
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.



"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...."

CHAPTER 4

THE CONCEPT OF ENTREPRENEURSHIP

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.

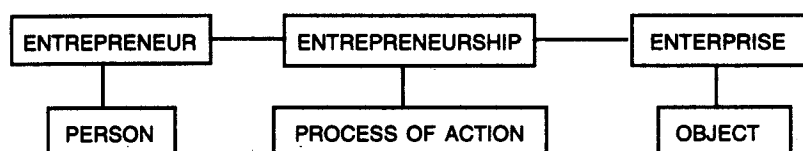


Fig. 4.1 Concept of Entrepreneurship

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.

Working relations between economic developers and elected officials.

Working relations among economic developers.

Early Survey of Entrepreneurship

From the classical economists to the post-Keynesian analysts, the topic of the entrepreneur has been surveyed and observations, theories and pronouncements advanced. Not only were pure economists involved in this endeavour but also prominent social theorists such as Marx, Weber, Sombard and Veblen.

In general, contemporary economists agree that the entrepreneur is a business leader and that his role in fostering economic growth and development is a pivotal one. At present, however there is no consensus as to what constitutes the essential activity which makes the entrepreneur a crucial figure. While some economists have identified the basic entrepreneurial function as risk-taking, others have emphasised the coordination of production resources, the provision of capital or the introduction of production resources, the provision of capital or the introduction of innovations. Professor James R. Omph of the International Institute of Entrepreneurology, Honolulu, Hawaii, in his paper entitled "Entrepreneurology, the Critical Factor in National Development", has this to say:

'In all crisis situation, there is one critical factor. There is one factor in each situation that can be cited as being the straw that broke the camel's back! In listing some of today's possible critical factors, such familiar words and phrases limited natural resources... food... energy all would emerge. A question may phrased thus: What is the critical factor?' —

Over-population?

Food shortage?

National resources shortage?

Energy shortage?

Lack of technology?

"Many factors have been proposed... and yet is it possible that the most critical factor has not been recognised? What is this factor that has either been stifled or totally ignored? It is a relatively untapped source... that of qualified individuals with peculiarly unique aptitudes for innovation, for change; aptitudes, in other words, for using present-day technology in ways yet unheard of or perhaps even unthought of. The critical factor is a dire shortage of the appropriate economic innovator and implementor... the Entrepreneurologists."

In the words of A. H. Cole, entrepreneurship is the purposeful activity of an individual or a group of associated individual undertaken to initiate, maintain or organise a profit-oriented business unit for the production or distribution of economic goods and services.

McClelland describes the innovative characteristics of entrepreneurial role. Entrepreneurial role, by definition involves doing things in a new and better way. A businessman who simply behaves in a traditional way is not an entrepreneur. Moreover, entrepreneurial role calls for decision-making under uncertainty. If there is no significant

uncertainty and the action involves applying known and predictable results, then entrepreneurship is not at all involved.

McClelland, like others, identified two characteristics of entrepreneurship. First, doing things in a "new and better way". This is synonymous with the innovative characteristics given by Schumpeter, and secondly, decision-making under uncertainty, i.e., risk as identified by Cantillon. McClelland more explicitly emphasised the need for achievement orientation as the most directly relevant factor for explaining economic behaviour. This motive is defined as a tendency to strive for success in situations involved and of one's performance in relation to the same standard of excellence.

In other words, entrepreneurship means the function of creating something new, organising and coordinating and undertaking risk and handling economic uncertainty. Higgins defines the term, "Entrepreneurship" as the function of seeing investment and production opportunity, organising and enterprise to undertake a new production process, raising capital, hiring labour, arranging for the supply of raw materials and selecting top managers for the day-to-day operation of the enterprise.

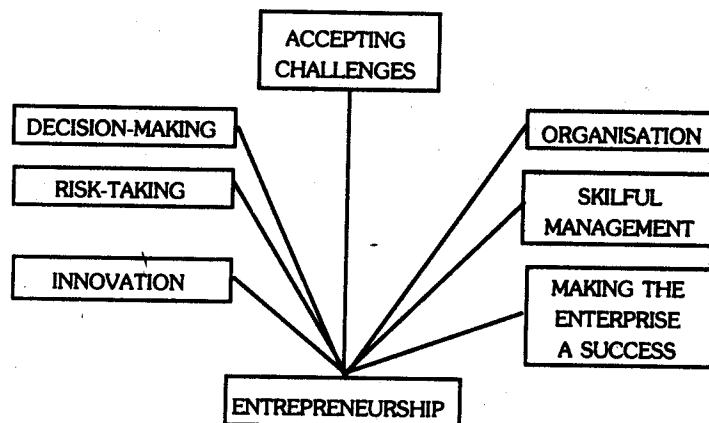


Fig. 4.2 Characteristics of Entrepreneurship

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

Innovation and entrepreneurship are thus needed in society as much as in the economy, in public-service institutions as much as in business. It is precisely because innovation and entrepreneurship are not "root and branch" but "one step at a time", a product here, a policy there, a public service yonder; because they are not planned but focused on this opportunity and that need; because they are tentative and will disappear if they do not produce the expected and needed results. In other words, they are pragmatic rather than dogmatic and modest rather than grandiose — that they promise to keep any society, economy, industry, public service, or business flexible and self-renewing.

Thus, entrepreneurship is a complex phenomenon. "Some think of entrepreneurs primarily as innovators, some chiefly as managers of enterprise, some as bearers of risks, and others place major emphasis on their function as mobilisers and allocators of capital." In the Indian context, however, an entrepreneur may at best be defined as a person (or a group of persons) responsible for the existence of a new business enterprise.

Entrepreneurship is an attitude of mind which calls for calculated risks; a true entrepreneur is one who can see possibilities in a given situation where others see none and has the patience to work out the idea into a scheme to which financial support can be provided. The stimulation of entrepreneurship is a function of both internal and external variables. In developing countries, there is no dearth of ideas but there is a real scarcity of men with the right blend of vision and practical sense to become successful entrepreneurs. The objective of the programme is to identify such people and to provide them with the support needed to make them a success. They then become "demonstration models" to the community; and once a right climate is generated, entrepreneurship becomes a way of life.

Industrial growth in a country is achieved through a "mix" of the large and small industry; the entrepreneurship for the former comes through the large companies often in collaboration with the multinationals. Simultaneously, economic growth also depends upon the level of development and use of information system in the country.

In fact, the small-scale industry sector is considered as an ideal nursery for the rapid growth and development of entrepreneurship. But alas, there are only a handful of entrepreneurs in the true sense of the term in this sector. The men who will set up small industry units have to come from within the country and the community; they are "locals" in a true sense and their success, therefore, has a much greater impact on generating the right climate for successful entrepreneurship.

Programmes for developing entrepreneurship must recognise that, ultimately, the change they seek to induce is attitudinal — it is more than just providing information, land or money. It is to provide new goals so that a motivated young person is no longer content to take up a secure job which will assure him a modest income but seeks bigger challenges in setting up and running his own business. The risks are greater but so are the rewards both in monetary sense and psychologically, in the feeling of confidence and pride it generates in the person. It is through the efforts of such persons that a small industry can become a dynamic sector of the economy and hence, the effort made to develop such persons is well worth the investment in terms of labour and cash. The need of the hour is the growth of entrepreneurship to accelerate the process of economic growth. According to Drucker, the entrepreneurial management. In a way, the society needs innovation and entrepreneurship in a normal, steady and on ongoing basis. Just as management has become the specific organ of all contemporary institutions and the integrating organ of our society of organisations, so innovation and entrepreneurship have to become an integral life sustaining activity in our organisations, our economy, our society.

This requires of executives in all institutions to make innovation and entrepreneurship a normal, ongoing, everyday activity, a practice in their own work and in that

of their organisation. Entrepreneurship is the cornerstone of the emerging economic scene in the world.

The entrepreneur usually lacks managerial and technical know-how, as well as marketing, production and personnel management skills. These are needed so that even if the entrepreneur can operate on only a small-scale basis, the operation will be economically viable.

Technological advances in the environment create new needs for the entrepreneur as far as adaptation and adjustment are concerned. The entrepreneur may need to learn how to adjust to the new technological environment, or to take a set of advance technologies and bring this to his own level in this sector. Either way, constant re-examination is needed for possible utilization and improvement of existing technologies.

Finally, the socio-cultural environment also creates a very important climate for the survival of this sector. Small enterprises need the following conditions to keep them alive.

(1) tolerance for changes in the society and culture; (2) social mobility; (3) tolerance of profit making; and (4) tolerance of private ownership.

Japanese Experience

The Japanese have very successfully integrated their culture with their business and have achieved great success. Some of the values they have brought into their management are life long employment, worker participation, quality circles, loyalty and pride in the organisation. Similarly, whatever is good in Indian culture should be reflected and reinforced in the business culture also. In the absence of this, India cannot design its own unique form of management, suitable for its values, and achieve excellence.

Some of these values could be mutual respect among the management and workers, commitment to nation building similar to the spirit it shown during the Independence movement and pride in whatever one does. A sense of equity and pride in one's own profession will be an antidote for the old caste based professions and their unequal values. Similarly, the ancient philosophical tenets like equality before God could be extended to mutual consideration and respect in the workplace also. This requires a conscious acceptance of these values by the managers and its constant practice. Strong corporate culture suitable for one's own traditional values like strong family cultures have to come from within or be cultivated by individual leaders to maximise the achievements.

Culture building is achieved by selecting the ideals, motivating through retaining and encouraging such ideals in employees. It requires refining of the human resources development tools and consistency in recognising the achievements.

Strategy and culture — each contribute to the success of any organisation. Brilliant strategies bring great business successes and strong cultures survive great upheavals. In the absence of one, the other is useless. The Indian situation badly needs both.

An Ideal Entrepreneur

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 bend rules and cut corners, and quite simply that pursuit of wealth can be a 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 success of an entrepreneur in any enterprise depends on the degree of his vision, leadership, competitiveness, talent, self-reliance, connections, communication and resourcefulness.

Entrepreneurship is not confined to industry and is needed in all activities. Its flowering in agriculture among the cultivators, small and large, is seen by all today. The smiling farm of today in many parts of the country is a proof of such entrepreneurship. The need for entrepreneurship is even greater in management of government, more so as it is the largest entrepreneur.

India has a proud record of entrepreneurship. Its present status in the industrial world is its proof. It has now to prepare itself for entrepreneurship of a different order. Tremendous advances of science and technology will have to be harnessed, requiring on the part of the people and the government a more mature and finer approach to match the level reached in the advanced countries. Philips, Sony, Honda, Ford provide the signposts of entrepreneurship today for all to emulate. Some of these have come up only in recent years and from small beginnings. In India, too, one sees glimpses of such entrepreneurship. ICICI's experience tells a great deal about entrepreneurship — good as well as not so good.

Conclusion

Entrepreneurship is an attitude of mind which can take risks but calculated ones; a true entrepreneur is one who can see possibilities in a given situation where other see none and has the patience to work out the idea into a scheme to which financial support can be provided. It is one of the catalytic activities fostering initiative, promoting and maintaining economic activities fostering initiative, and distribution of wealth. The stimulation of entrepreneurship is a function of both internal and external variables. In developing countries, there is no dearth of ideas but there is a real scarcity of men with the right blend of vision and practical sense to become successful entrepreneurs. The objective of the programme is to identify such people and to provide them with the support needed to make them a success. They then become "demonstration models" to the community; and once a right climate is generated, entrepreneurship becomes a way of life.

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Programmes for developing entrepreneurship must recognise that ultimately, the change they seek to include is attitudinal; it is more than just providing information, land or money. It is to provide new goals so that a motivated young person is no longer content to take up a secure job which will assure him a modest income but seeks bigger challenges in setting up and running his own business. The risks are greater but so are the rewards, both in monetary sense and psychologically, in the feeling of confidence and pride it generates in the person. It is through the efforts of such persons that a small industry can become such dynamic sector of the economy and, hence, the effort made to develop such persons is well worth the money and labour. The need of the hour is the growth of entrepreneurship in the country to accelerate the process of economic growth. According to Peter Drucker, the entrepreneurial strategy is as important as purposeful innovation and entrepreneurial management. In a way, the society needs innovation and entrepreneurship in a normal, steady and an ongoing basis. Just as management has become the specific organ of all contemporary institutions, and the integrating organ of our society of organisations, so innovation and entrepreneurship have to become an integral life, sustaining activity in our organisations, our economy, our society.

This requires of executives in all institutions to make innovation and entrepreneurship a normal, ongoing everyday activity, a practice in their own work and in that of their organisation. Entrepreneurship is the cornerstone of the emerging economic scene in the world.

ANNEXURE-1

POLICY OPTIONS TO PROMOTE ENTREPRENEURSHIP

The OECD recently conducted an indepth study of the policies that foster entrepreneurship in five countries — Australia, The Netherlands, Spain, Sweden, and the United States. The following presents some of its broad policy guidelines that can be applied to developing countries as well. Each country needs to examine how these could best be applied within its own situation.

Broad Policy Guidelines

Examine the overall institutional framework within which economic activity takes place in order to establish whether it provides maximum scope for entrepreneurship to flourish. In particular:

- Identify and dismantle remaining barriers to competition which limit the incentives of enterprises to innovate and perform more dynamically. Promote competition in all sectors of the economy, including the provision of public services. Provide effective protection of intellectual property.

- Allow scope for flexible employment contracts to be negotiated, with remuneration arrangements and working conditions that are well adapted to the needs of dynamic enterprises. Relax employment protection measures that inhibit restructuring or discourage entrepreneurs from taking on new workers.
- Examine the costs of complying with government-imposed administrative or regulatory requirements and identify where reductions could be made, either by removing the requirements to comply or by reducing the administrative burden involved (including through better coordination among various government agencies).
- Examine the overall effects of the tax system on entrepreneurship, and identify features that discourage entrepreneurs or the financing of entrepreneurial activity. Ensure that the tax system is transparent and that compliance is straight forward.
- Review and simplify the registration procedures required to create a business. Ensure that firms are able to close quickly should they wish to do so.
- Ensure that personal bankruptcy legislation provides an appropriate balance between encouraging risk-taking and protecting creditors.
- Re-examine the effects that social insurance provisions may have on encouraging or discouraging would-be entrepreneurs.

—Ensure that specific programs designed to foster entrepreneurship operate as part of an integrated and coherent strategy that complements the framework conditions. In particular:

- Avoid policies that stem from a too-narrow definition of entrepreneurship (e.g., that entrepreneurship is only about start-ups or only about high-technology) and which may divert attention from getting the broader economic policy settings right.
- Widen the target population for entrepreneurship programs, where possible, to attract the participation of women, the young and minorities.
- Undertake regular and comprehensive evaluation of programs, and ensure that evaluation findings are acted on.

Improve the effectiveness of entrepreneurship programs by drawing on the knowledge of local level of government. In particular:

- Ensure that resources for programs to foster entrepreneurship are decentralised where appropriate in order to better tailor programs to the specific needs of an area and its business.
- Provide regular opportunities to exchange information at a national level on the experiences of local authorities in designing and implementing entrepreneurship programs.
- Seek to identify and implement low-cost and effective programs with minimal distortionary effects on market incentives. For example:
- Promote public awareness of entrepreneurship and examine the role the education system could play in developing entrepreneurial skills and attitudes.
- Increase opportunities for the unemployed to create their own jobs through self-employment schemes.
- Facilitate networking among firms in order to foster a culture of mutual cooperation and risk-taking.
- Promote the entrepreneurial non-profit sector by contracting-out where possible the delivery of public service that meet pressing demands in economic and social development.

OECD, *Fostering Entrepreneurship*, 1998. pp. 28-30. Used with permission of OECD.

“Embarking upon ‘new combinations’ of the factors of production — which he succinctly terms innovation — the entrepreneur activates the economy to a new level of development. The concept of innovation and its corollary development embraces five functions: (1) introduction of a new good, (2) introduction of a new method of production, (3) opening of a new market, (4) conquest of a new source of supply of raw materials and (5) carrying out of a new organisation of any industry”

CHAPTER 5

THEORIES OF ENTREPRENEURSHIP

Introduction

The concept and theories of entrepreneurship evolved over more than two centuries have undergone major changes. Yet the concept of entrepreneurship is not clear. As the concept of entrepreneurship is complex in its content, it is influenced by not only economical aspects, but also by sociological, political, psychological, ethical, religious and cultural values. The concept also bears testimony to courage, creativity, determination, networking, hard working etc. Over the years the social scientists have interpreted the phenomenon of entrepreneurship differently in accordance with their perception and economic environment.

A coordinated and comprehensive theory of entrepreneurship is yet to come. Meanwhile let us understand the important theories of entrepreneurship propounded by social thinkers during the last two centuries.

The distinctive features of entrepreneurship over the years are:

1. Innovation,
2. A function of high achievement,
3. Organisation building,
4. Group level activities,
5. Managerial skills and leadership,
6. Gap filling,
7. Status with drawal,
8. Entrepreneurial supply, and
9. Entrepreneurship — an emerging class

Entrepreneurship as a process has and is undergoing changes in keeping with the continued 6 changes in different fields. In keeping with these changes, different theories of entrepreneurship have been evolved by different thinkers at different times. It is a continuously evolving process of *change*.

Entrepreneurship in Developing Countries

Among the many definitions of the entrepreneur, that which distinguishes him as a person who undertakes to organise, manage and assume the risk of running a factory is the one generally adopted in the region. Small enterprises, like entrepreneurship, cannot be defined specifically. The concept is variously understood in different countries depending on the prevailing economic and social conditions. Generally, the definition is based on two criteria: *quantitative*, which includes the size of the company in terms of number of workers, consumption of energy, capitalisation or value of sales; and *qualitative*, which refers to the organisation and management of the enterprise, methods of production or influence on the market.

Entrepreneurship Stimulants

A variety of social, economic, political and cultural factors are stimulating entrepreneurial activity and consequently generating economic development. These stimulants are as follows:

1. An increasing focus on capital formation. Availability of capital is a stimulant to an entrepreneur to start a new firm and/or give birth to a new idea.
2. The ability to transform scientific and technical developments through new institutional development.
3. The supportive government programmes.
4. Availability of required training and inputs.
5. A collaborative relationship between business and research and their direct attempts to transfer technology to the market place will be an opportunity for entrepreneurs who commercialise their ideas.
6. Finally, an endeavour to create an environment conducive to innovation will provide a much-needed stimulant to entrepreneurial activities.

Entrepreneurship and Economic Growth

Economic development of any region is an outcome of purposeful human activity. Men assume various roles in the development process, namely, as organiser of human capital, natural material resources, worker and consumer. He stands at the centre of the whole process of economic development. According to Schumpeter, economic development consists of "employing resources in a different way", bringing in a new combination of means of production. The entrepreneur looks for ideas and puts them into effect for economic development.

According to Baumol, entrepreneur is a Schumpeterian innovator and something more than a leader. The entrepreneur, according to him, occupies a crucial place in the process of economic development.

Joseph A. Schumpeter (1934) for the first time put the human agent at the centre of the process of economic development and assigned a critical role to entrepreneurship in his theory of economic development. According to Schumpeter "Entrepreneurship is essentially a creative activity or it is an innovative function. The process of innovation may be in the form of (a) Introduction of new product, (b) Use of new method of production, (c) Opening of new market, (d) The conquest of new source of supplying

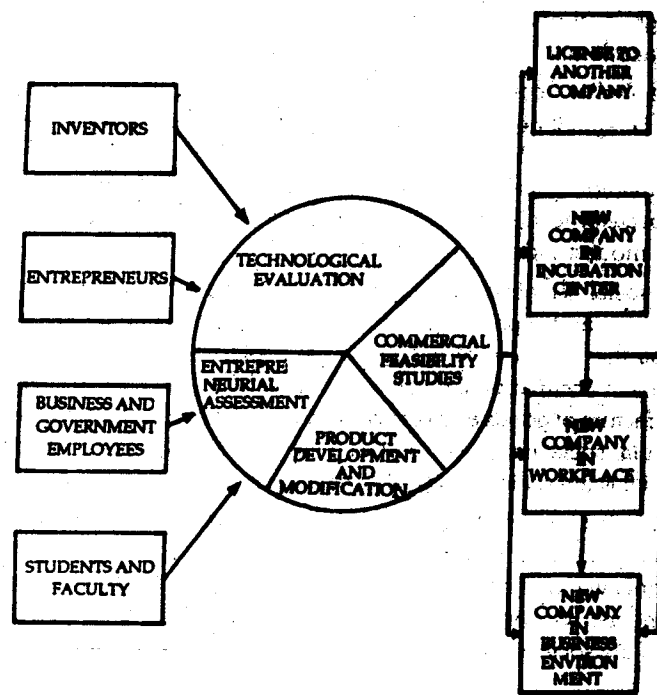


Fig. 5.1 Innovation Centre

raw material or (e) A new form of organisation." Hence he depicted an entrepreneur not only a premier agent of production who brings together all factors of production but also provides a sound management and control for the survival as well as the growth of the production unit.

Schumpeter further says that economic growth depends on the rate of applied technical progress (i.e., innovation) and rate of technical progress in the economic field which in turn depends on the supply of entrepreneurs in the society. Thus the entrepreneur is the agent of change in society.

In the Schumpeterian model, entrepreneur is an innovator, and the existence of "innovative entrepreneurs" depends on the necessary social and economic overheads. These economic and social overheads are very poor in backward regions which cause a short supply of entrepreneurs. In this connection, we can refer to David McClelland who explained the development of entrepreneurship in terms of human motivation to achieve or need for achievement (n Ach), His hypothesis is that a society with a generally high level of achievement will produce more energetic entrepreneurs, who in turn will accelerate the process of economic development.

In the Indian context, entrepreneurship has yet another dimension. An entrepreneur may not necessarily be an innovator "but an imitator" who would copy the organisation, technology, products of innovators from other developed regions. His role as an imitator is likely to be guided and controlled by various constraints and

conditions peculiar to his area of operation and the factors under which he conducts his minimal modest industrial activity.

Other social scientists, notably Max Weber, have talked of the importance of entrepreneurship and expressed the view that creative and entrepreneurial energies are generated by the adoption of exogenously supplied beliefs which in turn produce intense efforts in occupational pursuits and accumulation of productive assets leading to the manufacture of goods and service. According to him, entrepreneurs are a product of the particular social conditions in which they live and it is social conditions in which they live and it is the society which shapes the personality of individual entrepreneurs.

John Kunkel believes that the behavioural pattern of individuals is important for development and such a pattern can be influenced by external stimulus so as to alter it in the manner we want it. In other words, if we want more people in society to behave as entrepreneurs, we can bring about such behaviour on their part by appropriate alterations in the social environment so as to influence them to take to entrepreneurial pursuits. Like Weber, Cochran and Young underscore the importance of the role society plays in shaping the entrepreneurial personality and consider the scarce ingredients which are essential in the emergence of potential entrepreneurs cultural values, role expectations, social tensions and inter-group relations in society. Entrepreneurs are an important source of economic development. It becomes imperative that there exists a motivational training programme including measures to modify the environment to stimulate entrepreneurial behaviour among individuals. There are thinkers who believe that the "Schumpeterian entrepreneurs are needed in underdeveloped countries for rapid economic development" is only through entrepreneurs that substantial development can be brought about.

Entrepreneurship and Economic Systems

Entrepreneurship includes the existence of the spirit of venturing into new enterprises through innovations, creation and translation of such spirit into reality in the various fields of industry and commerce by individuals with entrepreneurial qualities and with an intense desire for accomplishment or achievement in this field.

Entrepreneurship plays an important role in the economic system, which determines the nature and scope of this field. Economic systems grow and take shape under the influence of industrial policy, economic policy, and the socio-political and cultural ideas of the people. Entrepreneurship gives a fillip to new organisational forms and the economy has to adjust to these demands. However, changes in the structure of the economy bring about economic reforms which determine other factors affecting the economy. Economic systems is a basic structure of capitalism, socialism and mixed economy in which a certain level of entrepreneurship is found.

Capitalism: Capitalism has 'freedom' as its landmark. Free enterprise, freedom to save or to invest, free and healthy competition, lack of the dominance of central plan and consumer's sovereignty are the main features that distinguish capitalism from other economic systems. In a free enterprise economy, the problem of what to produce is solved by the price mechanism. The goods are bought and sold in the market at a price which is freely determined by the equality between demand for and supply of

goods with reference to the cost of production. It is for this reason that entrepreneurship fully commands a price and market mechanism. On the basis of this, the entrepreneur also has the controls of the production and distribution of goods by mobilising the resources to maximise his profit. Profit motive is the main aim of the entrepreneur in a free market mechanism under capitalism. He also distributes the goods according to the different market conditions both in domestic and overseas markets and therefore, we find he is a competitor or monopolist or a monopolistic competitor in the home market. Besides he is a cut-throat competitor in the overseas market where he allocated the amount of goods and determines the price according to his capacity to unload goods — a special case of discriminating monopoly.

Socialism: Private entrepreneurship does not contribute much to an economic system but it becomes the responsibility of the economic and financial experts in the Central Authority to strategise the exploitation of resources and organise an equitable distribution of goods without any profit motive but for the social good.

Entrepreneurship exists in the form of a body consisting of the representatives nominated by the government to frame the plans for the proper mobilisation of resources, their allocation and re-allocation so that most of the resources channelised towards industries of national importance. It is therefore, for entrepreneur who has a complete control over the resources, the production of the goods according to the needs of the people and their distribution in the internal vis-a-vis external market. As socialism is contrary to capitalism or mixed economy, all such responsibilities are not shared by the private entrepreneur and hence his role under socialism is negligible.

Mixed Economy: The entrepreneurs also play an important role in the production and distribution of goods in a mixed economy. The basic characteristics of this economy is that the government undertakes the production of mostly capital-goods while the production of consumer goods is left to the private enterprises and hence they are equally responsible for the uplift of the people because they produce not only luxuries and comforts but also goods of basic requirements of the people. Like a capitalist economy, mixed economy also tries to solve the basic problems with the help of the price mechanism. But where the price mechanism fails to achieve the desired result, the state tries to intervene in order to find a better solution to the various problems. When the problem of production is not solved satisfactorily by the private entrepreneur, the state tries to increase the production of essential goods and discourages that of less essential or non-essential goods. It does so by producing defence goods itself as also some basic goods like iron, steel and cement etc. and also by encouraging the private producers to increase the production of essentials like food, clothing, housing etc. In a mixed economy, the government does a good deal to encourage the production of most essential goods and in case their production still lags behind, it may itself undertake their production and increase it by giving it top priority in its economic programme.

In a mixed economy, the government also tries to remove the evil of monopoly capitalism through restrictions. It may curb the growth of monopolies and initiate workable competition which is essential for the optimum use of the available resources.

Mixed economy tries to solve the problem of distribution of goods and services in a better way than the capitalist economy. The government tries to level up the incomes of the poor people and level down those of the rich people. This is done by fiscal measures, fixation of minimum wages and salaries and improvements in the environment by the people.

The role played by an entrepreneur is significantly important in a mixed economy as it permits the growth of both the public and the private sector. In the private sector, profit motive acts as an incentive to the entrepreneur and market mechanism plays its own role. This establishes the role of entrepreneur in the mixed economy.

Entrepreneurship has great importance in various economic systems. It is all the more important under capitalism and mixed economy where not only the responsibilities of entrepreneur in production and distribution are recognised but the objective of growth of business and profit maximisation is also attained. Therefore, the importance of entrepreneurship stands beyond challenge in every economic system except under socialism where it appears in a different form. Yet, entrepreneurship prevails in all economic systems in one form or the other.

Theories of Entrepreneurship

Theories of Entrepreneurship are broadly classified into economic, psychological, sociological and cultural.

The static approach of the emerging Neo-classical school did not readily accommodate a concept with such dynamic connotations as entrepreneur. Alfred Marshall, for example, laid much more stress on the routine activities of management and superintendence than he did on the innovative activity of the entrepreneur.

The phenomenon of entrepreneurship development has been viewed, explained and interpreted differently by social scientists. Among those who have stressed on the routine activities of management and superintendence than he did on the innovative activity of the entrepreneur.

The phenomenon of entrepreneurship development has been viewed, explained and interpreted differently by social scientists. Among those who have stressed on the psychological aspects as contributing to entrepreneurial success are Joseph Schumpeter, McClelland, Hagen and Kunkal.

Entrepreneurship is inhibited by the social system, which denies opportunities for creative facilities: "The forces of custom, the rigidity of status and the distrust of new ideas and of the exercise of intellectual curiosity, combine to create an atmosphere inimical to experiment and innovation." The theories of Weber and Cochran in this context are mainly sociological in nature.

Briefly, the concepts of entrepreneur and entrepreneurship have been investigated from economic, social, political, cultural and managerial points. The development of this understanding is summarised in Table 5.1.

TABLE 5.1

**DEVELOPMENT OF ENTREPRENEURSHIP THEORY AND
TERM ENTREPRENEUR**

17th century:	Person bearing risks of profit/loss in a fixed price/loss contract with government.
1725: Richard Cantillon:	Person bearing risks is different from one supplying capital.
1797: Beaudeau:	Person bearing risks, planning, supervising, organising, and owning.
1803: Jean Baptiste Say:	Separated profits of entrepreneur from profits of capital.
1876: Francis Walker:	Distinguished between those who supplied funds and received interest and those who received profit from managerial capabilities.
1934: Joseph Schumpeter:	Entrepreneur is an innovator and develops untried technology.
1958: Haggren:	An entrepreneur is an economic man who tries to maximise his profits by innovations.
1961: David McClelland:	Entrepreneur is an energetic moderate risk taker.
1964: Peter Drucker:	Entrepreneur maximizes opportunities through systematic innovations.
1975: Albert Shapero:	Entrepreneur takes initiative, organises some social-economic mechanisms, and accepts risk of failure.
1980: Karl Vesper:	Entrepreneur seen differently by economists, psychologists, business persons, and politicians.
1983: Gifford Pinchot:	Intrapreneur is an entrepreneur within an already established organisation.
1985: Robert Hisrich:	Entrepreneur is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks and receiving the results — rewards of monetary and personal satisfaction.
1990: Vasant Desai:	The entrepreneur 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 the 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, the entrepreneur gives top priority to Research and Development. He always works for the well-being of the society. More importantly, entrepreneurial activities encompasses all fields/sectors and fosters a spirit of enterprise for the welfare of mankind.

The following theories of entrepreneurship enunciated by the social scientists from time to time are briefly discussed in the following pages.

1. An Economic Theory
2. Leibenstein's X-efficiency Theory
3. Dynamic Entrepreneurship Innovation Theory
4. Harvard School Theory

5. Theory of High Achievement
6. Theory of Change
7. Theory of Profit
8. Theory of Adjustment of Price
9. Theory of Market
10. Theory of Social Change
11. Theory of Entrepreneurial Supply
12. Theory of Personal Resourcefulness
13. Theory of Cultural Values

An Economic Theory

Mark Casson, in his book *The Entrepreneur — An Economic Theory*, presented a functional definition of the entrepreneur and considered why the entrepreneurial function is so valuable. He emphasised that the demand for entrepreneurship stems from the need to adjust to change, and that 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. He suggested that there are four main qualities which are crucial for a successful entrepreneur of which one — imagination — is almost entirely innate. The other three qualities may be enhanced. The problems encountered in screening for these qualities, and in enhancing the ones that are deficient, have a number of important implications for the development of a successful entrepreneurial career.

Leibenstein's X-efficiency Theory

This theory, originally developed for another purpose, has recently been applied to analyse the role of the entrepreneur. Basically, X-efficiency is the degree of inefficiency in the use of resources within the firm: it measures the extent to which the firm fails to realise its productive potential.

For a given set of inputs, productive potential is identified with the point on Neo-classical production frontiers. X-efficiency arises either because the firm's resources are used in the wrong way or because they are wasted, that is, not used at all.

Leibenstein identifies two main roles for the entrepreneur. The first role is input completion, which involves making available inputs that improve the efficiency of existing production methods or facilitate the introduction of new ones. The role of the entrepreneur is to improve the flow of information in the market.

The second role, gap filling, is closely asking to the arbitrage function emphasised by Kirzner. Leibenstein provides a very vivid description of gap filling, visualising the economy as a net made up of nodes and pathways.

Dynamic Entrepreneurship Innovation Theory

A dynamic theory of entrepreneurship was first advocated by Schumpeter (1949) who considered entrepreneurship as the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development. Embarking upon 'new combinations' of the factors of production — which he succinctly

terms innovation — the entrepreneur activates the economy to a new level of development. The concept of innovation and its corollary development embraces five functions: (1) introduction of a new good, (2) introduction of a new method of production, (3) opening of a new market, (4) conquest of a new source of supply of raw materials and (5) carrying out of a new organisation of any industry. Schumpeter represents a synthesis of different notions of entrepreneurship. His concept of innovation included the elements of risk taking, superintendence and co-ordination. However, Schumpeter stressed the fact that these attributes unaccompanied by the ability to innovate would not be sufficient to account for entrepreneurship.

Harvard School Theory

According to the Harvard School (Cole, 1949) entrepreneurship comprises any purposeful activity that initiate, maintain or develop a profit-oriented business in interaction with the internal situation of the business or with the economic, political and social circumstances surrounding the business. This approach emphasised two types of activities: the organisation or coordination activity, and the sensitivity to the environmental characteristics that affect decision making. Another exposition of the Harvard tradition is that of Leibenstein (1968) who emphasised activities such as searching and evaluating economic opportunities, mobilising resources necessary for the production process, connecting different markets and creating or expanding the firm.

Despite its stress on the human factor in the production system, the Harvard tradition never explicitly challenged the equilibrium-obsessed orthodox economic theory. This was challenged by the neo-Austrian School who argued that disequilibrium, rather than equilibrium, was the likely scenario and as such, entrepreneurs operate under fairly uncertain circumstances. The essence of entrepreneurship consists in the alertness of market participants to profit opportunities. A typical entrepreneur, according to Kizner (1979) is the arbitrageur, the person who discovers opportunity at low prices and sells the same items at high prices because of inter-temporal and inter-spatial demands.

Theory of High Achievement

McClelland identified two characteristics of entrepreneurship, namely, doing things in a new and better way and 'decision-making under uncertainty.' He stressed the need for achievement or achievement orientation as the most directly relevant factor for explaining economic behaviour. This motive is defined as the tendency to strive for success in situations involving an evaluation of one's performance in relation to some standard of excellence. People having high need for achievement are more likely to succeed as entrepreneurs. McClelland explains the entrepreneur's interest in profits in terms of a need for achievement. People with high achievement (N-Ach) are not influenced by money rewards as compared to people with low achievement. The latter type are prepared to work harder for money or such other external or such other external incentives. On the contrary, profit is merely a measure of success and competency for people with high achievement need.

Theory of Change

Young conducted the Thematic Appreciation Test (TAT) on a group of entrepreneurs. The test revealed the tendency to describe the situation as a problem to be solved, an awareness of pragmatic effort required, confidence in their own ability to solve the problem and a tendency to take the viewpoint of each individual in turn and analyse the situation as he might see it before suggesting an outcome.

Young's theory is a theory of change based on society's incorporation of reactive subgroups. A group becomes reactive when the following three conditions coincide:

- (i) When a group experiences low status recognition;
- (ii) When denied of access to important social networks; and
- (iii) When the group has better institutional resources than other groups in the society at the same level.

Theory of Profit

Knight identifies the entrepreneur as a recipient of pure profit. Pure profit, according to him, with regard to the entrepreneur, is bearing the costs of uncertainty. He identifies uncertainty with a situation where the probabilities of alternative outcomes cannot be determined either by *a priori* reasoning or by statistical inference. *A priori* reasoning is simply irrelevant to economic situation involving a unique event.

Knight argues that business uncertainty can be reduced through 'consolidation.' Consolidation is to uncertainty what insurance is to risk; it is a method of reducing total uncertainty by pooling individual instances. The elasticity of the supply of self confidence is the single most important determinant of the level of profit and the number of entrepreneurs.

Theory of Adjustment of Price

For Kirzner, the adjustment of price is the main role of the entrepreneur. If the wrong price prevails in the market, then an opportunity for profit is created somewhere in the market if a frustrated buyer or seller is willing, respectively, to pay a higher price or accept a lower one. Then, again, if different prices prevail in the same market, there is scope for profitable arbitrage between the two segments of the market.

According to Kirzner, alertness to disequilibrium is the distinguishing characteristic of an entrepreneur. Alertness enables some individuals to intervene in the market by changing the price while other individuals simply respond by changing their buying and selling plans *in lieu* of the new price.

Kirzner further maintains that the primary role of economic theory is to explain behaviour in terms of purposeful human action, and to consider to what extent purposeful human actions can interact to produce unexpected outcomes. To pursue the analysis of entrepreneurship further would be to go beyond the limits of the agenda of this piece. Anyone who believes that the entrepreneurs is predictable has an incentive to himself intervene in the market process, and so become an entrepreneur.

To Kirzner, this provides a satisfactory basis for asserting the inherent unpredictability of the entrepreneur. It suggests that no predictor can be anything but an entrepreneur, and so makes a predictive theory of entrepreneurship impossible.

Theory of Market Equilibrium

Hayek's main contribution to entrepreneurial theory is to point out that the absence of entrepreneurs in Neo-classical economics is intimately associated with the assumption of market equilibrium. According to Hayek, the equilibrium postulate is equivalent to a postulate of full information; not full information in the sense of a complete information theory about every conceivable thing, but full information in the sense that no further information is needed in order to modify anyone's decisions.

For him, the empirical content of economics relates to the process of adjustment towards an equilibrium. This process involves the acquisition and communication of knowledge. He visualises a world in which there is a continuous process of discovery. Markets help people to communicate their discoveries to others and learn of discoveries, thereby moving towards a state of equilibrium.

Hagen's Theory of Social Change

Everett Hagen, in his work "Theory of Social Change: How Economic Growth Begins (1964), meditates on its psychological explanation. His creative personality is an individual characterised by a high need for achievement, order and autonomy. He views the entrepreneur as a creative problem solver interested in things in the practical and technological realm, and driven by a duty to achieve.

Hagen considers the withdrawal of status, of respect, as the trigger mechanism for changes in personality formation. Status withdrawal occurs when members of some social group perceive that their purposes and values in life are not respected by the groups in the society they respect, and whose esteem they value. Hagen postulates four types of events which can produce status withdrawal —

- Displacement of a traditional elite group from its previous status by another traditional supply physical force.
- Denigration of valued symbols through some change in the attitude of the superior group.
- Inconsistency of status symbols with a changing distribution of economic power.
- Non-acceptance of expected status on migration to a new society.

Theory of Entrepreneurial Supply

Another theory of entrepreneurial supply is the Behaviouristic Model propounded and elaborated by John Kunkal in 1965. His behavioural model is concerned with the overtly expressed activities of individuals and their relations to both past and present, and surrounding social structures and physical conditions.

The determinants of an individual's activities are to be found largely in the conditioning procedures, both deliberate and accidental, to which he has been subjected in the past, and in the sets of reinforcing and discriminating stimuli which have become part of his behavioural claims and are part of the present social context.

The selected elements of social environment are amenable to change. Kunkal's theory is based upon experimental psychology, identifying sociological variables as the determinants of entrepreneurial supply.

Theory of Personal Resourcefulness

The root of entrepreneurial process can be traced to the initiative taken by some individuals to go beyond the existing way of life. The emphasis is on initiative rather than reaction, although events in the environment may have provided the trigger for the person to express initiative. This aspect seems to have been subsumed within 'innovation' which has been studied more as the 'change' or 'newness' associated with the term rather 'proactiveness.' This tendency to take initiative has been approached from different directions at various stages in the development of theory in entrepreneurship. For instance, Bygrave and Hofer (1991) talk of the importance of human volition, Carland *et al.* (1984) define an entrepreneur as one who 'establishes' an organisation, or Schumpeter (1949) talks of the agent who consciously disturbs the stationary process to take it in a new direction. They all reflect on the primacy of individual initiative. Studies of entrepreneurial traits related to this aspect of behaviour, such as internal focus of control (Brochhaus, 1982), capability to take personal risks (Gasse, 1985) and positive approach to work and problems, without excessive fear of failure, seeming from strong belief in favourable future (Kuratko & Hodgetts, 1989) — all lend to a strong sense of personal resourcefulness (Kanungo & Misra, 1992) through which entrepreneurs take up and deal with non-routine tasks and situations. Hence, 'personal resourcefulness' in the context of this paper is the belief in one's own capability for initiating actions directed towards creation and growth of enterprises. Such initiating process requires cognitively mediated self regulations of internal feelings and emotions, thought and actions as suggested by Kanungo and Misra (1992).

Theory of Cultural Values

The key elements in Thomas Cochran's theory are cultural values, role expectations and social sanctions. In his theory on the process of economic development, entrepreneurs are not seen as being deviant or super normal individuals but rather as representing society's modal personality. This modal personality is moulded by prevailing child-rearing practices and schooling common to a given culture. The performance of a businessman, according to him, will generally be influenced by three factors: (1) his own attitude towards his occupation; (2) the role expectations held by the sanctioning groups; and (3) the operational requirements of the job. The determinants for the first two factors are the society's values. Changes over time in such variables as population, technology, and institutional drift will impinge on the role structure by creating new operational needs.

Development in any walk of life has always depended, to some degree, on individual qualities of entrepreneurship. The success of planned efforts made by some countries in developing local entrepreneurs demolished the contention that an entrepreneur is a rare character; that entrepreneurship is not restricted to those who are gifted with certain qualities at birth. It can also be developed. It is precisely this conviction that has led to careful studies on entrepreneurship from economical, psychological and socio-logical perspectives, as well as steps to identify and develop entrepreneurship. As observed, every theorist has looked at the entrepreneur and entrepreneurship on the basis of his perception, and therefore, can, at best, provide only a limited view of entrepreneurial phenomenon. No view is right or wrong, or more

or less; in fact, the various factors which cause the emergence of entrepreneurship are integral and not additive. They are interlocking, mutually dependent and usually reinforcing.

Factors Influencing Entrepreneurship

Peter Heydemann, the Science Counsellor in the U.S. Embassy here seems much impressed with the role the small business play in the process of innovation in the U.S. economy. He explained how "incubators" are used successfully in the United States to encourage small entrepreneurs.

The problem is how best to help small entrepreneurs translate the results of laboratory research into marketable products, to transform a new scientific concept into a commercial product. Simply put, "incubators" are very basic facilities offering shared secretarial services, space for conducting a retail or manufacturing business, and a few simple machine tools. But, and this is very important, incubators offer advice and consultation on subjects with which the most budding entrepreneurs are unfamiliar: business and finance planning, market development, government regulations. Incubators have indeed greatly helped small manufacturers to develop new products. Recent studies show that such enterprises are the main source of innovation in the U.S. industry.

Heydemann said that the idea of the incubator technology is "five or six years old." This is because until recently it was felt that the U.S. industry would forever remain in the forefront without any competition. But things changed rapidly. So, realising the "the 600-plus national laboratories could not possibly service all the one-and-a-half million or so small entrepreneurs," individual American states took it upon themselves to help local industry through their technology support and development organisations.

Incubators are very often attached to state university systems as universities have much of the technical and non-technical information that needs to be fed to the entrepreneurs. Moreover, state universities have increasingly come to believe that apart from their traditional role, they must also promote industrial activity in their areas of operation.

State authorities in turn help by enabling businessmen cut through red tape, provide low-interest loans to develop prototypes, undertake market research and generally assist in bringing a new product to the consumer. "Some notion of the magnitude of this support can be had from the fact that last year alone, the federal and state governments together spent more than \$2,000 million in encouraging small business." Many private sector companies also provide incubator facilities, though at a comparatively higher cost.

Another important aspect of incubators is that experts do not make any business decisions for their clients. They only provide guidelines and advice on product development, engineering, pilot production and in identifying markets.

Among the businesses in which incubators are making a significant contribution, said Heydemann, "are light manufacturing in mature technologies, retail and wholesale trade and, finally, research and development in emerging technologies."

The success rate of incubators has been salutary in the number of new jobs created, the enlarged tax base for state revenues and in the export of manufactures. In short, incubators are bringing new vigour and vitality to America's industrial renaissance and are once more giving the country a competitive edge. It remains to be seen how useful it will be in the context of Indian entrepreneurs.

For Illustration

Mr. Ashok Birla (1939-1990) displayed a restless urge to get going, to get things done. He was ever-sensitive to innovation with a quest for new ideas. His vigorous energy combined with a certain gambler's instinct, led him to pursue every potentially profitable venture. It was this zest to explore the unexplored which created an image of an unabashed entrepreneur willing to invest in risky off-beat ventures.

Always ahead of his time, he sensed the coming of a financial revolution and sought to be in its forefront by seeking to promote an offshore mutual fund — five years before the Unit Trust of India floated its first country fund. Foreseeing the national crunch in power generation, he introduced portable diesel-based gensets on which farmers and small shopkeepers could depend to tide them over critical periods of power shortages.

After a short training stint under the supervision of his uncle, Mr. Basant Kumar Birla, Mr. Ashok Birla built a cluster of companies into a dynamic Rs. 320-crore group.

The sales of Zenith Ltd., his flagship company, which was a mere Rs. 30 crore in 1977-78 when Mr. Birla took over, soared to Rs. 269 crore in 1989-90. Under Mr. Birla's leadership, the company changed from a single product manufacturer to a multi-product, multi-dimensional conglomerate and became India's 74th largest company. Earlier, just out of college, he had nurtured Bharat Commerce from a Rs. 2-crore company into a Rs. 56-crore concern.

Mr. Rajan Pillai (1943-1997), London-based Indian engineer turned an entrepreneur, had brought in one swoop with this a group of four lucrative biscuit and snack food companies in Singapore, Hongkong, Malayasia and New Zealand under Pillai's belt. The group's combined sales are approximately Rs. 640 crore and net fixed assets in excess of Rs. 200 crore, which include Britannica Industries, India and English Biscuit Manufacturers, Pakistan. Rajan Pillai was an international success.

In 1973, Rajan and his father, who was by then one of the biggest exporters of cashew from India, decided that one member of the family should be abroad. Rajan was the one chosen. Relying on some 'contacts', Pillai embarked for Singapore to launch the 20th Century Foods, a salting operation using raw cashew nuts imported mainly from Kerala. But before leaving India, Rajan made a clean break — he redistributed amongst his six sisters and sole brother his inherited wealth, then amounting to about Rs. 5 lakh and relinquished all rights to the family business.

The 20th Century Foods was set in a joint venture with the Inchcape group. A food processing factory in the nuts and nut-related industry was set up in 1973, in the Jurong Industrial Estate, which was marshland in those days. Rajan secured financial assistance and land on easy lease terms from the Singapore Economic Development Board, being one of the first few to set up a factory there. Soon he started shipping

branded consumer products (cashews in cans and pouches) to the neighbouring countries. Later, he extended the product line to peanuts, pistachio and almonds to the markets to the Far East, Japan, the Pacific Rim and the Middle East, all in a span of five years.

The products sold under the 'Ole' brand name found wide acceptance. But this did not save the company from cash flow problems. The profits Rajan Pillai made went into paying off the loans from the Citibank and the Bank of India in Singapore. Clearly, working capital shortage and the bane of entrepreneurship threatened to wipe out the young fortune-seeker.

Cash losses started mounting and the company went into a tailspin. But Pillai's experience with the company laid the foundations for what was destined to be a rewarding career. "20th Century Foods is largely responsible for what I am today", he said. To combat the chronic shortage of capital, the young Pillai had started expanding the factory by taking in some local Singaporeans as shareholders.

In spite of the trials and tribulations, the shift to Singapore was Pillai's big break. Certainly he had not started with nothing in Singapore. On the contrary, by this time he was in a successful family cashew and shipping business. But there were other equally successful and rich businessmen in Kerala in the export trade. But no one had turned that base into an international, organised marketing and production company.

Pillai's success was due to the fact that he had clearly understood how business was organised and conducted in the West. This was the reason why he was able to capitalise on his base. In every instance, he had been able to merge his business into a bigger operation and eventually to gain control of the larger entity. It is this that had set him apart from most other Indian businessmen.

In 1978-79, Pillai convinced Standard Brands, a leading US public company and the largest nut producer, to join him in his venture. Pillai sold 74 per cent of his stake to Standard Brands. The company was renamed 20th Century Standard Brands and he became the working chairman, as is almost a custom in the West when a businessman merges his successful small company into a larger company. In 1980, Nabisco Foods merged with Standard Brands. After the merger, Pillai had sold out his balance holding. Once again, the new management retained Pillai as working chairman. "The senior people quickly saw in him an aggressive entrepreneurial trader", says an insider and in 1985 he was moved to London to head the Nabisco Commodities, a trading company.

Modern Concept

The term "entrepreneur" in the modern sense came into usage in the late 18th century with the advent of the Industrial Revolution in England. It was during this period that people developed inventions and made an appreciable amount of discoveries in a variety of productive occupations. Their innovative behaviour engaged them in doing new and useful things or old things in an improved way. The invention of colour photography and colour television, for example, were the responses of innovative efforts of the individual who conceived the idea, developed it and pursued it to its ultimate success. These innovators came to be known as entrepreneurs.

Critical Analysis

From the above theories we can see that Schumpeter and McClelland have given primary importance to the individual. While Schumpeter has stressed on innovativeness or creativity of the individual as an important determinant of entrepreneurship, McClelland stresses more on the internal factors, specifically, the need for achievement. Though not according any importance to culture per se, however, he has dealt with one product of culture, viz., the need for achievement, extensively. Weber has touched upon the belief system which is part and parcel of culture and which has a great influence in determining the individual's behaviour in every aspect of his life — be it religious, social or economic. In Weber's view, certain belief system sanction economic endeavours, while others do not. Hagen views economic development as a process of technological change which is brought about by technological creativity of individuals in society. Granting the significance of psychic factors, Young lays greater emphasis on the nature of the groups, groups' assistance and coordination. Like Weber and McClelland, Cochran also speaks in different terms but explicitly, of cultural values and social structure (which include role expectations and social sanction) as playing a vital role in economic development. He identifies three important elements: (a) individual attitudes towards economic activity; (b) social sanctions; and (c) skills needed for the job (of a technical and social nature). While Young considers psychological factors and value system as passive, Kunkel argues that they do really matter and comes close to Cochran view of social structure as contributing to entrepreneurship development. By and large, the underlying current and emphasis in all theories seems to be the man and his personality, influenced by the culture in a given society.

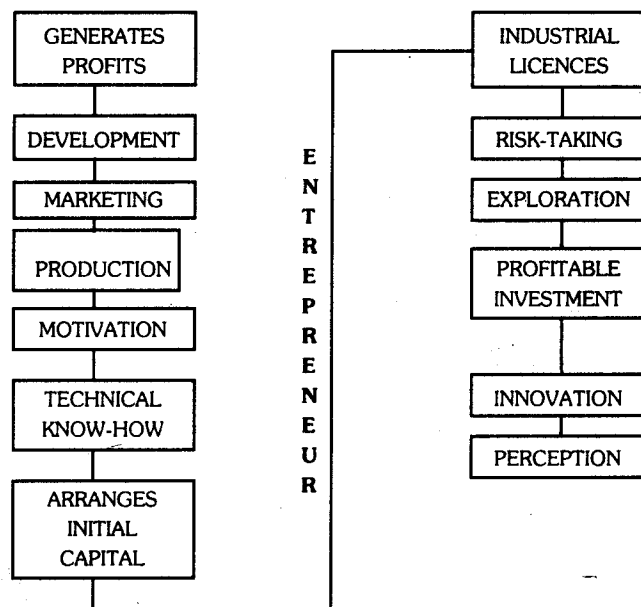


Fig. 5.2 Flow Chart of an Industrial Entrepreneur

Conclusion

Major theories and expositions from Cantillon to Kirzner view the entrepreneur as performing various functional roles as risk taker, decision maker, organiser or coordinator, innovator, employer of factors of production, gap seeker and input completer, arbitrageur, etc. In spite of the diverse roles portrayed, certain common themes could be identified. All the theories ascribe a functional role to the entrepreneur in the productive process and entrepreneurial rewards are explained by the degree of success attained by fulfilling that function, rather than by a purely proprietary claim on income by virtue of mere asset ownership. Again, all the theories have been grounded against the backdrop of a capitalist society and as such the functional roles performed by the entrepreneur is determined within the capitalist paradigms of production and distribution.

The varied theories evolved over more than two centuries have thrown up the concept of intrapreneur as a logical evolution of entrepreneurship in corporations. The intrapreneur is a professional with entrepreneurial skills. The concept of entrepreneurship will certainly undergo a change with the advancement of technology, information technology in particular. The evolution of entrepreneurship is a continuous process.



“Entrepreneur is a person who discovers new ideas and business opportunities, brings together funds to establish a business, organises and manages its operations in order to provide economic goods and services, for the public. Entrepreneurs have strong convictions, self motivation, the will to grow and prosper tremendously and also the courage to go bankrupt if they fail in their venture. But in majority of cases they start with nothing but entrepreneurial ability and end with positive results

CHAPTER 6

CLASSIFICATION AND TYPES OF ENTREPRENEURS

Introduction

In the previous chapter, we have analysed the concept of entrepreneurship and its understanding over the centuries, particularly in the post industrial revolution. In modern times entrepreneurial development has the thrust area of development planners, economic thinkers and policy makers. What is more, the entrepreneur has emerged as a kingpin of development.

By and large, entrepreneurs are found in every economic system and in every form of economic activity as well as in other social and cultural activities. They are found amongst artisans, labourers, artists, importers, exporters, engineers, supervisors, bankers, industry, professionals etc. They are also found among farmers, fishermen, forest workers, tribals and so on. Some writers have also identified entrepreneurs among politicians, theologians, philosophers, bureaucrats.

This chapter attempts to analyse different types of entrepreneurs in business as well as in different faculties of understanding. On the basis of his study of American agriculture, Clarence Danhof classified entrepreneurs into four categories, namely, innovative Entrepreneur, initiative Entrepreneur, fabian Entrepreneur and drone Entrepreneur. The other classification is based on technology, economic activity and market economy.

Economists' View

In economic analysis, entrepreneurial functions are supposed to be directed towards the materialistic objective of maximisation though its foundations may be of a high order such as spiritual, patriotic, social, psychological or ethnic. Entrepreneurial activity is a form-giving activity-giving form to the wishes of the society, to ideas, to the efforts of factors and to the raw material to be processed through.

J.S. Mill has listed three entrepreneurial functions:

1. Superintendence
2. Control, and
3. Direction

J.B. Say has stated that it is function of the entrepreneur to rationally combined the forces of production into a new producing organisation. J.S. Mill lists superintendence, control and direction as entrepreneurial functions. *Superintendence*: to assemble the means, turn out maximum at minimum cost and to supervise the work. *Control*: the flow of goods, use of finance, utilisation of machinery and the activities of the subordinates. *Direction*: he is a goal-oriented person; he has to keep the organisation constantly on the path of his objective. His is an activity of producing in present what the future will demand. Mill emphasises managerial and administrative functions. Organisation and superintendence are major functions of an entrepreneur. Organisation building capacity is the most critical skill expected of an entrepreneur.

Kirzener viewed the entrepreneur as a disequilibrating force. It is the alertness to unnoticed opportunities which creates a tendency of the ever-circular flow of equilibrium. Harvey Leibenstein states, "Entrepreneur is an individual or group of individuals with four major characteristics. He connects different markets; he is capable of making market deficiencies (gap-filling); he is input completer and he creates or expands time-binding, input-transforming entities (firms).

Much has been said by this economist on Entrepreneurship. So it can be deleted.

According to B.F. Hoselitz, "The primary function of entrepreneurship is the investment of time, capital and energy in economically significant pursuits; the emphasis is on decision-making on its various aspects." Another economist Harbinson enumerates four functions: in entrepreneurship the undertaking or managing of risk and handling of economic uncertainty; planning and innovation; coordination, administration and control, routine supervision. Ability to build organisation is, perhaps, Harbinson adds, the most precious of all entrepreneurial skills. Redlich's threefold division of functions ND/are:

(1) capitalist — employing the factors and buying raw material, setting up the organisation; (2) managerial — Innovation, supervision and coordination of productive activities; and (3) entrepreneurial — decision-making. Benjamin Higgins lists seeing opportunities for introduction of new techniques, new products and exploitation of new resource and organising factors of production into an enterprise to avail of these opportunities as they are essential for economic development.

B.C. Tandon discusses the functions of an entrepreneur in a developing economy in the context of economic, legal, political and cultural environment. Accordingly, the entrepreneur must possess (a) capacity to risk and have self-confidence; (b) technological knowledge, alertness to take existing opportunities, willingness to accept change and ability to initiate; (c) ability to marshall resources; and (d) ability of organisation and administration. He has to have tact, patience, sagacity, power of observation and ability of discriminating. He should have perseverance to overcome obstruction and fear, have the capacity to pick and choose associates and subordinates and wisely delegate authority to inspire loyalty. He must be able to develop "himself"

effectively. Tandon describes entrepreneur as an "ideal-type" rather than as "social-type." Knight is said to have identified entrepreneurship with control and responsibility.

Economic functions describes above isolate the entrepreneur from the economic environ, social milieu and political ethos in which he functions. Maximisation is taken as the pole star in his voyage. It seems to be conveniently assumed that he is abundantly provided with all the resources and the market readily absorbs what he puts into it. Reality is, however, full of bottlenecks and hurdles which are ignored in the above-mentioned works. Small industry is a natural habitat of the entrepreneur where his role is like that of a stoker who keeps the fire burning.

Sociologists' View

Sociologists consider the entrepreneur as a role performer corresponding to the role expected by the society. Wishes of the society are exhibited through customs and taboos, rewards and restraints, ethnic values and child-rearing practices, nationalistic attitude and patriotic inculcations and protestant ethics. He is conditioned by the social milieu to which he belongs. According to Peter Marris, to assemble or reassemble from what is available, very concrete kind of imagination, to see what others have missed, sensitivity to business and social environment, zest in industrial development and entrepreneurial courage are the factors that make an entrepreneur. According to Flavia Derossi, coordination at every stage — inception, maintenance and expansion — is the function of an entrepreneur. She feels an entrepreneur needs two qualities: (1) An optimistic outlook that there is a possibility of change, the environment can be mastered and he himself can introduce the required change. He finds difficulties challenging and stimulating; he thrives on them. (2) In a sphere as dynamic as industry, new problems are seized upon as opportunities for testing one's own capabilities.

Psychologists' View

Among psychologists, Frank Young describes an entrepreneur as a change-agent. K. L. Sharma maintains that entrepreneurs are men with qualities of leadership in solving persistent professional problems; but those persons likewise demonstrate eagerness to seize unusual opportunities. T. V. Rao and Udai Pareek describe entrepreneurship as a creative and innovative response to environment. The entrepreneur is goal-oriented rather than means-oriented. He must not only have a high capacity of risk-taking but must also have a high capacity of risk-sustaining which call for high degree of self-confidence.

Economists present him as a perceiver of otherwise unnoticed opportunity, organisation builder, adapter of new profitable activity and beneficiary thereof. Sociologists present him as a personality moulded by various practices of social enforcement and values imbibed in him. Psychologically, entrepreneurship is a vigorous application of the person's energies towards the long-cherished goals.

Types Entrepreneurs

The entrepreneurs have been broadly classified according to the type of business, use of professional skill, motivation, growth and stages of development. The various types of entrepreneurs are shown in the Fig. 6.1.

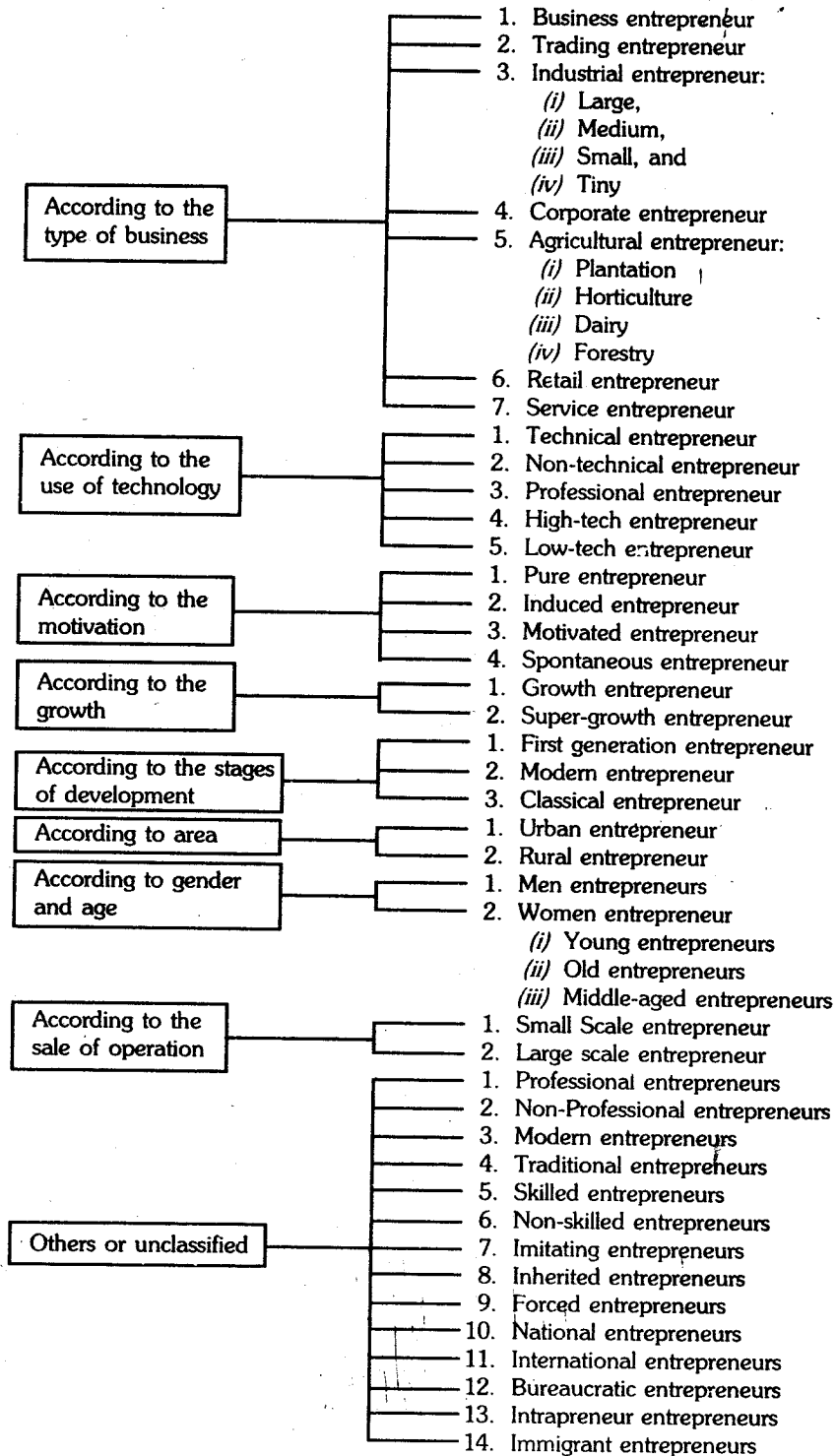


Fig. 6.1 Types of Entrepreneurs

The above classification of entrepreneurs is not exhaustive, for it aims at highlighting the broad range of entrepreneurs found in business and profession. We shall now discuss in brief, each type of entrepreneurs.

Entrepreneurs according to the Type of Business

Entrepreneurs are found in various types of business occupations of varying size. We may broadly classify them as follows:

(Business Entrepreneur: Business entrepreneurs are individuals who conceive an idea for a new product or service and then create a business to materialise their idea into reality. They tap both production and marketing resources in their search to develop a new business opportunity. They may set up a big establishment or a small business unit. They are called small business entrepreneurs when found in small business units such as printing press, textile processing house, advertising agency, readymade garments, or confectionery. In a majority of cases, entrepreneurs are found in small trading and manufacturing business and entrepreneurship flourishes when the size of the business is small.

(Trading Entrepreneur: Trading entrepreneur is one who undertakes trading activities and is not concerned with the manufacturing work. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among buyers to go in for his product. He is engaged in both domestic and overseas trade. Britain, due to geographical limitations, has developed trade through trading entrepreneurs. These entrepreneurs demonstrate their ability in pushing many ideas ahead to promote their business.

(Industrial Entrepreneur: Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailors a product or service to meet the marketing needs. He is a product-oriented man who starts in an industrial unit because of the possibility of making some new product. The entrepreneur has the ability to convert economic resources and technology into a considerably profitable venture. He is found in industrial units as the electronic industry, textile units, machine tools or video cassette tape factory and the like.

(Corporate Entrepreneur: Corporate entrepreneur is a person who demonstrates his innovative skill in organising and managing corporate undertaking. A corporate undertaking is a form of business organisation which is registered under some statute or Act which gives it a separate legal entity. A trust registered under the Trust Act, or a company registered under the Companies Act are example of corporate undertakings. A corporate entrepreneur is thus an individual who plans, develops and manages a corporate body.

(Agricultural Entrepreneur: Agricultural entrepreneurs are those entrepreneurs who undertake agricultural activities as raising and marketing of crops, fertilisers and other inputs of agriculture. They are motivated to raise agricultural through mechanisation, irrigation and application of technologies for dry land agriculture products. They cover a broad spectrum of the agricultural sector and includes its allied occupations.

Entrepreneurs in Technology

The application of new technology in various sectors of the national economy is essential for the future growth of business. We may broadly classify these entrepreneurs on the basis of the use of technology as follows:

Technical Entrepreneur: A technical entrepreneur is essentially compared to a "craftsman." He develops improved quality of goods because of his craftsmanship. He concentrates more on production than marketing. On not much sales generation by and does not do various sales promotional techniques. He demonstrates his innovative capabilities in matter of production of goods and rendering of services. The greatest strength which the technical entrepreneur has is his skill in production techniques.

Non-technical Entrepreneur: Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product in which they deal. They are concerned only with developing alternative marketing and distribution strategies to promote their business.

Professional Entrepreneur: Professional entrepreneur is a person who is interested in establishing a business but does not have interest in managing or operating it once it is established. A professional entrepreneur sells out the running business and starts another venture with the sales proceeds. Such an entrepreneur is dynamic and he conceives new ideas to develop alternative projects.

Entrepreneurs and Motivation

Motivation is the force that influences the efforts of the entrepreneur to achieve his objectives. An entrepreneur is motivated to achieve or prove his excellence in job performance. He is also motivated to influence others by demonstrating his business acumen.

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

Induced Entrepreneur: Induced entrepreneur is one who is induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead facilities to start a venture. Most of the induced entrepreneurs enter business due to financial, technical and several other facilities provided to them by the state agencies to promote entrepreneurship. A person with a sound project is provided package assistance to his project. Today, import restriction and allocation of production quotas to small units have induced many people to start a small-scale industry.

Motivated Entrepreneur: New entrepreneurs are motivated by the desire for self-fulfilment. They come into being because of the possibility of making and marketing some new product for the use of consumers. If the product is developed to a saleable stage, the entrepreneur is further motivated by reward in terms of profit.

Spontaneous Entrepreneur: These entrepreneurs start their business their by natural talents. They are persons with initiative, boldness and confidence in their ability which motivate them to undertake entrepreneurial activity. Such entrepreneurs have a strong conviction and confidence in their inborn ability.

Growth and Entrepreneurs

The development of a new venture has a greater chance of success. The entrepreneurs a new and open field of business. The customer's approval to the new product gives them psychological satisfaction and enormous profit. The industrial units are identified as units of high growth, medium growth and low growth industries and as such we have "Growth Entrepreneur" and "Super-Growth Entrepreneur."

Growth Entrepreneur: Growth entrepreneurs are those who necessarily take up a high growth industry which has substantial growth prospects.

Super-Growth Entrepreneur: Super-growth entrepreneurs are those who have shown enormous growth of performance in their venture. The growth performance is identified by the liquidity of funds, profitability and gearing.

Entrepreneur and Stages of Development

Entrepreneurs may also be classified as the first generation entrepreneur, modern entrepreneur and classical entrepreneur depending upon the stage of development. They are explained below:

First-Generation Entrepreneur: A first-generation entrepreneur is one who starts an industrial unit by innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

Modern Entrepreneur: A modern entrepreneur is one who undertakes those ventures which go well along with the changing demand in the market. They undertake those ventures which suit the current marketing needs.

Classical Entrepreneur: A classical entrepreneur is one who is concerned with the customers and marketing needs through the development of a self-supporting venture. He is a stereotype entrepreneur whose aim is to maximise his economic returns at a level consistent with the survival of the firm with or without an element of growth.

Others

Innovating Entrepreneurs: Innovating entrepreneurship is characterised by aggressive assemblage in information and analysis of results, deriving from a novel combination of factors. Men / women in this group are generally aggressive in experimentation who exhibit cleverness in putting attractive possibilities into practice. One need not invent but convert even old established products or services by changing their utility, their value, their economic characteristics into something new, attractive and utilitarian. Therein lies the key to their phenomenal success. Such an entrepreneur is one who sees the opportunity for introducing a new technique of production process or a new commodity or a new market or a new service or even the reorganisation of an existing enterprise.

Innovating entrepreneurs are very commonly found in developed countries. There is dearth of such entrepreneurs in underdeveloped countries. A country with little or no industrial tradition can hardly produce innovating entrepreneurs. Such entrepreneurs can emerge and work only when a certain level of development is already achieved and people look forward to change and progress. Innovating entrepreneurs played the key role in the rise of modern capitalism through their enterprising spirit.

hope of money making, ability to recognise and exploit opportunities, etc. Innovative entrepreneurs are creative and always bring in innovation in their work.

Imitative Entrepreneurs: Imitative entrepreneurship is characterised by readiness to adopt successful innovations by entrepreneurs. They imitate techniques and technology innovated by others. They are adoptive and more flexible.

Imitative entrepreneurs are also revolutionary and important. The importance of these humbler entrepreneurs who exploit possibilities as they present themselves and mostly on a small scale must not be underestimated. In the first place, such adaptation requires no mean ability. It often involves what has aptly been called 'subjective innovation', that is the ability to do things which have not been done before by the particular industrialist, even though, unknown to him, the problem may have been solved in the same way by others. By western standards, an imitative entrepreneur may be a pedestrian figure, an adopter and imitator rather than a true innovator. He is more an organiser of factors of production than a creator. But in a poor country attempting to industrialise, he is nevertheless a potent change producing figure. He can set in motion the chain reaction which leads to cumulative progress. This humbler type of entrepreneur is important in undeveloped countries.

Conclusion

It should be noted that private entrepreneurship has to harmonise economic opportunities with social and moral responsibility. As our wise people have said, unless the pursuit of wealth is integrated with the pursuit of *Dharma*, there could be no lasting prosperity and peace, whether within a country or among nations. The highly developed countries have realised that aggressive entrepreneurship without an ethical base can produce more harm than good, more misery than happiness and more destruction than creation. *Harmonised planning of economic and moral values is a long-drawn-out process, but the goal has to be kept in mind constantly.* One should remain optimistic that entrepreneurship in India will develop on these lines — to promote India's economic development on a sound basis, as an integral part of the development of the economy. The burst of creativity and innovation in emerging teleological industries holds promise for economic development and growth of technology and business. When talent is linked with technology, people recognise and then push viable ideas and the entrepreneurial process is under way.

In this time of rapid socio-economic development and technological change, the entrepreneurial spirit can be of advantage but only if we learn to use it. The entrepreneurs are the agents of change and our hope for the future.

ENTREPRENEURIAL TRAITS AND MOTIVATION

Introduction

Entrepreneurial traits and motivation are an indispensable function of management. Entrepreneur is human being who has his dignity, self-respect, values, sentiments, aspirations, dreams apart from economic status. Indeed, economic betterment and social upliftment motivates a person to distinguish from others. The entrepreneurs have some basic values and responsibilities.

In this chapter, we shall examine the entrepreneurial traits and motivation.

Creation of a Dream

Creating a dream intention gives entrepreneurs the energy and desire to become involved in its implementation and to be willing to change. During the formulation of the dream, everyone participates (including the leaders), and this allows people to start seeing each other in a different light. How long they will maintain their commitment depends upon (a) how well the organisation's leaders function in their new role of facilitating needs or issues that are at variance with the dream, (b) how clearly the leaders articulate and share information about the business needs, and (c) how well the leaders openly acknowledge their willingness to change in whatever fashion to attain the dream or intention.

The process of creating the dream, in other words, intention should be tailored to the situation with the objective of having the entire organisation ultimately own the dream. In a large organisation, there will be many dreams formulated by interdependent parts of the organisation. At some point, these should be integrated into a total organisational intention. We have found that creating a dream in a bottoms-up manner where all organisational levels participate in some fashion is better than a tiered top-down approach.

To illustrate the content of a typical dream, let us look at the leadership portion of this from a Honeywell factory, which evolved as follows:

Leadership should be the ability of those leading work units (managers, supervisors, engineers, technical support, and group leaders) to create an atmosphere of acceptance, openness, and trust that will properly motivate members of the work units.

- * Leadership incorporates Interpersonal Competence and Administrative Competence.

Interpersonal competence, i.e., the ability to relate, to people in a considerate and effective way:

Leadership should incorporate the following attributes.

- Give positive feedback for a good job.
- Initiate confidence in employees.
- Be fair and objective, not vindictive.
- Practise what is preached; do not ask for something that he or she would not be willing to do.
- Have a down-to-earth, person-to-person approach; act as part of a team.
- Be compassionate and understanding; create an atmosphere of acceptance and trust.
- Listen actively.
- Clarify priorities.
- Be available for discussion.
- Link management with employees, employees with management, and employees with each other. Communicate effectively to all people on all shifts at all levels of the organisation.
- Provide feedback for both good and bad work.
- Talk openly and give straight answers about what is happening.
- Encourage advancement.
- Give direction to the work unit.
- Be proud and supportive of employees.
- Has a sense of vision — a dream that is blended with employees' dream.
- Project a positive attitude.
- Is courageous.
- Sets a good example; is friendly, not moody.
- Enjoys his or her work.
- Keeps promises; plows through red tape.

Administrative competence is the ability to achieve organisational goals within the bounds of the business constraints policies and procedures. This means that the leader should,

- Understand his or her job.
- Understand employee's jobs — by

- (a) Utilising people's skills effectively.
 - (b) Be concerned with employees' work and the workflow.
 - (c) Stand up for and show confidence in employees.
- Take immediate action by
- (a) Giving priority to problems.
 - (b) Follow up on promises.
 - (c) Get tough when necessary.
 - (d) Take action to remove poor performers.
 - (e) Assure that the next in command knows his role and has authority to act.
 - (f) Provide proper human resources for all shifts all levels of organisation.

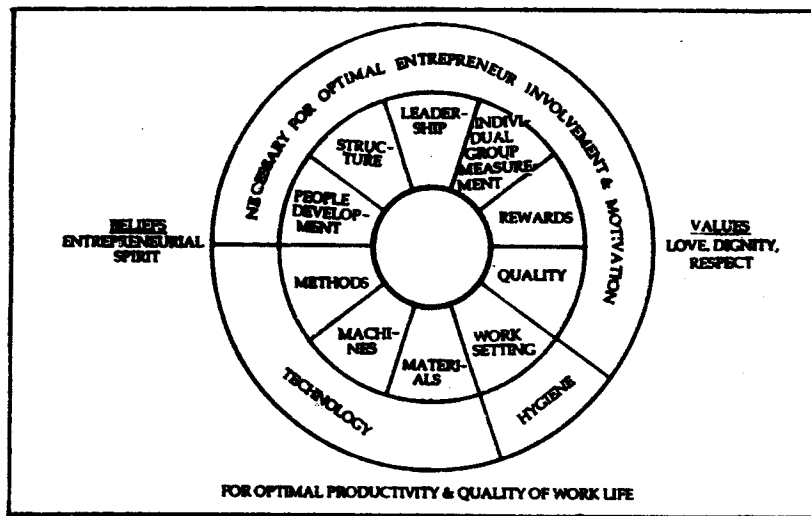


Fig. 7.1 Basic Elements — Entrepreneurial Involvement

Entrepreneurial Initiative

Recent data on entrepreneurial initiative and self-employment reflect a few problems. To overcome these problems it is essential to develop entrepreneurial skills for which the entrepreneur has to initiate the process of development. This is a challenging task. This unprecedented, perpetual change with unlimited barriers make entrepreneurial initiative in the future more significant and more dynamic.

This means that entrepreneurial initiative is a strategic process which embodies calculated strategic choices. There are strategies open to the entrepreneur himself in terms of industry choice and individual and resource-task fit, and there are strategies open to the regulators and support agencies in terms of industrial policy tools, incentives and explicit stimulation of industrial sectors or branches. A conceptual framework that contains both dimensions will provide a convenient base for analysis and possible policy action.

Encouraging entrepreneurial initiative is an issue applicable to both developed and developing countries and the search for effective means is proceeding in earnest. The analysis has dealt with a way of viewing the constraints embodied in the process of creating a new business or manufacturing operation.

The slow pace of the propensity to enterprise is mainly due to the existence of a tangible set of barriers prohibiting the process of entry into, continuity in, and an eventual exit from a business venture of a would-be entrepreneur if it is a function of forces that one may view as barriers limiting full-fledged business performance. There may be *entry barriers, survival barriers and exit barriers*.

Entry barriers are those forces limiting access to identified business opportunities and capitalisation on these opportunities. Survival barrier are constraints on the conditions essential for the small business entity. Exit barriers are constraints limiting the termination of small industrial ventures that have outlived their business viability or the growth of such ventures to a different size category.

The existing entry barriers are:

1. A cultural bias in identifying and managing the entrepreneurial development process.
2. Limited industry-specific data and insufficient market information.
3. Limited effectiveness of the infrastructural base.
4. Existence of visible and invisible obstacles to entry of a specific societal group (e.g., women) into business.
5. Unorganised capital market and traditional feasibility assessment processes.
6. Unsympathetic and cumbersome government attitude.
7. Hostile environment.
8. Limited access to technology.

Observed survival barriers include the following:

1. A behavioural pattern that could impair basic managerial practices.
2. Constraining practices within the capital market.
3. The threatening shadow of changing technology.
4. Limited learning.
5. The cultural management of resources.
6. Failure of guidance agencies to guide.
7. Scarce information and limited dissemination of that information.

Identified exit barriers include:

1. The emotional commitment of the entrepreneur to his venture.
2. Specialised assets, sunk funds.
3. The increasing demand for managerial skills.
4. Fear of failure.

Barriers, single or combined are said to have an impact on to strategic and long-term planning perspective of the small entrepreneur and could, equally, have an impact on the government's promotional policies within the sector. Low entry and low survival industries (or industrial branches) could provide policy-makers with an area for quick and intensive intervention. At the other extreme, industries with high entry barriers and high survival barriers, can probably be regarded as low priority areas that deserve a different kind of attention, i.e., barrier adjustment instead of enterprise development. The relationship between entry and exit barriers could lead to a similar set of conclusions. One of those conclusions is the advisability of the management of enterprise flow and the early identification of the potential for switching (a form of exit), or planned divestment. Again this can prove valuable for government policies for small industry promotion at the national and regional levels.

Characteristics of an Entrepreneur

The characteristics of an entrepreneur that contribute to success are the result of his achievement motivation. The characteristics of achievement motivated persons as identified by McClelland have been discussed in the chapter on "Future of Entrepreneurship in India." A successful entrepreneur must be a person with technical competence, initiative, good judgement, intelligence, leadership qualities, self-confidence, energy, attitude, creativeness, fairness, honesty, tactfulness and emotional stability.

1. *Mental ability:* Mental ability consists of intelligence and creative thinking. An entrepreneur must be reasonably intelligent, and should have creative thinking and must be able to engage in the analysis of various problems and situations in order to deal with them. The entrepreneur should anticipate changes and must be able to study the various situations under which decisions have to be made.

2. *Clear objectives:* An entrepreneur should have a clear objective as to the exact nature of the goods to be produced and subsidiary activities to be undertaken. A successful entrepreneur may also have the objective to establish the product, to make profit or to render social service.

3. *Business secrecy:* An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitors is a serious matter which should be carefully guarded against by an entrepreneur. An entrepreneur should be able to make a proper selection of his assistants.

4. *Human relations ability:* The most important personality traits contributing to the success of an entrepreneur are emotional stability, personal relations, consideration and tactfulness. An entrepreneur must maintain good relations with his customers if he is to establish relations that will encourage them to continue to patronise his business. He must also maintain good relations with his employees if he is to motivate them to perform their jobs at a high level of efficiency. An entrepreneur who maintains good human relations with customers, employees, suppliers, creditors and the community is much more likely to succeed in his business than the individual who does not practise good human relations. Human relations ability can also be referred to as tactfulness.

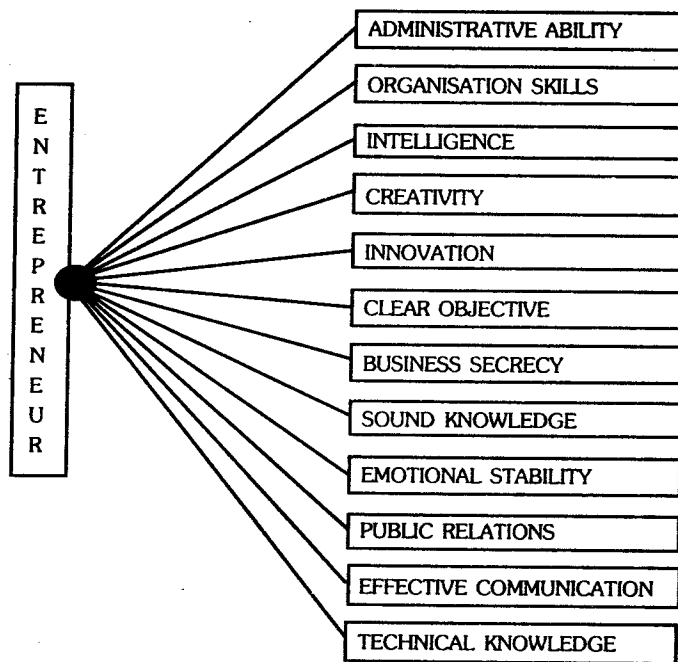


Fig. 7.2 Characteristics of an Entrepreneur

5. *Communication ability*: Communication ability is the ability to communicate effectively. Good communication also means that both the sender and the receiver understand each other and are being understood. An entrepreneur who can effectively communicate with customers, employees, suppliers and creditors will be more likely to succeed than the entrepreneur who does not.

6. *Technical knowledge*: An entrepreneur must have a reasonable level of technical knowledge. Technical knowledge is the one ability that most people are able to acquire if they try hard enough.

An entrepreneur who has a high level of administrative ability, mental ability, human relations ability, communication ability, and technical knowledge stands a much better chance of success than his counterpart who possesses low levels of these basic qualities. Brilliant men with first class degrees from universities shy away from becoming entrepreneurs because the one thing they cannot be taught is coping with human emotions.

Robert D. Hisrich has identified a few more capabilities or personal characteristics that an entrepreneur should possess. According to him, the entrepreneur must have an adequate commitment, motivation, and skills to start and build a business. The entrepreneur must determine if the management team has the necessary complementary skills necessary to succeed. Some key characteristics of a successful entrepreneur are:

Motivator: An entrepreneur must build a team, keep it motivated and provide an environment for individual growth and career development.

Self-confidence: Entrepreneurs must have belief in themselves and the ability to achieve their goals.

Long-term involvement: An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.

High energy level: Success of an entrepreneur demands the ability to work long hours for sustained periods of time.

CHARACTERISTICS OF SMALL-SCALE ENTREPRENEURS

1. They are young men.
2. They are energetic/ zealous/enthusiastic.
3. They have minimum basic education.
4. They are pleasant-mannered.
5. They are hard-working
6. They are determined.
7. They are systematic.
8. They are self-made men.
9. They are self-confident.
10. They are disciplined men.
11. They follow a planned approach.
12. They are trained/experienced.
13. They have entrepreneurial zeal.
14. They have meagre capital.
15. Their area of operation is small.
16. Generally they deal in one product.
17. They employ a few people.
18. Their turnover is small.
19. They are flexible.

CHARACTERISTICS OF LARGE-SCALE ENTERPRISE

1. Promoted and professionally-managed through employed persons.
2. Large capital.
3. Capital contributed by a large section of shareholders.
4. Shares are registered in the share markets/stock exchanges.
5. Large assets.
6. Assets acquired on classified credit.
7. Engaged in diversified activities.
8. Promotes and pushes goods in the market.
9. Huge turnover/sales/profits.
10. Easy access to institutional finance.
11. They have greater leverage for development.
12. They are well acquainted with political and officialdom.
13. They are the trend setters.
14. They can create demand for their products through consumer awareness programmes, education etc.
15. They are great visionaries, who foresee the need of the country well ahead of times.
16. They are responsible and have a value-driven, corporate philosophy.

Persistent problem-solver: An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient.

Initiative: An entrepreneur must have initiative accepting personal responsibility for actions, and above all make good use of resources.

Goal setter: An entrepreneur must be able to set challenging but realistic goals.

Moderate risk-taker: An entrepreneur must be a moderate risk-taker and learn from any failures.

These personal traits go a long way in making an entrepreneur a successful man/woman. But however, no entrepreneur possesses total strengths. In such cases, he associates and/or acquires and thus strengthens his enterprise.

Qualities of an Entrepreneur

A true entrepreneur besides possessing functional qualities, must also possess the broad personality which help in developing initiative and drive to accomplish great tasks and face challenges squarely.

James J. Berne has stressed the following qualities of a good entrepreneur:

1. He is an enterprising individual. He is energetic, hard working, resourceful, aware of new opportunities, able to adjust himself to changing conditions with ease and willing to assume risks involved in change.
2. He is interested in advancing technologically and in improving the quality of his product or service.
3. He is interested in expanding the scale of his operations by reinvesting his earnings.
4. He visualises changes and adapts.
5. He is a firm believer in planning and systematic work.
6. He works for the society at large and for the good of his fellow-beings.

These qualities sum up, what is usually implied from the phrase, the "spirit of enterprise." It is difficult to conceive of a first-rate industrial entrepreneur who is not adaptable to change, anxious to grow larger and improve technologically.

Entrepreneurship appears as a personal quality which enables certain individuals to make decisions with far-reaching consequences. The personal qualities that contribute to the success of an entrepreneur are as follows:

1. *Motivation Towards Achievement:* A successful entrepreneur should be a good administrator. He should know the art of getting things done by other people without hurting their feelings or self-respect. He should have a strong motivation towards the achievement of a task and must be able to exert considerable efforts in getting things done by others.

2. *Creativity:* Mental ability consists of intelligence, an analytical approach and creative things. An entrepreneur should have creative thinking and be able to engage in the analysis of various problems and situations in order to deal with them. The entrepreneur should anticipate changes and must be able to study various situations in which decisions may have to be made.

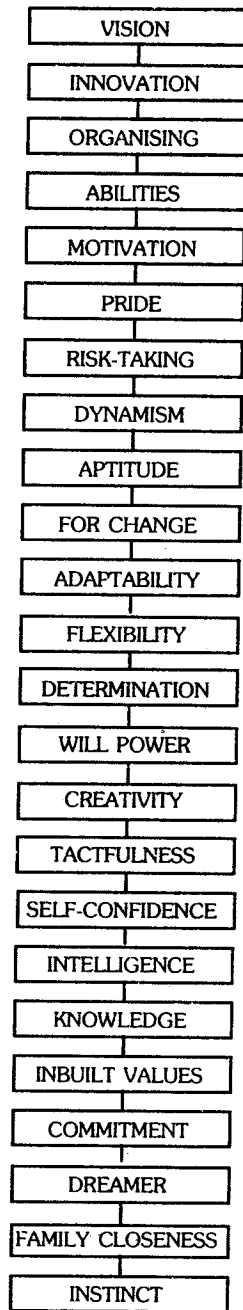


Fig. 7.3 Qualities of a Successful Entrepreneur.

3. *Clarity*: An entrepreneur should have clear objectives as to the exact nature of the business, the nature of the goods to be produced and the subsidiary activities to be undertaken.

The qualities of an entrepreneur are given in Fig. 7.3.

Kilby has rightly enumerated the following activities for a successful entrepreneur in an underdeveloped economy:

1. Perception of market opportunities (novel or imitative).
2. Gaining command over scarce resources.
3. Purchasing of inputs.
4. Marketing of the product and responding effectively to competition.
5. Dealing with public bureaucracy as regards concessions, licences, taxes, etc. provided through the various fiscal policies of the government.
6. Management of the human relations within the enterprise.
7. Management of customer and supplier relations.
8. Financial Management.
9. Production management, including control through written records, supervision, coordinating input flows with orders, maintenance.
10. Acquiring and overseeing assembly of the plant.
11. Taking care for minimising inputs for a given production process.
12. Maintaining the production process and improving the quality of the product.
13. Introduction of new production techniques and product lines.

From the above discussion and definitions, it can be stated that entrepreneurial activities encompass those factors right from the perception

of the profitable opportunity to its translation into reality through establishing a successful enterprise and further leading to its growth and development. Especially in an underdeveloped economy, the expectations from entrepreneurial units are much more varied and related to many dimensions, including socio-economic objectives. This is because this type of economy is characterised by a majority of low income strata than the developed economy characterised by high income.

Entrepreneurial Skills

To deal with entrepreneurial skills is to concern oneself with a wide coverage of aspects of setting up an enterprise and its management. It is not confined to visualisation, planning, setting-up and risk-taking. The skills with an entrepreneur include his ability to deal with view situations, organisations and social and economic forces as they emerge from time to time. The skills to deal with a situation fore-visualised or suddenly emerging must be an essential characteristic of an entrepreneur.

The small entrepreneur must have skill to positive response from administrators, bankers, infrastructure institutions, clients and employees.

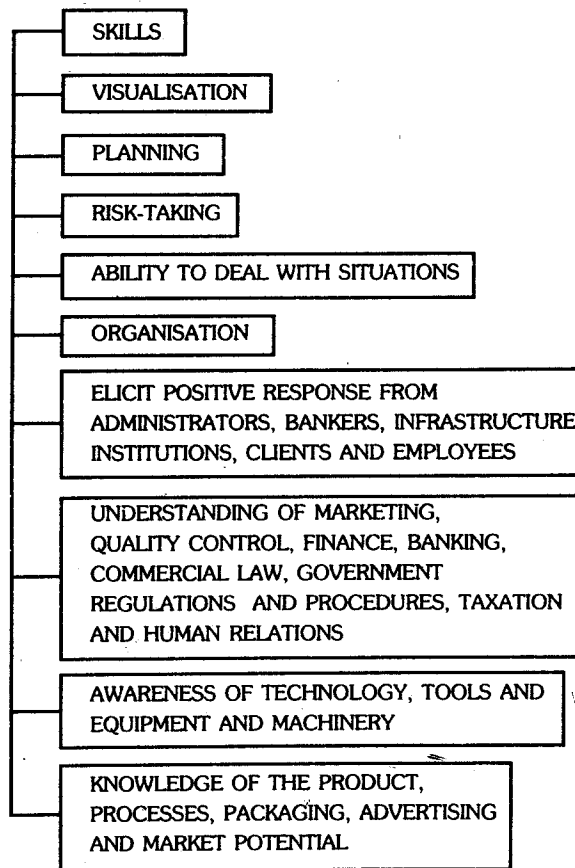


Fig. 7.4 Entrepreneurial Skills

The entrepreneur is rarely a master of the management skills, and yet is usually directly responsible for all aspects of business. Often he or she has to be the general manager, production manager, purchasing manager, personnel manager, controller and research organiser for the business all rolled into one at least during its early years. The entrepreneur therefore to have an understanding of marketing, quality control, finance, banking, commercial law, government regulations and procedures, and human relations as each of them has a vital bearing on the health of the enterprise.

Need for Skills

We often talk of transfer of technology. As a matter of fact, the whole world is

talking about it. There is hardly any international event at global and regional level where this subject does not come up for discussion. The poor nations demand technology and resources from industrialised and rich countries and rightly so. The developing countries would rather export semi-finished and finished products which are value added than export raw materials. The development of entrepreneurial skill must precede transfer of technology if we do not desire to keep such technologies and equipment serving such technologies idle. One has also to realise that the technologies are developing very fast and also the skills to match with this dynamic growth. The entrepreneur has to be made aware of the imperative needs of updated technologies, modern tools and equipments, processes and system and skills. In this task his whole organisation, however small it may be has to join the exercise.

It is observed that in many least developed countries, sophisticated equipment and machinery imported at heavy cost, often under pressure of international financial institutions or aid agreements are lying unutilised for want of trained hands. It is obvious that the accelerated development of human resources and appropriate training of manpower must be concurrent with the transfer of technologies which are relevant to the needs of each developing country. This will call for an inventory of existing manpower, degree of their present skills, arrangements for proper imparting and skills needed. This should have a relation to natural endowment and resources and their optimum utilisation.

Types of Skills

Types of skills vary according to location, products, clientele etc. In rural areas, a small enterprise making goods for local consumption based on local raw materials would need relatively simpler skills. In urban areas, the product, processes, packaging, advertising have to match with the growing sophistication of consumer goods, preference of needs etc. They call for an intensification of effort to develop matched skills in all areas of entrepreneurial activity.

Skills for New Class of Entrepreneurs

As stated earlier, entrepreneurship till recently in most of the developing countries has been confined to persons coming from the traditionally trade-oriented families. Now there is emphasis on new classes of entrepreneurs. These would include women, tribals and young men from non-traditional families. For women entrepreneurs, special training facilities have to be provided owing to the special difficulties faced by them as compared to men. For tribal entrepreneurs, care will have to be taken that their basic culture, crafts and skills are not materially affected.

Attributes of Entrepreneurs

The attempts to discover the secret of entrepreneurs' success has pre-occupied writers and analysts from a variety of disciplines. Biographies of successful entrepreneurs and businessmen, for example, frequently reflect the tendencies of the subjects of such studies in terms of simple virtues of thrift, hard work, and clean living. As an alternative to the biographical models are those studies that turn the entrepreneur into a superman, manipulating the complexities of an uncertain world with a sure and omnipotent touch. Thus emerges the notion of the "genius entrepreneur" whose

success is in large measure caused by his unswerving dedication to setting high goals and to reaching for them. He has vision on which he bases his own objectives and sets his own goals. And he does this not simply on the basis of last year's results plus some growth factor, but on the basis of his own perception, of his own capabilities and to satisfy his own needs.

Among other distinguishing attributes of entrepreneurship are a willingness to assume risks; a sense of acquisition or unceasing curiosity; insight into the relationship between concepts, objectives, needs, and needs satisfaction; sound judgement as to what is central and peripheral to attaining his objectives; imitative and creativity; problem-solving ability, ability to marshal resources needed to achieve his objectives and goals; and the administrative ability to organise those resources to accomplish his goals and satisfy his minor needs.

Motivation

Motivation is an indispensable function of management. When man is at work, he cannot be forced to work like a machine. He is a human being who has his dignity, self-respect, values, sentiments and aspirations apart from the economic status. Under such circumstances the efficiency of the enterprise is related not merely to the efficiency of sophisticated machines installed but more importantly upon the satisfaction and the spontaneous desire of man to put his mind and heart into the work. This spontaneous urge to involve in work is not merely related to monetary awards or assignment of position or the direction to perform the duty or even the fear of punishment but to the mechanics and system of motivation.

Motivation encompasses complex aspects of human behaviour to which contribution has been made by sociologists, social anthropologists, psychologists and business executives. This concept has its roots in motives within a person which induce him to behave in a particular manner. Generally speaking, the concept of motivation is by and large psychological which "relates to those forces operating within the individual employee or subordinate which impel him to act or not to act in certain ways" —

"Motivation refers to the way in which urges, drives, desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings."

This is a deep-seated definition of Motivation. It includes three things:

- (i) The urges, drives, desires, aspirations, strivings or needs of human being influence human behaviour.
- (ii) The factors which influence human behaviour — psychological, sociological, economic or managerial.
- (iii) The efficiency of such behaviour — this may be tested by the resultant action. Whether this behaviour has directed, controlled or implemented the desired action.

If the entrepreneur feels motivated his behaviour will bring about the desired action.

Here, one reaches the most crucial point in the Regional or District Development Strategy of the underdeveloped regions. The development agency, with all the institutions concerned, will have to formulate a motivation programme and by continuous and ingenious methods, involve people in the process of development so that they acquire new attitudes and confidence to enter into new activities and to show the propensity of enterprise. Appropriate values will have to be inculcated and risk-taking capacity be cultivated. Unless this aspect is given its due weightage in the Development Plan, in spite of all the incentives, most of the projects will hardly make much progress. Development is the consequence of motivated people.

Motivational factors constitute the inner urge present in an individual which continuously demands from him to do something new and unique as also to perform better than others. The motivational factors again are comprised of three basic elements — entrepreneurial motivation, personal efficiency and coping capability. The achievement motivation is also termed *efficiency motivation*. McClelland and Winter have made considerable studies and concluded that what motivates a person to do something new or something to seek better is the inner urge which directs him towards such ends. This urge also force a person to use the resources efficiently than to be negligent of it. Also important is the power of motivation which is really the urge to have control over others and to direct their course of activities towards the end which one seeks to attain. These motivational factors induce the person to undertake entrepreneurial activities which relate to creating a new business where there was none. This also means to excel the performance in carrying out any activity by striving through persistent efforts unlike others who do not have sufficient capacity for hard work.

What Makes an Entrepreneur?

This is a frequent question. What makes an entrepreneur is the combination of various factors that have enabled the personality formation right from the childhood as also the psychological urge that exists intensively in the person.

These psychological processes which lead men to set up their own successful business enterprises begin in the very early life and have cumulative effect. The influences of early childhood and other social roles are determinant factors for the formation of that personality which motivates an individual towards becoming an independent businessman or entrepreneur.

In the case of persons who take up jobs, it has always been found that they have secured success in the established organisations. These people do not have a rejection towards the established institutions and neither do they attempt to rebel against the traditional path to success. On the other hand, an entrepreneur fails to achieve educational success through the established organisations and this is because of the general rejection of the established organisations at all levels. People who tend to like security and not uncertainty get more satisfied by taking up jobs which are less risk-oriented and hence are not motivated towards building up their own industrial enterprise.

Men who establish new business are men who have right from the childhood faced a different set of environment in their family, school and other social situations.

Research studies have indicated that successful entrepreneurs identify a crisis before they venture into new Entrepreneurial activities. Even in their childhood most of them had threatening non-supportive and disgusting adult figures who had much say in their social and economic life. Most of these have a childhood of impoverishment and stress. Economic deprivation also works as a motivational factor towards creating something on their own and free oneself from the clutches of oppressing forces which attempt to kill their spirit of individualism. Thus it has been found that creating a successful new business is not due to an isolated incidence in the life of an individual but it has been as a result of learned response to their total social, emotional and economic environment.

The family plays an important role in developing the personality necessary for turning into an entrepreneur later in life. In family situations where security and non-risk bearing activities are encouraged right from childhood, the individual likes to be more security-oriented rather than attempt on his own in areas where adventures and uncertainty conditions prevail. Also in families where deep attachments and emotional relationship are encouraged, it has been seen that the child growing under such situations tends to take up activities which are more security-oriented than risk-oriented. Since in most of the middle class families attachment and security-oriented activities are encouraged despite seeking academic excellence, it itself does not help the person to develop the urge to be independent and create a framework required for enjoying autonomy.

As a result of this many bright graduates deviate from placing themselves in open positions. On the contrary they choose to stay in the established organisations because they have developed a favourable attitude towards the establishment. On the other hand, the entrepreneurial personality would rather face the impersonal forces of the economy than cope with enter-personal relations of the established organisations. Due to this characteristic of an entrepreneur, they tend to shift from job to job till they have finally found a field of activity in which they will ultimately have a say and also enjoy the happenings of events by their will, determination and efforts.

While people who take up jobs prefer to see success in the traditional and highly structured roles in the established undertakings, entrepreneurs prefer to have a different approach toward success and be unique in their own way. They find more satisfaction in their creative faculties getting an opportunity to express themselves fully rather than submitting themselves to structured and rigid forces. The bright graduates may very often lack creativity and be unable to break through the undifferentiated mask of circumstance and make something of their own.

The entrepreneurs, on the other hand, find such situations extraordinarily challenging and attempt with determination and persistence to come out of this web of oppressing factors, which tend to keep him in the rigid framework. Thus we find entrepreneurial characteristics are formed through a combination of various social, economic and psychological factors to which the person becomes subjected to right from childhood. These factors reinforce in him to urge to excel others and seek satisfaction in creating on his own a new enterprise instead of seeking a security-

oriented job. In the absence of these reinforcing elements which go into the formation of the entrepreneurial personality, however successful a person may be in his academic life it does not guarantee that he would become a successful entrepreneur. Something more than mere academic excellence is a pre-requisite for becoming an entrepreneur of success and repute. These requisites are embodied in the various qualities that the entrepreneur must have basically within himself in order to establish himself a successful entrepreneur. But many graduates do lack in these qualities.

Table 7.1
Entrepreneurship: Sources of Supply and Motivation

<i>Author</i>	<i>Entrepreneurial Phenomenon</i>	<i>Source of Entrepreneurial Supply</i>	<i>Motive Force or Triggering Factor</i>
1. Schumpeter	Individual	Extraordinary individuals	Innate urge to achieve success
2. Weber	Status Groups	Extraordinary individuals	Religious beliefs Calvinist ethic
3. McClelland	Religious and social groups	Individuals with high n-achievement, creative	Child-rearing practices and climate
4. Hagen	Subordinated Groups	Individuals in the society driven by a duty to achieve	'Status withdrawal' and 'relative social blockage'
5. Cochran	Individual	Society's model, personality determined by its cultural values, role expectations and social sanctions	'Social Acceptance' of entrepreneurial role
6. Young	Homogenous	Relative subgroups (ethnic communities) occupational groups, or Politically-oriented factions	Deviant view of the world strengthened by group solidarity
7. Kunkel	Group	Operant conditioning procedures in a society	Reinforcing stimuli and average stimuli
8. Hoselitz	Group	Culturally marginal groups	Gaining social recognition

Source: V. Lakshmana Rao: Industrial Entrepreneurship in India, pp. 85-86.

Challenge of Motivation

Since new employees and managers will be of a calibre selected with an eye on the future, they will all be of a high competence level. It will be a challenge to keep motivating them. It is conceivable that organisational structure will have to be looked into order to meet motivational needs of people and "position" them in jobs with the right type of responsibility.

Introduction of high technology and work groups operating without the traditional band of supervisors or inspectors will become more common. Such 'semi-autonomous work groups' will have to be trained so that they are motivated to take care of equipment and meet output targets and tough quality standards.

This will also demand leadership attributes of a high order on the part of people manning such decentralised operations.

V. Lakshmana Rao has aptly summarised the views of various experts on the sources of entrepreneurial supply and motivation as presented in Table 7.1.

Conclusion

Apart from earning a livelihood and/or making profit, the entrepreneur is also motivated to fulfill his/her innate urge to achieve success in life, improve his/her social standing, gaining social recognition, to provide something to society. The motivational factor vary from place to place, time to time as well as entrepreneur to entrepreneur. Yet motivation moulds the different entrepreneurial traits. The traits and motivation are moulded by the socio, economic, political, cultural and psychological environment and varies from country to country.

The study of entrepreneurial traits and motivation is useful in developing a profile of a successful entrepreneur. It is indeed a positive approach in developing entrepreneurship and enterprise in the country. Although, the entrepreneurial traits are complex, the goal of entrepreneur is to build enterprises to earn profit and serve the society.

