ENTREPRENEURSHIP
MANAGEMENT
PASSION WORKS WONDERS

ENTREPRENEURSHIP
OPPORTUNITIES
IDENTIFICATION
ROLE
MANAGEMENT
MARKETING
SOLUTION

VASANT DESAI

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in Recognition of entrepreneurial spirit

Bill Gates

This “Entrepreneurship Management” study is dedicated to the infotech icon, Bill Gates for his entrepreneurial spirit in founding and nurturing Microsoft, the biggest software company in the world. Microsoft had revenues of $39.79 billion for the fiscal year ending June 2005, and employs more than 61,000 people in 102 countries and regions and opening up windows to revolutionise information technology, fostering entrepreneurship and philanthropic efforts.
Entrepreneurship is a dynamic process of creating incremental wealth. It is an applied science. In the twenty-first century entrepreneurship has received a big push with the information technology revolution sweeping all over the globe.

Entrepreneurship is a multi-disciplinary subject and has been rightly introduced in various universities and management schools in India.

To be successful, an entrepreneur needs expertise in various allied fields like production, finance, marketing, organisation, human resources, administration, taxation, labour laws, etc., in addition to possessing distinct entrepreneurial qualities. In fact an entrepreneur is a leader motivator with a passion to excel in the activities he undertakes.

Entrepreneurship management forms the core of a business venture. The success depends on the core values, management techniques and their implementation.

Entrepreneurship management is basically concerned with the issues concerning development, growth and organization of enterprises. The very purpose of an enterprise is to carry out business in a smooth and effective manner. It is the prime objective of an entrepreneur to ensure that his basic urge for enterprising abilities be satisfied and that the business earn reasonable returns on the investment.

The purpose of the text is to enrich students, entrepreneurs with an understanding of the entrepreneurial process as well as entrepreneurship management practice. In the process to help them to be better prepared for transforming dreams into realities, consequently. The book is organised to explore the nature of entrepreneurship management and help to succeed.

**DISTINGUISHING FEATURES**

The book is organised to provide a systematic presentation in founding a new venture, nurture it to grow and manage it with great success. Chapters are organised to help students to learn about entrepreneurship management.

Cultivating entrepreneurship often involves changing and sustaining a new set of social values. The challenge of this process is perhaps most clearly discerned in the transitional economies of Central and Eastern Europe, but in fact many emerging democracies around the world have equally daunting obstacles to overcome. For this reason Allan Gibb’s article on building a culture of entrepreneurship in Central and Eastern Europe provides insights that are applicable to most developing countries.

A big part of cultivating entrepreneurship involves establishing an environment where business can flourish.

**Organization of the Text**

There are 30 chapters in the text. This number was chosen to provide a sequence of topics that could be presented in a normal semester.

In particular Chapters 22-30 explore a few of the modern entrepreneurial solutions which will enhance the efficiency of the organisations and make it globally competitive.

**A CREATIVE STUDY**

Entrepreneurship and management is not only creative but also cohesive and interesting. It offers to entrepreneurs, intrapreneurs a rich fare of stimulating ideas, a new vision challenging insights, right
management and entrepreneurial solutions. All people engaged in entrepreneurial activities will find the study assisting in accelerating and steering the process of economic growth in the right direction.

The book would not only be useful to the students of M.Com., M.B.A. and other related entrepreneurial courses, but also to administrators, planners, educationists, bankers, project officers, industrial consultants, financial institutions, industrialists and more importantly, to the new entrepreneurs. It is the new entrepreneurs who have the onerous responsibility of shaping the destiny of the nation. They are the catalytic agents of change, progress and performance.

In the preparation of this book, I have drawn heavily from the published works in the sphere of entrepreneurial development programmes.

I look forward to receiving suggestions from students, entrepreneurs, managers and readers for improving the contents and presentation of this book.

ACKNOWLEDGEMENT

Many people — students, business executives, entrepreneurs, professors, and publishing staff — have made this book possible.

My debt to those who have helped me in one way or the other is heavy indeed. While I take this opportunity to thank all of them — they are too numerous to be mentioned in this brief preface — I would like to acknowledge my deep sense of gratitude to Dr. Narendra Kumar for his ungrudging help at all stages, and to the many veteran professional entrepreneurs and consultant economists for their precise guidance. Thanks are also due to K.N. Pandey, Shri Anuj Pandey, Shri Neeraj Pandey, Ms. Pratibha Chowdhary, Phalguni Ravi and M.V. Desai for their suggestions for affecting a number of stylistic improvements.

Lastly, no words can adequately express my debt of gratitude to my late father, Shri Ranganath Balwant Mutalik Desai, and my late mother, Smt. Laxmidevi, for generating in me a perennial interest in higher studies. I will be failing in my duty if I do not mention here the tremendous co-operation I received from my wife and my daughter in the completion of this voluminous work, in particular, whose patience, support, encouragement, understanding and love helped to bring this effort to fruition.

Vasant Desai
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UNIT – I

ENTREPRENEURSHIP

1. Entrepreneurship: A Conceptual Framework
2. Entrepreneurship: An Indian Scenario
3. Entrepreneurial Personality

Premji’s Advice to Startups

- If you want something hard, you can make it happen
- There is no substitute for action
- You should be driven by a deeply captivating challenge
- Strategy achieves little without hardwork and passion
- Have a deep and unflinching commitment to values
Entrepreneurship

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

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

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

Who is an Entrepreneur?

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

Urge of an Entrepreneur

An urge to exercise power over things and objects persists among all human beings. The urge may vary in degree from person to person. This urge is an intrinsic quality of an entrepreneur. Sociologists consider him as a sensitive energiser – in the modernisation of societies. The psychologists look upon him as an entrepreneurial man, his motivations and aspirations as conducive to development. Political scientists regard him as a leader of the system. To economists, he is a harbinger of economic growth. In all he combines entrepreneurial drive with leadership and innovativeness.

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

Importance of an Entrepreneur

The Entrepreneur is one of the most important inputs in the economic development of a country or of regions within the country. Entrepreneurial competence makes all the difference in the rate of economic growth. In India, state and private entrepreneurship co-exist. The small-scale industrial sector and business are left completely to private entrepreneurs. It is in this context that an increasingly important role has been assigned to the identification and promotion of entrepreneurs for this sector.
The need for a broad-based entrepreneurial class in India arises from the need to speed up the process of activating the factors of production, leading to a higher rate of economic growth, dispersal of economic activities, development of backward and tribal areas, creation of employment opportunities, improvement in the standard of living of the weaker sections of the society and involvement of all sections of the society in the process of growth.

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

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

### Entrepreneurial Skills
- action orientation
- preference for learning by doing
- hard-working
- determination
- creativity
- creative problem-solving
- persuading
- negotiating
- selling
- proposing
- holistically managing business/projects/situations
- strategic thinking
- intuitive decision making under uncertainty
- networking

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

Logistics will not operate on operational efficiency, but will also demand a strategy aligned to one’s business objectives.

Strategic logistics will look beyond its own parish to check for optimisation at the other nodes on your value chain. After all, with linkages to most of the other activities in your company, logistics is more likely to deliver better results if it can operate in those areas as well. The involvements, usually, tactical, being the result of on-the-spot innovations rather than of established principles. The only rule: do what it takes.

### Laws of Logistics:
1. Hone your operations
2. Channel your resources
3. Serve the end-user
4. Attack the inventories
5. Apply tactical solutions
Entrepreneurship is a process undertaken by an entrepreneur to augment his business interests. It is an exercise involving innovation and creativity that will go towards establishing his/her enterprise. It is one of the four mainstream economic factors: land, labour, capital and entrepreneurship.

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

Development of the Concept of Entrepreneurship

The word ‘Entrepreneurship’ appeared first, in French according to Encyclopedia Britannica. In the early 16th Century, it was applied to those who were engaged in Military expeditions. In the 17th Century, it was extended to cover civil engineering activities such as construction fortification. The word itself derived from 17th Century French entreprendre, refers to individuals who were ‘undertakers’ meaning those who “undertook” the risk of new enterprise. They were “contractors” who bore the risks of profit or loss.

Oxford English Dictionary (1897) defined entrepreneur simply as “the director or manager, of a public musical institution; one who ‘gets up’ entertainments, especially musical performance.” Not until its supplement appeared in 1933, did the dictionary recognise that the word has a place in business, and would mean “One who undertakes an enterprise especially contractor... acting as intermediary between capital and labour.” Joseph Schumpeter noted that the fifteenth century thinkers had established ideas about the businessman and his functions. But it is not a profession or a permanent occupation and, therefore, it cannot formulate a social class like that of capitalists or wage earners. Psychologically, entrepreneurs are not solely motivated by profit. Schumpeterian ‘innovation’ is a creative response to a situation.

Entrepreneurship was a common to prime economic essays for much of the 18th and 19th centuries. Notable early French and Austrian economists wrote enthusiastically as well as exhaustively about entrepreneurs as the preservative economists.
One of the qualities of entrepreneurship is the ability to discover an investment opportunity and to organise an enterprise, thereby contributing to real economic growth. It involves taking of risks and making the necessary investments under conditions of uncertainty and innovating, planning, and taking decisions so as to increase production in agriculture, business, industry etc.

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

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

![Fig. 1.1: Cantillon’s Early View of Entrepreneurs and Behaviour](image)

**What is Entrepreneurship?**

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

Entrepreneurship in India therefore, has to sub-serve the national objectives. The apparent conflict between social objectives and economic imperatives has to be resolved first by the individual entrepreneur in his own mind and initiate economic growth which includes industrial development as one of the instruments of attaining the social objectives. A high sense of social responsibility is thus an essential attribute of the emerging entrepreneurship in India.

**Table 1.1**

**Entrepreneurship : Some Important Definitions**

<table>
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<th>Name</th>
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<td>Joseph Alois Schumpeter :</td>
<td>Schumpeter described entrepreneurship as a process to shatter the <em>status quo</em> through new combinations of resources and new methods of commerce.</td>
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<tr>
<td>Richard Cantillon :</td>
<td>Entrepreneurship is a matter of foresight and willingness to assume risks, which is not necessarily connected with the employment of labour in some productive process.</td>
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<tr>
<td>Leon Walrus :</td>
<td>Entrepreneurship is not itself a factor of production, but rather a function that can be carried on.</td>
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<tr>
<td>William Diamond :</td>
<td>Entrepreneurship is equivalent to enterprise which involves the willingness to assume risks in undertaking an economic activity particularly a new one.</td>
</tr>
<tr>
<td>Jaffrey J.A. Timmons :</td>
<td>Entrepreneurship is the ability to create and build something from practically nothing. A human creative activity.</td>
</tr>
<tr>
<td>Janil and Howard Stevenson :</td>
<td>Entrepreneurship is a process by which individuals — either on their own or inside organisation — pursue opportunities without regard to the sources they currently control.</td>
</tr>
<tr>
<td>Isrel Kirzner :</td>
<td>Entrepreneurship means alertness towards profit opportunities.</td>
</tr>
<tr>
<td>Arthur H. Cole :</td>
<td>Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandise profit by production or distribution of foods and services.</td>
</tr>
<tr>
<td>Everett E. Hessins :</td>
<td>Entrepreneurship meant the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, raising labour, arranging the supply of raw materials, finding site, introducing a new technique, discovering sources of raw materials and selecting top managers of day operations of the enterprise.</td>
</tr>
<tr>
<td>Peter F. Drucker :</td>
<td>Entrepreneurship is neither a science nor an art. It is a practice. It has knowledge, base knowledge in entrepreneurship is a means to an end, it is not just about making money. It is about imagination, flexibility, creativity, willingness to think continuously, readiness to take risks, affiliate to moguls, agents of proton action and cape city to see change as an opportunity. It is also about marrying passion and process with a good dose of perseverance.</td>
</tr>
<tr>
<td>M. Low and J. Mac Millan :</td>
<td>Entrepreneurship is the creation of an innovative economic organisation. Core network of organisations for the purpose of gain or growth under conditions of risk and uncertainty.</td>
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Entrepreneurship: A Conceptual Framework

H. Aldrich and C. Zimmer: The definition of entrepreneurship includes more than the mere creation of a business, it also includes the generation and implementation of an idea.

Robert Ronstadt: Entrepreneurship is the dynamic process of creating incremented wealth. The wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment or provide unlike for some produce or service.

Robert D. Hisrich: Entrepreneurship is the process of creating something new with value by devoting. The necessary time and effort assuming the accompanying financial, psychic, and bold risks and receiving. The resulting rewards of monetary and personal satisfaction and independence.

John J. Kao: Entrepreneurship is the attempt to create volume through regulation of business opportunity, the management of risk-taking appropriate to the opportunity and through the communicative and management skills to mobilise human, financial and scattered resources necessary to bring a project to functioning.

Robert K. Lamb: Entrepreneurship is that form of social decision which is performed by economic innovators.

V. R. Gaikwad: Entrepreneurship connotes innovativeness, an urge to take risk in face of uncertainties and an intuition.

Muscleman and Jackson: Entrepreneurship is the investing and risking of time, money, and effort to start a business and make it successful.

H. N. Pathak: Entrepreneurship involves, (i) Perception of an opportunity (ii) Organisms a industrial unit, and (iii) Running the industrial unit as a profitable going and growing concern.

The Global Entrepreneurship Monitor: Entrepreneurship the process of planning, organising, operating, and assuming the risk of a business venture is now a mainstream activity. The culture of entrepreneurship is deeply rooted: Entrepreneurs are celebrated role models, failure is seen as a learning experience, and the entrepreneurial career option is regarded as attractive. In today's economic environment, entrepreneurship is a key employment of globalisation.

Fig. 1.2: Concept of Entrepreneurship

Stimulation of Entrepreneurship

Entrepreneurship development is probably one of the most elusive, complicated and perplexing issues in the promotion and growth of small enterprises. Recently, a number of development agencies have been involved. However, in spite of all these efforts there have been only a few partially successful programmes, and there are many Instances of colossal failures in this field.
The stimulation of entrepreneurship is a function of both internal and external variables. The presence of certain personal qualities in an individual is a requisite. Some of the findings about entrepreneurs in Nepal are as follows:

\(a\) Mainly there are two types of entrepreneurs: the Government and private individuals.

\(b\) In a family-run business the entrepreneur is owner as well as manager. Entrepreneurs are frequently found to have parents who were engaged in business-related occupations. Membership in certain types of communities (Newars, Marwadis, Gurung etc.) is highly correlated with entrepreneurship.

\(c\) Many people who migrated from the hills to the southern part of the country (Terai), and returned have become entrepreneurs.

\(d\) In the family, a change is taking place. Now the educated young members are becoming entrepreneurs rather than head of the family who generally is old.

**OPERATING DEFINITION OF POLICY ENTREPRENEURSHIP**

**Policy Innovativeness**

- Availability of Equity or Equity-like funds.
- Efforts to assemble public or joint public-private equity funds locally.
- Willingness of local developers to risk some of their resources on small or new firms.
- Creation-of Incubator Facilities for new or young firms.
- Availability and nature of small business technical assistance.

**Small Business Targeting**

- Presence of an explicit small business component in the local development organisation.
- Amount of staff resources devoted to small firm concerns.
Entrepreneurship: A Conceptual Framework

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

Policy Commitment

- Support of local governmental bodies for economic development
- Public monies channeled into loan programs
- Public monies supporting local development organisations

Characteristics of Public Support

- Level of funding
- Stability and trends in public monies going to development matters
- Year in which programs first used locally

Cooperation of country and municipal officials on economic development.

Working relations between economic developers and elected officials.

Working relations among economic developers.

Entrepreneurship as a Process

Joseph Schumpeter (1883-1950) specifically addressed entrepreneurship as a process. Schumpeter described entrepreneurship as a force to ‘create destruction’ wearily established ways of new and better ways to get things done. Schumpeter describes entrepreneurship as a process and entrepreneurs as innovators. Who use the process to shatter the status quo through new method of commerce. The phenomenon has been particularly strong in some countries through several generations of explosive economic activity. It is no accident that every fortune 500 enterprise that exists today was the result of an entrepreneur who took a simple idea and preserved.

Fig. 1.3: Entrepreneurship Process

In Schumpeter’s words, the entrepreneur seeks to reform or revolutionize. The pattern of production by exploring an invention or, more generally an untried technological possibility an old one in a new way, by opening up a new source of supply of materials or a new outlet for products – entrepreneur products. Entrepreneurship as defined is essentially consists in decamp things that are not generally done in the ordinary course of business routine.

Robert Ronstadt cappers the essence of Entrepreneurship:

Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of quality time and/or career commitment of providing volume for some product or service. The product or service itself may or may not be new or unique but volume must somehow be induced by the entrepreneur by securing and allowing the necessary service and resources.
The critical point is that enterprisers disrupt the status quo putting economic development and society on a new course. They create new means of production and new systems of services. Today, these inspired thinkers are well-educated, experienced and independent thinkers who can transform society through innovation.

**Early Survey of Entrepreneurship**

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

In general, contemporary economists agree that the entrepreneur is a business leader and that his role in fostering economic growth and development is a pivotal one. At present, however there is no consensus as to what constitutes the essential activity which makes the entrepreneur a crucial figure. While some economists have identified the basic entrepreneurial function as risk-taking, others have emphasised the coordination of production resources, the provision of capital or the introduction of production resources, the provision of capital or the introduction of innovations. Professor James R. Omps of the International Institute of Entreprenology, Honolulu, Hawaii, in his paper entitled “Entreprenology, the Critical Factor in National Development”, has this to say: “In all crisis situation, there is one critical factor. There is one factor in each situation that can be cited as being the straw that broke the camel’s back! In listing some of today’s possible critical factors, such familiar words and phrases limited natural resources... food... energy all would emerge. A question may be phrased thus: What is the critical factor?”

- Over-population?
- Food shortage?
- National resources shortage?
- Energy shortage?
- Lack of technology?

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

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

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

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

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

![Characteristics of Entrepreneurship](image)

**Fig. 1.4: Characteristics of Entrepreneurship**

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

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

Thus, entrepreneurship is a complex phenomenon. “Some think of entrepreneurs primarily as innovators, some chiefly as managers of enterprise, some as bearers of risks, and others place major emphasis on their function as mobilisers and allocators of capital.” In the Indian context, however, an entrepreneur may at best be defined as a person (or a group of persons) responsible for the existence of a new business enterprise.
Entrepreneurship is an attitude of mind which calls for calculated risks; a true entrepreneur is one who can see possibilities in a given situation where others see none and has the patience to work out the idea into a scheme to which financial support can be provided. The stimulation of entrepreneurship is a function of both internal and external variables. In developing countries, there is no dearth of ideas but there is a real scarcity of men with the right blend of vision and practical sense to become successful entrepreneurs. The objective of the programme is to identify such people and to provide them with the support needed to make them a success. They then become “demonstration models” to the community; and once a right climate is generated, entrepreneurship becomes a way of life.

What are their Strengths?

Indian leaders maintain a single minded focus on innovation, growth, people and business results, as we voraciously seek out new technologies and ideas to adapt to customers unique needs and opportunities. Father, shouldering the needs of corporate social responsibility and taking business risks to address society's need are some qualities where Indian leaders display a more altruistic business philosophy.

NIKHIL MAINI also enlists a few other skills Indian leaders need to learn to be ‘relevant’ in the modern business environment:

**POWER** the ability to be able to generate and sustain formal power and in quite a few cases – even political power is critical.

**IDEAS** ability to get people to think outside the box, and in some constrained environments, even generate creativity within the box.

**INFLUENCE** the ability to be able to communicate your vision and goals to the people.

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

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

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

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

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

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

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

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

Japanese Experience

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

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

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

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

Indian Leadership

In the first four decades of independence, India’s annual economic growth was sluggish at about 3.5 percent. The focus for organisational leaders then was on consolidation of resources. At the same time, the government’s top priorities were to protect and nurture indigenous industries to help them grow. But when
the floodgates were flung wide open post-liberalisation, leaders found themselves confronted by several competitive challenges. In recent times, with employable talent becoming scarce, recruitment and retention have assumed prime importance in the priority-lists of business leaders. Not only that, new management mantras have evolved and the focus has shifted towards innovation, communication and risk-taking. The Indian environment today is highly competitive and the constantly increasing global pressure of optimisation puts leaders through constraints which are new and did not exist in a strong way within the old economy. Leaders today have to deal with the increasing factors of the new economy, and at the same time manage growth.

The Hay group study says that Indian leaders seem to excel in entrepreneurial drive, adaptive thinking and networking, while they need to strengthen their understanding of organisational politics, exert influence in ‘complex and sophisticated ways’, and assess individual aptitude and strengths and leverage them or business benefit.

Mere financial success is not a sure-fire indicator of a great leadership at the helm. Also, leadership is as much an individual quality as an organisational one. This makes it much harder to distinguish between a good leader and a bad one. The best leaders, irrespective of where they are, know that greatness comes from sharing power instead of hoarding it. Sometimes leadership is about the vision and translating into a mission action to each the self good amidst globalisation and growing competition.

**An Ideal Entrepreneur**

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

**Box 1.2 : The Best Entrepreneurs are in China**

*The most promising entrepreneurs are to be found in China today. China has had a long history of entrepreneurship and capitalism. They have been terrible at it during certain periods in their history, like in the 18th and 19th century, but have been brilliant during other times. Now China has unleashed entrepreneurship once again and they seem to be on the rise.*

*But entrepreneurship has nothing to do with race but may have something to do with genetic pool. If you tour the world you’ll find many entrepreneurs of every race. You’ll also find some countries at particular times in their history which have more entrepreneurs than others. In fact, there’re many promising entrepreneurs in today but they don’t accumulate capital for some reason and haven’t built successful organisations.*
Entrepreneurship is not confined to industry and is needed in all activities. Its flowering in agriculture among the cultivators, small and large, is seen by all today. The smiling farm of today in many parts of the country is a proof of such entrepreneurship. The need for entrepreneurship is even greater in management of government, more so as it is the largest entrepreneur.

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

Conclusion

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

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

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

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

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

ANNEXURE 1

Code of Business Principles

Standard of Conduct

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law

Companies and employees are required to comply with the laws and regulations of the countries in which we operate.

Employees

The Enterprise is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company. We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour. We are committed to working with employees to develop and enhance each individual’s skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communications with employees through company based information and consultation procedures.

Consumers

The Enterprise is committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders

The Enterprise will conduct its operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business Partners

The Enterprise is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own.

Community Involvement

The Enterprise strives to be a trusted corporate citizen and, as an integral part of society, to fulfill our responsibilities to the societies and communities in which we operate.
Public Activities

The Enterprise is encouraged to promote and defend their legitimate business interests. Unilever will cooperate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests. Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

The Environment

The Entrepreneur is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.