

***“Industrialisation is an ongoing process which accelerates economic growth and induces social change.”***

## CHAPTER 1

# INTRODUCTION

### In Perspective

The success of India's economic progress is closely linked to its capabilities to manufacture and export quality products in a highly competitive global market. In fact, the changing business scenario in India is influenced by three driving forces — customer, competition and change. The objective of the economic reforms that were initiated in India was to move the economy into a higher growth plane by relying more on market-oriented process.

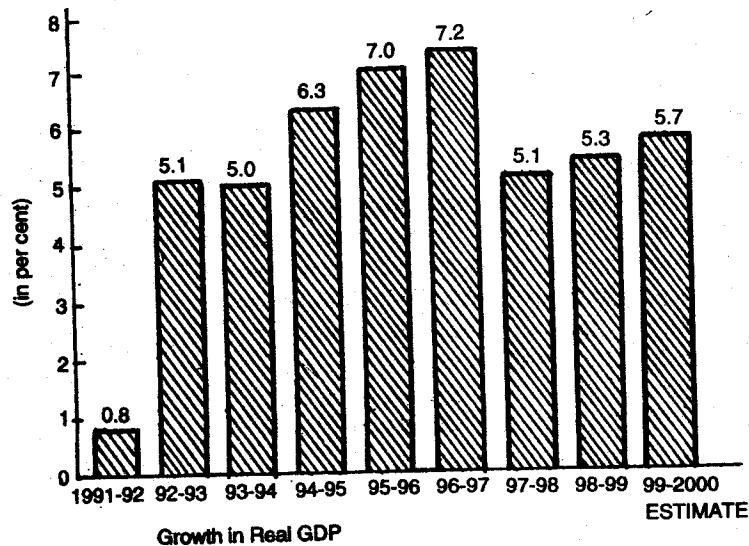


Fig. 1.1

The process of socio-economic change is an intrinsic part of human civilization. Man has been striving ceaselessly to discover the secrets of nature and thereby benefit immensely in creating a peaceful, rich life for himself and his fellow-beings. Man has

benefited by agricultural, industrial and information activities. According to J. K. Galbraith, there are three types of economic development that are currently in vogue. These are symbolic modernisation, maximised economic growth and selective growth. Economic growth is the *sine qua non* of change and better living standards. Over the years, a middle-of-the road social democratic thinking is becoming consolidated.

### **Economic Reforms**

The economic reforms initiated in 1991 have had an invigorating effect on various sectors of the economy which is now poised for accelerated growth in the years to come. Industrial production has picked to an impressive rate and in fact is a major contributor to the high growth rates of GDP. Progress have to be made slowly and steadily, but we must continue to move towards transparency, quality awareness and Total Quality Management. If Indian industry is to be globally competitive, then the liberalisation process has to be sustained over the next decade.

### **Sustained Economic Growth**

The primary objective of developing countries like India is to achieve rapid, balanced and sustained rate of economic growth. Hence, efforts are directed towards the creation of conditions in which a fast development of productive resources can take place. This inevitable necessitates the transformation of social and economic structures which will not restrain the potential productive forces and inhibit the development of resources. The state has, therefore, to devise efficient and effective political, economic, social, technological and cultural strategies so as to ensure a desirable co-ordination of all sectors of the economy and assure deliberate and requisite interest and involvement of the people. With this approach social change can be achieved. This is largely secured by adopting politically the technique of planning and, economically, the tool of management. Country after country in the underdeveloped world is progressively and intensively resorting to liberalised privatised globalised and market-oriented economy and to a restructured and neo-cultured society.

### **Economic Development**

Economic development, if conceived without appropriate social changes, soon becomes stultified and stagnated. Comprehensive national planning is increasingly becoming an instrument of socio-economic transformation in developing countries. Planning delineates strategies. It also determines policies consistent with the political philosophy of the party in power. There seems, however, nothing like universal precepts of planning, though concepts of planning are emerging with experience gained all over the world. One does not naturally observe a uniform approach to planning. There is bound to be as much diversity in national planning, as multiplicity of political philosophies and dissimilarity in the state of economies.

### **Objectives of Planning**

There would, however, be no two opinions on the basic objective of planning. Planning must impart dynamism to the process of development. In different developing countries, diverse economic systems exist. Despite the apparent similarities between the different economies, they are at various stages of development. Furthermore, different regions and sub-regions in the same country are also not at the same levels, economically,

socially, technologically and culturally. Dissimilarities are wide. The process of planning in one and the same country, therefore, tends to be very complex and, at times, beset with formidable problems obstructing the process of rapid, balanced and sustained economic development. It is, thus, becoming patently evident that planning to become a potent tool and an effective technique of economic development must descend from the olympian altitudes of the national level to the low lands of the regions. Formulation of development plans can be all-inclusive and well-integrated only at the regional and the sub-regional level. Every region and sub-region, due to its distinctive character, demands a special treatment. It is relatively easy and simple to accelerate production, stimulate consumption and motivate transformation of economic and social structure at the regional and sub-regional level, particularly in a vast and diverse country like India. Some of our states and regions are as big as nations. If the creation of conditions facilitating rapid growth of physical and human productive resources is the aim of planning, the peculiarities of the region and sub-regions have to be taken into account — perhaps more than the points of similarity. Rapid and balanced economic development presupposes co-originated and deliberate activity in all sectors of the country.

### **Public Response**

In a country like India, economic development must be consistent with the principles of democracy, ensuring that the economic tasks will be in full accord with the interests of humanity, ground for ages in chronic and abysmal poverty. Poverty has killed interest, initiative and enterprise. The greatest social tragedy in a poor country is the loss of will. There is an urgent need to overcome economic backwardness and cultural weakness and to promote their social and intellectual advance. The challenge to developmental planning in countries like India lies in laying down firm material foundations for a more equitable, equal and egalitarian society. This is possible when backwardness of regions and sub-regions is clinically examined and correctly diagnosed. Prescriptions need be written on the basis of social psychology and economic pathology of the regions and sub-regions and medication, nursing as well as nourishment be provided to gain economic strength and infuse 'development will.' The success of planning is closely linked with the readiness with which the people respond to the demand of economic progress. Rapid economic development is largely dependent on the degree of popular response, and the intensity of this response indicates the extent of development which will be generated in the community or the region concerned. The first task, therefore, is to stimulate and arouse the people to action aimed at improving their lot by undertaking productive, economic activity. Such an awakening will facilitate numerous changes in the social and economic fabric of the region concerned and will also catalyse structural transformation. The process of regional and sub-regional development is triggered off by combining all aspects of economic development into meaningful policies, quantified targets and viable programmes. It must be appreciated that planning goes beyond purely economic factors.

### **Laws of Dynamics of Economic Development**

*(i) 'Economic development is organically related to the impulse of change, reflecting the developmental urge of the society for self-reliance and willingness to observe rigorous discipline'.*

This is a social law. This explains why there is no economic development in a particular society — regional, national or continental. The impulse to change must lead to action aimed at becoming self-reliant as quickly as possible. Self-reliance demands observance of a rigorous discipline. An urge for development, efforts towards self-reliance and a sense of discipline are the three important elements in the social law of dynamics of economic development.

*(ii) Economic Development is quickened with the degree of appropriate and intimate relationship established between and/or among competing claims, of various apparently conflicting objectives.*

This is a political law. With the growing consciousness, undeveloped and under-developed sectors clamour for and claim priority in development plans. Fixing of sectoral priorities and deciding the rate of progress at a given time are political decisions. The conflicting claims are to be resolved by the political leadership of the country by weaving them into supplementary and complementary relationships so as to minimise, if not entirely neutralise, their dissipating influence. The economic statesmanship of a national political leadership is displayed in harmonising the conflicting claims for economic development sectorwise, section-wise and region-wise.

*(iii) Economic development depends upon the ability to restructure the economy with the identification of and the insistence on the economies of scale and the operational choices of technologies, resolving to the highest degree possible, the seeming or real conflict of capital versus labour.*

This is a technological law. Economy must be restructured, if it is to be balanced and self-sustained. There are economies of scale. It is the economies of scale which should determine the scale of economy. The relationship between large and small-scale industry sectors should progressively settle down on this teleological basis. Technologies change constantly in modern scientific age and consequently, even the economies of scale undergo corresponding changes. This re-adjustment in the large and small-scale industries should be painlessly brought about. So also, the capital-intensive and labour-intensive operations ought to be carefully sorted out, categorised and communicated to the entrepreneurs and managers for compliance. For instance, capital-intensive techniques should give way to labour-intensive techniques in economies where labour is abundant; but this may not apply rigidly to all spheres of the economy.

*(iv) Economic development takes place in proportion to the administrative calibre and motivation and in the direction of the comprehensive infrastructural facilities — social, educational, fiscal, financial, technical, distributional, medical, logistical and others.*

This is an administrative law. Developmental plans founder due to administrative inadequacies and procedures. Demands of development planning outstrip the administrative capabilities — not so much in terms of talent but of skills. For economic development, the administration needs to know and be in tune with developmental processes, techniques and will. The administration must be fully involved and committed to development. It must be motivated so as to feel that it has the highest stake in the participation and execution of the programmes of development. Furthermore, the

administration should not forget that economic development is something like a living being. It tends to move in the direction of and relishes to thrive in the location, where comprehensive infrastructure exists or is shortly expected to exist. Again, economic infrastructure and fiscal/financial benefits are not enough. Man brings about development. Economic developmental facilities, without doubt, need be provided. But, many more amenities expected by the modern man are also required to be created. This naturally leads to identification of the growth centres, which when furnished with a comprehensive infrastructure, would initiate industrial and productive activities in ever-widening circles round the potential epicentre.

*(v) Economic development originates and fosters in relation to the strength and health of the local entrepreneurship and depends on the rate of its generation and equally to the intensity of its sense of social responsibility, its innovation quotient and its index of managerial capabilities.*

This is an entrepreneurial law. It is the entrepreneur who powers the process of economic development. The strength of an economy is in one way the strength of the entrepreneur class in the society. Mere mercantile entrepreneurship has different attributes and thrives in an entirely different atmosphere. It has to be cultured systematically in the under-developed regions and sub-regions. The higher the rate of genuine industrial and innovative entrepreneurship, faster will be the rate of economic growth. Entrepreneurship must also acquire new managerial skills. Entrepreneurial density, innovative propensity and managerial capability in the society in a particular period determine the character and future of economic development.

*(vi) Economic development is decisively dependent on the state of the balance of trade.*

This is a commercial law. Adverse balance of trade position restricts the development process, particularly in underdeveloped countries importing machinery, raw materials, know-how and even experts. Favourable balance of trade provides considerable latitude in the choice of imports and in the source of imports. International trade brings economic strength and techno-economic self-reliance. Again, mere exports outgrowing imports is not necessarily a sign of commercial strength. Composition of imports and exports is of great importance in this context. Commodities and unprocessed minerals may earn a fairly good amount of foreign exchange for the country; but the share of manufactured goods in the total exports of the country will indicate the degree of industrial progress and strength achieved by that country. While attempting to balance exports with imports, effort should be made to constantly expand the contribution of the manufacturing sector to national exports.

*(vii) Economic development is directly related to the rate of national savings and of national investment in conformity with national priorities and real needs, based on social justice, economic stability and national security.*

This is a financial law. The countries and communities in which the rate of savings is high and where savings are institutionalised and thus made available for investment in productive activities according to the national priorities, are without doubt advancing faster.

Economic stability leads to increased savings. Stability cannot be ensured without growth. In fact, growth and stability can be said to be synonymous terms. National investment must also ensure national security. This is possible if ample investable funds would be available at reasonable rates of interest for desirable productive purposes. It is, therefore, necessary to ensure an adequate rate of savings and institutional investment for productive activities. Mobilisation of public savings is possible when adequate incentives are provided.

The techniques of planning may have to be based on these laws of dynamics of economic development. Their ignorance or non-compliance is likely to retard and restrict the process and pace of economic development, which all the developing communities and countries cherish. Development is essentially a matter of social and economic management. In India the emphasis was and still is largely on the economic aspect rather than on the social. If the social motivation is taken care of, economic development will begin to take care of itself. Perhaps our planners need this advice. But will they heed?

#### **Trends in Economic Development**

There are twelve major trends affecting the direction of economic development:

1. Technology as a resource
2. Competition in domestic and international markets
3. The role of invention
4. Government as stimulator
5. Entrepreneurial and Intrapreneurial development
6. Innovative capital formation
7. Active financial sector
8. Innovative entrepreneurship
9. Progressive management
10. Quality as a goal
11. Supremacy of the customer.
12. Collaborative relationships

Technology is more than a thing, stratagem or even a process. It is a self-generating resource that is not consumed in the process of use. Consequently, it is an important form of economic wealth.

Competition is forcing a reassessment of our individual and collective responses to the marketplace. Fierce domestic and international competition for scientific, technological, and economic pre-eminence, forcing communities and regions to leverage all their resources — human, technological and financial — to compete effectively for vibrant and diversified economies.

The countries are experiencing an unprecedented burst of invention. Myriad technological advances are occurring with incredible speed and frequency. The ability to commercialize these inventions will have direct and immediate economic consequences.

The governments are trying to find positive non-interventionist approaches to encouraging entrepreneurship and technological diversification. They seek to create jobs, provide benefits to the small business sector, and forward technology. The creation of an environment that promotes entrepreneurial activity has become a more important focal point in the government's policy on development.

People with raw energy and a proclivity for risk-taking built and sustained the countries. They are continuing to build it today — in new ways and with new approaches. These entrepreneurs and intrapreneurs are breaking tradition and providing a dynamic source of creative and innovative enterprises.

Innovative capital formation is providing the catalyst for the entrepreneurial process. Mechanisms for providing seed capital and venture capital as well as an expanding venture capital industry are helping to build new ventures. If the entrepreneurial process is to succeed, it is essential to continue to support and expand the formation of capital and its innovative utilisation in new business development.

Finally, creative collaborative relationships being formed between business, government, and academic are forging opening new opportunities for commercialisation and thus accelerating the technology transfer process.

### **Man — A Crucial Factor in Development**

The absence of universal precepts of planning should not worry any planner unduly, because it is still possible to enunciate the basic laws that motivate economic development, drawing on the experiences of planning under different political systems. These should hold good in all economies and for all countries at any time. There is something which can be described as the laws of dynamics of economic development. If they are respected while planning and complied with while implementing, the process of economic development may not prove to be unfruitful and wasteful. Like the laws of nature, these laws of dynamics of economic development are inexorable and the degree of alienation with them will render planning unsuccessful. These laws embrace various aspects of the process of planning. As has been emphasised above, economic development is a multi-lateral and multi-directional movement. In fact, economic developmental potential remains a dormant asset due to the undeveloped or underdeveloped economic man. Man is much more crucial to development than other economic factors. As such, when man plans to initiate change, economic development rolls on. Other factors are ancillary, though quite necessary. Sufficiency of other resources, without the necessary human "development will" does not lead us anywhere. Resources to be developed may exist in plenty but if development-linked human minds are absent, hardly any economic development will take place. So, the creation of the development will is the key factor which engines the economic progress. Once such a will emerges, it is necessary to see that the laws are corrected and co-ordinated action is planned, and whatever is planned is well executed. A humble attempt has been made below to present the seven laws of dynamics of economic development, as they are quite relevant to the regional and sub-regional planning contemplated in India at present.

### **Human Resources**

While the availability of industrial resources is an important advantage for development through industrialisation, responsive human resources are the major conduit for the development and upgrading of technology. After all, the human factor is the greatest factor in the process of its own development.

Among the inputs that go into industrial development, such as capital, industrial resources, scientific research and human resources, social scientists emphasize the last-named factor as the most significant for achieving rapid industrialisation. The human factor consists broadly of individuals with a reasonable level of general education and skills in specific areas. While human skills include manufacturing, technical, supervisory, managerial, administrative and entrepreneurial competence, it is the entrepreneurial quality which is a key ingredient. It often sets the limit to the degree of industrial development and the speed with which it can be achieved in a particular country or region.

### **Lack of Entrepreneurship**

Lack of entrepreneurship inhibits the process of industrialisation in the newly-developed countries. Although there is not such thing as a zero level of entrepreneurship, it is well recognised that entrepreneurs can be developed through appropriately-designed Entrepreneurship Development Programmes (EDP). These programmes broadly consist of three distinct stages: firstly, that of developing achievement motivation, and sharpening entrepreneurial trait and behaviour; second, that of project planning and development; and at the third stage, guidance is provided on industrial opportunities, incentives and facilities, rules and regulations and the development of managerial and operational capabilities. With the growth of technical manpower, it is necessary to organise entrepreneurship development programmes on a wider canvas to attract potential entrepreneurs to small business. While doing so, the characteristics of an entrepreneur have to be kept in the view.

Broadly, they are as follows:

- Development in any walk of life has always depended on individual qualities of entrepreneurship. A study of human history shows ample evidence of the role of individuals in the process of development.
- Industrial development in almost all countries has always started with individual enterprises.
- Even huge multinational and national corporations have mostly received their inspiration from one or a few individuals.
- In the case of small industries, the project is usually centred around a single individual.
- Small enterprises are mostly initiated, managed and developed by one or a few individuals.
- Qualities of entrepreneurship constitute one of the major resources in the promotion of an enterprise.



- An entrepreneur is someone who ventures out; prefers change as a means of growth; and is prepared to take calculated risks.
- While taking a risk, the entrepreneur is aware of the possibilities of success as well as the consequences of failure.
- He analyses the pros and cons carefully before making decisions.
- He is involved in the planning activities, both before and after the decision to start the enterprise.
- He is motivated by an urge to make a success of the project.
- He proceeds to accept the situation as a challenge.
- He equips himself with all the necessary tools.
- He is persistent and is full of perseverance for making a success of himself.
- Entrepreneurship is a product of interaction among a number of factors. Some of these factors are in the individual (psychological) and the rest are in the social, cultural and economic milieu.

In brief the ingredients for a successful entrepreneur are:

- He is confident in facing challenges and is eager to achieve.
- He identifies the product.
- He plans for a venture.
- He selects the technology commensurate with the means available and tuned to the social and economic environment.
- He is eager to improve quality.
- He is able to manage men and material.
- He finds markets.
- He is innovative.
- He is progressive.
- He always strives to climb up.
- He always imbibes new technology for improvement.
- He always strives for modernisation, diversification.
- He is well-informed.
- He strives to meet the changing needs of the customer or hold customer as king.

In India, a large number of institutions and organisations are engaged in the development of entrepreneurship, resulting in the speedy growth of industrial ventures.

The example of India is fascinating. During its First Five Year Plan, technical education was given importance. Industrial training institutes for low-level semi-skilled workers, polytechnics and prototype development and training centres for skilled workers and supervisors, engineering colleges for managers and institutes of technology for the higher managerial group, were established all over the country. This resulted in India becoming the third largest technical power.

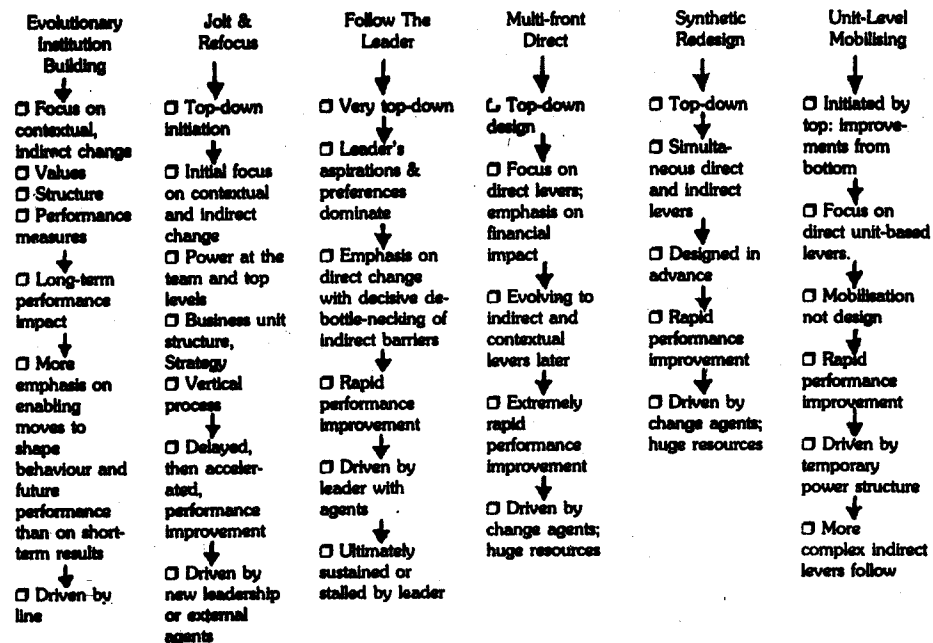
### Sustaining Momentum of Change

The dynamics of change have wider implications. It is a continuous process. And, changes inside and outside the enterprise/organisation can move the goal posts.

Transforming an enterprise is not a science: there are no formulae for success. The enterprises studied were not following some masterplan; indeed, much of what the entrepreneur did was intuitive, almost an art form. Examining their experience yields valuable insights into creating a strategy that will realise the promise of transformation. By viewing an enterprise from three perspectives — how performance needs to change and how fast; a leader's aspirations and preference; and the sources of energy available to drive the change — we can gain insight into what strategy will work.

A successful strategy demands effective execution. Choose initiatives that link the sources of energy to the right performance levers. Grouping initiatives into four basic types — executive de-bottlenecking decisions, direction-setting or redesign task teams, mobilising and communicating and coaching — helps simplify the choice. Then, be sure to exploit the interdependent dynamics of the initiatives to keep the change moving ahead.

### CHANGE STRATEGY: CHARACTERISTICS



### Conclusion

Industrialisation is one of the important means to usher in economic and social transformation in the developing countries. More so when agriculture cannot sustain the burden of the population growth, it is the industry and service sectors which have shoulder the responsibility to sustain as well as, accelerate the pace of growth. So industrialisation is indispensable for survival and growth.

Industrialisation results from the interaction of technological change, innovation, entrepreneurial growth, specialisation and trade. Good transportation and efficient communication system and an educated labour force help promote the rapid development of industries. Well-defined rules reduce the costs of transactions as specialisation increases and economies become more complex.

### INDEX OF INDUSTRIAL PRODUCTION

(Percentage growth rates)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1997-98
Total Industry	8.20	0.60	2.30	6.00	9.30	12.40	6.40
Basic Goods	3.80	6.30	2.60	9.40	5.30	9.00	7.80
Capital Goods	17.40	-12.80	-0.10	-4.10	24.90	20.40	2.00
Intermediates	6.10	-0.70	5.30	11.70	3.70	10.30	7.70
Consumer Goods	10.40	-1.80	1.90	4.00	8.70	12.90	5.71
Durables	14.80	-12.50	-0.70	16.10	10.20	38.00	7.80
Non-Durables	9.40	1.20	2.50	1.30	8.40	6.60	3.60

Source: India Development Report, 1998.

### INDEX OF INDUSTRIAL PRODUCTION

(Base: 1993-94)

	Weight (%)	Apr. 1998	Mar. 1998	June 1998	July 1998	Aug. 1998	Se 1998	Oct. 1998	Nov. 1998	Dec. 1998
Mining	10.47	113.3	119.0	117.0	119.0	115.0	108.0	117.0	120.0	127.0
Manufacturing	79.36	141.3	140.1	139.9	140.4	140.6	142.2	138.2	146.5	154.0
Electricity	10.17	137.5	141.5	135.0	137.2	13.5	128.2	129.3	133.2	142.4
Basic goods	35.51	128.3	135.3	130.7	133.1	132.3	125.4	128.8	130.9	137.9
Capital goods	9.69	131.1	124.8	134.1	128.3	134.1	149.4	135.4	135.8	139.3
Intermediated goods	26.44	148.6	149.2	152.2	155.3	154.6	152.7	149.1	156.8	158.6
Consumer goods	28.36	142.7	135.6	131.7	130.8	129.6	133.2	129.7	145.5	160.7
Consumer durables	5.12	153.4	158.2	156.2	155.2	160.7	173.2	171.0	165.7	173.5
Consumer non-durables	23.25	140.3	130.6	126.3	125.4	122.7	124.4	120.6	141.0	157.9
General	100.00	138.0	138.0	137.0	137.8	137.6	137.2	135.1	142.4	150.0

Source: CMIE, February, 1999

Large industrial units and business houses also play an important role in developing and sustaining new entrepreneurship. For, it should be noted that while the growth of entrepreneurship in India in the last 25-30 years have been remarkable, entrepreneurship is still a comparatively scarce factor in India, as indeed in all developing countries. In spite of our fairly good economic progress, India is one of the poorest countries in the world. On the other hand, our natural and human resources are such that we can be a fairly prosperous country. So, what we require is more entrepreneurship on the part of the government and the private sector.

*Entrepreneurship is a core sector which can be developed in a big way. What with so many technological and management institutes in India, it should not be difficult*

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*to develop thousands of entrepreneurs every year.* In this connection, economic policies of the government can leave an important impact on the growth of entrepreneurship. Sometimes, the government gives the impression that the private sector will only be tolerated. This impression should be removed and there must be a formal recognition of the fact that in a country like India, we require entrepreneurship at various levels and of various sizes — Central Government, State Government, large, medium and small private sector units and also foreign entrepreneurship.

The entrepreneurship development movement in India had received significant attention; this is borne out by the fact that the small manufacturing enterprises have made phenomenal progress during the last three decades and today occupy an important position in the industrial economy of India.



## UNIT 1

# ENTREPRENEURSHIP

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### **Entrepreneurship**

The words *entrepreneur*, *intrapreneur* and *entrepreneurship* have acquired special significance in the context of economic growth in a rapidly changing socio-economic and socio-cultural climates, particularly in industry, both in developed and developing countries. The experience in the industrialised countries like the United States of America, Germany, Japan and the United Kingdom are authoritatively cited in support of this claim. An in-depth study of the subject thus becomes not only relevant but also necessary.

Entrepreneurial development is a complex phenomenon. Productive activity undertaken by him and constant endeavour to sustain and improve it are the outward expression of this process of development of his personality. Such process is crystallisation of social milieu from which he comes, family imbibes, make-up of his mind, personal attitudes, caste system, educational level, parental occupation, and so on.

An entrepreneur is one of the important segments of economic growth. Basically he is a person responsible for setting up a business or an enterprise. In fact, he is one who has the initiative, skill for innovation and who looks for high achievements. He is a catalytic agent of change and works for the good of people. He puts up new green-field projects that create wealth, open up many employment opportunities and leads to the growth of other sectors.

### **Who is an Entrepreneur?**

The entrepreneur as a person brings in overall change through innovation for the maximum social good. Human values remain sacred and inspire him to serve society. He has firm belief in social betterment and he carries out this responsibility with conviction. In this process, he accelerates personal, economic as well as human development. The entrepreneur is a visionary and an integrated man with outstanding leadership qualities. With a desire to excel, he gives top priority to Research and Development. He always works for the well-being of the society. More importantly, entrepreneurial activities encompass all fields / sectors and fosters a spirit of enterprise for the welfare of mankind.

### **Urges of an Entrepreneur**

An urge to exercise power over things and objects persists among all human beings. The urge may vary in degree from person to person. This urge is an intrinsic quality of an entrepreneur. Sociologists consider him as a sensitive *energiser* — in the modernisation

of societies. The psychologists look upon him as an “*entrepreneurial man*”, his motivations and aspirations as conducive to development. Political scientists regard him as a leader of the system. To economists, he is a harbinger of economic growth. In all he combines entrepreneurial drive with leadership and innovativeness.

The entrepreneur is a critical factor in the socio-economic change. He is the key person who envisages new opportunities, new techniques, new lines of production, new products and co-ordinates all other activities.

#### **Importance of an Entrepreneur**

The Entrepreneur is one of the most important inputs in the economic development of a country or of regions within the country. 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.

The need for a broad-based entrepreneurial class in India arises from the need to speed up the process of activating the factors of production, leading to a higher rate of economic growth, dispersal of economic activities, development of backward and tribal areas, creation of employment opportunities, improvement in the standard of living of the weaker sections of the society and involvement of all sections of the society in the process of growth.

Several factors go into the making of an entrepreneur. Individuals who initiate, establish, maintain and expand new enterprises constitute the entrepreneurial class. The socio-political and economic conditions, the availability of industrial technology and know-how, state of art and culture of business and trading, existence of markets for products and services and the incentives and facilities available for starting an industry or business, all have a bearing on the growth of entrepreneurship. A conducive environment is created through the policies and interest of the government in economic and industrial development.

#### **Entrepreneurial Behaviours**

- ◆ grasping opportunity
- ◆ taking initiative
- ◆ solving problems creatively
- ◆ managing autonomously
- ◆ taking responsibility for, and ownership of, things
- ◆ seeing things through
- ◆ networking effectively to manage interdependence
- ◆ putting things together creatively
- ◆ using judgement to take calculated risk.

#### **Entrepreneurial Attributes**

- ◆ achievement orientation and ambition
- ◆ self confidence and self esteem
- ◆ perseverance
- ◆ high internal locus of control (autonomy)

- ◆ action orientation
- ◆ preference for learning by doing
- ◆ hard-working
- ◆ determination
- ◆ creativity

#### **Entrepreneurial Skills**

- ◆ creative problem-solving
- ◆ persuading
- ◆ negotiating
- ◆ selling
- ◆ proposing
- ◆ holistically managing business/projects/situations
- ◆ strategic thinking
- ◆ intuitive decision-making under uncertainty
- ◆ networking

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***"A good entrepreneur is one who is capable of inspiring confidence in people, and has the ability to motivate them to work with him in fulfilling the economic goals set by him."***

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## CHAPTER 2

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# DEFINITIONS AND STRUCTURE

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### **Introduction**

The entrepreneur is an important input of economic development. He is a catalyst of development; with him we prosper, without him we are poor. In this chapter, we discuss the definitions and structure of entrepreneur.

### **Definition of an Entrepreneur**

The term "entrepreneur" is defined in a variety of ways. Yet no consensus has been arrived at on the precise skills and abilities that make a person a successful entrepreneur.

The concept of entrepreneur varies from country to country as well as from period to period and the level of economic development thoughts and perceptions. A review of research done in different disciplines over the years would improve our understanding of the concept of entrepreneur.

The word 'entrepreneur' is derived from the French verb *entreprendre*. It means "to undertake." In the early 16th century, the Frenchmen who organised and led military expeditions were referred to as "entrepreneurs." Around 1700 A.D., the term was used for architects and contractors of public works.

Bernard Belidor applied it to the function of buying labour and material and uncertain prices and selling the resultant product at contracted price.

Quesnay regarded the rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence, skill and wealth.

In many countries, the entrepreneur is often associated with a person who starts his own new and small business. Business encompasses manufacturing, transport, trade and all other self-employed vocations in the service sector. But not every new small business is entrepreneurial or represents entrepreneurship.

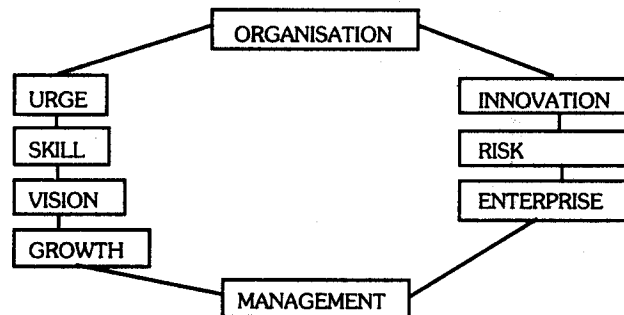


Fig. 2.1 Basics of an Entrepreneur

The term “entrepreneur” was applied to business initially by the French economist, Cantillon, in the 18th century, to designate a dealer who purchases the means of production for combining them into marketable products. Another Frenchman, J.B. Say, expanded Cantillon’s ideas and conceptualised the entrepreneur as an organiser of a business firm, central to its distributive and production functions. Beyond stressing the entrepreneur’s importance to the business, Say did little with his entrepreneurial analysis.

According to J.B. Say, an entrepreneur is the economic agent who unites all means of production, the labour force of the one and the capital or land of the others and who finds in the value of the products his results from their employment, the reconstitution of the entire capital that he utilises and the value of the wages, the interest and the rent which he pays as well as profit belonging to himself. He emphasised the functions of co-ordination, organisation and supervision. Further, it can be said that the entrepreneur is an organiser and speculator of a business enterprise. The entrepreneur lifts economic resources out of an area of lower into an area of higher productivity and greater yield.

*The New Encyclopaedia Britannica* considers an entrepreneur as “an individual who bears the risk of operating a business in the face of uncertainty about the future conditions.” Leading economists of all schools, including Karl Marx have emphasised the contribution of the entrepreneurs to the development of economies, but Joseph Schumpeter who argues that the rate of growth in an economy depends to a great extent on the activities of entrepreneurs, has probably put greater emphasis on the entrepreneurial function than any other economist.

As Professor Jan Tinbergen points out: “The best entrepreneur in any developing country is not necessarily the man who uses much capital, but rather the man who knows how to organise the employment and training of his employees. Whoever concentrates on this is rendering a much more important service to his country than the man who uses huge capital.”

#### Schumpeter’s Definition of Entrepreneur

Joseph A. Schumpeter thus writes: “The entrepreneur in an advanced economy is an individual who introduces something new in the economy — a method of production not yet tested by experience in the branch of manufacture concerned, a



product with which consumers are not yet familiar, a new source of raw material or of new markets and the like." He further states the entrepreneur's function is to "reform or revolutionise the pattern of production by exploiting an invention or more generally, an untried technological possibility for producing a new commodity...."

Briefly, an entrepreneur is one who innovates, raises money, assembles inputs, chooses managers and sets the organisation going with his ability to identify them. Innovation occurs through (1) the introduction of a new quality in a product, (2) a new product, (3) a discovery of a fresh demand and a fresh source of supply and (4) by changes in the organisation and management.

In the case of a developing economy like India, the concept is being understood differently. An entrepreneur in a developing economy is one who starts an industry (old or new), undertakes risk, bears uncertainties and also performs the managerial functions of decision-making and co-ordination. He also puts the new process based on technological research into operation. Even if he imitates any technique of production from a developed economy, he is called an entrepreneur. In point of fact, entrepreneurship in developing economies is one form of labour that tells the rest of labour what to do and sees to it that it gets things done. Unlike in the developed industrial world, emphasis is not put (nor is there any need for it) only on "Schumpeterian innovations" in the case of developing countries.

Schumpeter's entrepreneur only exists if the factors of production are combined for the first time. To him, maintenance of a combination is not entrepreneurial activity. As such, he differs from the theory of Rent enunciated by Ricardo. Ricardo included the term "entrepreneurial ability" as an independent factor of production. To Ricardo, profit is the reward for entrepreneurial ability.

#### **Drucker's Views on Entrepreneur**

Peter Drucker has aptly observed that, "Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned and practised. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation."

Systematic innovation, according to him, consists in the purposeful and organised search for changes and in the systematic analysis of the opportunities such changes might offer scope for economic and social innovation.

According to Drucker, three conditions have to be fulfilled.

1. Innovation at work. It requires knowledge and ingenuity. It makes great demands on diligence, persistence and commitment.
2. To succeed, innovation must build on their strengths.
3. Innovation always has to be close to the market focused on the market, indeed market-driven.

Specially, systematic innovation means monitoring six sources for innovative opportunity.

The first three sources lie within the enterprise, whether it be a business or a public service institution or within an industry or service sector. They are therefore, visible primarily to people within that industry or service sector. They are basically symptoms. But they are highly reliable indicators of changes that have already occurred or can be made to occur with little effort. These four source areas are:

1. The unexpected — the unexpected success, the unexpected failure, the unexpected outside event.
2. The incongruity — between reality as it actually is and reality as it is assumed to be or as it “ought to be.”
3. Innovation in industry structure or market structure that catches everyone unawares.
4. The second set of sources for innovative opportunity, a set of three, involves changes outside the enterprise or industry:
  - \* Demographics (population changes).
  - \* Changes in perception, mood and meaning.
  - \* New knowledge, both scientific and non-scientific.

#### **Walker's Views on Entrepreneur**

According to Francis A. Walker, the true entrepreneur is one who is endowed with more than average capacities in the task of organising and coordinating the various other factors of production. He should be a pioneer, a captain of industry. The supply of such entrepreneurship is however quite limited and enterprise in general consists of several grades of organisational skill and capability. The more efficient entrepreneurs receive a surplus reward over and above the managerial wages and this sum constitutes true profit ascribable to superior talent.

#### **New Concept of Entrepreneur**

The term “entrepreneur” has been defined as one who detects and evaluates a new situation in his environment and directs the making of such adjustments in the economic systems as he deems necessary. He conceives of an industrial enterprise for the purpose, displays considerable initiative, grit and determination in bringing his project to fruition, and in this process, performs one or more of the following:

- (i) perceives opportunities for profitable investments;
- (ii) explores the prospects of starting such a manufacturing enterprise;
- (iii) obtains necessary industrial licences;
- (iv) arranges initial capital;
- (v) provides personal guarantees to the financial institutions;
- (vi) promises to meet the shortfalls in the capital; and
- (vii) supplies technical know-how.

#### **Some Observations**

The term “entrepreneur” has now been attributed to all small industrialists, small business, traders and industrialists. All people who are gainfully engaged in work —

manufacturing, distribution or service and other sectors are called entrepreneurs. Again, even the founder creator and risk-taker are called entrepreneurs. Each of these terms focus on some aspect of entrepreneurs. They have some attributes, but they are not entrepreneurs in the strict sense. Many successful people have been good at copying and/or imitating others. For example, the first commercial manufacture of two-wheelers is to be called an entrepreneur, who has visualised the importance of two wheelers in modern times for the benefit of the maximum users and all subsequent scores of people engaged in are just imitators. Likewise, a brothel-keeper or a call-girl business organiser cannot be an entrepreneur, though he takes risks, creates a market and gets a reward more than visualised. So also a bootlegger, drug peddler, black-marketer etc. These occupations are not for the social good. They violate business ethics. The term "entrepreneur" is to be understood in its totality and not in a fabricated manner. The term "entrepreneur" can only be understood with a bearing on economic, psychological, sociological, and cultural bearings. The social responsibility is essentially a part of entrepreneurial outlook on life.

Entrepreneurship may be defined in various ways, but the four key elements involved in it are: (i) Innovation (ii) Risk-taking, (iii) Vision and (iv) Organising skill. All the four elements are inter-related and form a continuous process in business. Entrepreneurial vision encompasses the relentless pursuit for operational excellence, innovative technology and being responsive to the needs of the market place.

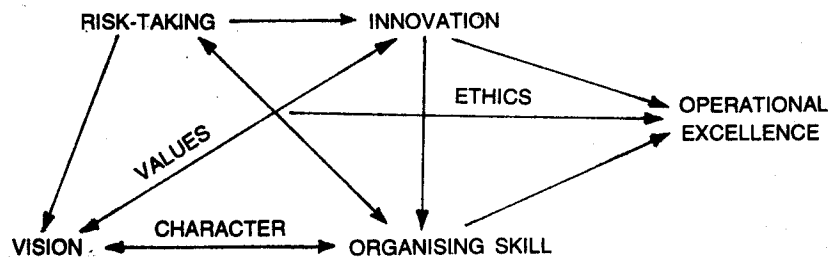


Fig. 2.2 Key Elements of Entrepreneur

### A Classic Example

Since the dawn of civilisation, there have appeared at periodic intervals men who have led mankind shaping the future out of the lessons of the past and the experiences of the present. Visionaries, builders, thinkers, scientists were those who saw ahead of their times and whose presence benefited not only the country, but all mankind. In this illustrious company of uncommon people a special place is occupied by an Indian who was born 155 years ago — Jamesetji Nusserwanji Tata. His inspired vision of modern industrialised India was to sustain economic growth to support freedom.

To breathe life into his dream, he set about to create steel, electric power and scientific-cum-technical education as the vital ingredients of economic growth. Today, the Tata organisation covers a bright landscape in Indian economy. To this day, Jamsetji Tata's industrial philosophy, including his firm belief in the principle of trusteeship, his insistence on absolute standards of integrity and the realisation that to survive and prosper, free enterprise must serve the needs of society, were all remarkably

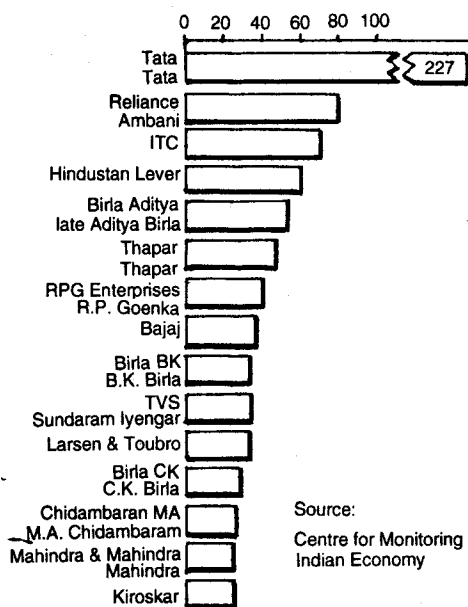
in tune with modern thinking and the ethical and social standards of the most advanced societies of today.

Jamsetji Tata, Jamnalal Bajaj, Laxmanrao Kirloskar, Ghanshyamdas Birla are some of the entrepreneurs in their truest sense.

### A Way of Vast Business

#### Family Businesses

In India, family businesses account for about 70 per cent of the total sales and net profits of the biggest 250 private sector companies. Big families have carved up the big industries. In vehicles, for example, the Tatas make lorries, the Birlas make Ambassador cars, the Bajaj family makes two wheelers and the Mahindras make jeeps. They diversified into any business where they could get a permit to operate. Borrowing, mainly from public sector institutions, was easy, and company law make it simple to control subsidiaries through very small shareholdings. The Tata empire, for example, embraces some 70 companies, making everything from tea to watches, in which the parent company's average stake is rarely above 15 per cent.



**Fig. 2.3 Family ties**  
Leading Indian companies, by sales.  
Family links shown in italics

Source:  
Centre for Monitoring  
Indian Economy

Entrepreneurship is not just a way to increase the level of innovation and productivity of organisations, although it will do that. More importantly, it is a way of initiating vast business so that work becomes a joyful expression of one's contribution to society. The Indian entrepreneur, intrapreneur and/or manager of the 90s have to be moulded in psycho-philosophy rooted in the Indian context and values.

"The crisis in business is spiritual," says Prof. Sitangshu Kumar Chakraborty, "All management ideas till now have been external-directed paradigms, developing behaviour and skills, not character and values. But meaning and richness must flow from mind to work, not the other way. We need a fundamental shift from the current reductionist, fragmentist, materialistic paradigm to one which recognises relationships, consciousness and spirit as the right approach."

The concept of entrepreneur and entrepreneurship incorporates basic qualities of leadership, innovation, enterprise, hard work, vision and maximisation of profits. All his socio-economic, organisational and managerial qualities are always directed towards the well-being of the society and the community. He is committed to progress. He is a catalytic agent of development and change. Personal satisfaction and monetary rewards are blended with social betterment and welfare of mankind.

**Box 2.1****THE ENTREPRENEUR: OTHER DEFINITIONS**

*Quesnay* recognised a rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence and wealth.

*Adam Smith* described entrepreneur as a person who only provides capital without taking active part in the leading role in enterprise.

*Marx* regarded entrepreneur as a social parasite.

*Joseph A. Schumpeter* recognised person who introduces innovation changes an entrepreneur. He treated entrepreneur as an integral part of economic growth. The fundamental source of equilibrium was the entrepreneur.

*Frank Young* describes entrepreneur as a change agent.

*Noah Webster* thinks entrepreneur is one who assumes the responsibility of the risk and management of business.

*Francis A. Walter* observes that the true entrepreneur is one who is endowed with more than average capacities in the risk of organising and coordinating the various other factors of production.

*Peter F. Drucker* defines an entrepreneur as one who always searches for change, respond to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

*Arthur Dewing* conceptualised the function of the entrepreneur as one that promotes ideas into business.

*Clarence H. Dantrolf* considers entrepreneur as a person who makes decision under alternative courses of action.

Entrepreneur has become the focal point in economic activities. He is viewed as an initiator of action, a stimulant of socio-economic change and development.

*Robert D. Hisrich* says, "The person who is going to establish a successful new business venture must also be a visionary leader — a person who dreams great dreams. Although there are many definitions of leadership, the one that best describes the needed intrapreneurial leadership is: A leader is like a gardener. When you want a tomato, you take a seed, put it in fertile soil, and carefully water under tender care. You don't manufacture tomatoes, you grow them."

*Martin Luther King* said, "I have a dream, and thousands followed in spite of overwhelming obstacles. In order to establish a successful new business venture the intrapreneurial leader must have a dream and work against all obstacles to achieve it."

Entrepreneur is one who distinguishes as a person who undertakes to organise, manage and assume the risk of running a factory and/or a business or an enterprise.

Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a mean to an end. Indeed, what constitutes knowledge in practice is largely defined by the ends, that is by practice.

According to E.E. Hagen, an entrepreneur is an economic man who tries to maximise his profits by innovations. Innovations involve problem-solving and the entrepreneur gets satisfaction from using his capabilities in attacking problems.

**FACT FILE OF ENTREPRENEURS  
NO KIDSTUFF**

*Names:* Anupam Joshi

*Age:* 32 years

*Education:* B.A. Kumano Univ., U.P., 1985

*Work Experience:* Marketing Executive, Blowplast, 1985-86; assistant manager (production), Stallion Industries, 1986-88; manager (marketing), Indus Craft Export House, 1988-89; manager (export marketing), Inertia Industries, 1989-92; set up Premier Clothing in August 1992

*No. of Employees:* 350 direct, 400 on contract

*Initial Investment:* Rs. 25,000 + Rs 5-lakh loan

*Track Record:* Turnover has grown from Rs 26 lakh in 1992-93 to Rs 10 crore in 1994-95

*Management Philosophy:* Always strive for total quality

*Work Style:* Hands-off, but always in the know

*Hobbies:* Photography; playing golf, billiards

In August 1992, with their combined savings of Rs. 25,000, Alka and Anupam Joshi Launched Premier clothing as an export-oriented unit.

The premier clothing has been licensed to market, for the first time, the Disney Babies range of products in India.

Having several international mail-order companies, not to mention store chains, in the bag isn't enough for Joshi. Now, he's planning a move into the booming readymade shirts business. As always, Joshi plans to hedge his bets: he's talking to some foreign companies about starting off by producing shirts for them. That's clearly part of his philosophy of manufacturing for a ready-made market. And, as in the case of the Disney Babies line, to a ready-made mindset, either ways, it's a premier strategy.

**KENT CARS**

*Name:* Chandan Sumaya

*Age:* 34 years

*Education:* B. Com., H.R. College, Bombay, 1981

*Work Experience:* Helped his uncle operate a carrental service

*Initial Investment:* Rs 30,000

*Track Record:* Turnover has grown from zero in 1985 to Rs 4.50 crore in 1994-95

*No. of Employees:* 252

*Work Style:* Hands-on

*Management Philosophy:* Never say no to a client

*Hobbies:* Working out, swimming, watching Amitabh Bachchan movies

Chandan Sumaya look plunge in 1985 armed with only "a passion for cars," borrowing Rs 30,000 from his mother to float Kent — a name he chose because it rhymed with rent and had an international ring-Cars. Apparently, he fell in love with the business while helping his uncle run one. Working out of his home on Bombay's Napean Sea Road, Sumaya installed a desk and a telephone in the front half of his garage; the car took up the rest. Only by the end of the second year could he afford to invest in two more Ambassadors.

He has invested in a fleet of 136 cars and concentrates on the corporate sector, where they are market leaders.

Kent Cars is now poised to drive into the national market-place through the franchising route. Whether or not he does as well in these cities as he has in Mumbai, Chandan Sumaya has driven a long way from the home garage he started from. And that's the spirit of Kent.

### Entrepreneurial Process

Entrepreneurial Process is a leadership function which centres round the dynamics of entrepreneurial growth and change. It is a process comprising several distinct stages.

The *first* stage in the entrepreneurial process is some change in the socio-economic environment leading to changes in the every aspect of life in the country. Interalia, the change creates needs for new goods and services.

The *second* stage is by starting a new venture.

The *third* process is inrapreneurship. It is the process of extending the enterprises domain of copetence by exploiting new opportunities through new combinations of its available resources.

The *fourth* process is to coordinating the varied activities to achieve the entrepreneurial goal.

### Entrepreneurial Structure

Structure represents the formal, official task relationships of people in entrepreneurial activities. In other words, structure is the logical culmination of authority and responsibility at different levels. It implies a system.

In entrepreneurial activity, policies, programmes, practices and measurement make possible for innovation and growth. They create the proper attitudes and provide the proper tools.

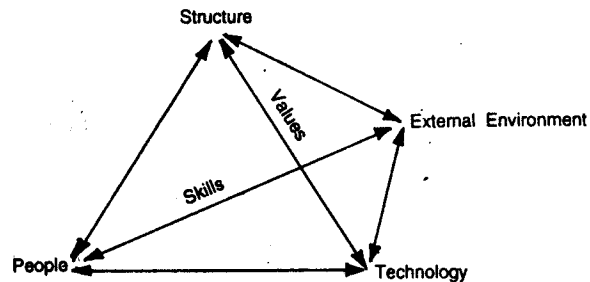


Fig. 2.4 Entrepreneurial Structural Relationship

Basic Source: Davis & Newstrom, Human Behaviour at Work: Organisation Behaviour, 7th Eds. p. 5.

Entrepreneurial activity confines to the tasks of planning, directing, controlling, marketing, leading, motivating and channelising the activities of individuals and the groups towards entrepreneurial goal. The structure and relationships should be such that they allow people to be entrepreneurial.

The main requirements of such a structure are as follows:

1. The new enterprise should be organised separately from the existing.
2. There should be a special law for the new venture.
3. The new enterprise should be the specific responsibility of entrepreneur/intrapreneur in top management.
4. The new innovative project requires different policies, rules and evaluation criteria.
5. The entrepreneur is accountable for the success or failure of the enterprise.
6. The returns on innovation are distinctively different from existing business.
7. An entrepreneurial project requires right relationship, right rewards and right working culture.

A business that wants to be able to innovate wants to have a chance to succeed and prosper in a time frame of rapid change, has to build entrepreneurial management into its own system. It has to adopt policies, principles and practices that create through the entire organisation the desire to innovate and the habits of entrepreneurship and innovation. To be a successful entrepreneur, the existing business, large or small has to be managed as an entrepreneurial business. Entrepreneurial structure is thus the corner stone of success in business, whether it is in production or marketing or service. The empirical studies have shown that the solid structure determines the growth potential of entrepreneurial activities.

### **Conclusion**

A number of entrepreneurial managers have attempted to identify the true nature of entrepreneur, intrapreneur entrepreneurship in the post industrial revolution. The definition as well as entrepreneurial process and structure have, therefore, undergone changes with the changes in the socio-economic environment and will continue to undergo changes with the changing times. However, some basic concepts of innovation, risk-taking, vision and organising skill continue to be the four pillars on which the edifice of entrepreneurial concept has to be perceived from time to time.





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*"Entrepreneurs are individuals motivated by a will for power; their special characteristic being an inherent capacity to select correct answers, energy, will and mind to overcome fixed talents of thoughts, and a capacity to withstand social opposition...."*

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## CHAPTER 3

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# THE ENTREPRENEURIAL CULTURE

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### **Introduction**

The key to growth is to foster entrepreneurial culture and play a pivotal role in deepening in the enterprise/organisation, so that, it will contribute to the success of the enterprise.

Indian entrepreneurs will have, therefore, to draw up their futuristic vision by way of redefining their purpose and mission and resetting their attainable objectives, and developing long-term strategy against the background of emerging opportunities and impending threats inherent in domestic and global environments on the one hand and competencies and weaknesses, on the other.

While charting out its future course of action the Indian entrepreneur will have to remember that to get a competitive edge over its rivals on a sustainable basis five things are essential — increased productivity, improved quality, innovation in the market, a deep understanding of customer needs and delivery of world class service and only one factor that could provide all these capabilities is 'knowledge' and human beings are the drivers of the knowledge juggernaut. As such, primary focus of the strategic management approach of any organisation has to be on effective and efficacious utilisation of human resources. It will, therefore, be imperative to set new paradigms for managing an enterprise and its people so that the human resource function forms an integral part of enterprise policy and strategy and the entrepreneur plays a pivotal role in management of men and in progressive integration of conceptual values with operational values.

### **Aspects of Entrepreneurship**

As a catalytic agent the entrepreneur has to change the mindset of the workers so that the latter accepts radical changes in system structure and processes which the organisation is contemplating to introduce in order to compete with the rivals. What is most important is to change the key value, beliefs and norms established and accepted by workers.

There is a strong need for basic cultural change in the organisation that stresses productivity, quality, speed, innovation, customer orientation and empowerment. This calls for impressing certain fundamental changes at the top level. These include helping the latter in envisioning and defining its philosophy, values and beliefs.

As a developer, entrepreneur has to play a pivotal role in developing among the employees requisite knowledge, skills and suitable attitudes and improve their performance.

By imparting need based training and assigning jobs to the individuals best suited for them, using motivational techniques, creating manpower, configurations to boost the operational ability of individuals and by designing individual careers, the entrepreneur can ensure fuller utilisation of human resource potentials of the organisation.

As a facilitator, role of entrepreneur will be to foster an invigorating climate of mutual trust and confidence between the organisation/enterprise and the workers through a high degree of empowerment and recognition, openness, authenticity, internal and external equity and collaboration and team work. This will obviously lead to behavioural changes in the right direction.

Entrepreneurship, it is commonly believed, is enormously risky. And, indeed, in such highly visible areas of innovation as high-tech microcomputers for instance, or biogenetics — the casualty rate is high and the chances of success or even of survival seem to be quite low.

But why should this be so? Entrepreneurs, by definition, shift resources from areas of low productivity and yield to areas of higher productivity and yield. Of course, there is a risk they may not succeed. But if they are even moderately successful, the returns should be more than adequate to offset whatever risk there might be. One should thus expect entrepreneurship to be considerably less risky than optimisation. Indeed, nothing could be as risky as optimising resources in areas where the proper and profitable course is innovation, that is, where the opportunities for innovation already exist. Theoretically, entrepreneurship should be the least risky rather than the most risky course.

There are also enough individual entrepreneurs around whose batting average in starting new ventures is so high as to disprove the popular belief of the high risk of entrepreneurship.

Entrepreneurship is "risky" mainly because so few of the so-called entrepreneurs know what they are doing. They lack the methodology. They violate elementary and well-known rules. This is particularly true of high-tech entrepreneurs. To be sure (as will be discussed in Chapter 9), high-tech entrepreneurship and innovation are intrinsically more difficult and more risky than innovation based on economics and market structure, on demographics, or even on something as seemingly nebulous and intangible as *Weltanschauung* — perceptions and moods.

Thus, apart from economic, social, psychological, cultural factors affect and influence entrepreneurship. Entrepreneurial culture is both moulded by all cultures in the society in a distinct manner. As a leader, it gives direction and leads to the right path to success.

### Environment for Entrepreneurship

The entrepreneurs do not emerge spontaneously of their own. While the other factors of production are at least, in principle, hireable but enterprise is not. They have to come from different vocations. Even the educational system in most of the developing countries is designed in such a way so as to develop more of job-creators. In many countries, to sum up, entrepreneurs appear to have been motivated by a combination and interaction of the following factors of environment:

1. Socio-economic environment;
2. Family background;
3. Standard of education and technical knowledge;
4. Financial stability;
5. Political stability and government's policy;
6. Caste and religious affiliation;
7. Availability of supporting facilities;
8. Achievement motivation; and
9. Personality and personal skill.

The environmental factors may be summarised as follows:

1. Entrepreneurship is not influenced by a single factor but is the outcome of the interaction and combination of various environmental factors.
2. By changing the environment, society and be recreated.
3. It is the "desire to make money" that drives one to start an industry rather than the amount of money one owns.
4. Encouraging government policy and social recognition influence a person to become an entrepreneur. As an educationist, we can think of modifying the educational system so as to produce more job-creators rather than job-seekers.

Entrepreneurship has developed with civilisation. Man discovered the skills and tools of entrepreneurship. In advanced countries (civilisations) entrepreneurship became a fine art. In recent years, entrepreneurship has also evolved as a science of management and a catalytic tool of economic growth and development. The entrepreneurial culture is built upon the pursuit of self interest and towards this end everything must be engineered to perfection.

### Definition of Culture

There are very varying definitions of *culture*. "Culture, in its broadest definition, refers to that part of the total repertoire of human action (and its product) which is socially, as opposed to genetically, transmitted." A very popular definition is that of Edward Burnett Tylor: "Culture of civilization is that complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities and habits acquired by man as a member of society." Clyde Kluckhohn has defined culture very simply as "the total life-way of a people."

The concept of culture is used to distinguish human societies from animal groups. The customs, ideas, and attitudes shared by a group, which make up its culture, are transmitted from generation to generation by learning processes rather than biological inheritance. Adherence to these customs and attitudes is regulated by systems of rewards and punishments peculiar to each culture. Language and other symbolic media are the chief agents of culture transmission, but many behaviour patterns are acquired through experience alone. A pattern of cultural universals is found in all societies. It includes such human institutions as social organisation, and material culture (tools, weapons, clothing). Societies are differentiated according to the degree of complexity of cultural organisation. Basically, each human group has its own distinctive culture, but a complex society may contain subcultures determined by national origin, religion, or social status. The spread of culture traits through direct or indirect contact among groups is called diffusion. A culture area is the territory within which a certain configuration of culture traits is to be found. The two theories of culture that have dominated anthropological thought in the 20th century are the structural-functional theory derived from Bronislaw Malinowski and the pattern-process theory derived from Franz Boas. Structural-functional theory focuses on social structure, while pattern-process theory emphasizes cultural patterns. Each theory attempts to explain all aspects of culture, and each is applied to all cultures. All anthropologists, however, recognise certain broad evolutionary sequences in the cultural history of mankind, particularly in the technological and economic spheres.

On the basis of the various definitions of culture, Francis Merill formulates the concept of culture as follows. Culture, he says,

- (a) is the characteristically human product of social interaction;
- (b) provides socially acceptable patterns for meeting biological and social needs;
- (c) is cumulative, for it is handed down from generation to generation in a given society;
- (d) is meaningful to human beings because of its symbolic quality;
- (e) is learned by each person in the course of his development in a particular society;
- (f) is, therefore, a basic determinant of personality; and
- (g) depends for its existence upon the continued functioning of society but is independent of any individual or group.

Culture consists of both *material* culture and *non-material* culture. Material culture involves man-made things (e.g., automobile, television, telephone, etc.) and man-made alterations in the environment. Non-material culture includes such factors as language, ideals, beliefs, values, music, etc.

#### **Elements of Culture**

Culture, the sum total of social behaviour, includes at least three elements, namely, knowledge and beliefs, ideals and preferences.

### Organisation of Culture

The term *organisation of culture* refers to the social structure and the integration of traits, complexes and patterns that make up the cultural system.

That cultures are organised or integrated “does not mean that every single item of each culture is neatly and precisely integrated with everything else. It means rather that it is normal for the parts to be somewhat organised, and that culture traits receive their significance and meaning out of their relation to the rest of the culture.”

The social structure — “the web of organised relationships among individuals and groups that defines their mutual rights and liabilities” — together with traits, complexes and patterns, reflects the organisation of a culture.

The organisation of a culture is determined to a large extent by major social institutions. According to Maclver and Page, institutions are established forms or conditions of procedure characteristic of group activity. The group which performs these standardised actions has been termed by them an *association*. According to Biesanz and Biesanz, “institutions are clusters of norms organised and established for the pursuit of some need or activity of a social group, supported by the group’s knowledge, beliefs, and values, as well as by the meaningful aspects of material culture.” The important common institutions of modern cultures are:

The economic system; the political administrative system; the educational system; religion, family, expressionistic; aesthetic and recreational institutions, etc. Such institutions have been established to meet society’s common needs of a biological, sociological, psychological, economic, and political nature — the type and nature of institutions reflect the common goals, aspirations and the ways of achieving them, definition and regulation of roles, positions, inter-relationships, etc. of the individuals and sub-groups and groups and the overall organisation of the culture.

Culture traits, complexes and patterns also help us to understand the organisation of a culture. A trait is a unit of observation.

### Cultural Conformity

Individuals in a culture tend either to conform to the cultural norms or to deviate from them. If the culture endures as it is, most people would conform to the norms. As Inkeles observes, “the social order depends on the regular and adequate fulfilment of the role obligations incurred by the incumbents of the major status-positions in a social system. It follows that the most important process in society is that which insures that people do indeed meet their role obligations.”

### Business Culture and Culture of a Society

It is interesting to note that business culture has similar characteristics as the culture of a society:

(i) Firstly, a culture that is alive and vibrant is one that is constantly evolving and changing whether it is in business or in society. It is not rigid or stagnant. A progressive culture readily evaluates and responds to stimuli which emanate either internally or externally. It does not fear or resist stimuli without evaluation.

(ii) Secondly, it is when cultures adapt and change that great progress occurs in a civilisation or in a company.

(iii) As in the case of religious or political groups, among business firms also there are fundamentalist cultures — that is cultures that assiduously try to preserve what is considered to be the true original set of beliefs. The fundamentalists try to perpetuate their hold on the organisation by upholding ancient traditions and invoking the name of God or Gandhiji or the founder of the Company as may suit the occasion. They feel secure with what is familiar and feel threatened by any change. These fundamentalist beliefs often include — irrational pride in the traditions of the firm although changed circumstances have made such traditions irrelevant if not counter-productive; promotional policies based on old boy network rather than merit; tolerance of mediocre levels of competence; belief in the relative infallibility of people at the top, etc.

(iv) Large social migrations like that of the Aryans into the Indo-Gangetic plains have created hybrid cultures. In a similar way during the last few decades we have seen the emergence of hybrid cultures created by multinational companies. They combine the strong cultural characteristics of a parent company with those of the local market. Like all hybrids, most of them have grown up to be stronger than their original mono-cultural organisations or their narrowly national competitors. Over the next few decades we can hopefully see the emergence of Indian multinationals which could combine the innate shrewdness and hardworking ethics of the Indian culture with the sophistication and strategic vision that characterise the Western business culture. In some ways Indian businesses, because of our inherent multiethnicity and greater facility with the use of English language, are in a better position than the Japanese or Brazilians or Koreans to create strong hybrid multinational business cultures. Now that the shackles have been removed from Indian industry this possibility is real.

(v) Changes in culture of a firm as of societies occur when a leader provides stimulation with ideas that challenge tradition.

In almost all successful business firms there have been leaders who revived and changed the culture and course of those firms. In most cases such changes are based on retaining and developing what is good in an existing culture and adding to it new elements that will stimulate progress. A total rejection of all that is existing can be devastating. Therefore the skill in reforming the culture of a Company is to identify and retain the pride and honour in what is good while recognising what is to be rejected or modified. At the same time the management of the firm should seek, generate and embrace new ideas and practices that can energise the firm and propel it forward with a new vigour.

### **Meaning of Entrepreneurial Culture**

Culture consists of tangible man-made objects, such as automobiles, clothing, furniture, buildings, and tools and intangible concepts such as laws, morals, and knowledge. In addition, culture includes the values, character, qualities, skills acceptable within the particular society.

Culture in a society is learned and is passed on from one generation to the next. Culture is nurtured, fostered and promoted.

A culture is usually divided into sub-cultures based upon geography or such human characteristics as age or ethnic background.

What accounts for the rise in civilization is not the external resources such as markets, minerals or factories but the entrepreneurial spirit which exploits the resources — a spirit found most often among businessmen entrepreneurs.

Entrepreneurial culture thus implies vision, values, norms and traits that are conducive for the development of the economy.

An entrepreneur has been described as a person who organises, manages and assumes responsibility for a business or an enterprise. The entrepreneur could therefore mean to be an individual who perceives the profitability in production of goods or service, and organises accordingly. In effect he is a vital contributor to the bottomline of the venture. Can there be entrepreneurs without owner-worker status or amongst the organisational workforce who are compensated by fixed emoluments unrelated to the productivity and profitability? Certainly yes, in the light of the fact that the growth and prosperity of individuals is inextricably interwoven with the success and sustenance of the organisation.

The emerging market environment and globalisation is challenging every organisation and every person in the organisation to consider, evaluate and bring about changes in thinking, vision and action. And the changes that need to be brought about should facilitate organisations in becoming competitive, profitable and sustainable.

The world is on the threshold of economic history and it is no longer adequate if the organisation just makes profit or generates surplus — the output has to be maximum from the grassroots level onwards so that the entire organisation shows a healthy growth. Each individual has to become a unit of production in himself and has to assume full responsibility of the assigned task with the philosophy of producing positive results and contributing, not only in full measure, but substantially to the overall good and growth of the organisation. The new setting commands transformation to ensure optimum utilisation of the resources — men, money and materials — provide a distinctive contribution to the organisation's prosperity and keep evolving strategies for a sustained competitive edge. And as an entrepreneur one has to review, evaluate and assess one's performance and take decisions.

Instilling such transformation even amongst the most articulate person with a contemporary outlook is not an easy task. Human beings by nature, habit and practice are used to a way of working and any change that is envisaged ushers in a sense of insecurity simultaneously with the change process. This can possibly be overcome by accepting that in today's dynamic society, changes are inevitable, frequent and the rapidity and profundity of changes can even be overwhelming.

### **Sub-Cultures of Entrepreneurship**

#### **Culture of a Business**

Culture represents the manner in which members of a group (whether it is society or a business group) regulate their behaviour in order to be in harmony with each other

and with other groups in that society. It manifests itself in their pattern of behaviour, forms of art and music, language, customs and practices and in the beliefs that are shared. Most great nations of the world have their distinct cultures based on such factors.

Like nations, business firms also have their distinctive cultures. It is a sum total of the norms, beliefs and values that regulate the behaviour of individuals and groups within any given corporation. Many firms are not even aware of their culture or sensitive to its distinct characteristics. They become aware of it when they have to induct managers from other firms with different cultures or even more acutely when mergers and acquisitions take place and a great deal of cultural adjustment is thrust on them. In some cases adversity persuades companies to look at their culture.

### **Business Ethics**

Ethics is that branch of philosophy which is concerned with rightness or wrongness, goodness or badness of human conduct. In the case of a business organisation, the definition of human would extend to all activities carried out by people in the course of business.

Ethics are supposed to provide the basis for deciding whether a particular course of action is morally correct or bad. Unfortunately, any such definition would necessarily imply that there exists a given set of criteria by which to judge the correctness and merits of a given course of action. These criteria are moral and social rules of conduct which society accepts, as correct at any given point of time.

The problem which arises is that society is not homogeneous and is in fact, terribly heterogeneous. Consequently, what may be acceptable in one segment of society may be totally unacceptable in another. In a country like India, where we accept that society is made up of multifarious people and religions, this problem of defining what is socially acceptable gets magnified.

Whilst ethics are something which need to be followed by all members of a business society, the public exposure to marketing activities is higher than any other business activity resulting in a Marketing Manager having to be extremely conscious of the ethical realities in the markets being serviced.

### **Productivity Culture**

Productivity improvement is not just doing things better; more importantly, it is doing the right things better. All productivity improvement stems from people productivity as people constitute the motive power for all resources. Like machines which stand idle, human potential diminishes if not properly utilised. This sub-optimal manpower utilisation is the major reason for brain drain in many developing countries. Thus, there is no point in improving skills until the organisation can use them.

A key to productivity is the attitude of employees who work together. Attitudes reflect the interplay of many long-term and short-term factors including motivation, culture, management, systems, nature of work and personal value system. Organisations must periodically conduct attitude/opinion surveys to feel the pulse of employees, get feedback and initiate timely corrective measures. Besides the well known tools for improving people productivity like motivation, communication etc., what is needed is an integrated, multipronged approach.



### **Total Quality Culture**

TQC is the way of marking an integration of all efforts in the organisation between 'Hard Ss' and 'Soft Ss' (i.e., organisation and employees, task and employees, employees and employees) in achieving total quality and customer care. The process of TQC helps in improvement of quality of worklife and employees satisfaction and customer satisfaction. It is a sum total of the norms, beliefs and values that regulate the behaviour of individuals and groups within an organisation. Culture of an organisation is influenced by the culture of the country as well as the nature of its business. Indian organisations, at this juncture, will realise it increasingly necessary to combine their peculiarly Indian ways of doing business with the global practices of business they are involved in.

### **Organisation's Culture**

Culture and share values (ideology and shared culture): Webster says that culture is the integral pattern of human behaviour that includes thought, speech and action and depends on man's capacity for learning and transmitting knowledge to succeeding generations. Most elements of a culture take a long time in their evolution and equally as long to change. An organisation has a mission when its culture fits with its strategy. Culture enables organisation to function as a collective unit. The cultural glue consists of strong norms and values that heavily influence the way people behave, how they work together and how they pursue the goals of the organisation. Values are the beliefs and, moral principles that lie behind the company's culture. Values give meaning to the norms and behaviour standards in the company.

To strengthen an organisation's culture, a set of values, behaviour characteristics, procedural rituals, and role models for the professionals working in an organisation, should be identified. Structure reflects the organisation of work into roles. The roles may be in professionals working in an organisation, should be identified. Structure reflects the organisation of work into roles. The roles may be in production, finance, marketing, personnel etc. The structure of the organisation embodies the fundamental division of labour, describes the nature and duties of the jobs to be done, and aggregates them into groups, or business.

### **Cultural Change — Key to Mastering of Change**

The mastering of change in the business world does call for a change in the climate based on the shifts in the perceptions and feelings of the people. However, climate is relatively temporal and given the possibilities of contaminations and pollution by political forces, national organisational climates may undergo changes. Change can be mastered by the leaders and their people only as they develop cultures which are relatively more stable and enduring in terms of their values. The values of openness, trust, autonomy, proactivity and experimentation will have to be made the way of life in organisations if the process of change is to be harnessed for individual and collective good.

The options for the leaders in business are getting more limited as the world moves on to a new plane of thinking and action. Leaders and teams in organisations will have to overcome their established mind-sets, regulated themselves, develop new work and

organisational cultures and build up their tolerance for the ambiguous, the uncertain and the unpredictable. The key to mastering change will lie in innovation in all aspects of organisational working.

### The TOP Programme

Top means different things in different countries companies, businesses and even divisions. The Top initiative is cultural change.

The Top movement is based on simple model: Productivity, innovation, and new markets are the pillars; the base is the corporate culture; and the Top of the temple is customer orientation and profitability.

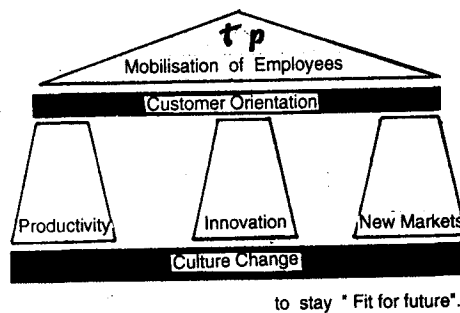


Fig. 3.1

The Top innovation initiative is made up of eight modules: mobilisation and communication, idea initiatives, teaching of operational skills, cooperation with non-industrial research, patent initiatives, white space projects and strategic innovation projects. Top is an integral part of human resources and management motivation exercise as well as the R & D drive.

In India, the evolution of the Top Programme aims to increase its competitiveness, increase its global presence, and ensure that the enterprise stays ahead of opportunities in the local market. The Top Programme ensures reduction in process costs and improvement in productivity. Naturally, the Top initiative will be crucial in this effort. What perhaps makes the Top programme so easy to adopt and implement its flexibility — what could otherwise become disjointed management concepts or practices are united in Top's common temple model.

### Individual Leaders

It is leaders that achieve excellence and not the organisations. Otherwise, the varying performance of organisations from time to time cannot be explained. This achievement does not happen by itself. It is achieved by appropriate strategy and effort. It is the individual executive who with their efforts, unlike others, achieve the targets.

Achievement comes out of strategic thinking and corporate culture building. Capital without vision in implementation or mere functioning is not sufficient as has been proved time and again in the case of public enterprises. Great leaders with vision and objectives started these enterprises. They saw the need for the same and the

purpose it could serve. But, during implementation, that vision was lost and they became dull and aimless in many cases.

Converting this vision into an opportunity and thereafter into achievement demands more than theoretical formulae and quick fix. The leaders who achieved this are the ones who do things first, sometimes even before others dream of them. Fortunately leaders are made, not born.

### Corporate Values

Balancing the spirit of the entrepreneur with the reality of big business take more than a single simple policy or strategy. What is required is a flexible, dynamic structure that pays heed to the importance of the people within and is based on a value set that is clear and agreeable to all.

Lotus Employee Handbook, therefore, devotes a full page to our corporate values, placing importance on the attributes of honesty, ethics, fairness and integrity, as well as on teamwork, cooperation, creativity and initiative and on having a sense of humour.

*Be a leader, not just a manager:* Leadership begins with setting examples in terms of personal characteristics, like honesty and fairness.

*Be a facilitator:* Management should demonstrate a commitment to communication throughout the organisation. This means being accessible, and listening to people in the lower realms of the organisation.

*Be deliberate:* When calling and conducting meetings (the greatest time-waster in companies), be result-oriented. Use firm agendas and strive for specific objectives.

*Be explicit:* In assigning responsibility, get people to take responsibility for small tasks as well as for a big projects.

*Be decisive:* If someone isn't working out, and you have exhausted all possibilities, break quickly and cleanly. Indecision can be bad for everyone.

If these attributes are combined with sincerity and integrity, the result should be a business culture that stimulates innovation and *esprit de corp* at every corporate level, whether developing a new product, building a new headquarters, or contributing to the neighbouring community.

For people in communications and creative business it is major breakthrough, because it puts a powerful weapon into the hands of the people who develop concepts: the ability to execute those concepts so they can be evaluated and appreciated by peers and by clients. The dream is to make information accessible and understandable to more people by bringing the benefits of computing closer and closer to the individual.

### Entrepreneurial Vs Administrative Culture

Administrative culture is the corporate organisational culture which focuses on existing opportunities, organisational structure, HRS and control procedures. Whereas, entrepreneurial culture is governed by perception of opportunity, vision, social values, burning ambition and will to do something during his time. Entrepreneurs are committed to their ideas, vision and values.

According to Stevenson organisations must often contain both entrepreneurial and administrative cultures. So, an able entrepreneur should imbibe administrative culture for excellence and success.

#### CORPORATE, ADMINISTRATIVE AND OPERATING RESPONSES

	Corporate response	Administrative response	Operating response
Structure	An added structure independent of the original structure	A revised structure	Expenditure around existing structure
Goals	Clear ultimate goal will be expressed	Unclear goals will exist until ambiguities are resolved, then general principles will be established	Goals apparent; perhaps day-to-day survival
Sub-responses	Sub-responses will follow from goals but cannot be pre-determined in detail	Sub-responses will be translated from goals in an uncertain and evolving manner	Sub-responses often will be mostly less than obvious, and extreme actions sometimes will be required
Expertise	Management expertise will have to be obtained by specific means (a project team, for example)	Management expertise will be found by revising behaviour of present incumbents	Management expertise may be challenged but will almost always be adequate
Personnel	Special or outside personnel probably will be required	Mainly the same managers with different relationships; - outsiders possibly added	As set from the same personnel, perhaps supplemented with others
Atmosphere	Clear mission, but needing learning and experiment	Introspection and reduction	Clear tasks, ingenious solutions, and expedient, high-pressure working conditions

(Managing Strategy in the Real World: Conclusions and Frameworks from Field Studies of Business Practice by R. Jeffery Ellis, Lexington Books, USA, 1988, p. 29)

*The best qualities of mankind are imagination, integrity, dedication, magnanimity, humility, openness and creativity.* These qualities are the basic ingredients of leadership and an willingness to tap them in full measure possibly explains the leadership inadequacies. The entrepreneur is also governed by these qualities.

*Integrity* is to conform to the moral and ethical standards in our thinking and action. Today, the lack of integrity is being felt most acutely in every fabric of our national life. The nation's integrity can be restored only if each one of us asserts his or her integrity, both financial and intellectual.

*Dedication* has been defined as a passionate belief in something. Intense and abiding commitment has been the basis of great works of art, invention, discovery and exploration and provides stimuli for individuals, corporations, governments and even society to succeed. Absolute fidelity to someone or something makes us more humane. Dedicated workers, whether they sell insurance or manage corporations, not only do better work, but do it joyfully.

*Magnanimity* denotes nobility of mind and heart, graciousness and forgiveness above revenge or rancour. To quote Solomon, "It is the glory of the man to pass by

**Table 3.1**  
**COMPARISON BETWEEN THE ENTREPRENEURIAL CULTURE AND ADMINISTRATIVE CULTURE**

Dimensions	Entrepreneurial Culture		Administrative Culture	
	Characteristics	Pressures	Characteristics	Pressures
1. Strategic orientation	Driven by perception of opportunity	Diminishing opportunities Rapidly changing technology, consumer economics, social values and political rules Action orientation Narrow decision windows Acceptance of resources risks Few decision constituencies	Driven by controlled resources	Social contracts Performance measurement criteria Planning systems and cycles
2. Commitment to seize opportunities	Revolutionary, with short duration	Lack of predictable resource needs Lack of control over the environment Social demands for appropriate use of resources Foreign competition Demands for more efficient resource use	Evolutionary, with long duration	Acknowledgment of multiple constituencies Negotiation about strategic course Risk reduction Coordination with existing resource base Need to reduce risk incentive compensation turnover in managers Capital budgeting systems Formal planning systems.
3. Commitment of resources	Many stages with minimal exposure at each stage	Increased resource specialization Long resource life compared with need Risk of obsolescence Risk inherent in the identified opportunity Inflexibility of permanent commitment to resources Coordination of key noncontrolled resources. Challenge to hierarchy Employee's desire for independence	A single stage, with complete commitment out of decision	Power, status and financial rewards Coordination of activity Efficiency measures. Inertia and cost of change Industry structures.
4. Control of resources	Episodic use or rent of required resources		Ownership or employment of required resources	
5. Management Structure	Flat, with multiple Informal networks		Hierarchy	Need for clearly defined authority and responsibility Organizational culture. Reward system. Management theory

Source: Howard H. Stevenson and David. E. Gumpert, "The Heart of Entrepreneurship," Harvard Business Review (March-April 1985).

an offence." The magnanimous are distinguished by their self-possession, they know who they are hence, they take more pride in what they do than in who they are. They receive compliments with a pinch of salt and accept criticism without rancour and learn from their own mistakes and take victory and defeat alike.

*Openness means* willingness to share and receptivity to ideas without fear or favour, howsoever bizarre those may be. It also means tolerance for ambiguity and change and a rejection of all pre-conceived notions, prejudices, biases and stereotypes. An open-minded person harbours no prejudices on the basis of caste, colour, race, religion, occupation or sex. However, this idea does not make a person uncritical but inspires him to be adventurous and creative.

*Creativity* is something that we are all born with but most of us manage to lose it by sheer complacency. Psychologists believe that every child under ten is not only creative but original while most adults tend to grow into copy masters. To restore our creativity we must inculcate a sense of wonder, shun preconceptions and visualise as a child does.

More work in a field makes up specialist, notwithstanding this we must strive more to become generalists in other matters too. This helps us to perceive between science and aesthetics and ethics. Basically, all human pursuits are inter-related. The executive, the surgeon, the insurance agent and even the priest need to know as much as they can about everything else if they desire to understand anything better. The great scientist

#### CREDO OF ENTREPRENEURS

##### **THE WORLD NEEDS**

The World Today is looking for  
 Entrepreneurs who are honest  
 Entrepreneurs who are innovative  
 Entrepreneurs who are optimistic  
 Entrepreneurs who will stand for the right  
 Entrepreneurs who care for the society  
 Entrepreneurs who stand for values  
 Entrepreneurs with conscience  
 Entrepreneurs who neither brag nor run  
 Entrepreneurs who neither flag nor flinch  
 Entrepreneurs who know their place and fill in  
 Entrepreneurs who know their business and attend to it  
 Entrepreneurs who are not too crazy  
 Entrepreneurs who are not too lazy to work  
 Entrepreneurs who will prosper with society  
 Entrepreneurs who will lead and motivate  
 Entrepreneurs who always dream for change  
 Entrepreneurs who live for their principles

Einstein said, "The most incomprehensible thing about the universe is that it is comprehensible."

Integrity, dedication, magnanimity, humility, openness and creativity or to be more precise — Vision and Virtue — are all inherent in us. Let these virtues fill our armoury to meet challenges of life and environment. Let virtues be our best defence against our adversities.

### **Socio-Economic Origins of Entrepreneurship**

The entrepreneurial activity at any time and place is governed by varying combination of socio-economic, psychological, cultural and other factors. The empirical studies have identified the following socio-economic factors:

1. Cast/religion
2. Family background
3. Level of education
4. Level of perception
5. Occupational background
6. Migratory character
7. Entry into entrepreneurship
8. Nature of enterprise
9. Investment capacity
10. Ambition/motivation

The entrepreneurs who launched their enterprises during 60s predominantly came from mercantile and allied backgrounds. However, a slight tilt in favour of occupations which traditionally have been unconcerned with entrepreneurial activity, viz., general serviceman, technicians, business executives, doctors, lawyers and the like was noticeable among entrepreneurs emerging for the first time after Independence. The main springs of entrepreneurship have been the traditionally trading castes of Hindu and Jain Banias from Gujarat, Rajasthan and Chettiars of Tamil Naidu. Besides, the new springs of entrepreneurship developed among other communities like Brahmins all over the country, especially the South, Naidus of the South, Patels of Gujarat, Kayasthas of West Bengal, Sikhs, Khattris and Aroras of Punjab making entrepreneurship a widespread phenomenon.

More and more people with high academic attainments started joining the ranks of industrialists, especially the professionals holding qualifications in engineering, law, medicine, cost and chartered accounting. The newer entrepreneurs have a larger proportion of their floatations in the traditional sector, but these professionals have by and large preferred to make their investments in modern sector. The technicians in particular among both old and new entrepreneurs have entered industries in the modern sector having a bearing of their academic qualifications. The traditionally trading communities of Hindu and Jain Banias have relied on modern sector more than others. Interestingly, among the regional communities the South Indians have preferred their promotions in traditional sector more than the Gujaratis and Marwaris have.

### Barriers to Entrepreneurship

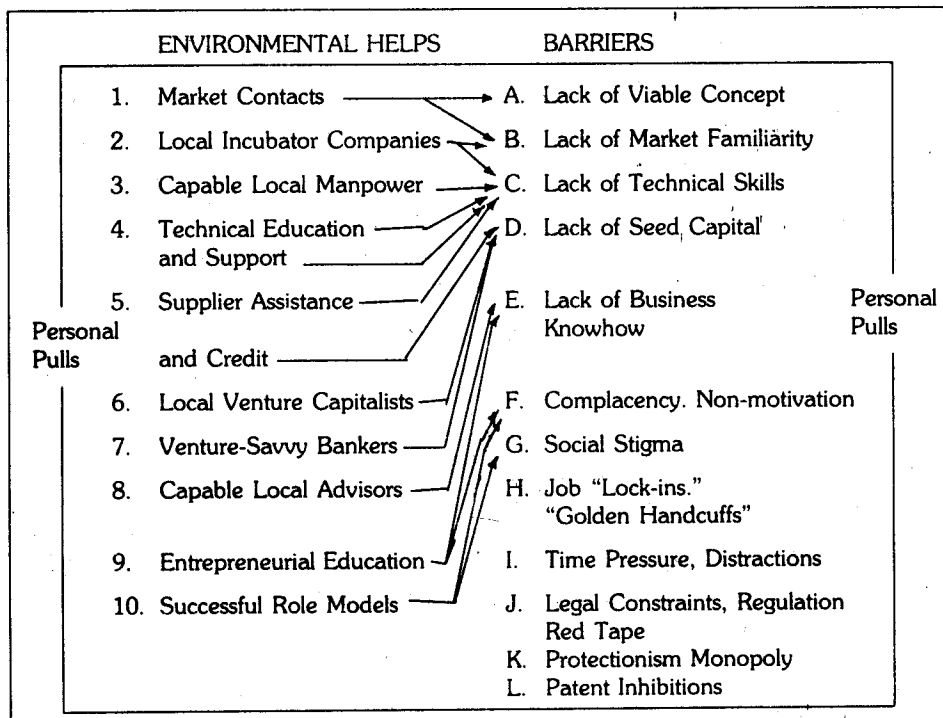
A large number of entrepreneurs particularly in the small enterprises fail due to several problems and barriers. Karl H. Vesper has identified the following entrepreneurship barriers:

1. Lack of a viable concept
2. Lack of market knowledge
3. Lack of technical skills
4. Lack of seed capital
5. Lack of business knowhow
6. Complacency — lack of motivation
7. Social stigma
8. Time pressures and distractions
9. Legal constraints and regulations
10. Monopoly and protectionism
11. Inhibitions due to patents

Vesper lists certain entrepreneurial factors that help to reduce the effect of these barriers. The following table depicts how this happens:

**Table 3.2**

#### BARRIERS TO ENTREPRENEURSHIP



Source: Karl H. Vesper, *Entrepreneurship and National Policy* (1983). Walter E. Heller International Institute for Small Business.



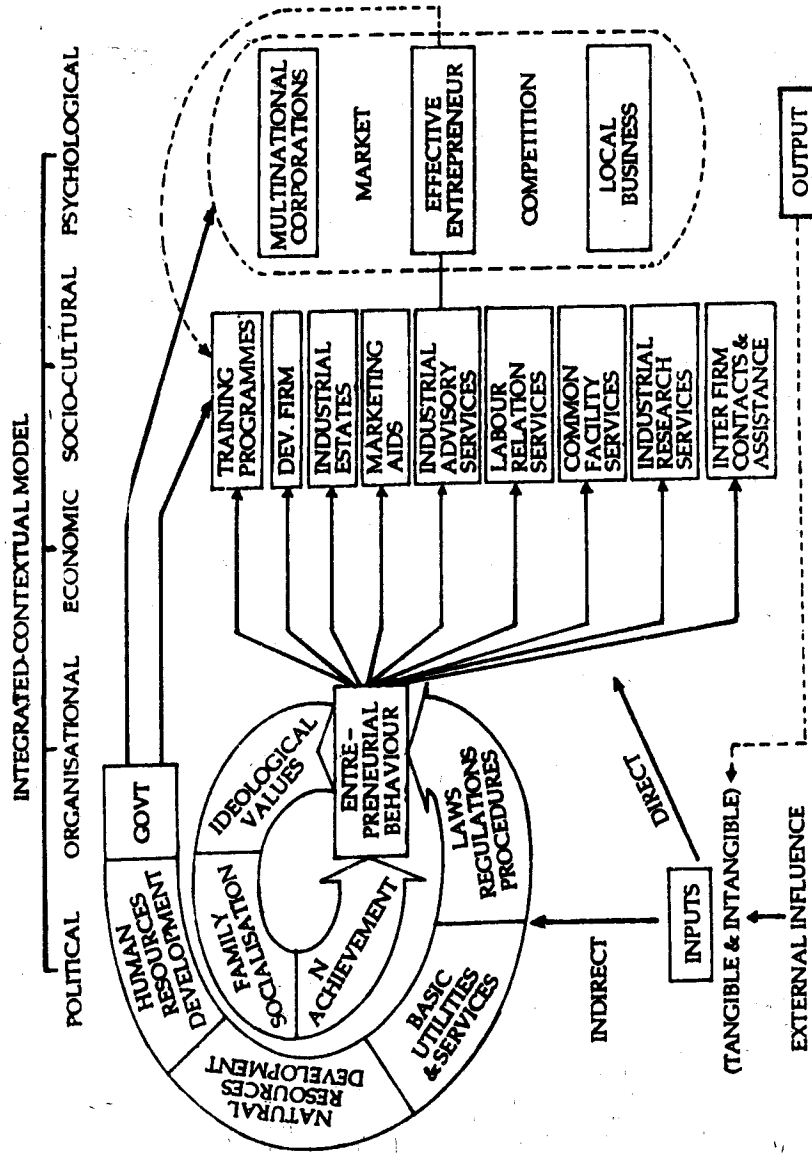


Fig. 3.2 A Model of Factors Influencing the Emergence of Entrepreneurship  
 Source: Adapted from Abdul Aziz Mahmud "Developing Effective Indigenous Entrepreneurs", Malaysian Management Review, April 1974, Vol. 9, No. 1.

### **Ten Steps to Change Entrepreneurial Culture**

Changing entrepreneurial culture doesn't require magic. What it needs is down-to-earth action that will set a good example at the top. The following ten steps will help an entrepreneur to create a culture supportive of change:

1. Start at the top. Lead the enterprise.
2. Attune to a culture of innovation.
3. Remove the hidden obstacles.
4. Create an integrated enterprise culture.
5. Create a marketing culture.
6. Create a listening environment.
7. Absorb competing technologies and involve people.
8. Don't let product innovations fool you.
9. Be flexible and open for diversification and new ideas.
10. Always be ready to change cultures.

No matter what culture your firm has settled into profitably and comfortably, change will eventually come along and jerk your business into a new environment. Be ready for it by constantly scanning the market and the society for trends, opportunities, and innovations, and don't be hesitant to use them when the time comes.

### **New Generation of Entrepreneurs**

As the economy opens up, it is inevitable that a whole new generation of entrepreneurs should come to the fore. By early next century, those whom we haven't heard of today would have emerged as players to reckon with on the industrial scene.

There are two reasons why this should happen. It is implicit in the very nature of a free market system, which by virtue of competition ensures that the big don't necessarily remain big. There is also the fact that India with its long entrepreneurial history is particularly suited for such competition to evolve. Indeed, Indian entrepreneurs overseas do very well wherever they happen to be. However, in this country rules and laws have tended to curb entrepreneurial ability. While we acknowledge that the government's role must be ensure that business is conducted in a manner conducive to social good, within the framework of social priorities, enterprise must be allowed to flourish.

The other side of competitive coin is that failure too are inevitable and businesses can collapse. If the failure is because the promoters have siphoned off funds from the company, it is inexcusable. If it is the outcome of competitive forces, we must accept this as the cost we have to pay for a free market.

History has shown that societies which are more open have advanced technologically more rapidly. Political controls and free markets cannot co-exist. And the example of Eastern Europe bears testimony to this. Since we have committed ourselves already to the democratic system, we must take steps to encourage the entrepreneurial drive and create an environment conducive to its growth.

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**Conclusion**

An ideal entrepreneur is one who combines values in the market economy; that profits do not somehow preclude ethical behaviour; that growth is possible even if political patronage is not used to vend rules and cut corners, and quite simply that pursuit of wealth can be grateful and mannerly one. He takes with him the interest of his people, his country, his natural resources, the ecology and sees that his enterprise becomes a catalytic agent of development. There is thus a need of true entrepreneurs, who do not need incentives, infrastructure, government support; but build their enterprises, harness the resources and develop. They adopt a responsible value-driven corporate philosophy for their enterprises and/or business activities. As such, there is no dispute among economists and social thinkers about the urgent need for the emergence of an entrepreneurial society as a forerunner of accelerated development of the economy in an integrated manner.

The ethos of entrepreneurial culture runs through the business society in the 21st century. Indeed entrepreneurial culture lays a strong foundation for a well regulated, sustainable and environmentally friendly society.



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*"The supply of entrepreneurship is limited firstly by the scarcity of the requisite personal qualities, and secondly, by the difficulty of identifying them when they are available...."*

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## CHAPTER 4

# THE CONCEPT OF ENTREPRENEURSHIP

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### Introduction

Entrepreneurship is a process undertaken by an entrepreneur to augment his business interests. It is an exercise involving innovation and creativity that will go towards establishing his/her enterprise.

In this chapter, the concept of entrepreneurship and of its related issues are analysed, discussed and deliberated.

One of the qualities of entrepreneurship is the ability to discover an investment opportunity and to organise an enterprise, thereby contributing to real economic growth. It involves taking of risks and making the necessary investments under conditions of uncertainty and innovating, planning, and taking decisions so as to increase production in agriculture, business, industry etc.

Entrepreneurship is a composite skill, the resultant of a mix of many qualities and traits — these include tangible factors as imagination, readiness to take risks, ability to bring together and put to use other factors of production, capital, labour, land, as also intangible factors such as the ability to mobilise scientific and technological advances.

A practical approach is necessary to implement and manage a project by securing the required licences, approvals and finance from governmental and financial agencies. The personal incentive is to make profits from the successful management of the project. A sense of cost consciousness is even more necessary for the long-term success of the enterprise. However, both are different sides of the same coin. Entrepreneurship lies more in the ability to minimise the use of resources and to put them to maximum advantage. Without an awareness of quality and desire for excellence, consumer acceptance cannot be achieved and sustained. Above all, entrepreneurship today is the product of team work and the ability to create, build and work as a team. The

entrepreneur is the maestro of the business orchestra, wielding his baton to which the band is played.

### What is Entrepreneurship?

*Entrepreneurship* is the propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objective. In substance, it is the risk-taking ability of the individual, broadly coupled with correct decision-making. When one witnesses a relatively larger number of individuals and that too, generation after generation in a particular community, who engage themselves in the industrial or commercial pursuits and appear to take risks and show enterprise, it is acknowledged to be a commercial class. The commercial class is a myth just like that of the so-called martial race. There are neither, for all time, martial races nor commercial classes. Communities which in the course history once appeared to be martial in spirit have in later period emerged as mercantile societies. Those who were once concerned with and relished in trade, later in history seem to have taken to the profession of these word. Today, it is quite evident to anyone that national communities which have developed world-wide industrial and consequent commercial interests are militarily powerful; nay, great industrial powers have today become super-military powers as well. An enterprise finds manifestation in different ways. The capacity to take risk independently and individually with a view to making profits and seizing and opportunity to make more earnings in the market-oriented economy is the dominant characteristic of modern entrepreneurship. An enterprise, ready for the pursuit of business and responsive to profit by way of producing and/or marketing goods and commodities to meet the expanding and diversifying actual and potential needs and demands of the customers is what constitutes the entrepreneurial stuff. But this category of enterprising citizens throws up a species of entrepreneurs who are mostly mercantile in outlook and performance. In countries like India, a new species of entrepreneurs is desirable because here the economic progress has to be brought about along with social justice. Entrepreneurship in India therefore, has to sub-serve the national objectives. The apparent conflict between social objectives and economic imperatives has to be resolved first by the individual entrepreneur in his own mind and initiate economic growth which includes industrial development as one of the instruments of attaining the social objectives. A high sense of social responsibility is thus an essential attribute of the emerging entrepreneurship in India.

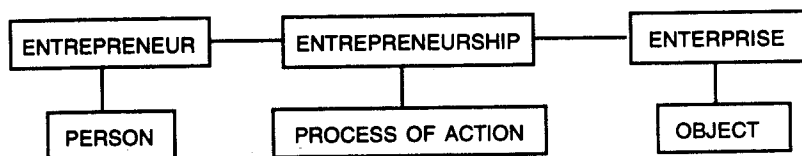


Fig. 4.1 Concept of Entrepreneurship

### Stimulation of Entrepreneurship

Entrepreneurship development is probably one of the most elusive, complicated and perplexing issues in the promotion and growth of small enterprises. Recently, a number of development agencies have been involved. However, in spite of all these

efforts there have been only a few partially successful programmes, and there are many *Instances of* colossal failures in this field.

The stimulation of entrepreneurship is a function of both internal and external variables. The presence of certain personal qualities in an individual is a requisite. Some of the findings about entrepreneurs in Nepal are as follows:

- (a) Mainly there are two types of entrepreneurs: the Government and private individuals.
- (b) In a family-run business the entrepreneur is owner as well as manager. Entrepreneurs are frequently found to have parents who were engaged in business-related occupations. Membership in certain types of communities (Newars, Marwadis, Gurung etc.) is highly correlated with entrepreneurship.
- (c) Many people who migrated from the hills to the southern part of the country (Terai), and returned have become entrepreneurs.
- (d) In the family, a change is taking place. Now the educated young members are becoming entrepreneurs rather than head of the family who generally is old.

### **OPERATING DEFINITION OF POLICY ENTREPRENEURSHIP**

#### **Policy Innovativeness**

Availability of Equity or Equity-like funds.

Efforts to assemble public or joint public-private equity funds locally.

Willingness of local developers to risk some of their resources on small or new firms.

Creation of Incubator Facilities for new or young firms.

Availability and nature of small business technical assistance.

#### **Small Business Targeting**

Presence of an explicit small business component in the local development organisation.

Amount of staff resources devoted to small firm concerns.

Percentage of capital funds channeled through development organisations into young ventures less than 3 years old.

#### **Policy Commitment**

Support of local governmental bodies for economic development

— public monies channeled into loan programs

— public monies supporting local development organisations

#### **Characteristics of Public Support**

— level of funding

— stability and trends in public monies going to development matters

— year in which programs first used locally

Cooperation of country and municipal officials on economic development.