Chapter 5: Entrepreneurship: Concept, Knowledge and Skills Requirement

Repeated Questions:

1. Managerial vs. Entrepreneurial Approach:

- **Q.** Differentiate between managerial vs. entrepreneurial approach. / Differentiate the managerial and entrepreneur approach. **(WINTER 2022, 4 Marks; SUMMER 2023, 4 Marks; SUMMER 2024, 4 Marks; WINTER 2024, 7 Marks; SUMMER 2025, 4 Marks; WINTER 2025, 3 Marks)**

Answer:

Basis	Managerial Approach	Entrepreneurial Approach
Primary Focus	Efficient use of existing resources; maintaining and improving current operations.	Identifying and exploiting new opportunities; creating new value.
Risk Orientation	Risk is minimised and controlled; prefers predictable outcomes.	Risk is calculated and accepted; pursues uncertain but high-reward opportunities.
Resource Use	Resources are allocated based on established plans and budgets.	Resources are mobilised and leveraged creatively, often with limited means.
Decision Making	Follows structured, data-driven, and hierarchical decision processes.	Faster, intuitive, opportunity-driven decisions with flexibility.
Time Horizon	Short-to-medium term; focuses on stability and incremental growth.	Long-term vision with focus on innovation, growth, and market disruption.
Reward System	Rewards based on position, performance, and organisational hierarchy.	Rewards linked to value creation, ownership, and business success.

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2. Role of Entrepreneurship in Economic Development:

- **Q.** Explain the role of entrepreneurship in economic development. **(SUMMER 2022, 7 Marks; WINTER 2022, 4 Marks; SUMMER 2023, 7 Marks; SUMMER 2024, 7 Marks; WINTER 2024, 4 Marks; SUMMER 2025, 7 Marks OR; WINTER 2025, 4 Marks)**

Answer:

Employment Generation:

- New ventures create jobs in production, distribution, and services.
- Small and medium enterprises are major employers in developing economies.

Capital Formation:

- Entrepreneurs mobilise savings and invest in productive assets.
- They attract domestic and foreign investment, increasing the capital base.

Innovation and Technology Adoption:

- Entrepreneurs introduce new products, processes, and technologies.
- They drive research and development and commercialise innovations.

Balanced Regional Development:

- Entrepreneurship spreads industrial activity to rural and less-developed areas.
- Reduces regional disparities and migration to cities.

Increase in National Income:

- New businesses add to GDP and government revenue.
- Improved productivity and value addition raise national income.

Rise in Standard of Living:

- Entrepreneurs provide better quality and variety of goods and services.
- Competition improves quality and reduces prices.

Export Promotion and Foreign Exchange:

- Entrepreneurial firms produce goods for export and earn foreign exchange.
- Import substitution reduces dependence on foreign goods.

Social Change and Empowerment:

- Entrepreneurship promotes self-reliance, risk-taking, and upward mobility.
- It empowers women, youth, and marginalised groups through economic participation.

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3. Entrepreneur – Meaning, Characteristics and Skills:

- **Q.** Define Entrepreneur and Entrepreneurship. **(SUMMER 2022; WINTER 2024 OR; SUMMER 2026, 4 Marks)**

Answer:

Entrepreneur:

An entrepreneur is a person who identifies opportunities, mobilises resources, takes calculated risks, and creates a new venture or introduces innovation to generate value and profit.

Entrepreneurship:

Entrepreneurship is the process of identifying opportunities, organising resources, taking risks, and creating new products, processes, or ventures to generate economic and social value.

- **Q.** Enlist characteristics required for successful entrepreneurs. **(WINTER 2022; SUMMER 2024; SUMMER 2025; SUMMER 2026, 3 Marks)**

Answer:

- **Risk-Taking Ability:** Willingness to take calculated risks and face uncertainty.
- **Innovativeness:** Ability to generate new ideas and improve products or processes.
- **Self-Confidence and Initiative:** Belief in own abilities and proactive action.
- **Hard Work and Perseverance:** Sustained effort and persistence in the face of obstacles.
- **Opportunity Recognition:** Ability to identify unmet needs and market gaps.
- **Leadership and Team Building:** Ability to guide, motivate, and manage people.
- **Resourcefulness:** Skill in mobilising and managing limited resources.
- **Adaptability:** Flexibility to change plans in response to market feedback.

- **Q.** Discuss knowledge and skills required for successful entrepreneur. **(SUMMER 2022; SUMMER 2023, 3 Marks; SUMMER 2024, 4 Marks OR)**

Answer:

Knowledge Required:

- **Market and Customer Knowledge:** Understanding customer needs, market trends, and competitive landscape.
- **Financial Knowledge:** Knowledge of budgeting, costing, cash flow, funding, and financial statements.

- **Technical/Product Knowledge:** Understanding of the product, technology, or service being offered.
- **Legal and Regulatory Knowledge:** Awareness of business laws, taxes, IPR, and compliance.
- **Operations and Supply Chain Knowledge:** Understanding of production, quality, procurement, and logistics.

Skills Required:

- **Leadership and Communication:** Ability to lead teams and communicate vision clearly.
- **Decision Making and Problem Solving:** Ability to analyse situations and make timely decisions.
- **Negotiation and Networking:** Skill in dealing with suppliers, customers, investors, and partners.
- **Marketing and Sales:** Ability to promote products and build customer relationships.
- **Financial Management:** Skill in managing cash flow, costs, and profitability.
- **Time and Project Management:** Ability to plan, prioritise, and execute tasks efficiently.
- **Creativity and Innovation:** Ability to generate new ideas and adapt to change.
- **Risk Management:** Ability to identify risks and take mitigation measures.

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4. Creative Problem Solving and E-Commerce:

- **Q.** What do you mean by creative problem solving? **(SUMMER 2022 OR; SUMMER 2024, 3 Marks OR)**

Answer:

Definition:

Creative problem solving is a structured process of generating novel and useful solutions to problems by using imagination, divergent thinking, and systematic evaluation.

- **Problem Identification:** Clearly define the problem and its root causes.
- **Idea Generation:** Use techniques such as brainstorming and mind mapping to generate multiple ideas.
- **Evaluation and Selection:** Assess ideas for feasibility, originality, and usefulness.
- **Implementation:** Develop and execute the selected solution.
- **Review and Learn:** Evaluate outcomes and refine the approach.

- **Q.** What is the importance of e-commerce technology for entrepreneurs? **(SUMMER 2022, 7 Marks OR; WINTER 2024, 4 Marks OR)**

Answer:

Market Access and Reach:

- E-commerce enables entrepreneurs to reach customers beyond local markets, including national and international customers.
- It removes geographical limitations and expands market size.

Low Setup and Operating Cost:

- Online stores require lower investment in physical infrastructure and inventory compared to traditional retail.
- Reduces overhead costs such as rent, staff, and utilities.

Direct Customer Interaction:

- Entrepreneurs can interact directly with customers, gather feedback, and build relationships.
- Enables personalised marketing and customer service.

Data and Analytics:

- E-commerce platforms provide data on customer behaviour, preferences, and sales trends.
- Helps entrepreneurs make informed decisions and improve offerings.

24/7 Availability:

- Online businesses operate continuously, increasing sales opportunities and customer convenience.

Efficient Supply Chain:

- E-commerce integrates with logistics and payment systems, streamlining order fulfilment and cash flow.

Competitive Advantage:

- Digital presence and online marketing help small entrepreneurs compete with larger firms.

Scalability:

- Online businesses can scale quickly with growing demand without proportional increases in physical infrastructure.

Other Important Questions:

1. Entrepreneurship – Characteristics, Process and Emergence:

- **Q.** Explain the characteristics required for successful entrepreneur. **(WINTER 2025, 4 Marks OR)**

Answer:

- **Risk-Taking Ability:** Willingness to take calculated risks and face uncertainty.
- **Innovativeness:** Ability to generate new ideas and improve products or processes.
- **Self-Confidence and Initiative:** Belief in own abilities and proactive action.
- **Hard Work and Perseverance:** Sustained effort and persistence in the face of obstacles.
- **Opportunity Recognition:** Ability to identify unmet needs and market gaps.
- **Leadership and Team Building:** Ability to guide, motivate, and manage people.
- **Resourcefulness:** Skill in mobilising and managing limited resources.
- **Adaptability:** Flexibility to change plans in response to market feedback.

- **Q.** Explain the Entrepreneurship Process. **(SUMMER 2025, 4 Marks)**

Answer:

Definition:

The entrepreneurship process is the sequence of activities from identifying an opportunity to starting, managing, and growing a venture.

- **Opportunity Identification:** Recognising market needs, gaps, and problems that can be solved through a new venture.
- **Idea Generation and Evaluation:** Developing business ideas and assessing their feasibility, market potential, and risk.
- **Business Plan Preparation:** Defining the business model, target market, operations, financial projections, and strategy.
- **Resource Mobilisation:** Arranging finance, manpower, technology, and other resources required for the venture.
- **Venture Launch:** Establishing the business, registering it, and starting operations.
- **Management and Growth:** Managing operations, responding to market feedback, and scaling the business.
- **Harvesting or Exit:** Deciding on future strategy, such as expansion, sale, or closure.

- **Q.** Enlist the factors impacting emergence of entrepreneurship. **(WINTER 2022, 3 Marks OR)**

Answer:

- **Economic Factors:** Capital availability, market demand, infrastructure, and economic policies.
- **Social Factors:** Social values, family background, education, and cultural attitudes toward risk.
- **Psychological Factors:** Need for achievement, risk-taking propensity, and self-confidence.
- **Political and Legal Factors:** Government policies, regulations, taxation, and legal support.
- **Technological Factors:** Availability of technology, innovation support, and R&D infrastructure.
- **Institutional Factors:** Support from financial institutions, incubators, and training providers.

- **Q.** Discuss the factors propelling innovation and entrepreneurship in relation to new products. **(SUMMER 2026, 7 Marks)**

Answer:

Market Demand and Customer Needs:

- Changing customer preferences and unmet needs drive new product innovation.
- Entrepreneurs respond to market gaps with new solutions.

Technological Advancement:

- New technologies create opportunities for new products and processes.
- Digital tools, automation, and AI enable faster and cheaper innovation.

Competitive Pressure:

- Competition forces firms to innovate continuously to maintain market share.
- Differentiation through new products becomes essential for survival.

Government Policies and Support:

- Incentives, subsidies, incubators, and innovation policies encourage entrepreneurship.
- Protection of intellectual property motivates investment in innovation.

Access to Finance:

- Availability of venture capital, angel investment, and government funding supports new product development.
- Financial resources reduce the risk of innovation.

Education and Research:

- Strong education systems and research institutions produce skilled entrepreneurs and new knowledge.
- University-industry collaboration accelerates innovation.

Cultural and Social Factors:

- A culture that encourages risk-taking, creativity, and entrepreneurship fosters innovation.
- Role models and success stories inspire new entrepreneurs.

Globalisation and Market Integration:

- Access to global markets and knowledge increases opportunities for new products.
- International competition and collaboration drive innovation.

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2. Sources of Finance:

- **Q.** Characteristics of Venture Capital as a source of financing. **(WINTER 2023, 3 Marks OR)**

Answer:

- **Equity Financing:** Venture capital provides equity or quasi-equity funding in exchange for ownership stake.

- **High Risk, High Return:** Invests in early-stage, high-growth, high-risk ventures with potential for high returns.
- **Active Involvement:** Venture capitalists often take board positions and provide strategic guidance.
- **Long-Term Horizon:** Investment is typically for 3–7 years, with exit through IPO or acquisition.
- **Staged Financing:** Funds are released in stages based on milestone achievement.
- **Focus on Growth:** Targets scalable businesses with large market potential.

- **Q.** Role and Importance of Commercial Banks in India. **(WINTER 2023, 4 Marks OR)**

Answer:

- **Mobilisation of Savings:** Commercial banks collect deposits from the public and mobilise savings for productive investment.
- **Provision of Credit:** Banks provide short-term and long-term loans to businesses, entrepreneurs, and individuals.
- **Payment and Settlement Services:** Banks facilitate payments, transfers, and clearing through cheques, NEFT, RTGS, and digital channels.
- **Support to Entrepreneurs:** Banks provide working capital, term loans, and government-sponsored schemes for new ventures.
- **Financial Intermediation:** Banks channel funds from savers to borrowers, supporting economic growth.
- **Foreign Exchange and Trade Finance:** Banks facilitate international trade through letters of credit, foreign exchange, and remittances.
- **Financial Inclusion:** Banks extend banking services to rural and unbanked populations through branches and digital banking.

- **Q.** Write full name: (i) SEBI (ii) EPFO (iii) NBFC. **(WINTER 2023, 3 Marks)**

Answer:

- **SEBI:** Securities and Exchange Board of India
- **EPFO:** Employees' Provident Fund Organisation
- **NBFC:** Non-Banking Financial Company

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3. Creativity and Innovation:

- **Q.** What is an inventive problem? **(WINTER 2023, 3 Marks OR)**

Answer:

Definition:

An inventive problem is a problem that cannot be solved by routine methods or existing solutions and requires a novel, creative approach to resolve a contradiction or achieve a new function.

- **Contradiction:** The problem involves conflicting requirements (e.g., stronger but lighter).
- **No Known Solution:** Standard methods fail; a new solution must be invented.
- **Creative Approach Required:** Requires innovation, not just optimisation.
- **TRIZ Application:** TRIZ (Theory of Inventive Problem Solving) is used to resolve such problems systematically.

- **Q.** How does Brainstorming play a vital role in generating new ideas? **(WINTER 2023, 4 Marks OR)**

Answer:

- **Encourages Divergent Thinking:** Brainstorming generates a large quantity of ideas without immediate criticism, encouraging creativity.
- **Group Synergy:** Interaction among participants sparks new ideas and builds on others' suggestions.
- **Reduces Fear of Failure:** A non-judgmental environment encourages risk-taking and free expression.
- **Cross-Functional Input:** Participants from different backgrounds bring diverse perspectives and solutions.
- **Fast Idea Generation:** A structured session produces many ideas in a short time.
- **Foundation for Innovation:** Generated ideas are later screened, refined, and developed into viable products or solutions.
- **Team Building:** Brainstorming improves collaboration and shared ownership of the innovation process.
