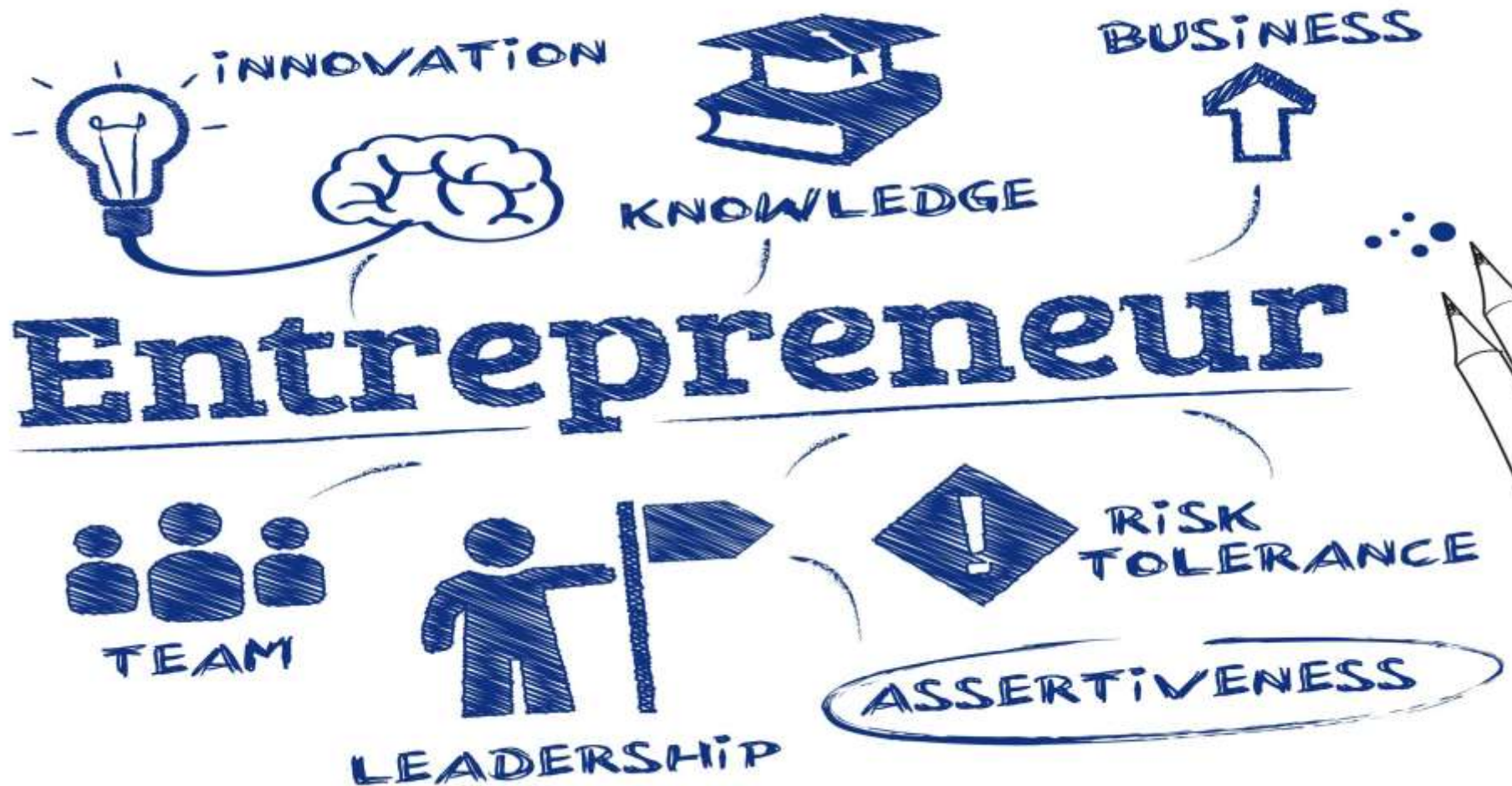


# TOURISM ENTREPRENEURSHIP



# Objectives of the Paper

- To acquire knowledge about the approaches and methods of entrepreneurship
- To gain insights on the entrepreneurial ventures and the techniques used
- To impart the spirit of entrepreneurship into the young minds

Prepared By

**Dr. A. Saravanan**

**Assistant Professor**

**Dept. of Tourism & Travel Management**

# Syllabus

- **UNIT - I**

Entrepreneurship – Theories & Approaches – Types of Entrepreneurs – Entrepreneurial Motivation - Entrepreneurial Climate – Entrepreneurial Development Process - Myths about Entrepreneurship – Role of Entrepreneurs in Economic Development

- **UNIT – II**

Entrepreneurial Traits and Motivation - Characteristics and Qualities of an Entrepreneur - Entrepreneur Vs. Professional Management – Development of Women Entrepreneurs – Challenges & Problems - SHG's - Case Study of Successful Women Entrepreneurs

- **UNIT – III**

Entrepreneurship in Tourism – Opportunity Identification – Idea Generation – Business Plan – Opportunity Recognition – Market & Competition Analysis - Feasibility Report – Funding Options – Implementation Schedule.

# Conti...

## **UNIT – IV**

- Financial Planning –Working Capital – Source of Finance - Bank Loans- Types of Loans -Financial Institutions for Small Enterprises – Financial Institutions and their role – SIDBI – NSIC – SFCs – SSSIC - Commercial Banks –Govt. of India Initiatives - Skill India, Make in India, Start Up India.

## **UNIT – V**

- Organizational Framework for Promotion and Development of Tourism and Travel Business– Venture Creation and Management – Legal Issues – Intellectual Property Rights – Entrepreneurial Development Institutes in India - Case studies of Successful Tourism Entrepreneurs.

## **PRACTICAL EXERCISE**

- Participate in Entrepreneur Summit

## **TEXT BOOKS**

- Vasanth Desai (2003), Dynamics of Entrepreneurial Development and Management, Himalaya Publication House, New Delhi
- Peter F. Drucker (1995), Innovation & Entrepreneurship, Harper &Row, New York.

A thick black L-shaped frame is positioned on the left and bottom right sides of the page, framing the central text.

# INTRODUCTION TO ENTREPRENEURSHIP

By Abhishek Duttagupta

# Objectives

- Definition of Entrepreneur
- Entrepreneurial Traits
- Entrepreneur vs. Manager
- Entrepreneur vs. Intrapreneur
- The Entrepreneurial decision process
- Role of Entrepreneurship in Economic Development
- Ethics and Social responsibility of Entrepreneurs
- Opportunities for Entrepreneurs in India and Abroad
- Woman as Entrepreneur

What Is An Entrepreneur ?

# Concept of Entrepreneurship

- Various views about an 'Entrepreneur':
  - *as a risk bearer*
  - *as an organizer*
  - *as an innovator*
- Entrepreneurship is related to:
  - *coordination, innovation and performance of the entrepreneur.*
  - *a system of creating new business.*
  - *referred to the various activities, done for the establishment and operation of an enterprise.*



# Definition of Entrepreneurship

- *“Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services”*

- A. H. Cole

- *“Entrepreneurship is based on purposeful and systematic innovation. It included not only the independent businessman but also company directors and managers who actually carry out innovative functions.”*

- Joseph A. Schumpeter

# Definition of Entrepreneurship

- *“**Entrepreneurs** are people who have the abilities to see and evaluate business opportunities , together with the necessary resources to take advantage of them, and to ensure appropriate action to ensure success.”*

- International Labour Organization

- *“An **entrepreneur** is a person who starts a new venture, taking the initiative and risk associated with it and does so by crating something new to provide value to customers.”*

- David Holt

# Other Definitions of Entrepreneurship

- *“**Entrepreneurship** is the process by which individuals pursue opportunities without regard to resources they currently control.”*  
- Stevenson & Jarillo
- *“**Entrepreneurship** is the art of turning an idea into a business.”*  
- Fred Wilson

# The Entrepreneurial Decision Process

- Entrepreneurial decision process -
  - *Entails a movement from something to something.*
  - *Movement from a present lifestyle to forming a new enterprise .*



# Steps in the Entrepreneurial Process

- Once the decision to become an entrepreneur is taken, the entrepreneurial process begins.
- The 5 stages of entrepreneurial process are –
  1. *Discovery*
  2. *Concept Development*
  3. *Resourcing*
  4. *Actualization*
  5. *Harvesting*



# Steps in the Entrepreneurial Process (Contd..)

1. **Discovery:** *The stage in which the entrepreneur generates ideas, recognizes opportunities, and studies the market.*
2. **Concept Development:** *Develop a business plan: a detailed proposal describing the business idea.*
3. **Resourcing:** *The stage in which the entrepreneur identifies and acquires the financial, human, and capital resources needed for the venture startup, etc.*
4. **Actualization:** *The stage in which the entrepreneur operates the business and utilizes resources to achieve its goals/objectives.*
5. **Harvesting:** *The stage in which the entrepreneur decides on business's future growth/ development, or demise.*

# Role Of Entrepreneurship In Economic Development

- **Entrepreneurship** is one of the most important input in the economic development of a country.
- The **entrepreneur** acts as a trigger head to give spark to economic activities by his entrepreneurial decisions.
- The **entrepreneur** plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector.
- The crucial role played by the entrepreneurs in the development of the Western countries has made the people of underdeveloped countries too much conscious of the significance of entrepreneurship for economic development.

# Role Of Entrepreneurship In Economic Development

1. Promotes Capital Formation
2. Creates Large-Scale Employment Opportunities
3. Promotes Balanced Regional Development
4. Reduces Concentration of Economic Power
5. Wealth Creation and Distribution
6. Increasing Gross National Product and Per Capita Income
7. Improvement in the Standard of Living
8. Promotes Country's Export Trade
9. Induces Backward and Forward Linkages
10. Facilitates Overall Development



# Role Of Entrepreneurship In Economic Development

- Promotes Capital Formation

- *Entrepreneurs promote capital formation by mobilizing the idle savings of public.*
- *They employ their own as well as borrowed resources for setting up their enterprises.*

- Creates Large-Scale Employment Opportunities

- *Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations.*

# Role Of Entrepreneurship In Economic Development

- Promotes Balanced Regional Development

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

- Reduces Concentration of Economic Power

- *Industrial development normally lead to concentration of economic power in the hands of a few individuals which results in the growth of monopolies.*
- *In order to redress this problem a large number of entrepreneurs need to be developed.*

# Role Of Entrepreneurship In Economic Development

- **Wealth Creation and Distribution**

- *It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society.*

- **Increasing Gross National Product and Per Capita Income**

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

# Role Of Entrepreneurship In Economic Development

- Improvement in the Standard of Living

- *Increase in the standard of living of the people is a characteristic feature of economic development of the country.*
- *Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost.*

- Promotes Country's Export Trade

- *Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development.*

# Role Of Entrepreneurship In Economic Development

- **Induces Backward and Forward Linkages**

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

- **Facilitates Overall Development**

- *Entrepreneurs act as catalytic agent for change which results in chain reaction by multiplying their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area*

# **ENTREPRENEURS MYTHS**

TOURISM ENTREPRENEURSHIP

# Myth 1: Entrepreneurship Is a Direct Ticket to Financial Success

- **Reality:** Most of those who rush to become entrepreneurs fail. In fact, 90% of entrepreneurs fail in less than 24 months after starting out. Surely, that does not sound like a direct ticket to success, or does it?

# Myth 2: It takes a lot of Money To Start a Successful Business

- **Reality:** Actually, you don't need a lot of money to start. If you believe in your idea and have the courage to knock on all the right doors then we see no reason why you shouldn't be able build the next business empire from [the little capital](#) you have right now.



# Myth 3: I will Be Happier in Life as an Entrepreneur

- **Reality:** No amount of money or success will make you happier than you are right now. If you are looking for ways to lead a happy life then we would advise you to first change your attitude towards everything in life. Entrepreneurship will not make you a happier person.

# Myth 4: I will not have a Boss When I Become an Entrepreneur

- **Reality:** “Entrepreneurs are their own bosses, right?” – WRONG.
- Even when you are in own business you have to submit to the requirements of your clients and the tax-man. Sometimes you’ll be forced to wake up at wee hours of the night just to attend to the needs of your business.

# Myth 5: I will Have More Freedom and Work-Life Balance

- **Reality:** Entrepreneurs are (almost) always busy solving complex issues to do with their companies. In fact, if you are not careful, you might be so immersed into your line of business until you forget that you have a life to live.

# Myth 6: I Have To Take Wild Risks to Succeed In Business

- **Reality:** Yes you need to take risks once in a while as an entrepreneur but those have to be well calculated ones. So, forget about draining your entire bank account to invest in a pyramid scheme. There is a very thin line between “calculated risks” and “wild risks”.

# Myth 7: The More Customers I Get, the Better I am...

- **Reality:** It is the quality of the clients that matters. So don't focus too much on the numbers to a point that you forget about offering real value to the few who matter the most to your existence.

# Myth 8: Entrepreneurs Are Born Not Made

- **Reality:** The Verdict? Anybody can become an entrepreneur so long as they are willing to learn the ropes.

# Myth 9: Entrepreneurs Are Job Hoppers

- Who is a job hopper? – A person who keeps changing jobs simply because he isn't getting the satisfaction he wants wherever he goes.
- **Reality:** [According to research](#), majority of today's top entrepreneurs actually worked for a large corporation for a number of years before they started their own business. In every instance, they used the corporate structure to learn everything they could about the business they intended to establish, before they started. Entrepreneurs are not job hoppers.

# Myth 10: I Hate Bosses, I'll Become an Entrepreneur

- **Reality:** Contempt of authority is not the same thing as being entrepreneur-minded. It is a character problem. There are better reasons to start a business and “hating your boss” is certainly not one of them.



# Myth 11: Entrepreneurs Are College Dropouts

- **Reality:** Just because Steve Jobs (APPLE) and Richard Branson (Virgin-Atlantic) are successful college dropouts does not guarantee that you'll also succeed if you quit school for business. Academic papers are important and this is Africa not America.

# Myth 12: I'll Make EASY Money As an Entrepreneur As Compared To When I'm An Employee

- **Reality:** If you are looking for a quick way to make money then forget about being an entrepreneur. Most business are not overnight successes. Even if you have the best business idea in the world, you may not start making easy money in the first three or four years – that's the harsh reality!

# Myth 13: Hide Your Idea from Others So They Don't Steal It

- **Reality:** Keep telling your idea to the right people – this will help you to build long-lasting networks. Note that we are not telling you to go bragging to everyone who cares to listen.

# Myth 14: If I Accept a White-collar Job My Entrepreneurial Spirit Will Diminish

- **Reality:** Who said that you cannot start off with an office job and then move on to become a successful entrepreneur? Some of these jobs are actually a perfect spring-board to launch your business from. In fact, you can use them to save for your start-up capital.


# Myth 15: I will wait for Kuza Biashara to Give Me Business Ideas So That I Can Start “Thinking”

- **Reality:** It's upon you to look around and examine various possibilities that exist. [Kuza Biashara](#) can only do so much to give you that ultimate idea. In other words, keep researching.

# What is Motivation?

- ▶ Motivation is an indispensable function of management.
- ▶ Motivation refers to the process that initiates, guides and maintains goal oriented behavior.

# Need framework for entrepreneurial motivation

- ▶ People certainly don't work for money alone
  - ▶ Money is required not for its own sake, but the sake of the needs of the person fulfillment
  - ▶ McClelland may be regarded as the father of the study of entrepreneurial motivation
- 

# Factors motivating the entrepreneurs


- ▶ Desire to do something new
- ▶ Education background
- ▶ Business experience in same or related line
- ▶ Government assistance and support
- ▶ Availability of raw material and labour
- ▶ Encouragement from big business houses
- ▶ Promising demand for the product
- ▶ Profit margins

Internal factor


External factor




# Another study on entrepreneur motivation classified the factors into 3 categories

- ❖ Entrepreneurial ambition
    - ▶ To make money
    - ▶ To continue family business
    - ▶ To secure self employment
    - ▶ To gain social prestige
    - ▶ To do something creative
- 


# ❖ Compelling reason

- ▶ Unemployment
  - ▶ Dissatisfaction with job
  - ▶ Make use of idle funds
  - ▶ Revival of sick units started by father
  - ▶ Make use of technical \ professional skills
- 

# ❖ Facilitating factor

- ▶ Success stories of entrepreneurship
  - ▶ Experience in same or other line of activation
  - ▶ Previous employment in same or other line of activation
- 

# Entrepreneurial performance and rewards

- ▶ Entrepreneurial performance may refer to measure of business success.
  - ▶ Reward may refer to the recompense financial or psychic accruing to the entrepreneur
  - ▶ The convergence is attained when and where the success of the venture itself is perceived as a personal reward
- 

# TYPES OF ENTREPRENEURS

## 1) ACCORDING TO THE TYPE OF BUSINESS

i) Business entrepreneurs:- who start business units after developing ideas for new products/services.

ii) Trading entrepreneurs :- who undertake buying & selling of goods, but not engage in manufacturing.

iii) corporate entrepreneurs:- who establish and manage corporate form of organization which have separate legal existence.

iv) Agricultural entrepreneurs:- who undertake activities like raising and marketing of crops, fertilizers and other allied activities.

## 2) ON THE BASIS OF STAGES OF DEVELOPMENT



- i) First generation entrepreneurs:-who do not possess any entrepreneurial background. They start industry by their own innovative skills.
- ii) Second generation entrepreneurs:-who inherit the family business and pass to next generation.
- iii) Classical entrepreneurs:-who aims to maximize his economic returns at a level consistent with the survival of the unit with or without an element of growth.

### **3) ON THE BASIS OF MOTIVATION**

**i) Pure entrepreneurs:-** who are basically motivated to become entrepreneurs for their personal satisfaction, ego etc..

**ii) Induced entrepreneurs:-** who are induced to take up entrepreneurial role by the assistance and policy of government including incentives, subsidies etc.



## 4) ON THE BASIS OF TECHNOLOGY

- i) Technical entrepreneurs:- who are task oriented and 'craftsman type'. They prefer doing to thinking.
- ii) Non-technical entrepreneurs:- who are not concerned with technical side, but rather with marketing and promotion.
- iii) Professional entrepreneurs:- who start a business unit, but later sell the running business and start a new unit later.





## 5) ON THE BASIS OF CAPITAL OWNERSHIP

- i) Private entrepreneurs:- individual or group set up enterprise, arrange finance, share risk etc..
- ii) State entrepreneurs:- means the trading or industrial venture undertaken by the state or the government itself.
- iii) Joint entrepreneurs:- the combination of private and government entrepreneurs.



# **OTHER CLASSIFICATIONS**

## **6) ACCORDING TO GENDER AND AGE**

- i) Man entrepreneurs
- ii) Women entrepreneurs
- iii) Young entrepreneurs
- iv) Old entrepreneurs
- v) Middle-aged entrepreneurs

## **7) ACCORDING TO AREA**

- i) Urban entrepreneurs
- ii) Rural entrepreneurs



## 8) ACCORDING TO SCALE

- i) Large scale entrepreneurs
- ii) Medium scale entrepreneurs
- iii) Small scale entrepreneurs
- iv) Tiny scale entrepreneurs

## 9) OTHERS

- i) Spiritual Entrepreneur
- ii) Social entrepreneurs
- iii) Edupreneurs

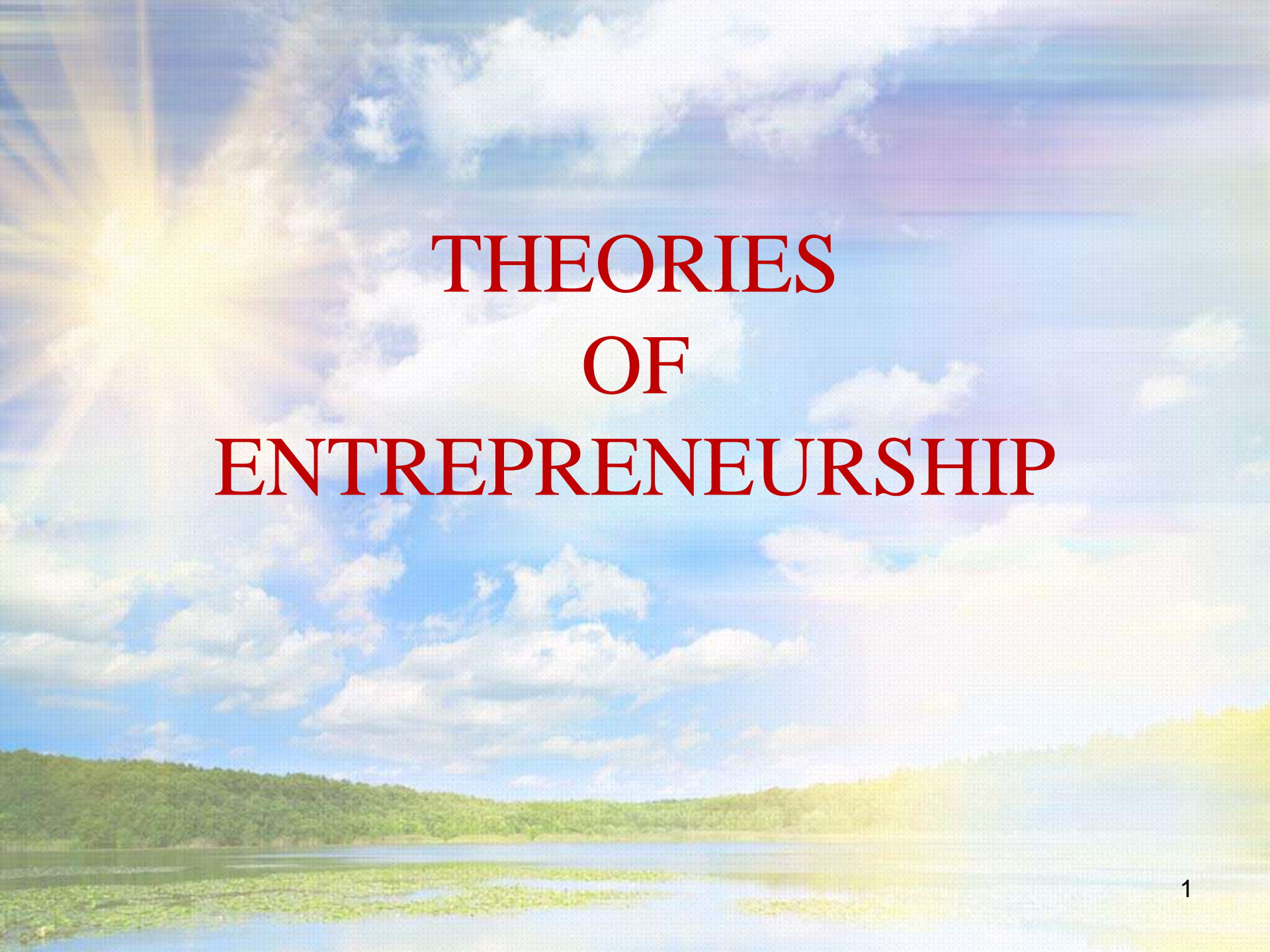


# CONCLUSION

It is often said that “economy is the effect for which entrepreneurship is the cause”. The development of economy is usually associated with its industrial development. An entrepreneur is a person who organises the factors of production-land, labour and capital, and establish a business venture and carries out the operations in the business in a profitable manner.





A scenic landscape featuring a bright blue sky with scattered white clouds. In the foreground, there is a body of water with green lily pads. The background shows a green, forested hill. The overall scene is bright and sunny, with a lens flare effect on the left side.

# THEORIES OF ENTREPRENEURSHIP

# AGENDA

- What is Theory ?
- Classification
- An economic theory
- Risk bearing theory of Knight
- Innovation theory of Schumpeter
- Leibenstein X-efficiency theory
- Harvard School theory
- Theory of Market Equilibrium by Hayek
- McClelland's Achievement Motivation Theory
- Theory of Change
- Theory of Adjustment of Price
- Theory of Entrepreneurial Supply
- Theory of Personal Resourcefulness
- Theory of Cultural Values
- Conclusion





# What is Theory ?

*“facts do not speak for themselves’, they are read in the light of theory”*

*Stephen Jay Gould*

- According to Oxford Dictionary *“it is supposition or system of ideas explaining something, esp. one based on general principles.”*

# An economic theory

- Given by Mark Casson in his book *The Entrepreneur—An Economic Theory*
- Demand for entrepreneurship arise from the need to change and the supply of entrepreneurship is limited.
- Four Qualities of Entrepreneur
  1. Judgmental decisions.
  2. Co-ordination of Scarce resources.
  3. Motivated by Self Interest.
  4. Imagination—entirely innate.



# Risk bearing theory of Knight

- Prof. Knight's theory is based on economic principles .

## According to Risk –Bearing theory

1. Entrepreneur earns profits because he undertakes risk
2. The main function of an entrepreneur is to act in anticipation of future events.
3. Uncertainty-bearing is essential to production; therefore it is factor of production and the reward for it is a part of normal cost of production.
4. Profit is a payment for the assumption of risks the entrepreneur undertake.

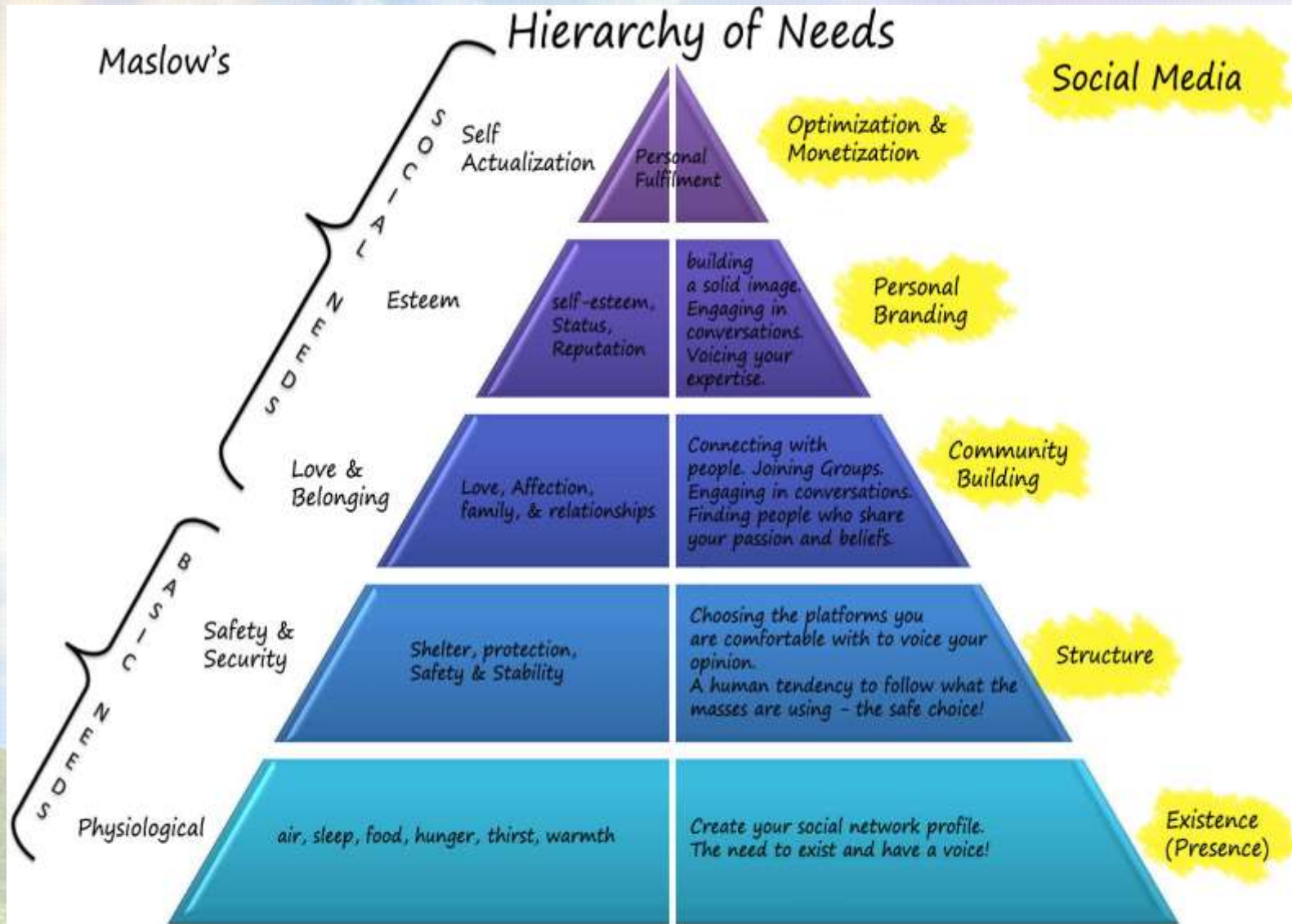
# Evaluation of Knights Theory

- Entrepreneur has to cope with the various challenges which is at once unknown and unpredictable i.e there lies uncertainty.



# Maslow's need hierarchy theory

Maslow felt that needs have a definite sequence of dominations.



# Innovation theory of Schumpeter(1949)

Entrepreneur is a man who sees opportunity for

- introducing new techniques or commodity
- Improving organization.
- Development resources.
- Entrepreneur embarks upon new combination of factors of production resulting in new product--termed as innovator.
- Entrepreneur is Dynamic



# TYPE OF INNOVATIONS

- The introduction of new product.
- The introduction of new method of production
- The opening of new market
- The conquest of new source of raw material supply.
- Reorganization of any industry.

# Features of Schumpeter Theory

- High degree of risk and uncertainty in Schumpeterian World.
- Highly motivated and talented individual.
- Profit is merely an part of objectives of entrepreneurs.
- Progress under capitalism is much slower than actually it is.
- It is leadership rather than ownership which matters.



# Evaluation Schumpeter's theory

- It lays that entrepreneur played central part in rise of modern capitalism.
- Entrepreneur is prime mover of economic development.

# Leibenstein X-efficiency theory

*“When an input is not used effectively the difference between the actual output and the maximum output attributable to that input is measure of Degree of X—Efficiency.”*

X - efficiency arises either because the firm's resources are used in the wrong way or because they are wasted, that is, not used all.

## Types of Entrepreneurship

- Routine entrepreneurship
- Innovational entrepreneurship

## Entrepreneurs must be able to perceive

- 1.buying and selling opportunities in different markets.
- 2.the possibility of transforming input into output
- 3.determine the profitable activities



# Evaluation of Leibenstein's theory

- It analyzes role of entrepreneur in terms of efficiency.
- It tells us why growth rate is different in different countries.
- This theory shows that a firm will achieve maximum efficiency when the firm minimizes cost.

# Harvard School theory

- Given by Cole (1949)
- Envisages entrepreneurship as purposeful activity that initiate, maintain and develop a profit oriented business in interaction with the internal situation of the business or with the economic, political and social circumstances surrounding the business.
- Focus on two activities
  - co-ordination activity
  - sensitivity to the environment.



# Theory of Market Equilibrium by Hayek

According to Hayek “

- *the absence of entrepreneurs in Neo –classical economics is intimately associated with the assumption of market equilibrium.*

## Evaluation of Hayek theory

This theory tells us that sectoral balance in economic system is essential for steady economic development.

# McClelland's Achievement Motivation Theory

- This is a psychological theory.
- Developed by David Mc Clelland as an Achievement motivation theory.  
Mc Clelland proposed that there are three major needs or motives for personnel accomplishments. They are as follows:
  1. The need for achievement(nAch)
  2. The need for affiliation.(nAff)
  3. The need for power.(nPow)

## Implications of Motives

- Need for affiliation and need for power are driving force towards entrepreneurship.
- High level of achievement makes an entrepreneur.
- Dreams of entrepreneur appear to be not to 'get rich' but to 'get big'.



# Tenets of McClelland's theory

1. Economic developments depends on vigorous activities of a number of individuals who behave in an entrepreneurial fashion.
2. Entrepreneurs are motivated by strong need for achievement.
3. There is evidence is direct that this motivational complex has been in shorter supply in poor countries than in rich countries.
4. To improve the condition of poor countries entrepreneurs are to be increased.

# Evaluation of McClelland's theory

- It produced reason for difference in economic condition of rich and poor countries or developed and underdeveloped countries.
- It called the nations leaders to build up ambition into the minds of the young people.



# Theory of Change

- Propounded by Young.
- According to it entrepreneurs have tendency to
  - i. Describe situation as problem
  - ii. Awareness of effort
  - iii. Confidence in ability
  - iv. Analyze the situation before decision making.

Theory of change is based on society's incorporation of reactive subgroups.

- According to it group becomes reactive when following three conditions coincide.....
  - a) When a group experiences low status recognition.
  - b) When denied to access to important social networks
  - c) When the group has better institutional resources than other groups in society at the same level.



# Theory of Adjustment of Price

- Given by Kirzner.

According to him entrepreneur has following characteristics

- Adjustment of price is the main role of entrepreneur.
- Alertness to disequilibrium.
- Entrepreneur are unpredictable.

## Evaluation

This theory lays stress on the behavior of the entrepreneur and its quality of grabbing opportunities in the market.

# Theory of Entrepreneurial Supply

- It was propounded by John Kunkal in 1965.
- It is based upon experimental psychology and sociological variables.
- This behaviouristic model concerned with the activities of individuals and their relations to both past, present and social structures and physical condition.



# Theory of Personal Resourcefulness

“Personal resourcefulness” is the belief in one’s own capability for initiating actions directed towards creation and growth of enterprise. Thus, it emphasize on initiative rather than reaction.

# Theory of Cultural Values

- Propounded by Thomas Cochran.
- Entrepreneurs are not super normal individual but they are society's modal personality.
- Performance of entrepreneur influenced by three factors:
  - i. His own attitude towards his own occupation .
  - ii. Operational requirement of job.
  - iii. The role expectations held by the sanctioning groups.



# CONCLUSION

- Every theorist has looked at the entrepreneur and entrepreneurship on the basis of his perception, and therefore ,can at best ,provide only a limited view of entrepreneurial phenomenon. No view is right or wrong or more or less .

*“ He loves practice without theory is like the sailor who boards ship without a rudder and compass and never knows where he may cast”*

A scenic landscape featuring a bright blue sky filled with fluffy white clouds. In the foreground, there is a body of water with several lily pads. The background shows a green, forested hill. The overall scene is bright and peaceful.

**Thank you**