

Entrepreneurship has been an age old phenomenon that means and includes conceiving of an innovative idea and shaping of this idea into a successful business. The transformation of the idea to an ongoing business involves innumerable risks and uncertainties making the task highly complex and demanding. The business, so established has similar objectives as that of any other economic entity engaged in the marketing of goods and services for a profit. Here, it is important to note that the difference between entrepreneurship and any other typical business lies not only in the implementation of a new, creative and innovative idea and its implementation, but also in the deep desire to bring about a positive change in the politico-legal, socio-cultural, economic or technical arena.

1.1 UNDERSTANDING ENTREPRENEURSHIP

Entrepreneurship is a very wide concept that cannot be defined in a précised manner. A number of economists, management experts, psychologists and sociologists have defined 'entrepreneurship' in their own way by applying their own perceptions. The following definitions explain the idea of entrepreneurship:

Peter Drucker

According to management guru, Peter Drucker, entrepreneurship is the function of procuring and using resources. While in managerial role the resources are allocated to solve the problems, in entrepreneurial role these resource are allocated to the opportunities.

In his words, entrepreneurship is about searching for change and responding to change by exploiting it as an opportunity. Entrepreneurship means application of innovation and creativity to find or create a resource and endowing economic value to it.

Richard Cantillon

The term *entrepreneurship*, derived from a French word 'entreprendre' was first used in the writing of French economist Richard Cantillon. Entrepreneur, according to Cantillon is an individual who undertakes the risk of new enterprise. Cantillon describes entrepreneurship as a function of combining factors of production into a producing organism and making decisions about their allocation. Entrepreneurship is about searching the best opportunity of using resources for high commercial gain while assuming 'the risk of enterprise'.

Adam Smith

The father of political economy, Adam Smith equates entrepreneurship with industrial activity. According to Adam Smith, entrepreneurship is about establishing an organisation for commercial purpose. It involves supplying of capital and managing the business by intervening between labour and consumer. Entrepreneurship requires unusual foresight to recognise potential demand of goods and services and brings a change by transforming demand into supply, thereby requiring a high level of art and personal skill. All this carries an inherent economic risk.

Carl Menger

Carl Menger, an Austrian economist viewed that economic changes do not arise from the circumstances, but from the awareness, understanding and response to these circumstances. Entrepreneurship is, therefore, about bringing a change by transforming resources into valuable goods and services, thus, facilitating industrial growth. Entrepreneurship, as per Menger's classic theory of production, transforms resources having no direct use in fulfilling human needs into highly valuable products to directly fulfil human needs. Entrepreneurship carries this transformation and creates means to implement it. It adds value to the original resources which is rewarded as profits.

Joseph Schumpeter

Joseph Schumpeter, the economist and political scientist describes entrepreneurship as the act of reforming or revolutionising the pattern of production through innovation or applying an

untried technological possibility for producing a new commodity or continuing with the old one in a new way. Entrepreneurship may also mean opening up a new source of raw material supply or a new outlet for products. Entrepreneurship consists of doing things that are not generally done in ordinary course of business routine.

According to Schumpeter, entrepreneurship is about innovating, raising money, collecting inputs, organising talent, providing leadership and setting the organisation. Further, entrepreneurship happens when factors of production are combined for the first time. Mere maintenance of an existing combination is not entrepreneurship.

Another significant way of understanding entrepreneurship is by relating it to the quality of life of masses. As stated above, besides economic gains, transformation or change is a major driving force behind entrepreneurship which is brought about by offering innovative marketing prepositions. The entrepreneurial brains, many times feel disappointed at the inability of successive governments to improve the general life conditions of the countrymen. This governance failure may be in the field of health, education, environment, child care, care of people with special needs or family equations. The prevalence of such social and economic conditions over long periods of time may induce some citizens take up entrepreneurial effort. Here, entrepreneurship can be understood in terms of an attempt to bring about desired social change and is termed as *social entrepreneurship*. It is about finding innovative solutions to social challenges and dilemmas. The success of social entrepreneurship can be measured in terms of positive returns to the society, in addition to economic gains to the entrepreneur, which can be termed as *secondary objective*. In this sense, social entrepreneurship differs from the commercial entrepreneurship, where profit or economic gain is given priority over the social impact objective. It is important to note that in both types of entrepreneurships, application of innovation and creativity are equally important.

DEFINITIONS OF ENTREPRENEURSHIP

"Entrepreneurship is the ability to create and build something from practically nothing. Fundamentally, a human creative activity, it is finding personal energy by initiating, building and achieving an enterprise or organisation rather than by just watching, analysing or describing one. It requires the ability to take calculated risk and reduce the chance of failure".

– J.A. Timmons

"Entrepreneurship is a systematic innovation which consists of the purposeful and organised search for changes and in a systematic analysis of the opportunities such changes might offer for economic and social innovation".

– Peter Drucker

"Entrepreneurship is the purposeful activity of an individual or group of associated individuals, undertaken to initially maintain or earn profit by production and distribution of economic goods and services".

– A.H. Cole

"Entrepreneurship is the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top managers of day-to-day operations".

– Heggins

1.1.1 Nature and Characteristics of Entrepreneurship

Entrepreneurship is a complex and multidimensional concept. It can be understood as an economic activity that emerges and functions in socio-economic and cultural settings. In this

sense it is both—science as well as an art. However, it is more art than science as there are few ground rules or principles that can be used to create and run business enterprises in a fast changing and heterogeneous environment. Entrepreneur has to exercise a great amount of his personal skills, talents and traits to win over the ever changing elements of business environment. According to John Kao, "Entrepreneurship is the attempt to create value recognition of business opportunity, the management of risk-taking appropriate to the opportunity and through the communicative and management skills to mobilise human, financial and material resources necessarily to bring a project to fruition". This definition recognises that entrepreneurship involves the fusion of capital, technology and human talent and effort to complete a project successfully and with a reasonable degree of risk.

The main features of entrepreneurship are as follows:

- ✓ **(i) Economic activity:** Entrepreneurship is primarily an economic activity because it involves creation and operation of an enterprise as well as its expansion and growth. For all this profit earning is a precondition.
- ✓ **(ii) Creative response to environment:** Entrepreneurship is a creative response to the volatile environment that continuously impacts its functioning. This response can be in the form of business innovations, i.e., introduction of something new with commercial value.
- ✓ **(iii) Goal-oriented activity:** Entrepreneurship is undertaken for economic gains, i.e., to earn profits. Also, it has an inherent goal of making a social impact. The entrepreneur earns profits through customer satisfaction.
- ✓ **(iv) A function of risk-bearing:** Risk is an inherent and inseparable element of entrepreneurship. An entrepreneur assumes risk in the hope of earning profits when the business turnover exceeds its expenses, i.e., rent, salary and wages, interest and other recurring and non-recurring expenses. However, in pursuit of profits there is possibility of loss also.
- ✓ **(v) An organising function:** An entrepreneur brings together various factors of production. He coordinates and controls the efforts of all the persons engaged in his enterprise. He harnesses land, labour, capital and other resources for the benefit of society. Therefore, an entrepreneur is an organisation builder.
- ✓ **(vi) Gap-filling function:** The gap between human needs and the available products and services gives rise to entrepreneurship. An entrepreneur identifies this gap and takes necessary steps to fill it. He introduces new products and services, new methods of production or distribution, new sources of inputs and new markets for this purpose.
- ✓ **(vii) Dynamic process:** Entrepreneurship thrives on changes in the environment which bring useful opportunities for business. Flexibility is the hallmark of a successful entrepreneur.
- ✓ **(viii) Optimum use of resources:** An entrepreneur assembles all inputs, namely, land, labour and capital. He works on them and arrives at the most productive combination that will provide society the much needed goods and services.
- ✓ **(ix) Managerial skill and leadership:** The skill to manage and lead are the most important facets of entrepreneurship. An entrepreneur must possess ability to lead and manage resources and situations. He must be able to influence behaviour of people. All this requires extraordinary management competence including interpersonal skills.

INTRODUCTION

The entrepreneurial spirit has been described as the most significant development in recent economic history. Heightened levels of entrepreneurial activity are being witnessed across the globe. Entrepreneurial ventures having impact on the world economy are being set up in far-off places such as Latvia and Chile.

In India too, there has been a significant change in the mindset of the society. Earlier, entrepreneurship used to be prevalent amongst some socio-ethnic groups and the majority of educated India used to prefer working for a salary. This mindset has undergone a change and many educated youth are turning their attention to emerging business opportunities. Many more are opting for an entrepreneurial venture midway through their career. Employees of many state-owned enterprises and privately held companies are choosing to give up their jobs and start their own ventures. Also feeding this phenomenon is the use of VRS (voluntary retirement scheme) by many companies to help in downsizing. Many NRI entrepreneurs and other overseas-based professionals are now looking at India as a destination for setting up their new businesses. Many such NRIs have had a huge role to play in setting up of new IT and ITES firms. In fact, OfficeTiger, one of the first BPOs

in India, was set up by Randy Altschuler and Joe Siegelman, two Americans who knew very little about India.

There are also a number of empirical and conceptual studies on the consequences of entrepreneurship. It is now widely accepted by society in general that the benefits of entrepreneurial activity are not restricted to entrepreneurs alone. Rather, entrepreneurs have impact on the well-being of the economy as a whole. Entrepreneurial firms are reshaping the business ecosystem, creating an environment where they play a major role in introducing innovations, commercializing new technologies, creating new jobs, opening new markets, and creating value by combining resources in exciting new ways. Entrepreneurs are revelling in their roles as world leaders, role models, and heroes.

DEFINITION

Although there have been a number of generally acceptable definitions, most of which vary a lot in focus and scope, there is no official definition of entrepreneurship. On the other hand, increased academic interest in the entrepreneurship is bringing a sharper focus on the subject.

The word *entrepreneur* is derived from the French word *entreprendre*, which means 'to undertake.' The Webster Dictionary explains that the term *entrepreneur* is applicable to 'one who organizes, manages and assumes the risks of a business or enterprise.' The general perception of the entrepreneur as a starter of businesses is reflected by the definition in the BBC English Dictionary, which refers to an entrepreneur as 'a person who sets up a business.'

The Irish economist Richard Cantillon (1680–1734) defined an entrepreneur as 'someone who takes the risk of running an enterprise by paying a certain price for securing and using resources to make a product and reselling the product for an uncertain price.' Perhaps one of the most important definitions of an entrepreneur was given by the Austrian economist Joseph Schumpeter (1883–1950) in his work *The Theory of Economic Development*. The Schumpeterian view of an entrepreneur is that of 'an innovator playing the role of a dynamic businessman adding material growth to economic development.'

Exhibit 1.1

Ten Forces That Are Flattening the World

This is adapted from *The World Is Flat: A Brief History of the Twenty-First Century*, the recent bestseller by Thomas Friedman, the Pulitzer prize-winning author. He has described several factors or forces that are making the world a level playing field and enabling developing countries like India and China to compete against Western countries.

ENTREPRENEURIAL CHARACTERISTICS AND SKILLS

As early as the 1950s, researchers began looking for personality factors that determine the potential of a person to be an entrepreneur. This entrepreneurial trait school of thought has led to interest in identifying traits common to successful entrepreneurs.

McClelland (1961) found that entrepreneurs had a higher need for achievement than non-entrepreneurs. Surprisingly, he also concluded that contrary to the popular opinion, entrepreneurs were only moderate risk takers. A great deal of research on the personality characteristics and socio-cultural backgrounds of successful entrepreneurs was conducted in the 1980s and 1990s. The detailed analysis of more than 50 studies done by Timmons (1994) found a consensus around the following six general characteristics of entrepreneurs:

1. Commitment and determination
2. Leadership
3. Opportunity obsession
4. Tolerance of risk, ambiguity and uncertainty
5. Creativity, self-reliance and ability to adapt
6. Motivation to excel

A related stream of research examines how individual demographic and cultural backgrounds affect the chances that a person will become an entrepreneur and be successful at the task. For example, the review done by Bianchi (1993) indicates the following characteristics of an entrepreneur:

1. Being an offspring of self-employed parents
2. Being fired from more than one job
3. Being an immigrant or a child of immigrants
4. Previous employment in a firm with more than 100 people
5. Being the eldest child in the family
6. Being a college graduate

At the same time, the business press has devoted attention to the backgrounds, personalities, and even idiosyncrasies of successful entrepreneurs, turning business builders such as Bill Gates and Dhirubhai Ambani into icons that are probably more recognizable than successful people in other walks of life. This media coverage has given credence to the myth that successful entrepreneurs are a breed apart. Such press reports, and also a lot of academic literature, have reinforced the belief that the success of a new venture depends largely on the deeds of a brilliant and inspiring superstar possessing some predefined personality characteristics.

Although it seems logical to look at personality and socio-cultural variables to determine the likelihood of entrepreneurial success, studies based on these premises have been able to explain only a small percentage of entrepreneurial successes and failures.

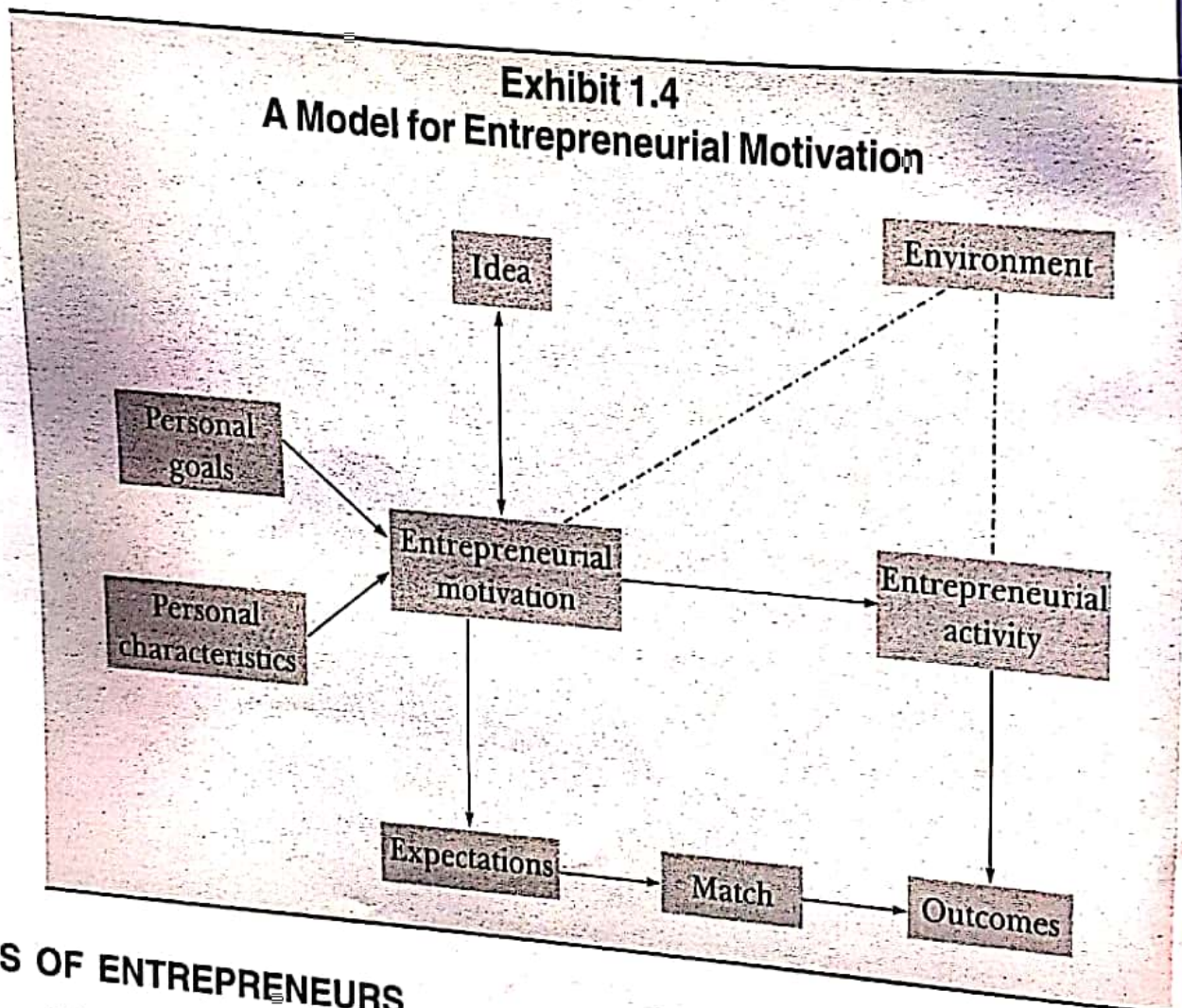
These so-called entrepreneurial characteristics can be looked at to determine a set of skills useful for an entrepreneur to possess. It is unlikely that all these skills will be present in sufficient measure in all potential entrepreneurs. It is prudent for the entrepreneur to take stock of what might be lacking and acquire those skills through training. Sometimes, the entrepreneur may even try to access those skills by attracting partners or employees who possess those attributes. The entrepreneurial skills are given below:

1. Creativity and opportunity evaluation
2. Real-time strategy and decision making
3. Comfort with change and chaos
4. Teamwork
5. Evangelicalism, selling, negotiation and motivation through influence and persuasion
6. Oral and written communication
7. Basics of start-up finance, accounting and law

In addition to these skills, there are certain attitudinal adjustments an entrepreneur has to make in order to successfully negotiate the various problems likely to emerge during the early days of the venture. These attitudinal adjustments, which an entrepreneur needs to be prepared for, are given below:

1. Comfortable with lifestyle changes
2. Willingness to break/bend/stretch laws
3. Patience to start from the scratch
4. Prepared to make enemies
5. Comfortable with confrontations
6. Dealing with failure
7. Willingness to learn

Exhibit 1.4
A Model for Entrepreneurial Motivation



TYPES OF ENTREPRENEURS

Classifying entrepreneurs into various categories is a tricky issue. The taxonomy of entrepreneurs can be carried out in various ways. Entrepreneurs can be classified on the basis of their socio-cultural backgrounds, scale or potential of operations, or timing of venture creation in relation to their professional lifespan. What must be kept in mind is the reason behind the classification. Differentiating between entrepreneurs can be done to differentially incentivize certain groups, to study difference in various groups, or to study factors and consequence of entrepreneurship in different populations.

Classification Based on the Timing of Venture Creation

Based on the timing of venture creation, entrepreneurs are classified as early starters, experienced and mature.

Early Starters

An early starter starts the venture with little or no full-time work experience. Often, early starters are from business families and have participated in the family business. An early starter is generally convinced of the great potential of his/her business idea and feels that the opportunity may cease to exist if he/she waits too long. An extreme case of an early starter would be Suhas Gopinath. He started his company, Globals Inc., at the age of fourteen. In fact, he had to incorporate it in the USA as Indian laws do not permit a minor to run a company.

Experienced

This type of entrepreneur has spent a few years working in the family business or in some other large company. Usually, the venture is related to the type of work the entrepreneur was previously engaged in. The entrepreneur brings a lot of experience, skills, and personal credibility into the venture. Narayan Murthy got together with other like-minded professionals to start Infosys when he was 35 years old.

Mature

A lot of very senior professionals, some at the level of CEO, are quitting their jobs to start their own ventures. This is probably because they have very high confidence in their abilities and have a desire to do things in a way that may not be totally acceptable to their erstwhile employers. Some shining examples include Ashok Soota and Subroto Bagchi, who quit Wipro to start Mindtree, and BVR Subbu, the ex-CEO of Hyundai India, who recently started a venture that bought the plant of Daewoo in India.

Classification Based on Socio-cultural Variables

Different types of entrepreneurs based on socio-cultural variables are discussed here.

First-Generation Entrepreneurs

This category consists of those entrepreneurs whose parents or family have not been in business and were into salaried service. The booming economy of India has led to a multitude of business opportunities, and with deregulation, it has become easier to set up businesses. Also, with a change in the mindset of the middle class, it is now more acceptable to become an entrepreneur. India has a lot of examples of first-generation entrepreneur from Dhirubhai Ambani to Narayan Murthy.

Entrepreneurs from Business Families

Traditionally, there have been a few socio-ethnic groups who have dominated the business scene in India. Prominently, the Marwadi, Gujarati, Parsee, Sindhi, and Chettiyar communities are perceived as business people. The Tatas, Birlas, Wadias, Murugappas, and Singhanias are all from such business communities. It is argued that entrepreneurship becomes easier for someone from a business family or from a business community as there is a very solid support structure to help in times of need. But entrepreneurial success needs far more than just that.

Minority Entrepreneurs

There are many small ethnic groups that have traditionally not ventured into business. It has become important for them to venture out and create lasting enterprises. They will serve as examples for the rest of their community. We must not forget that the dominant Parsee community started off as a few shiploads of refugees on the coast of Gujarat. Distinctly low levels of entrepreneurial activity are witnessed among the tribals of Central India, the hill people of the North-East and among some socio-economically backward classes.

Women Entrepreneurs

Women as entrepreneurs have been a recent phenomenon in India. The social norms in India had made it difficult for women to have a professional life. Now this has changed. Progressive laws and other incentives have also boosted the presence of women in entrepreneurial activity in diverse fields. Kiran Majumdar Shaw founded Biocon, which is now the leading biotech firm in India, and she is an inspiration to many other Indian women wanting to start their own businesses.

Classification Based on Entrepreneurial Activity

Based on entrepreneurial activity, entrepreneurs are classified as novice, serial entrepreneur, and portfolio entrepreneur.

Novice

A novice is someone who has started his/her first entrepreneurial venture. Not to be confused with an early starter, a novice can also be a 50 year old with over 25 years of experience in the industry.

Vishambar Saran was the Director, Raw Material for Tata Steel, when he quit after working in the steel industry for over 35 years. He leveraged his vast experience to start his own venture, Visa Steel. Starting from scratch ten years back, the turnover of the company currently stands at over ₹ 400 crore.

Serial Entrepreneur

A serial entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. It is the process of starting that excites the starter. Once the business is established, the serial entrepreneur may lose interest and think of selling and moving on.

Rakesh Mathur, an alumnus of IIT Bombay, has started a firm called Webaroo, which enables easy offline surfing of the net. This is his latest venture in a series of successful ventures with great names such as Armedia, Purple Yogi and Jungle. He sells off his ventures before moving on to the next one, his most high-profile sale being that of Jungle, which he sold to Amazon.

Portfolio Entrepreneur

A portfolio entrepreneur starts and runs a number of businesses. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities. Also, the entrepreneur may see some synergies between the ventures.

Once a poor immigrant, Li Ka-Shing got his start selling plastic flowers in Hong Kong in the 1950s. He owns the conglomerates Cheung Kong and Hutchison Whampoa. Through them, Li is the world's largest operator of container terminals, a major supplier of electricity, a cellphone provider, a retailer, and a real estate developer. He also has a \$10 billion stake in Canadian oil company Husky Energy.

1.3 ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Entrepreneurial activity can be viewed as an engine that moves a nation towards economic progress and prosperity. It remains the most important input in the economic development of a country or region. Also, the number and competence of entrepreneurs is crucial to determine pace of economic development. Nevertheless, entrepreneurship emerges as a dynamic need of a developing economy. The following points explain significance of entrepreneurship:

- ✓(i) **Contributes in economic growth:** Entrepreneurship results in GDP growth of a country by building up its production and distribution capacity. All developed economies of the world thrived on entrepreneurship as the substantial portion of their GDP growth can be assigned to the efforts of small entrepreneurial initiatives requiring petty investments and creating small employment opportunities. However, when put together in the context of an economy, it became a mass movement.
- ✓(ii) **Wiser procurement and use of resources:** Being an owner the entrepreneur is responsible for success or failure of his venture. In the initial phases when he works on a thin resource base which he knows, if not employed diligently may ruin his dream of scaling up business operations to become bigger. At the same time, he always behaves smartly by constantly reminding himself that bearing risks and suffering losses is a pre-condition for earning profits. An entrepreneur, thus, always focuses on optimum use of resources. All this results in a rapid economic growth.
- ✓(iii) **Organises factors of production:** Entrepreneurship combines all resources, i.e., land, labour, material, capital, skill and talent and combines them into a useful economic proposition. He is deciding about the type and quantum of each factor of production after reviewing his capacity to buy, requirement of business and price of each input. His creative brain leads in developing an economically viable combination of these factors of production.
- ✓(iv) **Generates employment:** An entrepreneur hires services of people for performing various business functions. This act of recruitment goes a long way in solving the basic problem of unemployment and poverty faced by any economy.

- ✓(v) **Creates demand:** By introducing new product concepts, an entrepreneur creates demand. Working on his intuitions while assessing market environment, he arrives at a firm belief that a particular need has been going unattended for a long time. He sees great potential for tapping this demand with the supply of appropriate products. These products are completely new ideas or an improvement over the existing ones.
- ✓(vi) **Establishment of enterprise:** This is the final stage in the making of a business. When all background work is complete vis-à-vis resource procurement and their arrangement including capital and hiring of suitable workforce, the business dream comes true and the enterprise is ready to perform. A similar effort by a group of people creates an industry and when a number of industries brought up by entrepreneurs operate simultaneously, it pushes the economic system of the country. All this is possible with the collective efforts of numerous micro, small and medium sized organisations.
- ✓(vii) **Capital formation:** As the entrepreneur, sets up a new enterprise, he puts in money in bringing various resources—men, material, machines and capital which are used to undertake the production and marketing of products and services. The profit so earned is ploughed back in business for making it bigger. Secondly, capital is formed through public investments in the enterprise by issuing shares and debentures. These public savings are mobilised to boost the production and distribution activity. This increases the rate of capital formation which is essential for rapid economic growth.
- ✓(viii) **Improvement in per capita income:** An entrepreneur, after assessing the environment regarding use of opportunity converts the inactive business resources like land, labour, money into goods and services, thus, increasing the Net National Product and Per Capita Income in the country. These two figures are important indicators of economic growth.
- ✓(ix) **Balanced Regional Development:** The entrepreneur is ready to open his new venture at places which may result in some locational disadvantages in terms of distance from home, erratic supply of power, under developed market for supply of raw material and a grim law and order situation. The reason for such sacrifice obviously lies in his financial capability to set up business at a more favourable location. However, a number of special privileges and concessions offered by the state government set off such locational disadvantages. All this leads to more entrepreneurs establishing their production units at these locations facilitating a balanced industrial development of various regions.
- ✓(x) **Improvement in living standards:** An entrepreneur works tirelessly on new ideas for serving the market better, removing scarcity of essential commodities and offering newer and better choices to the customers. His innovative brain is constantly engaged in simplifying the complexity in the product and service usage.
- ✓(xi) **Economic Independence:** Self-reliance of a nation depends upon the scale of its entrepreneurial activity. A country where indigenous business is offering substitutes for imported products while engaging in exports of goods and services, would produce for itself a positive Balance of Payment situation and economic independence. Political independence is strengthened through self-reliance.

(iii) **Backward and forward integration:** An entrepreneur initiates change, bringing a chain reaction, backward as well as forward. He sets up allied businesses that scale up the business activity and result in economic efficiency. For example, a handmade paper product exporter integrates backward when he purchases paper cutting, punching and folding machines for in-house production. This new linkage gives a major boost to his business.

1.5 SIGNIFICANCE OF ENTREPRENEURSHIP FOR INDIAN ECONOMY

India can be described as a newly industrialised economy and still a developing nation. The occupational structure of the country is marked by a rapid shift from primary sector to secondary and tertiary sectors. It is the second most populated country of the world with huge percentage of younger population below 35 years of age. However, the country still faces big economic challenges of poverty and unemployment. Clearly, rapid entrepreneurial activity can provide the much needed push to the pace of economic development by creating huge job opportunities, thus, alleviating poverty and unemployment. India is the cradle for the oldest civilisations of the world which takes pride in introducing scientific cultural, moral and spiritual advancements to the world. Yet, the country suffers from several social and economic roadblocks. Lack of entrepreneurial opportunities for rural youth and absence of congenial work environment for women is largely responsible for slow rate of economic growth.

Concept of entrepreneurship remains unchanged irrespective of the state of socio-economic development of a country, though its relevance may differ. A developing economy characterised by presence of a large proportion of younger population, rural poor and economically unproductive woman is a clear case for the removal of these stigmas through rapid entrepreneurial activity. Problems of poverty and unemployment can be adequately addressed by the creation of job opportunities by micro, small and medium businesses. This takes in its fold the advantages of women and rural entrepreneurship, rapid innovation, optimum use of resources, capital formation and the younger generation coming forward and taking risks inherent in initiating the industrial activity.

Entrepreneurship is the panacea of all economic evils in a developing country like India as it plays a pivotal role in fostering economic growth and development. In an economy marked by the above mentioned features, entrepreneurship can help solving problems related to:

- ✓(i) **Employment generation:** India is still struggling with the problem of growing unemployment, particularly the educated unemployed. Whatever employment opportunities are available today, can cater to only 10 percent–15 percent of the total number of unemployed. Indian government sector has reached its saturation with very little job creation and filling of an existing vacancy for a very long period, i.e., 25–30 years till a government servant retires and a new vacancy re-emerges. On the contrary if for example, every year 50,000 entrepreneurs start their own ventures each employing 30–40 people on an average, they create 15,00,000–20,00,000 new jobs every year besides 50,000 jobs for themselves. As these 50,000 enterprises grow with time, they hire larger number of people providing both direct and indirect employment.
- ✓(ii) **National production and national income:** National production is the total quantity of all goods and services produced in a year for the purpose of domestic consumption as well as for exports. National income is the money value of these goods and services. The demand for domestic production is ever increasing with increase in population. Similarly, export demand can also be expected to grow with time. These upward trends create a need for larger number of entrepreneurs to meet the increasing demand for goods and services. An incremental entrepreneurial activity, thus, increases the national production and income.

(iii) **Dispersal of economic power:** Economic power of a country is the outcome of industrial and commercial activity. Concentration of economic power happens when the entire economic activity is controlled by few industrialists, thus, leading to the formation of monopolies. On the contrary, the economic activity, when undertaken by a large pool of micro, small and medium sized entrepreneurs, it facilitates dispersal of economic power implying that large national wealth is shared by an equally large number of entrepreneurs. Dispersal of economic power is a positive sign indicating healthy economic growth of a nation.

(iv) **Balanced regional development:** When the number of entrepreneurs in a country is large, they are likely to spread across all states, cities and towns contrary to a relatively smaller number concentrated at few convenient geographic locations. Geographical concentration of industries was a major hindrance to growth till late sixties when 50 percent of industrial enterprises were located only in six Indian cities. The widespread entrepreneurial activity promotes balanced growth of all regions by offering employment opportunities and facilitating infrastructural development.

(v) **Harnessing youth power:** India is a country bestowed with tremendous youth power as more than 65 percent of its population is below 35 years of age. For a country with more than 125 crore population it means a huge number nearing 82 crores. This voluminous human resource, if adequately trained on various skills and groomed for entrepreneurship can be a powerful force towards eradication of plethora of social and economic problems. With the objective of harnessing this youth power, the Government of India has recently launched the National Skill Development Mission setting a target for skilling 500 million youth by year 2022.

(vi) **Contribution by women:** Female entrepreneurs encompass approximately one-third of all entrepreneurs worldwide. Women entrepreneurship scene, however, is more disappointing in the case of India. Countries like Turkey, Morocco and Egypt, Zambia and Sub-Saharan Africa have out performed India which has a very low women participation even in small scale industries. As per the third All India Census of small scale industries only 10 percent to 11 percent of micro and small enterprises were owned by women and only about 10 percent were managed by women. While the number of women operating their own business is increasing globally, women in India continue to face huge obstacles that stunt the growth of their businesses. These include lack of capital, limited time and skills and serious social constraints.

(vii) **Contribution by rural population:** Gandhiji has rightly said "India lives in its villages". India being a country of villages accommodating more than two-third of its total population offers tremendous scope for endless entrepreneurial activity ranging from beauty salons to small production units, dairy farming, grocery stores and BPOs. The local entrepreneurs now can avail of various incentives offered by the government and concerned ministries and departments. This would lead to the growth and development of micro, small and medium enterprises through research and development, quality improvement, modernisation and training, market promotion and welfare of the small and medium entrepreneurs. The Entrepreneurship Skill Development Programme of the Ministry of Micro, Small and Medium Enterprises aims at providing financial assistance for establishment of new institutions, strengthening the infrastructure of existing EDIs and for supporting entrepreneurship and skill development activities.

- ✓(viii) **Rich cultural heritage and entrepreneurship:** Many India-specific industries with strong roots in cultural heritage of the country offer huge scope for entrepreneurship that other countries may not be able to tap. As compared to rest of the world, India possesses a clear competitive advantage in these industries. For example, if professionally pursued, businesses like yoga training, water harvesting, ceramic art, pottery making, handmade paper manufacturing, heritage walk, organic farming, street food and green building construction can offer a competitive advantage to Indian entrepreneurs.

2.1 WHO IS AN ENTREPRENEUR?

It was only in the beginning of the 18th century that the word 'entrepreneur' was applied in economic sense. Since then, the term *entrepreneur* is viewed in various ways. These views identify and explain an entrepreneur as—a risk bearer, an organiser and an innovator.

✓ *Richard Cantillon's Entrepreneur—A Risk Bearer*

Richard Cantillon, an Irish economist living in France was the first person who introduced the term *entrepreneur*. He defined entrepreneur as "an agent who buys factors of production (land, labour, capital, materials, etc.) at certain prices in order to combine them into a product with a view to sell it on an uncertain price in future". Cantillon gave example of a farmer who pays out contractual incomes, which are certain, to the landlords and the labourers and sells the agricultural produce at prices that are uncertain. He further states that merchants also make certain payments in expectation of uncertain receipts. According to Cantillon, an entrepreneur consciously makes decisions about resource allocation. A smart entrepreneur always looks for the best opportunity of using resources for high commercial gain.

✓ *J.B. Say's Entrepreneur—An Organiser*

J.B. Say (1767–1832), a French economist and wealthy industrialist developed the concept of entrepreneur which survived for two centuries. According to Say, an entrepreneur performs three basic functions—organisation, coordination and supervision. An entrepreneur is one who combines the land of one, the labour of another and the capital of yet another, and thus, produces a product. By selling this product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his profit. Thus, Say makes a clear distinction between the role of the capitalist as a financier and the entrepreneur as an organiser. He further elaborates that in the course of undertaking a number of complex operations required and expedients to be devised, three more implicit factors are deemed to be essential:

- (i) Moral qualities for work judgement, perseverance and knowledge about the business world.
- (ii) Command over sufficient capital.
- (iii) Uncertainty of profits.

✓ *Schumpeter's Entrepreneur—An Innovator*

Joseph Schumpeter, an Austrian economist for the first time in 1934, assigned a crucial role of 'innovation' to the entrepreneur. In his "Theory of Economic Development", Schumpeter considered economic development as the result of instituting new combinations of production, i.e., innovations. According to Schumpeter, introduction of new combinations of factors of production may occur by:

- (i) Introducing new products in the market.
- (ii) Instituting new production technology not yet tested in manufacturing.
- (iii) Launching product in a new market.
- (iv) Discovering and tapping a new source of raw material supply.
- (v) Creating or breaking a monopoly position by carrying out a new form of organisation.

Schumpeter also made a distinction between an inventor and an innovator. An inventor is one who discovers new methods and new materials and an innovator utilises inventions and discoveries in order to make new combinations. So, Schumpeter's entrepreneur undertakes three basic functions—risk bearing, organising and innovating. Thus, an entrepreneur can be defined as "a person who tries to create something new, organises production, undertakes risks and handles economic uncertainty involved in enterprise".

✓ DEFINITIONS OF ENTREPRENEUR

"An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur; hence an effective entrepreneur converts a source into a resource".

– Peter Drucker

"Entrepreneurs take initiative, accept risk of failure and have an internal locus of control".

– Albert Shapero

"The term *entrepreneur* may be properly applied to those who incubate new ideas, start enterprises based on those ideas and provide added value to society based on their independent initiative".

– David Holt

"Entrepreneur means an individual or a group of individuals whether engaged in any business for profit or not".

– Livingston

✓ 2.1.1 Classification of Entrepreneurs—Pure and Non-pure Entrepreneurs

Pure entrepreneurs are ones who create a venture from the raw material of their own ideas and hard work. They are always treated as celebrities as they nurture an idea into a successful business with their instinct for opportunity, sense of timing, skill and hard work. Others who takeover the business after the founders retire, die or sell out and who continue to build it up through innovation may be called *non-pure entrepreneurs*. In developing economies like India the scope and need of non-pure entrepreneurs is higher. In such countries entrepreneurship is considered as a form of labour which tells rest of the labour what to do and how to get things done. The distinction between pure and non-pure entrepreneur may not fit into the concept of entrepreneur as presented by Schumpeter according to whom entrepreneur exists only when factors of production are combined for the first time. However, Ricardo's theory states that entrepreneurial ability is an independent factor of production and profit is the reward for entrepreneurial ability.

✓ 2.2 WHAT IS AN ENTERPRISE?

From previous discussions, it is clear that an entrepreneur is a person who starts an enterprise, and the process of creating an enterprise is called *entrepreneurship*. Here, entrepreneur is the actor and entrepreneurship is the act. When the actor and act perform, outcome is the birth of an enterprise. In this sense, *enterprise* means a business organisation that is formed to produce and distribute goods and services. An enterprise contributes to economic development by mobilising capital and other factors of production, creating jobs, and raising per capita income of a nation.

In Figure 2.1 entrepreneur is the 'actor', entrepreneurship is the 'act' and 'enterprise' is the outcome of the actor and the act.

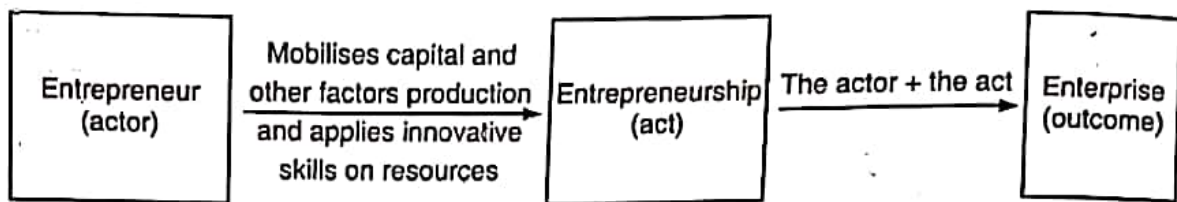


Figure 2.1 Relationship between the Entrepreneur, Entrepreneurship and Enterprise.

2.2.1 Features of an Enterprise

The main features of an enterprise are as follows:

- (i) **A business organisation:** An enterprise can be run by an individual or a group of people making collaborative efforts to achieve certain goals. It may be in the form of a proprietorship, a partnership or a corporation.
- (ii) **An enterprise involves complications and risk:** Setting of enterprise requires innovation in the form of use of new and untested technology or launching product into new markets or using new combinations of raw materials. All this needs boldness and courage and involves element of risk. Despite of best efforts there is chance of failure. This is the reason why not many people take up the initiative to set up an enterprise.
- (iii) **An industrious activity:** An enterprise is the outcome of hard and tireless work requiring dedication and a problem-solving approach. There are periods of disappointment and hopelessness compelling many people to withdraw. An enterprise emerges when things, people and situations are effectively managed through clearing ambiguities, meeting challenges and taking actions to their desirable end.
- (iv) **Willingness to take up new ventures:** After an enterprising spirit is ignited, it changes itself into an ongoing activity in a volatile business environment. Enterprise is a constant search for disequilibrium in market situations and an attempt to rectify them. An enterprise involves hazards and needs utmost caution, though highly rewarding if continued with a similar zeal and commitment.
- (v) **Solves problems in new ways:** The basic purpose of forming an enterprise is to apply innovation and creativity, dare to think and do things that were not thought of or performed previously. An enterprise aims at presenting answers to socio-economic issues through value addition.
- (vi) **A systematic and purposeful activity:** An enterprise requires high level planning and strategy making, sound organising, effective directing and controlling skills. Personal traits applied by the entrepreneur to deal with environmental challenges and internal situations are equally important. Durable and complementary interlinkages between these functions are crucial for success of an enterprise. The major objectives of an enterprise are to earn profits and prestige, help solve socio-economic problems of unemployment and poverty and contribute towards GDP growth.

(vii) **Involvement of Stakeholders:** An enterprise is created with the collective efforts of various groups of people with the entrepreneur holding the central position. With his seamless efforts he succeeds in bringing together investors, suppliers, employees and other stakeholders at a common platform and coordinating their roles in the venture.

2.3 TYPES OF ENTREPRENEUR

Anyone who identifies and understands market gaps, recognises these gaps as lucrative opportunities and fills them through his innovative creations is an entrepreneur. Based on this broad description, entrepreneurs can be of the following kinds:

- (i) **Innovating entrepreneur:** Commonly found in developed economies because of heavy industrialisation, this type of entrepreneur is characterised by quick assemblage of market information, aggressive experimentation and a clever combination of factors of production. He is fast in introducing a new production technique or a new product or entering a new market. As the environment for entrepreneurship is congenial, he raises funds, assembles factors of production and launches an enterprise. Innovating entrepreneur is found in nations which have already achieved certain level of development and where people look forward to change, progress and capitalism.
- (ii) **Adoptive or imitative entrepreneur:** This kind of entrepreneur adopts tested and successful innovations introduced by innovative entrepreneurs with minor or no changes. An adoptive entrepreneur, thus, does not innovate, rather he imitates the technology created by others. Such entrepreneurs are required in underdeveloped and backward countries as they contribute significantly to their development. Imitative entrepreneur helps in improving the system with limited resources available. However, he faces lesser risks and uncertainty than innovative entrepreneur. He is more an organiser of factors of production than a creator, but in a poor country that is attempting to industrialise, he is certainly a potent change-producing figure. He can set in motion the chain reaction, which leads to cumulative progress.
- (iii) **Fabian entrepreneur:** He is least innovative or open to change in the current set up of his work. He also lacks desire to follow the new business methods introduced by other forward looking entrepreneurs. He is shy and lazy and too much stuck with traditional work practices and customs. Fabian entrepreneur is risk averse and prefers to follow the path already taken.
- (iv) **Technologist entrepreneur:** This type of entrepreneur is a technically qualified person eager to enter field of business. The basic reason for him to start a business is to reap commercial benefit of his technical invention, discovery and enterprise. However, he lacks knowledge of business and after raising necessary capital, he seeks expert advice in finance, production, marketing and other areas of business. His success depends on his ability to transform technical knowledge into ongoing production and regular marketability.
- (v) **Individual and institutional entrepreneur:** They co-exist and complement each other's efforts to enlarge scope of business. When the business is small and its operations are limited, an individual manages it with his personal intervention in each area. Each country runs with the largest contribution by small entrepreneurs. An individual entrepreneur is quick, flexible

and skillful. As the business grows in size, it becomes necessary for him to institutionalise the business by formalising its systems and structure. He has to develop a group of entrepreneurs, though he still remains at the helm of affairs. With the institutionalisation of business, it now becomes easier for him to meet new business challenges and to implement a complex network of decisions.

- ✓ (vi) **Entrepreneur by inheritance:** Family-owned businesses nurture such type of entrepreneur. The successor in the family may become entrepreneur by learning business techniques and skills. As he grows, he is trained and groomed by the family to succeed in the line of business. In India, the number of such entrepreneurs is very large as the business is generally inherited by one generation from another.
- ✓ (vii) **Serial entrepreneur:** The objective of serial entrepreneur is to develop businesses for selling it later at profit. He creates business, successfully runs it for some time and eventually when the business expands into new markets and reaches its prime, he sells it to cultivate high profits. After making a sale, the serial entrepreneur again launches and expands another enterprise to sell it for a profit. The same practice is repeated at intervals to make substantial gains. Serial entrepreneurs are quite popular in developed nations.
- ✓ (viii) **Social entrepreneur:** He is the most desirable kind of entrepreneur as he brings about social progress combined with economic development. Though each type of entrepreneur serves the society through innovation and value creation, yet a social entrepreneur is known for his utmost commitment to social transformation. He observes and analyses social problems and sets up his venture to offer solutions to such problems. Though he makes monetary gains and sustains the business, he considers elimination of social evils as true reward for his efforts.

2.4 ENTREPRENEUR AND MANAGER

Quite often an entrepreneur and a manager are considered similar. The roles of two may overlap in most cases. In small firms, the owner acts as manager too. But, there are important differences between an entrepreneur and a manager. These are as follows:

- (i) **Innovation:** An entrepreneur is always an innovator as his job is to experiment with new ideas. On the other hand, a manager runs the business on established lines and prefers to maintain status quo.
- (ii) **Venture creation:** An entrepreneur creates and establishes a new enterprise. He identifies and mobilises resources to implement his creative ideas. A manager only operates an existing enterprise. He is concerned with the efficient use of resources to reach organisational goals.
- (iii) **Risk bearing:** An entrepreneur bears the risk of economic uncertainties arising out of an enterprise. His personal investment sinks if the venture fails. A paid manager gets a fixed salary irrespective of volume of economic returns of a venture. Thus, he undertakes no risk.
- (iv) **Reward:** The rewards earned by an entrepreneur are always varying as they are subject to the environmental uncertainties. A manager, being an employee gets fixed financial rewards.

(v) **Status:** An entrepreneur is his own boss and enjoys an independent status. In contrast, a manager is an employee and dependent on the owner.

(vi) **Education:** Formal education is more important for a manager than for an entrepreneur as entrepreneurship is more concerned with generating innovative ideas and application of creativity in real life situations. However, formal education grooms a person to become a complete entrepreneurial personality.

(vii) **Continuity:** A manager is coordinating variables related to production, financing, marketing and human relations. An entrepreneur initiates change in various business functions and keeps on re-appearing on business scene to introduce changes.

(viii) **Change:** An entrepreneur initiates change, and thus, called a *change agent*. A manager, on the contrary, adapts change. He is a product of change.

(ix) **Rationality:** An entrepreneur is a self-convinced and self-driven individual. Many times his imagination and intuition overpowers pure rational thinking as he works on seemingly crazy ideas. A manager on the other hand, is a highly rational professional who works only on the basis of facts and reasoning.

2.4.1 Environmental Interaction

An entrepreneur being a change agent is capable of taking environmental factors on his side rather than himself surrendering to them completely. A manager judges the environment and adapts management practices based on this judgement. An entrepreneur interacts with environment to the extent of influencing and changing it in a manner that suits his business needs.

2.4.2 Overlapping Roles of Entrepreneur and Manager

An entrepreneur launches a new enterprise whereas a manager deals with day-to-day affairs of an on-going concern. However, the roles of entrepreneur and manager overlap in many situations. An entrepreneur starts an enterprise and uses managerial skills to implement his creative ideas successfully. Similarly, a manager applies entrepreneurial skills to manage change and innovation and to effectively deal with uncertain external environment of business. Rather than relying on a rigid and process-based routine, he should prepare himself to handle change and innovation. These differences are highlighted in tabular form and are shown in Table 2.1.

TABLE 2.1 Entrepreneur vs Manager

Basis	Entrepreneur	Manager
Venture	An entrepreneur starts an enterprise and runs it. He creates an organisational framework after defining its tasks and roles.	A manager works within an enterprise already set up by the entrepreneur. He operates within an existing organisational frame work.
Innovation	Entrepreneur is another name of an innovator. He always works towards finding new and more creative methods and products.	A manager being an employee of the business is more concerned with running the enterprise on established lines on a routine.

(Contd...)

Risk-taking	An entrepreneur takes risk of economic uncertainties as he owns the business.	A manager bears no risk arising out of uncertainties. He is paid employee of the business and also a stakeholder.
Status	An entrepreneur owns the business, and thus, enjoys an independent status.	A manager being an employee of business is always more dependent upon the entrepreneur.
Reward	Profit is the reward for risk taking. However, it is always uncertain and fluctuating.	Salary and allowances are the reward for a manager. He gets a fixed salary irrespective of business profits.
Change	An entrepreneur initiates and introduces change through innovation. He is also called a <i>change agent</i> .	A manager adopts change introduced by the entrepreneur. He is instrumental in implementing and carrying forward change on routine basis.
Motivation	An entrepreneur is motivated by profits and a strong desire to bring improvements in society through innovation.	A manager is motivated by incentives and fringe benefits. His work also motivates him to perform.
Rationality	An entrepreneur's work requires imagination and creativity. Many times his day dreaming and intuition overtakes pure rational thinking.	A manager's job requires rational analysis more than imagination and creativity.

2.5 QUALITIES OF AN ENTREPRENEUR

There is no standard profile of entrepreneurs. They differ in levels of education, age, gender, income and experience etc., yet they share some common traits. An analysis of personal traits of successful entrepreneur shows certain common characteristics found prominently in them. The principal ones are stated here:

- ✓ (i) **Energetic personality:** An entrepreneur exhibits a high level of energy than an average person. He is always agile and possesses a mercurial temperament. While working for long hours, he spends a large portion of his time in finding out novel ways of getting the set tasks done.
- ✓ (ii) **Preparedness to take risk:** An entrepreneur understands uncertainties and gets ready to take calculated risk. In many cases an entrepreneur leaves a well-paying salaried job, no matter how much security it provided. He moves ahead despite knowing that the business may fail due to risks involved. It is important to mention that he does not speculate or leave things to chance, but plans diligently to win over the risks, contingencies and uncertainties.
- ✓ (iii) **Self-confidence, pride and optimism:** An entrepreneur believes in himself, respects his ideas and carries a strong conviction of righteousness about himself. This positive self-image instills self-respect and encourages him to try out new ideas.
- ✓ (iv) **Unusual perception:** Ideas and solutions that normally people quote as unimaginable and impossible are seen as workable and worth implementing by an entrepreneur. He is a visionary who always identifies opportunities in the environment. He is quick in understanding people and situations, analysing related facts and identifying their strengths and weaknesses.

- ✓(v) **Courage to take initiative:** An entrepreneur always leads, motivates and provides guidance to others. Even under hopeless business situations he refuses to give up or remain an onlooker. He bounces back, meets the challenges and many times dares to violate the *status quo*. He is a dreamer and leaves no stone unturned to realise his dreams.
- ✓(vi) **Being own boss:** Tendency to enjoy freedom of expression and action is an important trait of an entrepreneur. Since he has an inherent aversion to imposed working conditions, he is always searching for liberty vis-à-vis his work schedule, working hours, work conditions and methods. He is a self-styled individual who evolves his own work system and culture. His passion for independence creates scope for creativity and innovation.
- ✓(vii) **High achievement need:** It is the need for achievement and accomplishment that drives an entrepreneur to take up the role. He believes in excellence, self-reliance, responsibility and challenge. His inner spirit always activates him to strive for success.
- ✓(viii) **Desire for responsibility:** An entrepreneur shows willingness to take charge of situations and tries to change them. He willingly puts himself in situations in which he is personally responsible for the success or failure of the operation, and thus, takes full credit for its success or accepts full blame for its failure. He takes responsibility to solve a problem or fill a vacuum where no leadership exists.
- ✓(ix) **Excellent organising and administrative skills:** Despite severe resource constraint and other adversities, an entrepreneur makes his way to perform well. He possesses wonderful quality of directing resources towards most productive use. Further, he exercises his entrepreneurial skills to train and develop people as valuable human resource. He directs and motivates them to give their best to the organisation.
- ✓(x) **Technical knowledge and willingness to change:** Economic growth of a nation depends upon constant technological up gradation. A successful entrepreneur always adopts and utilises new and better techniques of production and marketing of goods and services. His technical background also helps him manage change within the organisation.
- ✓(xi) **Ability to marshall resources:** An entrepreneur mobilises resources at reasonable cost and time and guides their use for the attainment of organisational objectives. These resources are put into the system continuously to meet quantity and quality targets. The types of resources to be taken care of include human resources, money or capital, materials, machines and technology.
- ✓(xii) **Innovation:** Every entrepreneurial action and decision contains an element of creativity and innovation. Creativity is the ability to develop new ideas and to discover new ways of looking at problems that are perceived as opportunities. The application of creativity to opportunities aims at enriching lives of masses. To be successful, an entrepreneur has to out-create and out-innovate.
- ✓(xiii) **Value creation:** An entrepreneur is always occupied with finding ways to provide extra benefit to the customers. For this, he combines resources in new ways which also improve his competitiveness. Ability to introduce product differentiation and to create additional market value are significant traits of an entrepreneur.
- ✓(xiv) **Overcoming resistance to change:** Change is the essence that keeps a business going. An entrepreneur embraces change and creates scope for improvements. He anticipates change

much in advance and prepares strategy to cope up with change as and when it occurs. With his proactive approach to change, he makes best use of environmental opportunities as well as meets environmental challenges.

- ✓ (xv) **Competitiveness:** An entrepreneur possesses an unbelievable competitive spirit. He is always prepared to compete with the existing producers by offering better products and prices. In order to maintain a competitive edge in the market, an entrepreneur indulges himself in continuous product improvements.
- ✓ (xvi) **Dependability:** As a stable and consistent person, an entrepreneur develops the habit of standing firm on his decisions. This attitude helps in infusing a great amount of confidence among workers, suppliers and customers. They are willing to cooperate with him in enlarging the scale of business operations.
- ✓ (xvii) **Flexibility:** A successful entrepreneur after weighing the pros and cons of a decision tends to change it if the situation so demands. As an open minded and adaptable person, he does not hesitate in revising business decisions in the light of circumstances.

2.6 FUNCTIONS OF AN ENTREPRENEUR

The difference between an entrepreneur and others is that most people believe in adage. 'seeing is believing' but entrepreneurs are convinced that 'believing is seeing'.

—Vishal Sikka
(CEO, Infosys)

An entrepreneur is considered catalyst of economic development and social reform. He integrates various factors of production, i.e. land, labour, capital and enterprise to get desired results. These inputs are combined by him creatively with the objective of value addition to his products or services. While doing so, an entrepreneur performs the following functions:

(i) **Anticipating market opportunities:** An entrepreneur can perceive market trends, analyse the available information and understand emerging opportunities that escape attention of other people. These opportunities exist in the form of needs, deficiencies and social problems. He is a visionary and possesses immense convincing power to persuade customers, employees, suppliers and investors to stand in support of the venture. Once opportunity is carved out, he engages himself in finding creative solution to the problem. Figure 2.2 shows the entrepreneurial process of converting needs and problems into creative solutions.

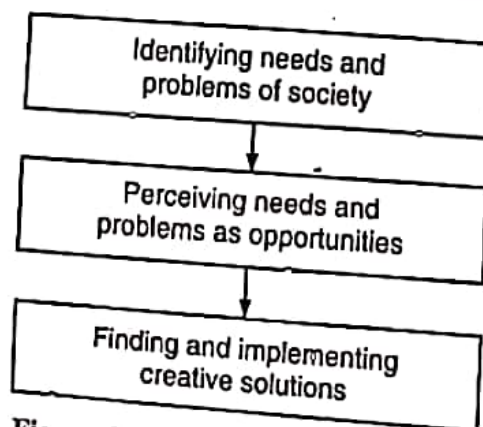


Figure 2.2 Entrepreneurial Process

The popularity of E-commerce can be assigned to the market need for a hassle free and quick purchase. Special deals and offers combined with competitive pricing make it even more attractive. Clearly it is about identifying and acting upon a latent need.

(ii) Generating business idea: An entrepreneur conceives a valuable and practical business idea requiring a lot of mental exercise and creative behaviour. He starts working on the idea with curiosity, patience, passion and open mind. Before finalising on a business idea, he ensures that:

- (a) The idea is capable of solving an existing problem in the market.
- (b) The idea must relate to a business problem in the form of an unfulfilled need or a social demand that is not yet identified.
- (c) The need though identified is not fully met or has been met unsatisfactorily.

(iii) Converting the idea into reality: Before zeroing on a business idea, the entrepreneur must undertake sufficient research. He is a dreamer who does lot of ground work before taking a plunge into his venture. Once confident about feasibility of his idea, an entrepreneur proceeds for:

- (a) Gathering relevant information and expertise related to the techniques and tools required to design the product or service.
- (b) Acquiring necessary skills to actually handle the product or service.
- (c) Studying the socio-economic environment of the market where the product or service is to be introduced.
- (d) Organising human, physical and other resources for producing the product or service.

(iv) Arranging resources: The entrepreneur identifies and assesses the resources that are put into the system in terms of their quantity, quality, cost and assurance regarding an uninterrupted supply. These resources include manpower, money, machines, material and technology.

(v) Supply of capital: Usually, a major portion of initial capital of a new enterprise is comprised of entrepreneur's own funds. This is so because it is tough for him to borrow funds on account of lack of collateral and the risks associated with a new venture. Due to lack of collateral and the economic uncertainty attached to a new business, financial institutions are not ready to lend funds. However, entrepreneurs these days are approaching the seed investors and the financial institutions to raise 'risk capital' for their ventures.

(vi) Establishment of enterprise: The entrepreneur mobilises various resources and invests in purchasing the fixed assets. The mental exercise and research undertaken in identifying and assessing resources for their quality, quantity price and availability serves as valuable background knowledge in the actual procurement decision.

In establishing the enterprise, if required, an entrepreneur also seeks government permissions and clearances from various agencies.

(vii) Managing the enterprise: An entrepreneur has to perform all the functions of a manager on routine basis. An effective and efficient conduct of business involves planning, decision-making, organising, staffing, directing and controlling. He plays a key role in managing the production, marketing, finance and human resource functions.

(viii) **Growth and development:** An entrepreneur starts business with a long-term view and gears up for its future growth. He is always looking for a higher demand of his products and services. He explores new markets and experiments with new and improved products. He also keeps a close watch on the activities of competitors and formulates appropriate growth strategies. In his pursuit to grow he may enter into joint venture, acquisition, amalgamation and takeover.

(ix) **Risk taking:** There is an element of speculation in whatever an entrepreneur decides or undertakes. Since the entrepreneur is working on a business idea which is completely new and not yet ventured by anyone, there is a probability that idea or its implementation may go wrong and he may suffer losses, his investments may sink and there may be heavy debts in business. An entrepreneur, however, prefers to take calculated risks, ploughs back in business; takes small steps to grow, make sustained profits and moves on.

2.7 COMPETENCIES OF ENTREPRENEUR IDENTIFIED BY THE ENTREPRENEURSHIP DEVELOPMENT INSTITUTE OF INDIA

Whenever we are looking around, we find certain entrepreneurs doing exceedingly well. They are managing their enterprises very well and are out to make them grand success. The various questions that normally arise are—who are they? What they possess? and various other questions related with their style of functioning. In their case there is a judicious mixture of knowledge, skill and personality. All these are called *entrepreneurial traits* or *competencies*. *Knowledge* refers to the collection and retention of information about any job or activity. Knowledge forms the basis for any action. Only knowledge cannot ensure success.

Success depends upon the ability or skill of using the acquired knowledge for achieving desired results. *Skill* refers to practical application or use of the knowledge. Thus, performance depends upon both knowledge and skill. Motivation is an inner urge in an individual which calls for action. According to Steneir, "A motive is an inner state that energises, activates or moves and directs or channels behaviour goals." It is this inner urge in an individual to achieve his/her goal which David McClelland has termed as 'Achievement Motivation'. It is this urge to achieve goal which prompts the individual to perform better and better. Thus, in order to achieve success in any venture a person must possess a judicious combination of knowledge, skill and motive.

Entrepreneurship Development Institute of India [EDI] conducted a study under the guidance of Professor David C McClelland, a reputed behavioural scientist in three countries, namely, India, Malawi and Ecuador. It was found out that possession of certain competencies or abilities result in superior performance. An entrepreneur may possess certain competencies and at the same time it is possible to develop these through training, experience and guidance. Various competencies required for superior performance were identified during the study and are as under:

(i) **Initiative:** It is an inner urge in an individual to do or initiate something. There is popular saying 'Well begun is half done'. It is the entrepreneur who takes or initiates the first move

towards setting up of an enterprise. Most of the innovators have got this urge to do something different. Entrepreneur basically is an innovator who carries out new combinations to initiate and accelerate the process of economic development.

(ii) Looking for opportunity: An entrepreneur is always on the look out or searching for opportunity and is ready to exploit it in the best interests of the organisation.

(iii) Persistence: An entrepreneur is never disheartened by failures. He believes in the Japanese proverb "Fall seven times, stand up eight". He follows Try-Try Again for overcoming the obstacles that come in the way of achieving goals.

(iv) Information seeker: A successful entrepreneur always keeps his eyes and ears open and is receptive to new ideas which can help him in realising his goals. He is ready to consult experts for getting their professional advice.

(v) Quality consciousness: Successful entrepreneurs do not believe in moderate or average performance. They set high quality standards for themselves and then put in their best for achieving these standards. They believe in excellence, which is reflected in everything they do.

(vi) Commitment to work: Successful entrepreneurs are prepared to make all sacrifices for honouring the commitments they have made. Whatever they commit, they take it as a moral binding for honouring their commitments, irrespective of the costs involved.

(vii) Commitment to efficiency: Top performers are always keen to devise new methods aimed at promoting efficiency. They are keen to evolve and try new methods aimed at making working easier, simpler, better and economical.

(viii) Proper planning: Successful entrepreneurs develop or evolve future course of action keeping in mind the goals to be realised. They believe in developing relevant and realistic plans and ensure proper execution of the same in their pursuit of attaining their goals.

(ix) Problem solver: Successful entrepreneurs take problem as a challenge and put in their best for finding out the most appropriate solution for the same. They will first of all understand the problem and then evolve appropriate strategy for overcoming the problem.

(x) Self-confidence: Top performers are not cowed down by difficulties as they believe in their own abilities and strengths. They have full faith on their knowledge, skill and competence and are not worried about future uncertainties.

(xi) Assertive: An assertive person knows what to say, when to say, how to say and whom to say. He believes in his abilities and ensures that others fall in line with his thinking, aimed at promoting the interests of the organisation.

(xii) Persuasive: A successful entrepreneur through his sound arguments and logical reasoning is in a position to convince others to do the works the way he wants them to do. It is not physical, but intellectual force he will use for convincing others.

(xiii) Effective monitoring: Top performers ensure that everything is carried out in their organisations as per their wishes. They ensure regular monitoring of the working so that the goals of the organisation are achieved in best possible manner.

Entrepreneurial Motivation and Behaviour

Whatever the mind can conceive and believe, the mind can achieve.

—Napoleon Hill
(Motivational Author)

Learning Outcomes

After studying this chapter, you should be able to:

- Understand the concept of motivation.
- Explain the role of higher order needs in entrepreneurial motivation.
- Understand the concept of achievement motive and its importance in entrepreneurship.
- Identify and explain various internal and external motivational factors that stimulate entrepreneurial behaviour.
- Test entrepreneurial motivation and entrepreneurial behaviour.
- Understand locational mobility of entrepreneurs.

Some important questions concerning entrepreneurship may be—why do people risk themselves to become entrepreneurs? Why do they even leave attractive career paths to become entrepreneurs? The answer lies in exploring their needs, desires and priorities in life. More importantly, it is not only the desire for monetary rewards that motivates people to set up their ventures, rather a variety of factors inspire people to indulge in entrepreneurial activity. To understand the reasons behind their thoughts, aspirations, behaviours and actions, it is important to explore and analyse the concept of entrepreneurial motivation.

4.1 ✓ ENTREPRENEURIAL MOTIVATION: A CONCEPTUAL FRAMEWORK

Every individual thinks and acts in a distinct manner. A basic question is—why people think and do what they think and do? An explanation to their behaviour can be found in understanding

the concept of motivation. Technically, the term *motivation* can be traced to the Latin word *movere* which means *to move*. Thus, a motive is an inner state that energises, activates or moves and directs behaviour towards goals. It can be described as a state of disequilibrium or restlessness. In order to come out of this state or reduce restlessness, an individual has to act or do something. So, a motive gives rise to motivation, which is the work behaviour itself, undertaken to overcome restlessness. Dubin has defined motivation as "the complex force starting and keeping a person at work. *Motivation* is something that moves the person to action, and continues him in the course of action already initiated." According to Mc Farland, "Motivation refers to the way in which urges, drives, desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings".

Psychologists have described the term *motivation* as:

- The immediate influence on the direction, vigour and persistence of action;
- The process of arousing action, sustaining the activity in progress and regulating the pattern of activity;
- An inner state that energises activities and directs or channels behaviour towards goal;
- How behaviour gets started, is energised, is sustained, is directed, is stopped and what kinds of subjective reactions are present in the organism while all this is going on;
- Steering one's action towards certain goals and to commit a certain part of one's energies reaching to them;

Thus, motivation is the base-building block of human action and has been studied extensively as that. These descriptions help in answering all the following questions:

- (i) What energises and activates human behaviour?
- (ii) What directs and channelises human behaviour?
- (iii) How is such behaviour maintained and sustained?

4.1.1 Process of Motivation

Motivation is a process that revolves around three aspects of human behaviour—*need, drive* and *goal*. The motivation process may be illustrated with the help of a generalised model shown in Figure 4.1.

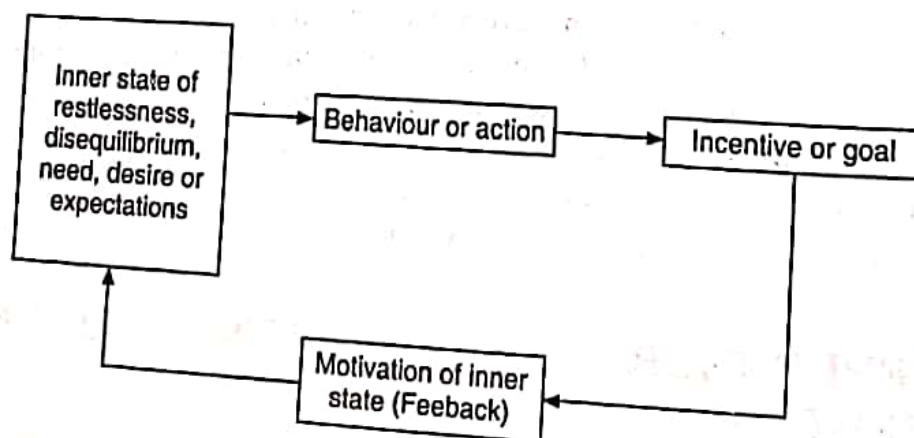


Figure 4.1 Motivation Process.

According to the model, every individual possesses in varying strength, a large number of needs, desires, aspirations and expectations. These needs work as activators and produce two phenomenon. First, a state of restlessness or disequilibrium within an individual which he tries to reduce. Second, pressure of such needs is generally associated with a belief that a certain behaviour or action will lead to the reduction of this disequilibrium. Such belief becomes the incentive for the initiation of action. Thus, moved by the desire to reduce the internal state of disequilibrium or restlessness, with the belief that certain action would help achieve that, the individual would initiate the action in a certain manner which he believes will lead him to the desired goal. The motivation of this action then sets up a series of events which feed information back to the individual concerning the impact of his behaviour. Such clues may lead him to modify or quit his present behaviour or he may presume that this present course of action is correct.

The model offers three postulates:

- (i) Behaviour or action is caused (Need).
- (ii) Behaviour is motivated (Drive).
- (iii) Behaviour is goal-oriented (Goal).

A state of need is a motive, the action initiated or the drive is known as *motivated* and attainment of needs and reduction of drive by the achievement of goal is known as *process of motivation*.

4.1.2 Understanding Motivation through Maslow's Need Hierarchy

In order to understand the dynamics of human needs and the activities or behaviour of individuals to satisfy their needs, it is important to know what people want from their actions. Maslow's theory of motivation is considered as a significant work on motivation because it highlights the needs of people. According to the theory, process of motivation begins with an assumption that behaviour, at least in part, is directed towards the satisfaction of needs. These needs or desires can be arranged in a hierarchical order as shown in Figure 4.2.

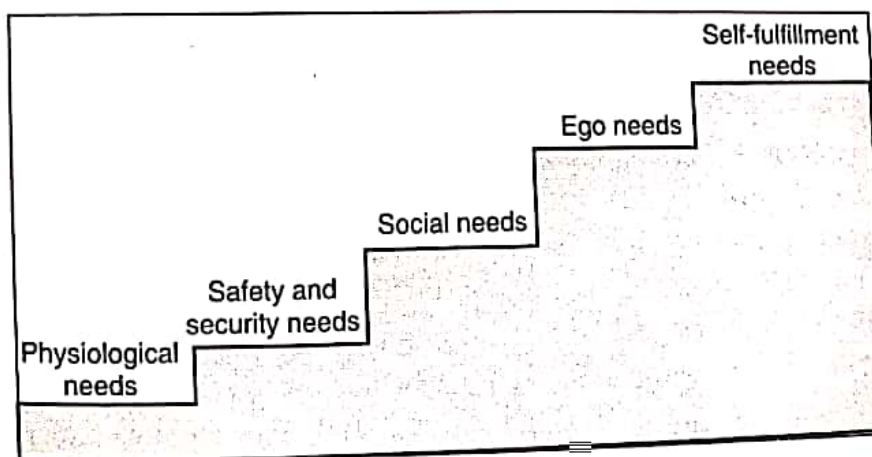


Figure 4.2 Maslow's Need Hierarchy.

- (i) **Physiological needs:** These needs are considered the most basic needs and their satisfaction is essential for the survival and maintenance of human life. They include the need for food, clothing, shelter, air, water, sleep and other necessities of life.

(ii) **Safety and security needs:** Once physiological needs are satisfied, a person looks up to assure himself of maintaining a reasonable economic level and be protected against financial insecurities. He wants a secured job, physical security, a security of source of income, old age security, insurance against risks, etc.

(iii) **Social needs:** Man is a social-being. He is, therefore, interested in interacting, socialising and exchanging views with others. He also needs love, affection, companionship, recognition, belongingness, etc.

(iv) **Esteem and status needs:** These needs include things as self-confidence, self-respect, competence, achievement, knowledge and success. They are also known as *ego needs* and are concerned with prestige and status of the individual.

(v) **Self-Actualisation needs:** This is the final step in the need priority model and indicates the need to fulfill what a person considers to be his mission in life. Self-actualisation need is the desire to become what one is best at or is capable of becoming. A musician must compose music, a poet must write, an artist must paint, a general must win the battle and a teacher must teach. Thus, self-fulfillment involves realising one's potentialities for continued self-progress by being creative in life. Every human possesses desire for personal achievement. For this, he sets higher standards and wants to do something challenging. This self-imposed challenge gives him enough dash and initiative to work. Meeting the challenge results in not only his own benefit, but also benefit of the society. The sense of achievement gives him psychological satisfaction.

4.2 ENTREPRENEURIAL MOTIVATION AND ROLE OF HIGHER ORDER NEEDS

The concept of motivation is based on the fact that behaviour is essentially purposeful and directed towards the attainment of a goal. However, all goals may not be equally important. Some behaviours arise from a biological or physiological need, over which people do not have much control. Such motives or needs are common to entire animal kingdom. But, there are certain crucial and other higher level needs which are common to human beings. These distinctly human motives are largely unrelated to biological and survival needs. These are related to feelings of self-esteem, competency, social acceptance, etc.

Concept of motivation when applied to entrepreneurship affirms the fact that people create enterprises in order to grow in life and fulfill themselves, i.e., for self-fulfillment. Abraham Maslow has referred to this need as "self-actualisation", a need to maximise one's potential, whatever it may be. This becomes his mission in life and the need induces him to pave way for creativity, self-development and self-actualisation. Maslow went further and distinguished between "special talent creativeness" and "self-actualising creativeness". According to him, while special talent creativeness might be focused on activities like singing, dancing, sketching and painting, self-actualising creativeness is applied in innovative and entrepreneurial pursuits. All humans have capacity to expand, extend, express, explore, activate, develop and mature. Human beings are naturally creative and innovative. However, all successful entrepreneurs have to learn to overcome the emotional, perceptual and cultural barriers, which prevent them from testing and implementing their ideas. Self-actualising creativeness also pre-supposes existence of a more expressive behaviour without fear of criticism. Thus, entrepreneurs are less fearful of failure.

Self-actualisation need can be described as a desire to become what one is capable of becoming. A person normally does not become an entrepreneur for affiliation or recognition, but to achieve what he thinks he is capable of. This urge to self-actualisation is found dominant in entrepreneurs.

An important personality characteristic that is closely related to the domain of the entrepreneurship is "higher order need strength". Higher order need strength describes such needs in work that are of a higher order than security (Cook, Hepworth, Wall and Warr, 1981). Higher order need strength is important in entrepreneurial work because it concerns personal growth and development and the need for challenge, achievement and self-actualisation. (Abdel-Halim, 1980).

Another higher order need that induces action is desire for competence. According to Robert W. White, competence means control over environmental factors, both physical and social. Competent people do not wait passively for things to happen; they manipulate their environment and make things happen. Thus, they are competent to control the environmental variables. Such people are more likely to opt for entrepreneurship as a career. White explains that competence motive can be identified in young children and the prospective entrepreneurs can be located at an early age. Since entrepreneurs possess a high feeling of competence, they carry a positive outlook towards life and see every new situation as an interesting challenge that can be overcome.

Competence also implies desire for mastery and professional growth. An entrepreneur is always contesting against environment, accepting its challenges and overcoming them with his unique skills and abilities. He becomes competent and gains significant personal rewards.

4.3 ENTREPRENEURSHIP AND ACHIEVEMENT MOTIVE

Motivation, in general, is an important determinant of entrepreneurial growth in a society. There are certain social motives which have been found to be significantly related to entrepreneurial behaviour. These social motives include need for achievement, power, affiliation, dependency, extension, personal achievement, social achievement, influence, etc. Among all these motives, three categories of social motives are more extensively explored. These are need for achievement, need for power and need for affiliation. Studies have shown that entrepreneurs generally have a high need for achievement, moderate need for power and low need for affiliation. As achievement motive acquires a strategic and important position, it is often equated with entrepreneurial motivation which is quite close yet not the same.

Need for achievement or achievement motivation, also termed as "n Ach" plays an important role in entrepreneurial success. In simple words, it can be described as an inner spirit that activates a person towards excellence by creating in him an urge to improve. It is the desire to do well and to produce positive results of one's efforts. Further, a person with a high need for achievement spends his time thinking about doing his job better, accomplishing something unusual and significant and advancing his career. He thinks not only about the achievement of goals, but also about how these can be attained, what obstacles or adversities he may have to face and how he would plan to overcome the obstacles and achieve his goal.

Characteristics of Persons with High Need for Achievement

- (i) A person with high "n Ach" likes to shoulder responsibility.
- (ii) A person with high "n Ach" likes to discharge his responsibility with utmost care, diligence and perfection.
- (iii) A person with high "n Ach" likes to take moderate risks and is good in calculating risks.
- (iv) A person with high "n Ach" wants to know the results of his efforts.
- (v) A person with high "n Ach" prepares himself to face adversities.
- (vi) A high "n Ach" person tends to be creative and innovative.
- (vii) A high "n Ach" person makes efforts to improve future conditions.
- (viii) A high "n Ach" person shows tolerance to ambiguity.
- (ix) A high "n Ach" person tends to be flexible.
- (x) A high "n Ach" person tends to be mobile.
- (xi) A high "n Ach" person is adventurous.

Characteristics of Achievement Motivation

Achievement motivation plays an important role in entrepreneurial development, which is a pre-condition for creating an overall healthy business environment. Some of the important characteristics of achievement motivation are as follows:

- (i) **Economic growth and development of a nation:** A number of empirical evidences support the hypotheses that need for achievement contributes to entrepreneurial success. Hence, there is the need for developing achievement motivation for the economic growth of an economy.
- (ii) **One of the most important characteristic of an entrepreneur:** The motivational profile of an entrepreneur covers three categories of social motives—*need for achievement*, *need for power* and *need for affiliation*. His other behavioural dimensions like tolerance to ambiguity, creativity and problem solving add in building his motivation. Studies suggest that among these motives, the achievement motive acquires a strategic and important position.
- (iii) **A major factor in assessing entrepreneurial awareness and supply in a social system:** Systems that work to inculcate and promote achievement motivation in individuals raise a more enterprising set of people. Such systems, are thus, considered more apt for generating entrepreneurial awareness as well as assuring its adequate supply.
- (iv) **Achievement motivation is a psychological characteristic and can be stimulated through appropriate training:** The finding of "Kakinada Experiments" conducted by David McClelland have shown that achievement motivation can be developed through training and experience. The training module is designed to improve imagination and helps the trainees evaluate their motivation.
- (v) **Achievement motivation is significant for managers, executives and salesmen etc.:** Simply put achievement motivation is the urge to do well, a desire to excel and an inner spirit activating a person follow his professional pursuits. Hence, the motive to achieve is commonly found in people employed as managers, executives, officers and sales personnel.

(vi) **Achievement motivation is viewed as an intervention for organisational development:** Achievement motivation has a positive correlation with innovativeness. Today, the success of an organisation depends upon its capacity to innovate, i.e., to do new things. Business that constantly work on evolving innovative ways of production and marketing are bound to be more competitive. Such organisation succeeds in creating additional value for the prospective customer.

4.4 ENTREPRENEURIAL MOTIVATION: INTERNAL AND EXTERNAL FACTORS

Entrepreneurial motivation can be understood as a process that activates and inspires a person to exert higher level of effort for achievement of his entrepreneurial goals. It means forces or drives within an entrepreneur that effect the direction, intensity and persistence of his voluntary behaviour as entrepreneur. Here, intensity is the level of effort, persistence signifies the period of time and direction means the particular goal.

Studies on entrepreneurial motivation classify the factors that prompt entrepreneurs to enter industry into two major categories—*internal factors* and *external factors*. These factors are explained below:

4.4.1 Factors Internal to the Entrepreneur

Internal motivators are those inspirational drives that happen gradually in the process of his growing up and finally shape up his entrepreneurial personality. These drives include his thinking process, his perceptions and his decision-making process. Entrepreneur's experiences to events in life within the family, in neighbouring areas, in school and university also act as internal motivators. All these factors play an important role to arouse an urge in him to take up entrepreneurship. Some of the major internal factors are described as:

(i) **Occupational experience in the same or related field:** Many times, the entrepreneur is motivated to work on an idea that props up in his mind while working with an enterprise. He finds an exclusive opportunity to work in field wherein the experience on existing job can help him find success. His creative mind may also explore something new by applying the principle of backward or forward integration. For example, Mr. Jagdish Khatter, former Managing Director of Maruti Udyog Limited has started his own car service company—Carnation Auto that deals in used cars and car servicing including breakdown and repair services.

(ii) **Drive to work independently:** While on jobs, the entrepreneurs may find themselves tied up with rules, procedures, traditions and stereotypes that bind them and effect their creativity. The work atmosphere suffocates and leaves no scope for flexibility or independent thinking. Such work culture makes entrepreneurs think in terms of doing things their own way and produce better results. A self-created work set up may suit entrepreneurs more than the pre-designed and formalised structures. People, who by nature are independent, confident and hard working can strategise on business-related issues and are more prone to start their own ventures.

(iii) **Self-actualisation need:** Maslow, in his theory of motivation has explained self-actualisation as the highest order need in the need hierarchy. Self-actualisation need drives a person to maximise his potential and become what he is capable of becoming. An entrepreneur not only aspires to achieve higher goals, but also makes all out effort to achieve them. The aspirations and dreams always remain close to his heart and motivate him to struggle constantly to attain higher level goals in life.

(iv) **Need to be recognised for one's contribution:** Another urge peculiar to entrepreneurs is to remain in lime light and be perceived as heroes in their respective fields. Whether they work on a niche, serving a limited market or undertake a business covering larger population, they always create standards and benchmarks of achievements. As a result, entrepreneurs are recognised as leaders for their contribution.

(v) **Money motive and providing comfort to the family:** The instinct of earning money and making wealth can be identified with one's financial condition. Many times children from middle and lower middle class families have a strong desire to earn lots of money for themselves and the family. They wish to be able to afford all comforts and luxuries in life and be called rich. Such urge for money-making and leading a better life drives them towards entrepreneurship, and risk taking, thus, rewarding themselves.

(vi) **Desire to take family business to new heights:** The Indian business scene is full of examples where subsequent generations have lifted the family-owned organisations. A small bookshop growing into a big publishing house, an unnoticed corner sweet shop turning into chain of restaurants or a hardware store becoming a big real estate business—all tells a saga of love, passion and respect for family occupation. Family business is taken over by successive generations also because it provides them a strong platform to enter business.

(vii) **Personality attributes:** Entrepreneurs possess certain uncommon personality characteristics that activate their entrepreneurial qualities. They always tend to find opportunities in challenges, are self-ignited and open to change and carry 'nothing is impossible' attitude. They follow intuitive behaviour and strive to improve situations. These personality traits drive them to entrepreneurship.

4.4.2 Factors External to the Entrepreneur

Once internal motivators initiate entrepreneurial process within a person, the external factors start playing an important role and help him becoming an entrepreneur and starting his own business venture. External factors include:

(i) **Government assistance and support:** Supportive policies of the government are an important external factor that promotes entrepreneurship. The government assistance and support may be in the form of availability of industrial sheds or developed plots in an industrial estate, technical and advisory support from government and availability of infrastructural facilities like electricity and water, widening the entrepreneurial base by opening more universities, colleges, ITIs and polytechnics imparting entrepreneurial education.

(ii) **Availability of financial assistance:** Government of India has established a number of financial institutions that extend financial services to entrepreneurs in the form of term

loans, subsidies, capital venture and underwriting of shares, debentures and bonds. Several banks and financial institutions provide special purpose loans to micro, small and medium industries for equipment procurement or leasing, modernisation, expansion, diversification and exports or imports. Timely availability of adequate financial support motivates people to take up entrepreneurial career.

(iii) **Ancillary support:** Encouragement from big units is an important external motivator for entrepreneurs planning to set up small businesses. Large firms open entrepreneurial avenues for many small and medium businesses to act as feeders to the bigger businesses. These micro, small and medium firms sustain larger enterprises by supplying them with raw materials and semi-finished goods. For example, a big car manufacturer may tie up with many smaller concerns for supply of various car components.

(iv) **Encouraging business environment in the Country:** An overall pro-business environment created and developed by the ruling government is a significant motivating factors that stimulates entrepreneurs to start new businesses. An important indicator of a government's commitment towards entrepreneurial activity is the "ease of doing business" index. A country's higher position on the index reflects a positive attitude of the government towards business and vice versa. Apart from this, a government's efforts to groom country's younger population as future entrepreneurs is also considered an encouraging sign. A government can do so by offering more and better opportunities for entrepreneurial education. Institutes of higher learning may introduce more courses that focus on growth of entrepreneurship in the country.

4.5 ENTREPRENEURIAL MOTIVATION: OTHER FACTORS

While studying entrepreneurial motivation, Murthy et al. studied and classified the motivating factors on a different bases. According to them, entrepreneurs are motivated to start business ventures due to three types of factors:

4.5.1 Ambitious Factors

It includes the following factors:

- (i) To make family business
- (ii) To continue family business
- (iii) To secure self-employment
- (iv) To fulfill desire of self/spouse/parents
- (v) To earn social prestige
- (vi) To attain flexibility of balancing work and family
- (vii) To contribute to the good of the society
- (viii) Other ambitions like making decent living, self-employment generation, creation of jobs, passing on legacy to next generation, desire to do something in life, circumvent land ceiling, etc.

✓ 4.5.2 Compelling Factors

Following are the three compelling factors

- (i) Professionals dissatisfied with jobs and taking voluntary retirement
- (ii) Ex-serviceman retiring at an early stage and becoming unemployed
- (iii) Putting of idle funds to use.

✓ 4.5.3 Facilitating Factors

Besides ambitious and compelling factors, there are following facilitating factors which motivates the entrepreneurs:

- (i) Moral support from family and friends
- (ii) Personal experience and availability of funds
- (iii) Previous experience gained as an employee in the same type of business

The presence of internal factors is a necessary condition for entrepreneurial activity to take place. However, a complete and favourable entrepreneurial environment can be created only with the presence of external factors such as financial assistance, technology, raw material and infrastructure. These facilities or assistances are the extra motivating factors and provide impetus to entrepreneurial activities.

P.N. Sharma also examined the importance of different motivating factors by assigning weights on the basis of preferences given by the entrepreneurs. The study covers 125 manufacturing companies. It revealed occupational experience as the most significant internal motivating factor. This experience was gained by entrepreneurs either as business executives in industrial concerns, or as traders, merchants, consultants, etc. in the related fields. Occupational experience shows that the entrepreneurs had knowledge about the product, industry and technology before promoting the present unit. Explaining the reason for the ranking of occupational experience as the main motivating factor, P.N. Sharma observes: "business experience provides confidence to the entrepreneurs which helps reduce the element of uncertainty regarding demand of the product, technology, raw material, etc.

Among the external motivating factors, assistance from financial institutions and assistance from government emerged as the most significant factors. Almost all the entrepreneurs were of the opinion that they would not have perhaps been able to implement their projects without financial assistance and infrastructural facilities, etc. These factors, though are not the prime motivation, but they play the role of contributing factors in the implementation of the entrepreneurial idea.

Entrepreneurial Personality

Oxford Dictionary (2015) defines personality as "the combination of characteristics or qualities that form an individual's distinctive character". Personality traits include the human characteristics, abilities, motives, attitudes and values which shape the individual person's experiences and actions. Hence, personality traits cause the mental and behavioral processes of individuals. Since its advent in the 1980s, the Big Five Model has been the pre-dominant system to describe a human personality. The Big Five personality traits are commonly under the acronym "OCEAN" and consist of openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism. Each of these dimensions consists of a set of related qualities.

The human's psychology and personality aspects might play a significant role in the individual propensity towards entrepreneurial actions. In his meta-analysis, Brandstatter (2011) assessed the correlation between personality traits of entrepreneurs by comparing personality scores of those with the scores of managers. It was found that while being

more open to new experiences (openness), entrepreneurs are also slightly more dutiful (conscientiousness) and rather energetic towards the social and material world (extraversion) compared to managers. At the same time, entrepreneurs tend to score lower ~~at~~ in agreeableness and neuroticism. This suggests that there is an entrepreneurial personality.

Entrepreneurial competency

→ According to Bird (1995), "Entrepreneurial competencies can be defined as underlying characteristics such as generic and specific knowledge, motives, traits, self-images, social roles and skills that result in venture birth, survival and/or growth."

→ According to Man, Lau & Chan, "Entrepreneurial competency is the total ability of the entrepreneur to perform his role successfully. Several studies have found positive relationship between existence of competencies and venture performance."

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 visualization, planning, setting-up and risk-taking. The skills which an entrepreneur includes are his ability to deal with ~~set~~ situations, organizations,

social and economic forces as they emerge from time to time. The skills to deal with a situation fore-visualized ~~at~~ or suddenly emerging must be an essential characteristic of an entrepreneur.

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

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, etc.

The Skills Needed:

- Individual skills
- Functional skills specific to jobs
- Knowledge skills
- Analytical skills
- Problem-solving skills
- Negotiation skill
- Out-of-the-box thinking skills
- Interpersonal skills/Communication skills

→ Business Skills

→ Management "

→ Behavioral "

→ Learning "

→ Planning and implementation Skills

→ Ability to relate / understand disparate information technology to develop new products / process service ideas

→ Flexibility to work under unstructured / fast changing environment

→ Risk Management

Group Skills:

→ Ability to work together

→ " to learn together

→ " to use task forces / project teams

→ " to work in unstructured situation

→ " to work with 'tight' resource base

Technical Skills:

→ Writing

→ Oral Communication

→ Monitoring environment

→ Technical business management

→ Technology

→ Interpersonal

→ Listening

→ Ability to organize

→ Network building

→ Management style

→ Coaching

→ Being a team player

Business management skills

→ Planning and goal setting

→ Decision making

→ Human relations

→ Marketing

→ Finance

→ Accounting

→ Management

→ Control

→ Negotiation

→ Venture launch

→ Managing growth

Personal Entrepreneurial skills

→ Inner control/disciplined

→ Risk taker

→ Innovative

→ Change-oriented

→ Persistent

→ Visionary leader

→ Ability to manage change

Enterprise skills

→ Identify value creating processes

→ Market sensing skill

→ Creating/setting new direction or vision

- Putting in place a right organizational structure / systems / physical infrastructure
- Selecting the right people
- Inculcating ethics / Principle centered management
- Encouraging subsidiaries / departments / functions to innovate
- Establishing networks and alliance
- Set clearly defined goals
- Never waiver in your belief that you can achieve them
- Manage your attitude and discipline
 - Persevere when adversity strikes
 - Learn to take risks and embrace change
 - Love and to be loved
 - Make a difference whenever, wherever and however you can.

Behavioral Skills:

- Motivation
- Judgment
- Resilience
- Initiative
- Team working
- Self - Management
- Self - confidence
- Improvement Re-orientation
- Trust yourself
- Initiative - taking

Communication Skills

→ Be flexible

→ Able to identify an opportunity to communicate

→ Don't blow your own trumpet

→ Put your intelligence into words

→ Emphasize on the issue

→ Communicate well

with illustration

→ Interact effectively

(i) Self awareness

(ii) empathy

(iii) responsiveness

(iv) alertness

(v) timeliness

(vi) proficiency

(vii) Clarity

(viii) Focus

(ix) Compassionation

(x) Positive attitude

(xi) dissemination

(xii) Presentation

(xiii) Listen willingly

Listening Skills

- Listen without the intervention of any thoughts
- Pay more attention to others
- Establish rapport
- Actively listen

Soft Skills

- Using your knowledge effectively
- Clarity in expressions
- Read a lot
- Rapport building
- Be alive and alert
- Good knowledge and skills
- Step out of the box, physically and mentally
- Take the lead

The World Health Organization (WHO) defines life skills as the abilities for adaptive and positive behavior that enable individuals to deal effectively with the demands and challenges of everyday life.

WHO categorizes life skills into 3 components:

(i) Thinking Skills

Self-awareness, social awareness, goal-setting, problem-solving and decision-making. To be able to think critically, information must be provided to make informed decisions and choices. Skills to think critically can be developed if teenagers

are given the opportunity to look at different perspectives of an issue, the pros and cons of making a decision over the other and making them realize the negative consequences of making hasty, unplanned decisions.

(ii) Social Skills:

Appreciating/validating others, working with others; understanding their roles; building positive relationships with friends and family; listening and communicating effectively; taking responsibility and coping with stress. These enable adolescents to be accepted in society and accept social norms which provide the foundation for adult social behavior.

(iii) Negotiation Skills

This means not only negotiating with others but with oneself. To negotiate with others, one needs to know what one wants in life, is firm on one's values and beliefs and can therefore, say 'no' to harmful behavior and risky temptations.

The Global Leader of the Future

- Thinks globally
- Anticipates opportunity
- Creates a shared vision
- Develops and empowers people
- Appreciates cultural diversity
- Builds team-work and partnerships
- Embraces change
- Shows technological savvy
- Encourages constructive challenge
- Ensures customer satisfaction
- Achieves a competitive advantage
- Demonstrates personal marketing
- Shares leadership
- Lives the values

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 the global and regional level where this subject does not come up for discussion. The poor nations demand technology and resources from industrialized and rich countries and rightly so. The developing countries would rather ~~export~~ 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 don't desire to keep such

technologies and equipment serving such technologies idle. One has also to realize that technologies are developing very fast and the skills are to match 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, the whole organization, 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 unutilized for want of trained hands. It is obvious that the accelerated development of human resources & 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 endowments and resources and their optimum utilization.

Core Skills are integral to growth.

We attribute our achievements to the commitment and exceptional qualities of our people who drive the company forward.

Analytical skills

- Understanding of financial products and markets
- Knowledge and exposure to data sources such as Bloomberg, Thomson, etc.
- Knowledge of Excel, Access and other databases
- Quantitative modelling skills gained from advanced degree
- Exposure to linear and non-linear programming
- Knowledge of derivatives, options and statistics
- Basic programming skills (VBA, C++, Matlab, Mathematical)
- Programming skills in Oracle, OLAP and SQL in a financial environment
- Familiarity with equities, exchanges, Bloomberg
- Experiences of working with data sources such as MSCI, Dow Jones, FTSE would be preferred.
- Exposure to international environment
- Thorough knowledge of English grammar and punctuation, British and American idioms.
- Ability to correct language without meaning, while retaining the original 'tone' of research.
- Ability to understand and interpret business figures and data.
- Time management, quick grasping power, Keen eye for detail, perseverance and ability to work with

Large numbers

Good communication, presentation skills and experience in MS-Office tools is a common requirement.

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 goods, needs, etc. They call for an ~~in~~ 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:

Soft skills:

- P - Problem solving (Judgment, logic, conflict resolution)
- E - Ethics (Courtesy, honesty, professionalism)
- O - Open mindedness (flexibility, open to new ideas, positive outlook)
- P - Persuasiveness (Diplomacy, communication, listening skills)
- L - Leadership (accountability, management, motivational skills)
- E - Educational interests (continued thirst for knowledge and skill development)

Differences between entrepreneurship and intrapreneurship

Points of difference	Intrapreneurship	Entrepreneurship
Definition	Intrapreneurship is the entrepreneurship within an ^{existing} organization.	It is the dynamic process of creating incremental wealth.
Core objective	To increase competitive strength and market sustainability for of the organization.	To innovate something new of socio-economic value.
Primary motives	Enhance the rewarding capacity of the organization and autonomy.	Innovation, financial gain and independence
Activity	Direct participation, which is more than a delegation of authority.	Direct and total participation in the process of innovation.
Risk	Heavily Bears moderate risk.	Bears all types of risk.
Status	Organizational employee expecting freedom in work.	The free and sovereign person doesn't bother with status.
Failure and mistakes	Keeps risky projects secret unless it is prepared due to high concerns for risk and failure.	Recognizes mistakes and failures so as to take a new innovative efforts.
Decisions	^{takes} Collaborative decisions to execute dreams.	Takes independent decisions to execute dreams.

Points of difference	Intrapreneurship	Entrepreneurship
Whom serves	Organization and intrapreneur himself	Customers and entrepreneur himself
Family Heritage	May not have or a little professional post	Professional or small business family heritage
Relationship with others	Authority structure delineates the relation	A basic relationship based on interaction and negotiation
Time orientation	Self-imposed or organizationally stipulated time periods	There is no time-bound
The focus of attention	on Technology and market	Increasing sales and sustaining competition
Attitude towards destiny	Follows self-style beyond given structure	Adaptive self-style considering structure as inhabitants
Attitude towards goals	Strong self-confidence and hope for achieving goals	Strong commitment to self-initiated efforts and goals
Operations	Operates from inside the organization	Operates from outside the organization