the strategic impact they seek by better understanding and navigating the politics, cultures, and organizational factors that go into making decisions.

Designers who are applying business thinking are increasing their influence and impact. They are speaking with dialects that are valued, they are perceived as equals at the leadership table, and they are maturing their organizations as a whole, not just design. These designers are pulling together what's desirable for diverse, cross-functional teams with what is operationally feasible and culturally viable for the company. The effects can be felt in multiple ways:

At an individual level, business thinking provides new tools to address the vast range of organizational challenges and career opportunities that designers face.

At an organizational level, business thinking provides executives the clarity they need for the risks, consequences, and opportunities in trade-off decisions.

At the team level, business thinking provides alternate ways for product managers, developers, and designers to develop the competitive advantages executive leaders and customers expect.

At all levels, it's about delivering outcomes that individuals, teams, and organizations can align to rather than relying on the status quo.

The process starts with taking the initiative to understand your colleagues and your company. After doing so, reflecting on what's working (or isn't) and remixing your approach becomes much more manageable. It's about embracing simple shifts in your mindset and tackling decision-making problems in a better way.

Creative Thinking

Creative thinking is the ability to consider something in a new way. Employers in all industries want employees who can think creatively and bring new perspectives to the workplace.¹

Creative thinking can involve:

A new approach to a problem

A resolution to a conflict between employees

A new result from a data set

A previously untried approach to earn revenue

A new product—or product feature

Creative thinking means thinking outside the box. Often, creativity involves lateral thinking, which is the ability to perceive patterns that are not obvious.

Creative thinking might mean devising new ways to carry out tasks, solve problems, and meet challenges. It means bringing a fresh, and sometimes unorthodox, perspective to your work. This way of thinking can help departments and organizations be more productive.

Types of Creative Thinking

Creative thinking is expressed in several ways. Here are some types of creative thinking you might see in the workplace.

Analysis

Before thinking creatively about something, you first have to be able to understand it. This requires the ability to examine things carefully to know what they mean. Whether you are looking at a text, a data set, a lesson plan, or an equation, you need to be able to analyze it first.

Open-Mindedness

To think creatively, set aside any assumptions or biases you may have, and look at things in a completely new way. By coming to a problem with an open mind, you allow yourself the chance to think creatively.

Problem-Solving

Employers want creative employees who will help them to solve work-related issues. When faced with a problem, consider ways that you can solve it before asking for help. If you need the input of a manager, suggest solutions rather than just presenting problems.

Organization

This might seem counterintuitive: Aren't creative people known for being somewhat disorganized? Actually, organization is an essential part of creativity. While you might need to get a bit messy when trying out a new idea, you need to organize your ideas so others will understand and follow through with your vision.

Communication

People will only appreciate your creative idea or solution if you communicate it effectively. You need to have strong written and oral communication skills.

Benefits of Creative Thinking

Employers want creative thinkers because it benefits their bottom line. Companies that foster creativity may see more revenue growth.³ Positioning yourself as a creative thinker can make you a more appealing job candidate or leader within your current organization.

How to Showcase Your Creative Thinking Skills

When you're applying for a job, think about how your creative nature has helped you in the past and how it might be an asset in the job you're seeking.

Here's how to showcase your creative thinking throughout the application process.

Add Keywords: In your resume and cover letter, consider including keywords that demonstrate your creativity. For instance, you might try "problem-solving."

Give examples: In your cover letter, include one or two specific examples of times your creative thinking added value to your employer. Perhaps you came up with a creative way to save your department money, or maybe you developed a new filing system that increased efficiency.

Tell stories: Come to your interview prepared with examples of how you've demonstrated your creativity. This is especially important if the job description lists creativity or creative thinking as a requirement.

If you're looking for creative opportunities as a means of personal fulfillment, you can find satisfaction in surprising places. Any job that allows you to put your own spin on your work will end up being.



Fig :8.1 Business VS Innovative thinking

Creative Process

This is also a controlled thinking in which the creative thinker whether artist, writer or a scientist is trying to create something new. It involves characteristics of both reasoning and imagination. Creative thinking is a process in which the individual generates an original, unusual and productive solution to a problem.

It is defined as personal, imaginative thinking which produces a new, novel and useful solution. Unlike ordinary solution to problems, creative solutions are the new one to the effect that other people have not thought before.

The product of creative thinking may be a new and unique way of conceptualizing the world around us. The emphasis in creative thinking is on the word 'new'. In human beings we find two kinds of productive abilities – the convergent and divergent abilities.

Convergent abilities are used to bring together otherwise divergent things. Divergent production abilities are those which are not guided by rules or conventions, but capable of generating new solutions to a problem. Divergent production abilities are particularly important in creative thinking.

Creative thinking involves four stages:

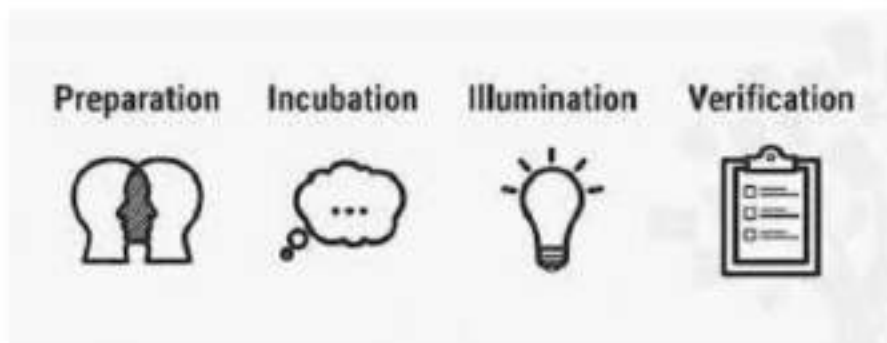


Fig :8.2 Creative thinking involves four stages

1. Preparation:

In this stage the thinker formulates the problem and collects the facts and materials considered necessary for finding new solutions. Many times the problem cannot be solved even after days, weeks or months of concentrated efforts. Failing to solve the problem, the thinker turns away from it initiating next stage.

2. Incubation:

During this period some of the ideas that were interfering with the solution will tend to fade. The overt activity and sometimes even thinking about the problem is absent in this stage. But the unconscious thought process involved in creative thinking is at work during this period.

Apparently the thinker will be busy in other activities like reading literature or playing games, etc. In spite of these activities the contemplation about finding a solution to problem will be going on in the mind.

3. Illumination:

Following the period of incubation the creative ideas occur suddenly. Consequently the obscure thing becomes clear. This sudden flash of solution is known as illumination and is similar to 'aha (eureka)' experience. For example, Archimedes found solution to the crown problem.

4. Verification:

Though the solution is found in illumination stage, it is necessary to verify whether that solution is correct or not. Hence in this last stage evaluation of the solution is done. If the solution is not satisfactory the thinker will go back to creative process from the beginning.

If it is satisfactory, the same will be accepted and if necessary, minor modification may also be made in solution.

8.8 CREATIVE PROCESS

Although every creative person approaches their work differently, there are five stages that the majority of artists unconsciously move through as they work on their projects. Each of the five stages of the creative process logically leads to the following stage. Release your thoughts as you begin your own creative process, letting your concepts develop through the five stages of creativity.

1. Preparation Stage: The initial phase of the creative process entails preparation and idea development. This is the time to acquire information and carry out study that might lead to a creative thought. To encourage divergent thinking, brainstorm and allow your thoughts roam. You can also write in a notebook. This will help you think of all the different ways you could develop your concept. Your brain is using its memory bank at the initial stage of the process to draw from past knowledge and experiences to come up with new ideas.

2. Incubation Stage: The second stage is where you let go of your idea after you have finished actively thinking about it. Taking a break from your idea before you settle down to develop it is a crucial part of creative thinking. Even if you focus on anything else or take a vacation from the creative process, you are not actively striving to develop your idea. Even while giving up on your concept could seem counterproductive, it's a crucial step in the process. Your tale, song, or issue is developing in the background of your thoughts throughout this period.

3. Illumination Stage: The 'aha' moment, also known as illumination, occurs at the stage of insight. The epiphany occurs when impromptu new connections are made, and all of the information you've acquired comes together to reveal the answer to your issue. The solution to your creative quest hits you in the third stage. For instance, you can get beyond writer's block by deciding how your story will end. An idea has arisen after the incubation stage, which may surprise you.

4. Evaluation stage: In this phase, you examine the viability of your proposition and compare it to alternatives. This is also a period of contemplation during which you consider your original thought or issue to determine whether your chosen solution is consistent with it. To determine whether the concept is viable, business professionals may do market research. During this stage, you might start over or you might press on, assured in what you've thought of.

Stage 5: Verification The creative process comes to a close at this point. The challenging labour takes place then. Any thing or object that you set out to make, such as a physical object, an advertisement campaign, a song, a novel, or an architectural design, might be considered your creative product.

8.9 QUESTIONS

A. Descriptive Questions

Long Answer Questions

1. Explain the relationship between entrepreneurs and creativity
2. Elaborate on the characteristics of creative entrepreneur
3. Explain any five personality traits of entrepreneur
4. Why critical thinking is important for an entrepreneur
5. Explain the various stages involved in creative process

Short Answer Questions

1. Explain the concept Entrepreneurs and innovation
2. Explain the role of self motivation in entrepreneurship
3. Elaborate the role of ethics and empathy in entrepreneurship
4. How to improve entrepreneur skills
5. Explain the concept of Business thinking and creative thinking

B. Multiple Choice Question

1. _____helps entrepreneurs with one of the most important steps in their business journey: coming up with a business idea
 - a. Creativity
 - b. Managerial skill
 - c. Critical thinking
 - d. Practical skills
2. _____is a process of deconstructing the common factors that affect decision-making.
 - a. Business Thinking
 - b. Critical thinking
 - c. Creative thinking
 - d. Entrepreneurial skills
3. The Startup India initiative was announced by Hon'ble Prime Minister of India on _____
 - a. 15th August, 2015.
 - b. 15th August, 2016.
 - c. 15th August, 2019.
 - d. 15th August, 2020.
4. An _____ is a person who is self – employed, is willing to take a calculated risk and brings in a new idea to start a business.
 - a. Entrepreneur
 - b. Governor
 - c. Minister
 - d. Agent
5. In Swot analysis S stands for
 - a. Survey
 - b. Service
 - c. Strength
 - d. Stories

Answers

1-a, 2-b, 3- a, 4-a, 5-c

8.10 SUGGESTED READINGS

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