

Chapter 1: Characteristics of entrepreneurship in tourism and hospitality business

Definitions of entrepreneur

Entrepreneurs are many things to many people. Following below is a sample of the definitions of the term entrepreneur(s):-

- According to Webster's New World Dictionary (1966) an entrepreneur is, "...a person who organizes and manages a business undertaking, assuming the risk for the sake of profit (Chell, Haworth and Brearly, 1991, p.3)".
- Hull et. al (1980) have extended the Webster's definition to include among entrepreneurs, "...individuals who purchase or inherit an existing business with the intention (and effort toward) expanding it (Chell, Haworth and Brearly, 1991, p.3)".
- Harwood (1982) thought that an entrepreneur, "...takes initiative, assumes considerable autonomy in the organization and management of resources, shares in the asset risk, shares in an uncertain monetary profit, and innovates in more than a marginal way (Chell, Haworth and Brearly, 1991, p.3)".
- Meredith et. al (1982) said that, " Entrepreneurs are people who have the ability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them, and to initiate action to ensure success (Chell, Haworth and Brearly, 1991, p.4)".
- Carland et al. (1984) on their part defined an entrepreneur as "...an individual who establishes and manages a business for the principal purposes of profit and growth....and who is characterized... by innovative behavior and will employ strategic management practices in the business (Carland and Carland, 1990, p.14).
- Jacobowitz and Vidler (1982) saw the entrepreneur as "...a person who initiates and maintains a business venture (Stanworth et. al, 1989, p.16)".
- The International Labour Organization, ILO (1986) says that an entrepreneur is "...a person who is able to look at the environment, identify opportunities to improve the environment, marshal resources and implement action to maximize those opportunities (Chell, Haworth and Brearly, 1991, p.4)".
- Hebert and Link (1989) concluded that an entrepreneur is ... " someone who specializes in taking responsibility for and making judgemental decisions that affect the location, the

form and the use of goods, resources or institutions (Chell, Haworth and Brearly, 1991, p.39)”.

Definitions of entrepreneurship

- According to Cunningham and Lischeron (1991), “ Entrepreneurship is a series of learned activities which focus on the central functions of managing a firm (p.52)”.
- Stevenson et. al (1989) see entrepreneurship as, “...the pursuit of opportunity without regard to resources currently controlled (Chell, Haworth and Brearly, 1991, p.58)”.
- Peterson (1985) says that entrepreneurship is, “ ...the opportunity seeking style of management that sparks innovation (Cunningham and Lischeron, 1991, p.52)”.
- “Entrepreneurship is the act of forming a new organization of value (Bateman & Snell, 1996, p.208)”.
- “ Entrepreneurship is the seemingly discontinuous process of combining resources to produce new goods or services (Stoner, Freeman & Gilbert, 1995, p.160)”.
- Entrepreneurship is, “ ...the creation of a new enterprise (Bartol & Martin, 1998, p.672)”.
- Entrepreneurship is, “ ... the creation of an innovative economic organization (or network of organizations) for the purpose of gain under conditions of risk and uncertainty (Dollinger, 1995, p.7)”.
- Entrepreneurship is, “ ...the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence (Hisrich & Peters, 1998, p.9)”.
- “ Entrepreneurship is the process of conceptualizing, organizing, launching and – through innovation - nurture a business opportunity into a potentially high growth venture in a complex, unstable environment (Venter and Rwigema, 2004, p.6)”.

Characteristics of an Entrepreneur

Entrepreneurs possess the following vital characteristics:

1. An especially skillful person: The entrepreneur is recognized as a person having a special skill and at the same time a person providing others for motivation. He may be either a single individual or an individual in a group. Whatever he may be, he possesses that special skill which is not generally found in common man.

2. An innovator: He is rightly known as an innovator who engages himself to innovate new varieties of products, explores new market horizons, and introduces new techniques of production and methods of reconstruction of industries. According to Schumpeter, the main characteristic of an entrepreneur is to innovate something. Through such innovation, the execution and effective use of a creative idea are ensured. Its success brings for commercial achievement and new horizon of economy emerges.
3. Providing completeness to the factors of production: An entrepreneur procures necessary resources from various sources for the purpose of production and by utilizing them he provides completeness to the factors of production. Moreover, he endeavors to make contact with various markets for his products. He is a risk-taker and functions as a coordinator.
4. Decision-making person: The entrepreneur is such a person who is endowed with a power to make a proper decision as regards the establishment of a business, its management, and procurement of different factors, methods of distribution and coordination of various scarce resources. Since he has a strong power of decision-making, he can take decisions on various matters rapidly. His achievement largely depends on the ability of his decision-making.
5. A man of creative personality: As the term implies, he is known as an employer who makes optimum utilization of economic resources and thus carries on productive activities. He has a quality of creating something new and as such he is a person of creative personality. For this, he is known as a creative innovator. He creates new ideas, nurtures them in the light of his own experience, knowledge and intellect. Through all such activities, his creative personality and mentality are exposed.
6. A basic plan-maker: An entrepreneur is the owner, employer, producer, market-creator, decision-maker, risk-taker, coordinator, and user of market information, creative individual and innovator. For this, he is regarded as a pioneer of economic development.
7. A pioneer of economic development: An entrepreneur is the owner, employer, producer, market-creator, decision-maker, risk-taker, coordinator, and user of market information, creative individual and innovator.
8. Dynamic leader: He provides proper motivation to his workers by means of leadership so that the workers can give their best efforts to the interest of the organization.
9. Creator of wealth: The entrepreneur uses various resources for running his products or services are produced. Hence, the entrepreneur creates his personal wealth and at the

same time he helps to increase social wealth, because new wealth is created due to increase in demand for product or services. As such, creation of wealth is one of the basic features of an entrepreneur.

10. Self-confident and ambitious: In the opinion of John Hornaday, one of the important features of an entrepreneur is that he should be self-confident as well as ambitious. Self-confident is regarded as one of the remarkable characteristic features for his success. This self-confidence leads him to face any situation boldly. Self-confidence relates to harmonize between word and work. Similarly, he should always have in himself, high ambition.
11. Risk-bearer: It is needless to say that an entrepreneur has to bear the various risks concerning the enterprise. Without risk bearing, his enterprise activities cannot be conducted. The capacity of an entrepreneur to bear the risks is his inherent feature. He has to bear always the risks in case of production of any new product or service. There are various types of risks to be borne by him. These are risks associated with procurement of raw materials and capital and marketing of goods, etc. this risk bearing is the prerequisite to his success. This is the part and parcel of his daily activities.
12. Adventurer: After thinking over various matters, an entrepreneur undertakes his venture and after evaluating pros and cons of all the matters, he selects the most suitable one. While making selection, he requires to be a bit adventurer. This quality is such an outlook, which leads him to accept the challenge in various adverse situations.

Factors Influencing Entrepreneurship

Following are the various factors that influence entrepreneurship:

1. Educational: There is a need to have drastic changes in educational pattern to make it more relevant to the needs of the time, economic, social and political environment. More and more young minds should be trained to create avenues for self-employment. Designing a suitable program of entrepreneurial education and introduction of entrepreneurship, as a subject for study even at the school level to make the young minds realize the importance of entrepreneurship are the need of the hour.
2. Legal: The law must protect the weak till the time they need it. Entrepreneurs in small sectors have limited resources and cannot compete with large-scale manufactures. Reservation of certain items of products for exclusive production in small sector is one such legal measure to protect the interests for small-scale entrepreneurs.

3. Infrastructure: Land and factory sheds at concessional rates, adequate supply of power, water, coal and other sources of energy, transport facilities, availability of wagons, supply of raw materials and other physical facilities should be provided by the Government to facilitate setting up of new enterprise.
4. Institutional: Entrepreneurs need advice on the lines of manufacture, which may be suitable, sources of raw materials, finance and other facilities like technical know-how, tools and equipment, etc. The entrepreneurs also need to know about the opportunities and threats to their business, government policies, developments in international economic scene, technological changes, etc. Institutions have to be established to keep the entrepreneurs informed about all these matters of their interest and also to enable them to present their problems before the authorities in the government.
5. Financial: The needs for fixed and working capital should be adequately needed; if the new enterprises are to serve and grow. The lack of financial resources deters potential entrepreneurs to start new ventures. The problems become more acute in the capital short developing countries where the business and industry how to put up with underdeveloped capital market. The governments, in these countries should see that the capital market is developed with newer and innovative capital market instruments and strong financial institutions.
6. Procedural: The bureaucratic procedure of government offices, industries departments and financial institutions is a great hindrance to the growth of new enterprises. The entrepreneurs have to run to different jobs; and complete a number of offices in government for different jobs; and complete a number of formalities prescribe) by several laws, rules and regulations. It would be better for the potential and existing entrepreneur, if the number of procedural and legal restrictions of the entrepreneurs is reduced and an administrative mechanism is developed to look after all the needs and requirement the entrepreneurs.
7. Communicational: The information gap pushes many entrepreneurial ventures towards extinction. Unless an entrepreneur known about the market potentials, competition in the market, technological and other developments, the entrepreneurs is not likely to succeed in the venture. The government departments, organizations of entrepreneurs, financial institutions and business consultants have a role to play in this regard. It is very important for an entrepreneur to succeed.

8. Information technology and communication: Modern technology such as Information Technology has entered every walk of human life. Faster mode of communication through email, networking, web technologies have revolutionized the industrial scene with the fast and up to date information at different levels of management, the management processes also have gone considerable changes in decision making and implementation.
9. Rapid Changes: IT and communication revolution, the networking within the industry and outside the industry has increased many folds. The exchange of information and availability of resources is bringing changes in the industry faster than ever before in the history.
10. Large size: There is considerable increase in automation and introduction of computerized production and process controls in industries. The demand for the goods and the geographical reach is bringing large size industries as well as services. The size gets advantage of economies of scale in manufacturing marketing.
11. R&D Technology: Companies today are investing lots of money in R&D activities to develop new products and new processes to compete in the global market.
12. Stakeholders: The stakeholders of today are more knowledgeable and get up to date information about the industry developments as well as the progress of particular industries were interested. Thus, there is awareness by the stakeholder, which gives him closer involvement than ever before.
13. Globalization: Now business operates in an open environment, as there is no geographical boundaries exist. So, competition has become very intense. To survive in today's market company has to be very competitive in terms of quality, price and delivery.

Types of Entrepreneurship

Classification based on Ownership

Entrepreneurship can be classified on the basis of ownership as follows:

- Founders or “Pure Entrepreneurs”: As the term suggests, they are those individuals who are the Founders or “Pure Entrepreneurs”: founders of the business. They are the ones who conceptualize a business plan and then put in efforts to make the plan a success.
- Second-generation operators of family-owned businesses: They are the individuals who have inherited the business from their fathers and forefathers.

- Franchisees: Franchisee has been derived from a French word which means free. It is a method of doing business wherein the parent owner (the franchiser) licenses his trademarks and tried and proven methods of doing business to a franchisee in exchange for a recurring payment. Here, the franchisee has not conceptualized the business but has invested his money and time in the business.
- Owner-Managers: When a person buys a business from the founder and then invests his time and resources in it he is called the owner-manager. Like Sabeer Bhatia is the founder entrepreneur of Hotmail, whereas Microsoft's Bill Gates became its owner-manager after buying it for \$400 million.

Classification based on Personality Traits and their Style of Running Business

- The Achiever: These types of entrepreneurs have personal desires to excel. The only drive that pushes them is the desire to achieve something in life, the desire to make a mark in society, the desire to prove their excellence. No matter how many hurdles come in their way, they are totally determined. They do not need any external stimulus but are self-driven. Their characteristics can be termed as achievement personified. They can rightly be called go-getters. This personality often will cause them to build their business around their own personal brand. These entrepreneurs have dreams and dare to fulfill their dreams.
- The Induced Entrepreneur: These types of entrepreneurs are induced by some external factors to start a business. The external factors could be like supporting government policies, unemployment, family support, facilitating institutional support, etc. These types of entrepreneur turn out to be more realistic in their approach. For instance, when the government announced subsidies, tax rebates and financial support to small scale industries, several entrepreneurs started their business as SSIs.
- The Idea Generator: These kinds of entrepreneurs are highly creative people who are always in search of innovative ideas for setting up new business ventures. They have the ability to sense the demand much ahead of others.
- The Real Manager: The real managers run the business in a systematic manner. They analyze business situations, assess the demands of future, both in terms of opportunities and threats and then take actions based on the above assessments. They believe in incremental changes rather than radical transformations.

- The Real Achievers: The real achievers are full of life. They are looking for the achievement of not even their own goals but also of people associated with themselves like employees, suppliers and distributors.

Classification based on the Type of Business

- Industrial Entrepreneur: Industrial entrepreneur is an entrepreneur who is into manufacturing of a product. He identifies the needs and wants of customers and accordingly manufactures products to satisfy these needs and wants. It would include all the entrepreneurs essentially into manufacturing.
- Trading Entrepreneurs: Trading entrepreneur is one who undertakes trading activities (buying and selling of goods and services) and is not concerned with the manufacturing of products. He identifies potential markets, stimulates demands and generates interests among buyers to purchase a product.
- Corporate Entrepreneur: Corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking (which is registered under some statute or act that gives it a separate legal entity).
- Agricultural Entrepreneur: Agricultural entrepreneurs are those entrepreneurs who undertake business related to agricultural activities. Like farm equipments, fertilizers and other inputs of agriculture. They provide supportive products that can increase the agricultural production through biotechnologies, mechanization and improvement in agricultural yield.

Classification based on the Stages of Development

- First Generation Entrepreneur: A first-generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator combining different technologies to produce a marketable product or service.
- Modern Entrepreneur: A modern entrepreneur is one who undertakes business to satisfy the contemporary demands of the market. They undertake those ventures which suit the current socio-cultural trends.
- Classical Entrepreneur: A classical entrepreneur a stereo-type entrepreneur is one whose aim is to maximize the economic returns at a level consistent with the survival of the firm, with or without element of growth.

Entrepreneur vs. manager

The terms Entrepreneur and Manager are considered one and the same. But the two terms have different meanings. The following are some of the differences between a manager and an entrepreneur.

- The main reason for an entrepreneur to start a business enterprise is because he comprehends the venture for his individual satisfaction and has personal stake in it whereas a manager provides his services in an enterprise established by someone.
- An entrepreneur and a manager differ in their standing, an entrepreneur is the owner of the organization and he bears all the risk and uncertainties involved in running an organization whereas a manager is an employee and does not accept any risk.
- An entrepreneur and a manager differ in their objectives. Entrepreneur's objective is to innovate and create and he acts as a change agent whereas a manager's objective is to supervise and create routines. He implements the entrepreneur's plans and ideas.
- An entrepreneur is faced with more income uncertainties as his income is contingent on the performance of the firm whereas a manager's compensation is less dependent on the performance of the organization.

Intrapreneur vs. Entrepreneurs

Meaning of Intrapreneur:

“A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation”

- Entrepreneurs provide the spark. Intrapreneur keep the flame going.
- Entrepreneurs are found anywhere their vision takes them. Intrapreneur work within the confines of an organization.
- Entrepreneurs face many hurdles and are sometimes ridiculed and riddled with setbacks. Intrapreneurs may sometimes have to deal with conflict within the organization.
- Entrepreneurs may find it difficult to get resources. Intrapreneurs have their resources readily available to them.
- Entrepreneurs may lose everything when they fail. Intrapreneurs still have a paycheck to look forward to (at least for now) if they fail.

- Entrepreneurs know the business on a macro scale. Intrapreneurs are highly skilled and specialized.

Entrepreneurial Decision Process

Entrepreneurial Decision Process is about deciding to become an entrepreneur by leaving present activity i.e. a movement from the present lifestyle to forming a new enterprise. The decision to start a new company occurs when an individual perceives that forming a new enterprise is both desirable and possible.

The decision to become an entrepreneur to start a new business consist of several sequential steps:

1. The decision to leave a present career or lifestyle (Pushing and pulling influences active in the decision to leave a present career or lifestyle)
2. The decision about desirability of new venture formation i.e. the aspects of a situation that make it desirable to start a new venture and this relates to culture, subculture, family, teachers and peers.
3. The decision about possibility of new venture formation i.e. factors making it possible to create a new venture like government, background, marketing, financial, role models.

Role of Entrepreneurship in economic development

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy are discussed in a systematic and orderly manner as follows.

(1) 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. Such types of entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(2) Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

(3) Promotes Balanced Regional Development:

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

(4) Reduces Concentration of Economic Power:

Economic power is the natural outcome of industrial and business activity. Industrial developments 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, which will help reduce the concentration of economic power amongst the population.

(5) Wealth Creation and Distribution:

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

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

Entrepreneurs are always on the 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. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

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