



## SYLLABUS

Class – M.Com. III Sem.

**Subject – Entrepreneurship Skill Development**

UNIT – I	<b>Entrepreneur:</b> Definition, emergence of Entrepreneurial class: Theories of Entrepreneurship, Socio-economic Environment and Entrepreneur.
UNIT – II	<b>Promotion of a venture:</b> Opportunity analysis, external environmental forces, economic, social, technological and competitive factors, establishment of a new unit.
UNIT – III	<b>Entrepreneurial behavior:</b> innovation and entrepreneurship, entrepreneurial behavior, social responsibility
UNIT – IV	<b>Entrepreneurial development programme:</b> Entrepreneurial development programme relevance and achievements, role of government in organizing such programmes.
UNIT – V	<b>Entrepreneurship and industrial development:</b> Planning and growth of industrial central and state level promotional services.



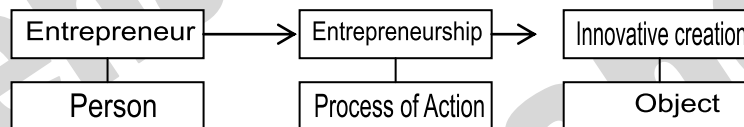
UNIT-I  
ENTREPRENEURSHIP SKILL DEVELOPMENT

The concept of Entrepreneurship has assumed prime importance for accelerating economic growth both in developed and developing countries. It is a basis of free enterprise. It promotes capital formation and creates wealth in the country. It is the hope and dream of millions of individuals around the world. It has the thrill of risk, change, challenge and growth. It builds wealth. It is a pathway to prosper. It reduces unemployment and poverty.

**MEANING OF ENTREPRENEURSHIP**

Entrepreneurship is the process of identifying opportunities in the market place, arranging resources required to exploit the opportunities for long term gains. It is creating wealth by bringing together resources in new ways to start and operate an enterprise. It is the process of planning, organising, operating and assuming the risk of a business venture. It is the ability to take risk independently to make more earnings in the market oriented economy.

It refers to a process of action an entrepreneurship undertakes to establish an enterprise. It is a creative and innovative skill and adapting response to environment. This concept can be seen in



**DEFINITIONS OF ENTREPRENEURSHIP**

After looking at various definitions of entrepreneurship, we can conclude the entrepreneurship.

- (1) Classical View : This view is expressed by classical economists like Cantillon, Frank Knight, Adam Smith, J.B. Say, J.S. Mill, David Ricardo etc. It involves:
  - a) ability to bear the risks and uncertainties of business.
  - b) ability to organize and co-ordinate productive resources.
  - c) Ability to convert productive resources into a productive entity through superintendence and control.
- (2) Neo-Classical View: This view is expressed by economists like Walters, Alfred Marshall and Joseph Schumpeter, According to this view, entrepreneurship is:
  - a) the ability to direction and control.
  - b) the ability to bring new changes.This view applies to new developing economics.
- (3) Modern View: The new view of entrepreneurship is innovative. It is the ability:
  - a) to create changes to exploit them.
  - b) to explore and to maximise opportunities to obtain results.
  - c) to innovate new things and to create unique or at least distinct in a meaningful area.
  - d) to earn economic results only by leadership, not by mere competence.
  - e) to allocate resources to opportunities rather than problems.
  - f) to create effectiveness rather than efficiency.
  - g) to redirect resources from areas to low or diminishing returns to areas of high or increasing results and to optimize the yield from these resource.
  - h) to create tomorrow.

**1. Emergence of Entrepreneurship class**

1) The word 'Entrepreneur' is derived from a French word 'Entrepreneur' which means 'to undertake' In the beginning of the 16<sup>th</sup> century, a Frenchman who organized and led a military expedition was called 'Entrepreneur' In the 17<sup>th</sup> century, this word was used for the architects and contractors associated with



public was used for the architects and contractors associated with public works. This term was used in business first of all by French economist Cantilone in the 18<sup>th</sup> century and he is the one who brings together various means, assembles them so that a product suitable for the market could be presented. Later on, a French economist carried forward Cantillon's thoughts saying that an entrepreneur organizes a business firm and basically does the production and distribution work. Peter F. Drucker in his 'Innovation and Entrepreneurship' has said that entrepreneurship occurs when redirection of resources to progressive opportunities takes place Thompson and Strickland have called entrepreneurship-a strategic ability.

## 2) Oxford Dictionary

"A person who sets up a business or business, taking on financial risks in the hope of profit"

## International Encyclopedia

"An individual who bears the risk of operating a business in the face of uncertainty about the future conditions"

## Drucker's Vies on Entrepreneur

"A entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business of different service"

The entrepreneur is the one who undertakes to organize, manage, and assume the risks of a business, In recent years entrepreneurs have been doing many things that it is necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive market place to implement these ideas; and realizes the rewards from these efforts.

3) History of Entrepreneurship in India- The history of entrepreneurship is important worldwide, even in India, In the pre colonial times the Indian trade and business was at its peak. Indians were experts in smelting of metals such as brass and tin. Kanishka Empire in the 1<sup>st</sup> century started nurturing Indian entrepreneurs and traders. Following that period, in around 1600 A.D. India established its trade relationship with Roman Empire Gold was pouring from all sides. Then come the Portuguese and the English. They captured the Indian sea waters and slowly entered the Indian business. They forced the entrepreneurs to become trades and they themselves took the role of entrepreneurs. This was the main reason for the downfall of Indian business in the colonial times which had its impact in the post-colonial times too. The colonial era make the Indian ideas and principles rigid. A region of historic trade routes and vast empires, the Indian subcontinent was identified with its commercial and cultural wealth for much of its long history. Gradually annexed by the British East India Company form the early eighteenth century and colonized by the United Kingdom from the mid-nineteenth century, India became an independent nation in 1947 after a struggle for independence that was marked by widespread nonviolent resistance. It has the world's twelfth largest economy at market exchange rates and the fourth largest in purchasing power. Economic reforms since 1991 have transformed it into one of the fastest growing economies however, it still suffers from high levels of poverty, illiteracy, and malnutrition. For an entire generation from the 1950s until the 1980s India followed socialist-inspired policies, The economy was shackled by extensive regulation, protectionism, and public ownership, leading to pervasive corruption and slow growth. Since 1991, the nation has moved towards a market-based system.

Entrepreneurship is the result of three dimensions working together conducive framework conditions, well-designed government programmes and supportive cultural attitudes. Across these three perspectives of entrepreneurship, two major conclusions are apparent, Firstly, the economic psychological and sociological academic fields accept that entrepreneurship is a process, Secondly, despite the separate fields of analysis; entrepreneurship is clearly more than just an economic function.



### Theories of entrepreneurship

#### Theories of entrepreneurship belongs to various schools of thought

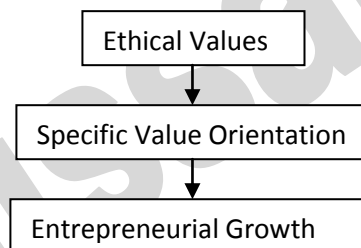
Different theories of, entrepreneurship are based on different approaches to functions and behavioural patterns of the entrepreneur.

1. **Risk Bearing Theory of knight** – A key element of entrepreneurship is risk-taking. Prof. Knight and John Stuart Mill saw risk-bearing as the distinguished function of entrepreneurs. Some important features are.
  - a. Risk creates Profit
  - b. More Risk More gain
  - c. Profit as Reward and Cost
  - d. Entrepreneur's Income is Uncertain
  - e. Profit is a reward for uncertainty Bearing
2. **Innovation Theory of Schumpeter** – Joseph Schumpeter has stressed "innovation" as being the key factor in entrepreneurship. He says that the ' entrepreneur is the central figure in the development process of a country. He regards innovation as a tool of entrepreneur. The entrepreneur is viewed as the 'engine of growth'.
  - a. Linchpin of Economy – His task is "creative destruction" of capital. He takes, capital from less productive sectors of the economy and invest it in new, growing, more profitable industries.
  - b. Innovating Giant – Schumpeter writes that the entrepreneur in an advanced economy is an individual who introduces something 'new' in the economy.
  - c. Leadership Rather than Ownership
  - d. Dynamic disequilibrium
  - e. Exploiting Opportunities
  - f. Minimization of Consumer Sovereignty
  - g. Gradual change
3. **Leibenstein's X-efficiency Theory** – Every firm has certain inputs which can be used by it with various degree of effectiveness. The more effectively they are used the greater the output. According to Leibenstein, "when an input is not used effectively the difference between the actual output and the maximum output attributable to that input is a measure of the degree of "X-efficiency"
4. **Trait Approach Theory of Entrepreneurship** – Psychologists have investigated the personality characteristics of entrepreneurs in an attempt to understand why some people become entrepreneurs and others don't this is known as the trait approach. David C. McClelland is most closely associated with the study of the 'achievement motive' -which can be used to explain entrepreneurial behaviour. "This is a psychological theory of entrepreneurship."Entrepreneurship is very closely related to achievement motive of a person Three traits which investigators have shown to be entrepreneurial are:
  - a. The need for achievement
  - b. The internal focus of control, and
  - c. A tolerance ambiguity
5. **Economic Theory of Entrepreneurship** – According to Papanek and Harris, who' are the main advocates of this theory, economic incentives are the man drive for entrepreneurial activities. There are many economic factors which promote entrepreneurship in a country.



6. **Sociological Theory of Entrepreneurship** - Cochran pointed out that the entrepreneur represents society's model personality. Society's values also determine the attitudes and role expectations of people. In most countries, entrepreneurs have emerged from a particular socio-economic class. It can be noted that various communities and castes like samurai in Japan, family pattern in France, Yoruba in Nigeria, Kikuya in Kenya, Christians in Lebanon, Halai Memon industrialists in Pakistan, Parsees, Marwaris and Gujaratis in India have been the sources of entrepreneurship.
7. **Hagen's Theory of Entrepreneurship** - One important theory of entrepreneurial behaviour has been propounded by Hagen which is referred to as the withdrawal of Status Respect. According to Hagen (1962), the creativity of a disadvantaged minority group is the main source of entrepreneurship; he developed this thesis from the case of the samurai community of Japan.
8. **Albert Shapero's Theory of Entrepreneurship** - Albert Shapero has described the entrepreneurial event formation, process. This is the actual activity of starting an enterprise. Shapero says that the process begins with a life plan Change. He says that 'perceptions of desirability' must also be positive if the process is to continue. He further pointed out that 'perceptions of feasibility' must also be present. Entrepreneurial activity must appear do-able.
9. **Max Weberian Model of Entrepreneurship** - Max Weber was first to argue that the entrepreneurial growth was dependent upon 'ethical value system' of the society concerned. Entrepreneurship developed rapidly in those societies where ethical values provided independent capacity of decision making.

**Max Weber's theory is shown**



10. **Exposure Theory of Entrepreneurship** - Tripathi has observed that "not religion but exposure to new ideas and values was the common factor between Parsi and Hindu entrepreneurs" which led them to manufacturing.
11. **Political System Theory of Entrepreneurship** - Many scholars have consensus on the view that ethical value system, disadvantaged minority group morale, need achievement motivation, and exposure to new ideas and opportunities cannot fully explain the growth of entrepreneurship unless the political structure's political policies and political system elements are taken into consideration. According to Hoselitz Japanese entrepreneurs could flourish because their political system was able to properly integrate the various sectors.
12. **'Regional Climate' Theory of Entrepreneurship** - This analysis revealed that Gujarat had favorable to business and industry; it also proved that even the Parsis showed high entrepreneurship because they belong to Gujarat. Thus, it can be concluded that the industrial climate may have a very significant impact on the response of entrepreneurs.

**Conclusion** - It can be said that entrepreneurship is the outcome of a complex and varying combinations of socio-economic, psychological and other factors. A realistic prospective should take them together.





## **Socio Economic Environment and entrepreneur**

**Or**

### **Entrepreneurship and Social – Economic Development**

Entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism: the birth and death of firms and their growth and downsizing. As firms enter and exit the market, theory suggests that the new arrivals will be more efficient than those they displace. Existing firms that are not

Driven out are forced to innovate and become more productive in order to compete. Many studies have given empirical support to this process of “creative destruction” first described by Joseph Schumpeter.

- 1) Provides employment to huge mass of people
- 2) Contributed towards research and development system
- 3) Creates wealth for individuals as well
- 4) Sky-scraping heights of apparent prospects
- 5) It is a challenging opportunity for the people
- 6) Entrepreneurship provides self sufficiency
- 7) Rapid economic growth
- 8) Means of Social Changes
- 9) Helpful in capital formation
- 10) Contributes to the execution of government policies
- 11) Decentralization of economic power
- 12) Increase per capita & national Income
- 13) Improvement in export and Decrease in Import
- 14) Equal Distribution of Income & wealth
- 15) Minimizes Socio-economic Problems
- 16) Optimum Utilization of Resources
- 17) Social Responsibility
- 18) Social Satisfaction
- 19) Establishment of Viable Units
- 20) Development of Entrepreneurial Tendencies



## UNIT-II

### PROMOTION OF A NEW VENTURE

An entrepreneur creates his own business. He is a person who organizes, operates, and assumes the risk for a business venture. A new venture is not a sudden discovery; it requires proper thinking and planning. Entrepreneurial ventures are founded by creative individuals, Entrepreneurs are inspired people often adventurers. They are risk-takers who seize opportunities to promote a new venture. They created empires form simple ideas.

Finally, he manages the growth and expansion of his venture over a period of time. In order to promote a new venture, an entrepreneur needs to go through the following stages:

1. Why Promote A venture
2. Searching A Business Idea
3. Setting Goals and Objectives
4. Preparing Business Plan
5. Assembling the Necessary Inputs
6. Establishing the Enterprise

Why should I start a venture? The range of possible valid answers to this question may be the following:

- a. To make a lot of money
- b. To get out of a professional rut-to see ideas through to completion to gain professional recognition.
- c. To be my own boss and to control my own destiny.
- d. To prove to myself that I can do it.
- e. To advance technology, society etc.
- f. To develop talents I feel that I have outside my area of specification.
- g. To show up somebody with whom I intend to compete.

### SEARCH FOR A BUSINESS IDEA

A venture is created out of an idea. It is the seed for flourishing for an enterprise where do ideas come from? What makes a good idea? Thinking for an idea is a complicated exercise. The entrepreneur collects information regarding various profitable opportunities. To choose a business idea form the information collected requires ingenuity, skill, and broad vision on the part of the entrepreneur. He should identify those ideas which are feasible and rewarding usually the innovative and unique ideas stand a better chance of being successful. The idea should be sound and workable. It should yield a reasonable return on investment. It must be one which can be converted into a business. The entrepreneur has to be imaginative to discover a business idea.

### Sources of Ideas

A business idea may be discovered from the following sources

1. Observing Markets:
2. Professional Experts:
3. Prospective Consumers :
4. Product Profile:
5. Emerging Technologies:
6. Social and Economic Trends:
7. Developments in Other Nations:
8. Trade Journals:
9. Trade Fairs:
10. Revival of Sick Units
11. Chance factors
12. Study of Project Profiles:
13. Government Organizations:



### Idea Processing and Selection

Good business ideas must be capable of being converted into feasible projects. Once these ideas are discovered, screening and testing of these ideas is done. The following considerations are significant in the evaluation of business ideas:

- (i) Technical Feasibility :
- (ii) Commercial Viability :
- (iii) Compatible with the Promoter :
- (iv) Compatible with Government Regulations :
- (v) Cost of the Project :
- (vi) Risk in the Project :

Many more criteria can be added for assessing the profitability of an idea. It is necessary to analyse and compare the pros and cons of various factors. A selection matrix may be prepared for this purpose.

### Setting goal

To keep their ventures alive and well, entrepreneurs must set goals before launching their venture. After choosing a profitable business idea, the entrepreneur must define goals. The key to convert an idea into venture is scatter our efforts rather than concentrate them In setting goals, entrepreneurs must decide what needs immediate attention and what needs long range planning.

### PREPARING BUSINESS PLAN

The entrepreneur should use business plan to develop a programme that will carry him through the challenge of start up to success and profitability. What should a business plan cover? In fact, it should or service. Also, it should lay out the strategies such vital areas as production and marketing, organization and legal aspects accounting and finance. According to Nicholas Siropolis, a business plan should answer such questions as these:

- (a) What do I want and what am I capable of doing?
- (b) What are the most workable ways of achieving my goals?
- (c) What can I expect in the future?

Business plans are versatile tools. Precise planning lies at the heart of every venture's future success. In many ways a business plan resembles a road map, telling entrepreneurs how best to get from A to Z. Planning involves decision-making-that is, deciding what to do, how to do, and when to do it.

### Suggested Steps in Developing a Business Plan

There is no single best way to begin the preparation of a business plan, Nicholas Siropolis has suggested the following guidelines to develop a business plan that entrepreneurs can modify to suit their individual needs :

1. Making the Commitment
2. Analysing Oneself
3. Choosing A Product or Service
4. Researching Markets
5. Forecasting Sales Revenues
6. Choosing A Site
7. Developing A Production Plan
8. Developing A Marketing Plan
9. Developing An Organisational Plan
10. Developing A Legal Plain
11. Developing An Accounting Plan
12. Developing An Insurance Plan
13. Developing A Computer Plan
14. Developing a Total Quality Management Programme
15. Developing Personnel Plan
16. Developing a Financial Plan
17. Writing a Cover Letter





## PRE-START-UP IMPLEMENTATION: ASSEMBLING NECESSARY INPUTS

Once the entrepreneur has formulated business plan, he makes contacts with related parties and collects the necessary resources to launch the enterprise. This step is an important landmark. It is concerned with pre-startup activities. At this stage, entrepreneur has to choose partners, collaborators, collect the required finances and acquire land and buildings, plant and machinery, furniture's and fixtures, patents, employees etc. Decision has to be made about the size, location, layout, etc. of the enterprise.

The form of ownership has to be selected. It comprises a set of well-timed activities that have to be accomplished according to business plan According to shubin, "the firm is launched by assembling and organizing the physical facilities, developing operation and production processes, advertising its products and initiating a sales promotion campaign, recruiting labour and accumulating inventories." Entrepreneur will also seek necessary permission, approval, licenses, leases, facilities and equipments. In the dynamic business environment, information and intelligence have become the key input in entrepreneurial success.

### Whom to Contact and Contract?

It is clear that entrepreneurs often need information and guidance, particularly in initial stages, on product potential, materials, policies, facilities, procedures, personnel, finance, production processes, technology, legal aspects, various formalities, etc. To collect information, seek guidance, and to make contracts, entrepreneur can get the help of the required agencies:

Many institutions offer a package of professional and consultancy services to promote ventures and industrial growth. Entrepreneurship development programmes of 6 weeks duration are designed by various institutes to impart required information

If the business is in manufacturing, the pre-start-up stage is much more complex. It will include those activities already noted plus equipment purchases, engineering aspects, starting inventories, tools etc. These activities constitute a set of well-time activities that must be accomplished.

## ESTABLISHING THE ENTERPRISE AND START-UP STAGE

It is the initial period of business. David Holt says, "For companies with products or services, this stage in the first foray into revenue-generating activity." Holt further explains that the start-up stage has not definite time frame, and there are no models to describe what a business does during this stage; however, there are two benchmarks considerations. First entrepreneurs. Want to meet operating objectives, such as satisfying revenue and cost targets. Second, they want to position the venture for long-term growth. These are below:

### (a) Start-up Operating Objectives :

The venture must achieve the following start-up operating objectives to make a profit :

- (a) To attain monthly sales volume as projected in plan :
- (b) To achieve projected sales-mix of products and services.
- (c) To achieve cash flow within budget.
- (d) To meet targets above variable costs.
- (e) To realize incremental growth.
- (f) To maintain balance of growth.
- (g) To solidify a long-term position in appropriate markets.
- (h) To identify market strategy for niches or opportunities in new products.

**(b) Positioning the Enterprise-** Here two considerations are important. First, the venture must survive in the short run and second, the venture must be positioned to achieve long-term objectives. From a survival viewpoint, the start-up is a crucial period when adjustments are made. Entrepreneurs must make quick adjustments to survive. From a long-term perspective, the business concept must coincide with realistic prospects for growth. This means that the enterprise must be positioned to take advantage of growth markets.

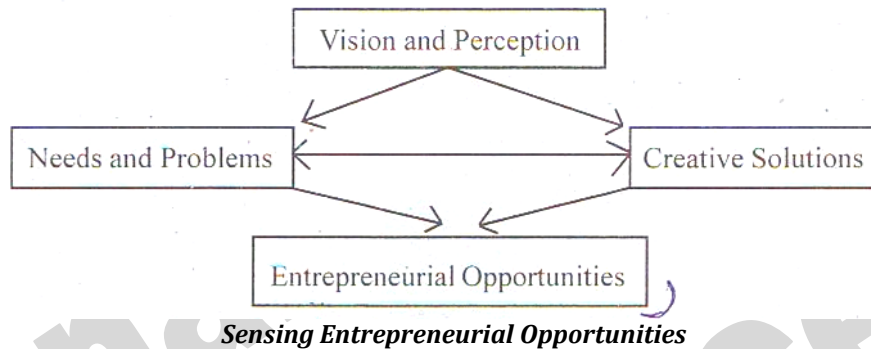


## Analysis of Entrepreneurial Opportunities

An entrepreneur has to perform two important roles in relation to promote venture. These are as follows:

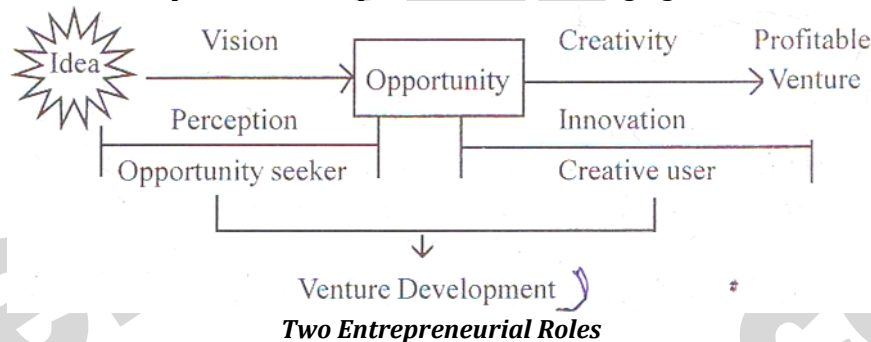
1) Opportunities seeker – An entrepreneur has the unique ability to spot the problem to find a business opportunity. Bolton and Thompson write, “Entrepreneur habitually creates and innovates to build something of recognized value around perceived opportunities.

Problems pose a challenge to entrepreneurs and in solving them. They find opportunities. A problem may give rise to an opportunity It is explained below:



No great entrepreneurs ever complained of lack of opportunity: it is the lack of vision and perception that misses opportunities. In fact, no opportunity is ever lost; other take those you miss.

2. Creative User:- an entrepreneur is supposed to explore, identify and then select a viable business opportunity. Business opportunity is an attractive project in terms of adequate rate of return which motivates the entrepreneur to accept that particular project for making investment decision. These two basic roles of an entrepreneur are depicted in the following figure:



## DEFINING OPPORTUNITY

Opportunity is a positive trend in external environment. It is an attractive project idea which an entrepreneur accepts for his investment decision. Finding out the possibilities of a business or industry is generally regarded as identification of business opportunity; A mere “possibility” is to be distinguished from business “opportunity.” Good business ideas must be capable of being converted into feasible projects; Entrepreneurs generally have different possibilities and select only highest reward paying possibility for execution.

## OBJECTIVES OF IDENTIFICATION OF BUSINESS OPPORTUNITIES

Following are the main objectives of identification of business opportunities:

- To evaluate the possibilities of utilizing physical resources of a particular region from the technical angle.
- To study the industrial potentialities in particular region and country as a whole.
- To identify those industries which are not based on local resources?
- To examine the usefulness of other possible industries for the region.



- (e) To assess and estimate the capital, labor, transport, power, fuel, raw material for feasible industries.
  - (f) To explore the development possibilities of the region with regard to agriculture, minerals, labor, irrigation etc.
  - (g) To recommend an effective programme for balanced economic situations of particular region concerned.
  - (h) To evaluate the impact of financial resources, production, employment in industrial development process.
  - (i) To identify those areas and directions which are necessary for the balanced growth of region.
- Thus. Identification of business opportunities includes the collection and analysis of related data on feasible product, industry, area, or region deciding about the potentiality for development.

### **FACTORS AFFECTING IDENTIFICATION OF BUSINESS OPPORTUNITIES**

Factors affecting the identification of business opportunities are explained in the following way :

1. Volume of Internal Demand :
2. Availability of Raw Materials :
3. Availability of Internal Resources :
4. External Assistance :
5. Export Potential :
6. Employment Generation :
7. Proposed Industry Development :
8. Level of Risk :

### **PROCESS OF SENSING OPPORTUNITIES**

It is said that “no opportunity is ever lost; others take those you miss and no great entrepreneur ever complained of lack of opportunity. “Opportunities manifest themselves in different forms, sometimes as needs and sometimes as problems. To sense and perceive an opportunity, an entrepreneur has to use his skills of observation analysis and synthesis. The most important factors that are involved in this process are :

- I. Perceiving basic ideas.
- II. Harnessing gathered knowledge and informations.
- III. Evaluating the opportunities.
- IV. Conducting a market survey.
- V. Using vision and creativity to select a viable and profitable opportunity.

#### **Perceiving Basic Ideas**

Basic ideas emerge from different sources such as described below :

1. Market
2. Problems
3. Inventions
4. Inventions
5. Technologies
6. Trends and Habits
7. Competition

Peter F. Drucker has also mentioned seven potential sources of opportunity that entrepreneurs might look for in the external context. Let us take a closer look at each :

1. The unexpected
2. The incongruous
3. The process need
4. Industry and market structures
5. Demographics
6. Changes in Perception
7. New knowledge



### Harnessing and Evaluating the Opportunities

The information gathered from different sources has to be analysed and utilized

For the identification of the right opportunity. Each opportunity must be carefully screened and evaluated. Evaluation of the opportunity is the most critical element as it allows the entrepreneur to assess the following factors:

- Creation and length of opportunity.
- Real and perceived value of opportunity.
- Risks and returns of opportunity.
- Opportunity versus personal skills and goals of the entrepreneur.
- Its differential advantage in its competitive environment.
- Cause of the opportunity – Is it technological change, market shift, government regulation, or competition?

### FEASIBILITY STUDY

- Introduction, historical background, description of product or service :
- Accounting considerations :
- Management considerations :
- Marketing considerations :
- Financial considerations :
- Legal considerations :
- Tax considerations :

### ASSESSING THE IMPACT OF OPPORTUNITIES THREATS

The entrepreneur has to identify the impact of the opportunities and threats that may confront his project. In order to do this, he should draw a framework for analysis. For example, he may draw an opportunity matrix according to the attractiveness are both high, the entrepreneur should convert it into profitable entity.

	High	Low
High	1 Very Attractive	2 Moderately Attractive
Low	3 Moderately Attractive	4 Least Attractive

Attractiveness

Probability of Occurrence

### Vision and Creativity

Using vision and creativity is the most striking feature of an entrepreneur. He must have the vision to convert an opportunity into something of value. He is treated as creative genius. He should make best use of opportunities and resources. He should employ creative people to convert the opportunities into valuable projects and enterprises. He should try to find solutions to problems. He should exercise control over the threats coming from environment. He should be able to develop profitable project through the process of creativity.

### Analysis of External Environment and competitive Factors

External environment has a decisive influence on opportunities as well as threats to the enterprise. By and large, the environmental forces are emanating from various sources : the customers, market, competitors, suppliers, technology, labour unions, trade associations, interest groups, culture and society, in general. Since an enterprise functions as a part of the environment and has no existence separated from the environment, study of environment becomes central to the entrepreneur.





Environment is the set of factors and forces working within and outside the enterprise and influencing it. Environments have been volatile and generally unpredictable. Environmental forces influence one another; they have impacts on every important functional area and decision-making in a company.

**The various types of environments are discussed below:**

1. **Internal environment:** It contains elements that exist within the venture. This has immediate and specific implications for managing the venture. It includes venture's objectives, its resources, organizational structure, processes, and techniques. Venture's resources may be financial, physical human and technological.
2. **External environment:** External environment is set of those factors that affect a venture form outside its boundaries. It contains societal factors which may be economic, cultural, social, political, legal, technological, and ecological, It includes various stakeholders like shareholders, creditors, suppliers, customers, employees, competitors, trade associations, interest groups, government, global firms, and community in general. External environment has long-term implications for establishing and managing the venture.
3. **Domestic and International Environment:** When external factors operate and exist within the boundaries of a country, it is called domestic environment. On other hand, international environment comprises forces of differing country, it is called domestic environment. On the other hand, international environment comprises forces of differing countries. It is a cross-boundary environment which comes from various nations. This is made of influences of various countries; this creates challenges from outside the country.

**NEED AND IMPORTANCE OF ENVIRONMENTAL ANALYSIS**

Environmental analysis is important due to the following reasons:

1. Crucial activity :
2. Identifying changes and treats :
3. Formation of strategies :
4. Coping with demands of environment :
5. Early warning system :
6. Changes and adjustments :
7. Choosing right course of action :
8. Accurate forecasts :
9. Planning the production :
10. Success of the venture :
11. Environment is dynamic :
12. Knowledge focus :

**CONSTITUENTS OF MEGA ENVIRONMENT AND THEIR IMPACT**

The external environment forces affect the venture in various ways; these forces may be complex, rapidly changing, uncertain and not easily controllable. They set limits for the functioning of an enterprise. They also provide opportunities in the form of markets new products, etc. and challenges and treats coming from competitors, etc.

1. **Economic Environment :** The important aspects of economic environment are : the state of business cycle, national income, distribution of income, monetary policies, fiscal (tax) policies, balance of payments, structure of industry, global economy price level, etc, This represents general economic conditions. Under this environment, infrastructure (as water, power, communication, transport system, etc.)  
Are important factors to consider?
2. **Natural Environment:** Natural environment includes such things as forest, weather, plants, animals, climatic conditions, agricultural production, rocks, etc. The governments have also passed various environmental laws for pollution control. Climatic conditions may favour the promotion of some ventures and projects. Hence, the entrepreneurs must consider the





ecological and natural conditions which promote their ventures. They must frame proper strategies to deal with them.

3. **Socio-cultural Environment:** Socio-cultural environment includes values, attitudes, beliefs, and customs of people in society. It consists of factors related to human relationships. Some of the factors operating in the social environment are :
  - (a) Demographic characteristics.
  - (b) Social concern, such as environments pollution, use of mass media, and consumerism.
  - (c) Social attitudes, Values, rituals, practices, changing lifestyle patterns and materialism,
  - (d) Family structure and changes.
  - (e) Role and status of women.
  - (f) Educational levels and awareness.
  - (g) Consciousness of rights and work ethics.

Entrepreneurs must understand the attitudes and behavior of people. They must manage diversity. They should utilize qualities of people. They should study demographic profiles of consumers.

4. **Political-Legal environment :** Political environment includes the constitution of the country, behavior of political parties, the attitudes of political and government leaders and legislators, political stability, law and order situation, government agencies, etc. Legal environment consists of factors like rules and regulations, different laws, labour courts and legal formalities.
5. **Technological Environment:** Technology' includes equipments techniques, and procedures for transformation of various inputs into outputs. Technological changes create new challenges and problems before entrepreneurs. Obsolete technologies create competitive pressures. New processes and new equipments demand new adjustments. Scientific advancements and discoveries render some skills obsolete. They affect product life-cycle, distribution methods, and types of raw materials, etc. Technology is directly related with product analysis, output of industrial sectors, quality, reliability of the products, capital costs, and the productivity of resources.

### MICRO ENVIRONMENT

Some of the important constituents of micro environment are

1. Suppliers :
2. Marketing Intermediaries :
3. E-Commerce :
4. Market Types and Demand :
5. Industrial Climate :
6. Competitors :
7. Financial Institutions :

### ASSESSING THE IMPACT OF OPPORTUNITIES AND THREATS AND IDENTIFYING STRATEGIES

Entrepreneurs often respond differently to the same environmental factors. They should try to recognize and understand external strategic issues and factors Also; they have to identify the impact of the opportunities and threats that may confront a new venture. In order to do this, it is essential to prepare and use three types of matrix. These are :

1. Threat Matrix
2. Opportunities Matrix
3. Issues Priority Matrix
4. Other Techniques

### Other Techniques:

Include following:

- Econometric models
- Trend analysis
- Regression analysis



- The Delphi technique
- Scenario writing
- Problem-situation models
- Benchmarking
- Espionage/spying
- MIS of the firm

### COMPETITIVE FACTORS ANALYSIS

Evaluating competitive factors is another aspect in promotion of a new venture. In order to increase market share, this is important to beat the competitors. Hence, for any entrepreneur the understanding of the competitive factors is extremely important. Each enterprise functions in a closer, more immediate competitive environment.

#### Basic Competitive Factors

Michael Porter says that some basic competitive forces determine the level and intensity of competition. HE states that “the collective strength of these forces determines the ultimate profit potential.”

According to porter, entrepreneurs can assess the level of competition and industry’s attractiveness using five factors which are shown in Figure These factors are discussed below:

1. Threat of Entry :
2. Threat of Substitutes :
3. Power of Buyers :
4. Power of Suppliers :
5. Existing rivalry :

### LEGAL REQUIREMENTS FOR ESTABLISHMENT OF A NEW UNIT

Today is impossible to move in many walks of life without first consulting a lawyer. Starting a business venture is no exception. Complexity is increasing in entrepreneurial activity. Government legislation, awakened social conscience, economic necessities are playing their roles in the creation and existence of enterprise. Every entrepreneur should know the legal dimension of his venture. To avoid breaking laws and to spot opportunities permitted by law, entrepreneurs need expert legal help.

Some entrepreneur believes they need legal help only if they are used or are suing others. But this attitude is short-sighted. Entrepreneurs should undergo a legal check-up while establishing a unit and fulfilling the legal requirements in this connection. The entrepreneur needs to be aware of legal formalities that may affect the establishment of his new unit. Legal formalities may be necessary at different stages of the start up of a venture.

### LEGAL FORMS OF ORGANIZATION

Choosing a legal form of organization ranks among the entrepreneur’s most vital decisions. This choice affects a number of managerial and financial issues. The legal forms of venture may be :

1. Sole Proprietorship,
2. Partnership Firm,
3. Joint Stock Company,
4. Co-operative Undertaking,
5. Hindu Undivided or Joint Family, and
6. Firm.

### SOLE PROPRIETORSHIP BUSINESS

This is the oldest form of business ownership. Here, the owner assumes all risk of loss or failure of the enterprise.

It is easy to establish and is subject to moderate regulation. The legal formality is that if it is a manufacturing unit, the firm should be registered with Directorate of Industries and Commerce. If the



venture is the drug business, it should be registered with the Drug Controller. A liquor shop should be registered with State Excise. A Fair Price Venture should be registered with the Department of Food and Civil Suppliers.

### THE PARTNERSHIP

It is combining talents and resources of several people. It is association of two more persons carrying business to share its profits. The law of partnership is contained in the Indian Partnership Act, 1932. The Act defines partnership as "the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all."

#### Legal Implications of Partnership

- (1) Legal position-not a legal entity.
- (2) Liability-unlimited, joint and individual.
- (3) Utmost good faith.
- (4) Implied authority –each Partner is an agent and hence has an implied authority to bind all the partners.
- (5) Unanimity of contest is a must.
- (6) Non-transferability of share or interest without the consent of other partners.
- (7) Dissolution, unless there is an agreement to the contrary. Death or insolvency of a partner dissolves the firm.
- (8) Partnership Deed

#### Registration of Firms

The Indian Partnership Act does not make it compulsory for a firm to be registered, but there are certain disabilities which attach to an unregistered firm. These disabilities make it virtually compulsory for a firm to be registered.

An unregistered firm cannot file a suit to enforce rights against third parties if such rights arise out of a contract. Similarly, a partner cannot file a suit to enforce his rights under the Partnership Deed. The rights of third parties against the firm are, however, not affected.

#### JOINT STOCK COMPANY

Company, also called a corporation, is another form of ownership. For ventures which requires huge capital base, sole proprietorship or Partnership may be not able to supply the required capital. This form enables the entrepreneurs to get the necessary capital from friends, relatives, general public etc. retaining at the same time the control and management in their own hands. In Joint Stock Company, the capital is contributed by a large group of people known as shareholders.

#### CO-OPERATIVE VENTURE

It is an enterprise owned and patronized by its user members. It is a form of commercial ownership formed voluntarily by members to promote their economic interests. Co-operative ventures should be registered. A minimum of ten members must take initiative. An application with copies of bye-laws should be submitted to the Registrar or Co-operatives. After formation, cooperative ventures acquire independent status. These ventures can own assets, enter into contracts, se and be used.

#### Hindu Undivided or Joint Family Venture

In India, we have family business in the form of Joint Hindu Family Firms, which are in essence individual entrepreneurs. This venture is managed by the father or other senior member for the time being of the family. He has the control over the income and expenditure. He acts as the custodian of the surplus, if any. The other member can not question his judgment in running the business.



### **SMALL SCALE INDUSTRY REGISTRATION**

The legal requirements also depend on the size of the business unit and on its consumer or industrial product. Entrepreneurship is usually taken synonymous with small scale enterprise. Small scale and ancillary unit is an enterprise with investment in plant and machinery of less than Rs. 1 crore. The entrepreneurs of small scale unit should seek registration of his business with the State Directorate or Commissioner of Industries Centre of the concerned State. After registration an entrepreneur can avail all facilities and assistance given by Government. Registration can provide several benefits to an entrepreneur, although registration is not compulsory.

### **SALIENT FEATURE OF IMPORTANT ACTS AND LAWS**

An entrepreneur has to observe and comply with many legal provisions of various Act and Laws in relation to his proposed venture. Certain rules are enforceable by law. Statutes or Acts provide these rules. Laws come into force by the government. In case of non-compliance these, entrepreneur would be punishable and held guilty. Registrations operate on everything-people, objects and actions.

The legal provisions ensure that the laid objective are achieved, such as 'the worker gets his minimum wages' or 'the environment is saved from pollution' etc. the provisions governing small scale industries are of two types, namely, protective and promotional. A small scale entrepreneur has to know certain important provisions of various Acts which are not to be adhered to. The entrepreneur should seek legal advice for ensuring that statutory defaults do not take place. A representative list of Acts and Laws applicable to small scale industries is given below-

- I. Registration Related Law
- II. Labour Law
- III. Environment Related Laws
- IV. Local and Other Municipal Laws
- V. Tax Related Laws
- VI. Product and Process Related Laws
- VII. Other Central Acts



## UNIT-III

### Innovation and Entrepreneur

Creativity and innovation are essential to business success as we prepare to enter the new century. We are facing great turbulence, change and a wave of increasing competition day-by-day.

R.M. Kanter says, "Winning in business today demands innovation" and such is the stark reality facing today's entrepreneurs. In the dynamic, chaotic world of global competition, entrepreneurs must create new products and services and adopt new technology, if they are to compete successfully.

The organization that is not encourage and foster in creativity and innovation on both the individual and the venture level.

Increasingly, creativity and innovation are seen as being the key to survival in an ever-more competitive and global economy. In fact change and innovation are becoming a way of life' for most entrepreneurs. An entrepreneur always takes a personal responsibility for encouraging any type of innovative idea, product, or process in the enterprise. Pinchot calls entrepreneurs "dreamers who do." It can be said that "There "innovation is the life-blood of an organization.

### CREATIVITY AND INNOVATION DEFINED

**Creativity:** Creativity refers to the ability to combine ideas in a unique way or to make unusual associations between ideas. It is the ability to develop unique way to work or novel solutions to problems. It is a function of knowledge, imagination, and evaluation. It is man's thinking to generate new patterns, new ideas, new insights and new approaches in order to solve problems or make decision.

**Innovation:** Innovation is the process of taking a creative idea and turning it into a useful product, service or work method. It is the ability to channel creativity into useful outcomes. It is the process of "doing new things." Innovation means changing the yield of resources or changing the value and satisfaction obtained from resources by the consumer. It is creating something of value. It may occur in various forms such as introduction of a new product, a new method of production opening of a new market, finding a new raw material, a new source of supply of such material or developing a new organization.

### CREATIVITY AND INNOVATION DISTINGUISHED

The distinction between creativity and innovation is significant. Creativity is new ideas, new knowledge, new principles, whereas innovation is new things, new utilities. Ideas have little value until they are converted into new products, services, or applications. Hence, innovation is the transformation of creative ideas into useful applications. Thus, "Creativity is a prerequisite to innovation."

David Holt writes, If creativity is the seed that inspires entrepreneurship, innovation is the process of entrepreneurship. "While creativity is about the production of ideas, innovation is about the practical implementation of those ideas.

It is also important to note that the innovator is not necessarily the first person to have the creative idea. Thus, one can be creative, but fail to be innovative. The difference lies in the hard work of implementing the ideas and holding them up to public critique. Being adverse to risk, the entrepreneur may fail to act on these ideas.

It can also be noted that in most of the countries, there is no shortage of creative people, but there is shortage of innovating entrepreneurs. Creativity without action-oriented follow-through is unproductive. It is wrongly believed that creativity automatically leads to innovation. In fact, for an idea to have value, it must be proven useful or be marketable, and achieve either status, the idea must be developed.

Creativity without innovation is aimless while innovation without creativity is sterile.

### THE CREATIVE PROCESS

Clearly, 'action by itself' has no meaning; it is of little value to simply "do things" without creative ideas. Entrepreneurs need new ideas to pursue. They need proper inspiration; direction and germination of ideas seldom materialize accidentally. In fact, ideas usually evolve through a creative process. They





require proper imagination thinking and perception. Imaginative people germinate ideas, nurture them, and develop them successfully.

David H. Holt has described the model of the creativity process (Figure 14.2) illumination, and verification. In each stage, a creative individual behaves differently to move an idea. The various stages are below:

### QUALITIES OF CREATIVE ENTREPRENEUR

The research studies conducted by Lower field and Guilford identified following eight key characteristics of creative persons:

- (i) Sensitivity: The creative individual is sensitive to problems, needs, attitudes, and feelings of others. He has an acute awareness of anything odd, unusual, or promising in the person, material, or situation with which he is dealing.
- (ii) Fluency: This refers to the ability to take continuous advantage of a developing situation-to use each completed step as a new advantage point from which to assess the problem and move on.
- (iii) Flexibility: People with high creative ability adjust quickly to new developments and changed situations. Unforeseen obstacles in a problem solving situation are often used to advantage by the creative person.
- (iv) Originality: This refers to uncommonness of individual's responses to problematic situations and number and diversity of solutions given.
- (v) Redefinition Skill: They have unusual ability to rearrange ideas, concepts, people and things-to shift function of objects and use them in new ways.
- (vi) Ability to Synthesize: It refers to the ability in analyzing a project component, i.e., getting details from the whole.
- (vii) Ability to Synthesize: It means ability to combine several components to arrive at a creative whole.
- (viii) Coherence of Organization: The ability to organize a project, expresses an idea, or create a design in such a way that nothing is superfluous.

### ELEMENTS IN INNOVATION PROCESS

Innovation is the translation of a creative idea into a useful commercial application. Its elements are below:

1. Analytical Planning :
2. Organizing Resources :
3. Implementation :
4. Commercial Application :

### SKILLS REQUIRED FOR INNOVATION

It is generally agreed that at least three areas of skill are necessary for the process of innovation. These are creative, analytical and technical skills.

1. Creative Skills :
2. Analytical Skills :
3. Technical Skills :

### PRE-REQUISITES FOR EFFECTIVE INNOVATOR

The success of innovative projects and ventures can be seen to depend on some pre-requisites of an entrepreneur. To be effective innovator you need:

- To have a clear initial view of the results you want to achieve-you should not worry too much to begin with about the ways of achieving them.
- To define clearly the aims and benefits of the project.
- To argue the case for the project persuasively.



- To get support not only from your boss but also from your colleagues and subordinates-you need to build a coalition in which everyone shares equally in the belief that the project is worthwhile.
- Courage-to take calculated risks and to weather the storm when the inevitable setbacks occur.
- To be good at getting people into action-to mobilize people to contribute fully to the project means using a participative management style.
- Power to mobilize support and resources and to get things done.
- The ability to handle interference or opposition to the project—resistance can be open, but it often takes a passive or covert form: criticism of the plan's details, foot-dragging, later responses to requests, or arguments over allocation of time and resources among projects. Covert resistance can be the most dangerous.
- The force of character to maintain momentum, especially after the initial enthusiasm for the projects has waned and the team is involved in more tedious work.

### NEED AND ROLE OF INNOVATION TODAY

David Holt writes, "An essential part of entrepreneurship is that entrepreneurs instigate change thereby shifting economic resources away from established endeavors into areas of greater yield and higher productivity. This is the process of wealth creation rather than wealth accumulation. A crucial dimension of wealth creation and every new venture is innovation. Entrepreneurs develop new ideas and, from their ideas, establish new enterprises that add value to society.

Innovation is the process of doing new things. It implies action and commercial use of creative ideas. Innovators are not limited to those who create new products. They also identify new technological processes, new forms of plant life and new designs. They also prepare marketing strategies to promote their new products. They make 'strategic decisions' Innovators are "creative genius" They tend to be "strategic thinkers" who recognized changes and see opportunities for practical applications where others do not. By creating new creating new products, innovators create wealth and values in society. They encourage experimentation. They focus on ends rather than means.

Now let us consider some factors driving the need for creativity and innovation in enterprises today. A few reasons are discussed below:

1. **Stimulating and Making Changes :**
2. **Competing Successfully :**
3. **Improving Financial Performance :**
4. **Customers Demand Innovation :**
5. **Competitors are Copying Innovations :**
6. **New Technologies Enable Innovation :**
7. **Continuing Innovation**
8. **Crucial to Economic Development :**
9. **Conversion of Society's Needs into Opportunities:**
10. **Social Innovation:**

### SOURCES AND OPPORTUNITIES FOR INNOVATION

N.F. Krueger says, "After all, organizations do not see opportunities, individuals do. "Thus entrepreneurs should look purposefully for the sources of innovation, Entrepreneurs are innovators who recognize changes as 'opportunities' to go ahead. Peter Drucker has rightly observed, "Systematic innovation consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities. Such changes might offer for economic and social innovation" There are various potential sources of opportunity that entrepreneurs might look for in the process of creativity and innovation. Let's take a closer look at each :

1. The Unexpected
2. The Incongruous
3. Scientific Knowledge
4. Process Innovation



5. Industrial Changes
6. Market Changes
7. Demographic Changes
8. Social and Cultural Changes
9. Changes in Perception

### PRINCIPLES OF INNOVATION

Peter Drucker asserts that innovations may be the result of a flash of genius' but this is uncommonly rare. There is no known way to teach someone how to be a genius. In fact, innovation is a matter of analysis and hard, organized, and purposeful work. Drucker says that the purposeful innovation is a practice; it covers at least 90 percent of all effective innovations.

1. Analysis of Opportunities :
2. Recognition of Both Conceptual and Perceptual Innovation :
3. Simple and Focused Approach :
4. Small, not Grandiose Innovation :
5. Aims at Leadership :
6. Its Focus is 'Performance'
7. Linked with Social Innovation :

### The Don'ts of Innovation

1. Don't try to be clever :
2. Don't diversify :
3. Don't try to innovate for the future :

### ESSENTIAL CONDITIONS OF SUCCESSFUL INNOVATION

1. Innovation is Work :
2. Innovators must build on their Strengths :
3. Innovation is an effect in Economy and Society :

### PROMOTION OF A NEW VENTURE

#### Entrepreneurial Behavior

The study of entrepreneurial behavior is search for answers to questions about human nature. For example, it is relevant to ask, what motivates a man to be an entrepreneur, Do you afraid to be different. Can you take risks with money, that is, invest, and not know the outcome? Or' do you know that if you decide to do something, you'll do it and nothing can stop you?' These questions relate to entrepreneurial behavior and psychology. Such many questions help a potential entrepreneur understand human behavior-not only to determine the "whys" of behavior, but also to predict, to change, and even to control future behavior. Entrepreneurs exhibit various types of behavior. They establish high-growth new ventures. They shift resources. They add value to product. They create wealth. They innovate the whole economic system by initiating social, economic, and cultural changes. They remain responsive to the social challenges of the times. Like all of us, entrepreneurs face ethical dilemmas virtually every day of their lives. They not only have a desire to earn profits but also care for the best welfare of community. They try to understand the rising expectations of the society. They protect and heighten the interests of the and the society.

**Meaning-** 'Behavior is a manifestation of what a person thinks feels and acts. The basic unit of behavior is an activity. In fact, all behavior is a series of activities. Behavior is basically goal-oriented. Entrepreneurial behavior includes the goal-oriented acts or decision of an entrepreneur. The entrepreneurial behavior means the manners or way in which the entrepreneur deals with its total environment: internal and external. It is the way or approach to look at the physical and human resources and the society. The entrepreneurial behavior is a view of or orientation towards risk-



bearing, innovation, achievement, goal-setting, ethics, social responsiveness, motivation, challenges and values of human society, and other psychological elements.

Different thinkers have evolved different approaches to entrepreneurial behavior. These may be explained from the viewpoints of economists, sociologists, and psychologists. The following types of entrepreneurial behavior are important to note and discuss:

1. Economic behavior
2. Innovative behavior
3. Ethical and social behavior
4. Psychological behavior
5. Creative behavior

### 1. Economic Behavior

Richard Cantillon demonstrated the economic behavior of an entrepreneur. Cantillon described him as a person who pays a certain price for product to resell it at an uncertain price. Thus, he assumes a risk. He uses resources for their highest commercial yields.

The economic behavior of entrepreneur was especially dominant in the 19<sup>th</sup> century. The classical economists treated entrepreneurs as the “captains of industry” “the risk takers” the decision makers, the individuals who aspired to wealth and who gathered and managed resources to create new enterprises. In sum, the economic entrepreneurial behavior can be explained under the following points:

- (i) Entrepreneur acts as the merchant-adventure.
- (ii) He manages large production projects.
- (iii) He is viewed as risk-taker.
- (iv) He operates an enterprise for personal gain.
- (v) He contributes his own initiative, skill, and ingenuity in planning, organizing, and administering the enterprise.
- (vi) He assumes the chance of loss and gain consequent to unforeseen and uncontrollable circumstances.
- (vii) The net residue of receipts of the enterprise after all costs have been paid, he retains for himself.
- (viii) He has will to conquer in a competitive battle.
- (ix) He launches his own venture from scratch. He nurses it into successful businesses with his instinct for opportunity and sense of timing.
- (x) In this behavior, economic incentives are the main drive for entrepreneurial activities.

### 2. Innovative Behavior

There is another type of entrepreneurial behavior which is innovative and creative. Schumpeter described entrepreneurship as a force of creative destruction whereby established ways of doing things are destroyed by creation of new and better ways to get things done.

The entrepreneur seeks to reform or revolutionize the pattern of production by exploiting an invention. He produces new commodity or manufactures an old one in a new way. He opens up new sources of supply of materials.

Peter F. Ducker has also described this entrepreneurial role and behavior as one of gathering and using resources. But he added that “resources, to produce results, must be allocated to opportunities rather than problems. In progressive opportunities, not used to ensure administrative efficiency.

Robert Ronstadt says, “Entrepreneurship is the dynamic process of creating, incremental wealth’s.”





In sum, this entrepreneurial behavior points out the following things:

- (i) Entrepreneurship is a powerful force, challenging the order of society.
- (ii) Entrepreneurs are innovators, the movers, and shakers who constructively disrupt the status quo.
- (iii) They incubate new ideas; have vision for growth, commitment to constructive change, persistence to gather necessary resources, and dedication to achieve unusual results.
- (iv) The behavior of the entrepreneur often differs from the role of the innovator. Although innovation may be vital to being entrepreneurial, it becomes entrepreneurial only when carried into production to benefit society.
- (v) They can transform society through innovation. They put economic development and society on a new course.

### 3. Ethical and Social Behavior-

The life of entrepreneur is not easy. He takes risks with his own capital. He expends greater energy than the average businessman in order to innovate. But in such stressful situations and difficulties, he required establishing a balance between ethical exigencies, economic expediency, and social responsibility. He must be supportive of laws and professional codes of ethics. In fact, entrepreneurs usually develop an internal ethical code. They determine ethically appropriate courses of action. They remain sensitive to general social norms in the community, as well as pressures from their competitors. Entrepreneurs try to study of whatever is right and good for humans. They adopt business practices in light of human values.

According to sociologists. Entrepreneurial behavior is most likely to emerge under a specific social culture. According to them, social functions, and cultural values are responsible for the emergence of entrepreneurship Society's values are the most important determinant of the attitudes and behavior of entrepreneur. In most countries, entrepreneurs have emerged from a particular socio-economic class. Marx Weber also pointed out that entrepreneurial growth and behavior were dependent upon ethical value system of the society concerned.

### 4. Psychological Behavior-

Psychologists tend to view entrepreneurial behavior in behavioral terms as achievement-oriented individuals who always seek challenges and new accomplishments. Entrepreneurs have achievement-needs. They also have the need for independence. They exhibit different personality traits, motives, and lifestyles. Their behavior is reflected from such traits as independence, ambitiousness, extroversion, optimism, positive response to challenges etc. They exploit opportunities to take advantage of favorable conditions. They make good decisions under uncertainty. 'Work itself', not monetary gain, is a fullest satisfaction for them. They have the tendency to strive for success even in adverse situations. It is the motive of achievement that guides the actions of entrepreneur. They stress standards of excellence, self-reliance, and self-satisfaction.

### 5. Creative Behavior-

One of the features of entrepreneurial behavior in the ability to create new and useful ideas that solve the problems and challenges people face every day. Zimmer says, "Entrepreneurs' ideas have transformed the world. "They have new ways of looking at problems and opportunities to enrich people's lives. They succeed by thinking and doing new things. Creative thinking has become a core business skill, and entrepreneurs lead the way in developing and applying that skill.

Creativity is not only an important source for building a competitive advantage, but it also is a necessity for survival. When developing creative solutions to modern problems, entrepreneurs must go beyond merely using whatever has worked in the past

According to Simmerer and Scarborough, creative entrepreneurs tend to:

- Always ask the question "Is there a better way?"
- Challenge custom, routine, and tradition.
- Be reflective, often staring out windows, deep in thought.





- Be prolific thinkers. They know that generating lots of ideas increases the likelihood of coming up with a few highly creative ideas.
- Play mental games, trying to see an issue from different perspectives.
- Realize that there may be more than one “right answer.”
- See mistakes and failures as mere “pit stops” on the way to success.
- See problems as springboards for new ideas.
- Relate seemingly unrelated ideas to a problem to generate innovative solutions.
- Have “helicopter skills,” the ability to rise above the daily routine to see an issue from a broader perspective and then swooping back down to focus on an area in need of change.

### **Social Responsibility of Entrepreneurs**

Business depends on the society for its existence, growth, and promotion. Hence, entrepreneurs have a definite social role and responsibility towards the society. They must act in ways that enhance the community’s well-being.

### **DEFINITION OF SOCIAL RESPONSIBILITY**

According to Koontz and O’Donnell, “Social responsibility is the personal obligation of every one, as he acts in his own interest, to assure that the rights and legitimate interests of all others are not infringed.”

H.R. Bowen defines as “Social responsibility is the obligation to pursue those policies. To make those decisions or to follow those lines of action which are desirable in terms of objectives and values of our society?”

### **VIEWS OF SOCIAL RESPONSIBILITY**

There are two opposing views of social responsibility. These regard social responsibility in different ways. For example, it has been called as “profit making only”, “going beyond profit making”, “voluntary activities”, “concern for the broader social system”, and “social responsiveness.” A great deal of attention has been focused on the extremes.

1. **Classical View:** It holds that entrepreneur’s only social responsibility is to maximize profits. It is a purely economic view. The most outspoken advocate of this approach is Milton Friedman. He argues that entrepreneur’s primary responsibility is to earn financial return for stockholders. He also argues that to spend firm’s resources for the “social good” is adding to the costs of doing business. These costs have to be passed on to consumers either through higher prices or absorbed by stockholders through a smaller profit returned as dividends.
2. **Socio-economic View:** It holds that entrepreneur’s social responsibility goes beyond making profits to include protecting and improving society’s welfare. This view supports the belief that society’s expectations have changed. Business enterprises are not independent entities responsible only to stockholders. They also have a responsibility to the larger society that endorses their creation through various laws and regulations and supports them by purchasing their products and services. The proponents of the socio-economic view believe that business enterprises are not just merely economic institutions; Society accepts and even encourages businesses to become involved in social, political, and legal issues.
3. **Balanced View:** According to Henry Ford II, socially responsible behavior of an entrepreneur not only helps the society but is also self-rewarding for the venture in several ways, If a firm concentrates on social goals at the expense of its legitimate profits, it is likely to harm its economic health in the long run. Similarly, on the other hand if a firm lays out blown emphasis on profit at expense of its social concern, it is likely that it may find itself abandoned and destroyed by the people it has ignored. It is therefore desirable that



business should strike some kind of balance between degree of profitability and social action. It is to be understood that profit can be earned and rather more by being socially responsible. While estimating profits one should take into account not only economic gains or losses, new worth, assets and liabilities etc. expressed in money terms but also in terms of people's aspirations, long-term return on social investments, and economic benefits realized, or as yet unrealized resulting from social actions. He observed, "The social conscience must be reconciled with profit motive."

4. **From obligations to Responsiveness View :** We can understand social responsibility better if we look at the new concept of 'Social responsiveness' As Figure 15.1 illustrates, social obligation is the obligation of an entrepreneur to meet its economic and legal responsibilities. The firm does the minimum required by law. Following an approach of social obligation, firm pursues social goals only to the extent that they contribute to its economic goals, this approach is based on the classical view of social responsibility; that is, the business feels its only social duty is to its stockholders.

In contrast to social obligation however both social responsibility and social responsiveness go beyond merely meeting basic economic and legal standards. Social responsibility adds an ethical imperative to do those things that make society better and not to do those that could make it worse. A Socially responsible firm goes beyond what it must do by law or chooses to do only because it makes economic sense to do what it can to help improve society because that's the right, or ethical, thing to do. Social responsibility requires business to determine what is right or wrong and to make ethical decisions and engage in ethical business activities. A socially responsible enterprise does what is right because it feels it has a responsibility to act that way.

5. **Modern View: Ducker's View:** According to Peter F. Ducker earlier views of social responsibilities of business centered in three areas. One was the question of the relationship between private ethics and public ethics. The second major area was the social responsibility which the employer bears toward his employees by virtue of his power and wealth. Finally, social responsibility was the term used to assert-or-assign leadership responsibility of the businessman with respect to the "culture" of the community such as support to the community welfare, service as a trustee or giving money to philanthropic and other community causes.

According of society. Ducker writes, "The emphasis is on the contribution business can make to such social problems. This new concept of social responsibility demands that business take responsibility for social problems, social issues, social and political goals and that it become the keeper of society's conscience and the solver of society's problems."

### **IMPACT OF SOCIALLY RESPONSIBLE ENTREPRENEUR ON HIS ECONOMIC PERFORMANCE**

This is an important question to ask: How do socially responsible entrepreneurs and their activities affect their enterprises' economic performance? A number of research studies have looked at this question. The majority showed a positive relationship between social involvement and economic performance. One study found that entrepreneurs' social performance was positively associated with both prior and future financial performance. However, it may be noted that impact of social responsibility on a firm's profits-positive or negative- takes a number of years to manifest itself

Mr. J.R.D. Tata once observed, "While profit motive no doubt provides main spark for any economic activity, any enterprise which is not motivated by considerations of urgent service to the community becomes outmoded soon and cannot fulfill its real role in a modern society."

Peter F. Ducker a legendary figure in the field of management, observes, "The root of the confusion is the mistaken belief that the motive of a person-the so-called profit motive of the businessman-is an explanation of his behavior or high guide to right action, Whether



there is such a thing as a profit motive at all is highly doubtful. Actually, a company can make a social contribution only if it is highly profitable.

The business's economic performance is society's first need and interest. Society does not stand to gain but to lose if the economic performance of the business is poor. Unless entrepreneur discharge its performance responsibility it cannot discharge anything else. A bankrupt business is not a desirable employer, nor will it create the capital for tomorrow's jobs. It is not enough for business to do well (to earn profit); it must also do good (social contribution). But in order to "do good", a business must first "do well" (and indeed "do very well"). The important conclusion is that there is little evidence to say that an entrepreneur's socially responsible actions significantly hurt its long-term economic performance. Given political and social pressures on business to be socially responsible, this means that entrepreneurs should take social goals into consideration as they operate the venture.

### **SOCIAL RESPONSIBILITY DEBATE**

The development of business and industry in modern age has accompanied by a clear change in the attitudes of society and the business community itself about its obligation to society. The classical view believes that the entrepreneur has only one responsibility-to maximize profits. On the other hand is the socio-economic view that believes the organization has a responsibility to all the groups in its social-economic environment, to promote their welfare due to many reasons. Some arguments on both sides of this debate may be described below:

#### **Arguments 'For' Entrepreneur's Social Responsibility**

The major arguments supporting a major role for the social responsibility of entrepreneurs are as follows:

1. Public Expectations
2. Long-run Viability
3. Public Image
4. Better Environment
5. Avoidance of Government Regulation
6. Balance of Responsibility and Power
7. Let Business Try
8. Huge Resources
9. Problems can become Profits
10. Entrepreneurs have Prime Responsibility for Social Issues
11. Service to Society
12. Sharing Government Burden
13. Interlinked Goals

Skills in providing direction to the community welfare activities. As social demands come to have greater impact on the operations of business, the social responsibilities would also have to become an important feature of the business enterprises.

#### **Arguments "Against" Entrepreneur's Social Responsibility**

The major arguments against the assumption of broad social responsibilities include the following:

1. Loss of Profit Maximization
2. Cost
3. Lack of Skills
4. Dilution Purpose
5. Too Much Power
6. Lack of Accountability
7. Lack of Support



## HOW MUCH SOCIAL RESPONSIBILITY

In view of the ongoing controversy with respect to whether or not an entrepreneur has a social responsibility, we can find a wide range of business responses to the issue. According to Griffin (1990), business positions on the issue tend to fall within four categories: (a) social opposition, (b) social obligation, (c) social response, and (d) social contribution, ranging from low to high levels of socially responsible behavior. These are described below and shown in Figure

## SCOPE OF SOCIAL RESPONSIBILITY OF ENTREPRENEURS

Business enterprise is a social institution. Entrepreneurs are linked with different groups of society. Clearly, entrepreneurs must act in ways that enhance the community's well-being. A global entrepreneur is responsive to the social challenges of the times. He is required to discharge social responsibilities not only towards society but also towards other social groups like customers, employees, government, suppliers, unions, creditors, and the global community.

The areas of social responsibility of entrepreneurs can be classified as:

- (A) Responsibility towards business constituents.
- (B) Responsibility towards the natural environment.
- (C) Responsibility towards general social welfare.
- (D) Responsibility towards global community.

### (A) Social Responsibility Towards Business Constituents

The business has a variety of groups that are directly affected by it and that have a stake in its performance. These are people and organization to whom an entrepreneur should be responsible.

#### I. Towards the Business Enterprise Itself

This is very clear that only a healthy business can perform its social obligations. Hence, a business must remain an efficient and profitable unit. For making deeper impact on society, a business needs to exercise some kind of self-regulation as part of its social responsibilities. The responsibilities of entrepreneur towards business itself must be as follows

1. Entrepreneur must act with the larger goals of society.
2. He must be more open and profitable unit on the public scene.
3. He should adopt a clear-cut theory of corporate profits and governance.
4. He must run business efficiently by making optimum use of resources.
5. He must restore public confidence by creating a good image of business.
6. He must always, in every decision and action, put economic performance first. Business can only justify its existence and its authority by the economic results it produces, (Duckers)
7. Duckers say, "Business also has major responsibility for creative action. It is not just a creature of the economy; it is a creator as well."
8. He must achieve the goals of business and "master" its environment. Its responsibility is to create a customer.
9. Duckers writes, "The first responsibility to society is to operate business at a profit, and only slightly less important is the necessity for growth. Business must maintain its wealth-producing resources intact by making adequate profits to offset the risk of economic activity."
10. He must participate in the formulation of public policy.

#### II. towards the Investors

A shareholder contributes money for the capital of the company. The entrepreneurs have a number of responsibilities towards owners:

1. To provide a good return of their investment along with a degree of security.
2. To give stockholder maximum information about operating conditions, policies, and objectives of the firm.
3. To send annual report and to give notice of meetings in time,





4. To increase stock by investing the capital into profitable schemes.
5. To hold regional meetings to give a large number of owners the opportunity to meet, discuss, and better understand corporate tasks and actions.
6. To safeguard the interests of shareholders and to build up adequate reserves.
7. To adapt company to the changing environment, innovate and diversify to keep it going strong.

### III. towards Creditors, Suppliers, and Dealers

Entrepreneurs are charged with the responsibility of promoting fair and healthy business relations with all these parties. An entrepreneur should protect their interest in the following ways:

1. To provide accurate and correct information to creditors and suppliers.
2. To make fair, adequate and prompt payments in respect of price or interest.
3. To create healthy co-operative inter-business relationship.
4. To avoid malicious propaganda, price-cutting, cut-throat competition, unhealthy combinations, interference in production and distribution, and other dishonest trade practices.
5. To maintain a balance between heavy, small and cottage industrial units.
6. To promote growth of professional management.

### IV. towards the Employees

Employees are a major group towards whom the business entrepreneur has significant responsibilities. Employees are more important than technology or money they produce wealth. They give their best service and share in the resulting benefit. Entrepreneur's basic obligation to its employees is:

1. To place an employee in a position for which he is best suited by his skills and interest.
2. To provide opportunities for meaningful work.
3. To create better working conditions and to provide good physical facilities.
4. To provide a steady job and promote economic security.
5. To recognize the workers' right to a fair wage, a right to participate in decisions affecting their working life, to membership of a trade union, to collective bargaining and the right to strike.
6. To win the co-operation of the employees by promoting human relations programme.
7. To satisfy "employee dignity" by allowing him work freedom, self-realisation. It is the responsibility to treat each employee as an entity and not as an impersonal part of a group of humans.
8. To provide the opportunity for training, promotion and advancement.
9. To recognize their social and mental needs beyond their economic needs. It is the responsibility "to hire the
10. whole person"
11. To settle employees' grievances and disputes smoothly.
12. To start welfare and profit sharing plans for employees.

### V. Towards the Customers

"Customers are the lifeblood of every business." It pays to be customer-minded;" Customers are a part of our business, not outsiders." "The customer is always right." These statements illustrate that customers are a firm's most valuable asset. To the consumer, the business owes a lot. The major social responsibilities of entrepreneurs are:

1. To ensure products of quality and standard specifications at a fair and reasonable price.
2. To maintain accuracy in weights and measures of goods offered for sale.
3. To ensure that there is no adulteration or artificial shortage of goods.
4. To inform consumers of correct prices and adhere to ethical advertising
5. To avoid hoarding and unreasonable profiteering.
6. To refrain from indulging in unlawful activities like smuggling of goods. Under-invoicing. Trade of spurious goods. Misleading names, creation of monopolies, etc.
7. To build integrity into products-to produce goods which are constantly being improved?





8. To ascertain consumer preferences and consumer satisfaction.
9. To ensure after-sale-servicing and courtesy to customers.
10. To maintain prescribed safety standards and packaging requirements.
11. To furnish needed information to prospective customer concerning product composition and its quality.
12. To work within the framework of various consumer laws and legislations.
13. To ensure hygienic disposal of smoke and waste.
14. To ensure the health and safety of customers.
15. To respect the integrity of the culture of our customers.

VI. Towards Competitors

VII. Towards the Community or the Public

VIII. Towards the State

IX. Towards Professional Institutes and Trade Associations

### **Towards Global Community-**

The whole world is getting smaller every day the mobility of employment, capital, products, and technology is making business increasingly global in its transactions and its effects. The business is increasingly becoming international. Thus, today's global entrepreneur owes certain responsibilities towards the world society.

### **(B) Responsibilities towards the Natural Environment**

Industry is bound to produce waste and pollution, along with needed goods and services. Various forms of pollution, waste, and consumption of natural resources are the price society pays for required commodities. Industrial Organizations indiscriminately dump sewage, waste products, and trash into streams and rivers, into the air, and on vacant land. These are the unavoidable by-products of a high level of industrial activity.

The entrepreneurs should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources. They should "find a happy medium between industrial productions. They should reduce the volume of pollution and should lessen its burden on society. They develop feasible ways to avoid contributing to acid rain, the global warning: to avoid depleting the ozone layer, and should develop alternative methods of handling sewage, hazardous wastes, and ordinary garbage. Entrepreneurs should recycle waste products. They should also develop safety policies that can reduce disastrous environmental results.

### **(C) Responsibilities towards General Social Welfare-**

The entrepreneur should not participate in or condone bribery, money laundering, or other corrupt practices : indeed

he should seek cooperation with others to eliminate them.

Some people believe that in addition to catering the needs of various groups' entrepreneurs also should promote the

General welfare of society. They should play a role in improving public health and education. They should correct

the social inequities. Keith Davis says that an enterprise should organize itself to detect, anticipate, and respond to

the social forces and trends that might become important in the future. The entrepreneurs must promote social goals.

They should observe social ethics. They should attempt to consider society's ethical standards. Alvin Toffler takes

Note of the broadened social role of business. Speaks of the multipurpose corporation which is "no longer



Responsible simply for making a profit or producing goods but for simultaneously contributing to the solution of

Extremely complex ecological, moral, political, racial, sexual, and social problems.”

## SOCIAL RESPONSIBILITY OF INDIAN ENTREPRENEURS

In India, the need for business entrepreneurs to discharge their social responsibilities has been emphasized time and again by eminent personalities, politicians, economists, social reformers and thinkers. This is because considering enormity of problems, the government alone cannot be expected to do everything for welfare of society, Business enterprise is expected to be socially responsible not only towards society but also towards other social groups like investors, consumers, employees and the government

In post independence era, Sarvodaya leader, late Mr. Jaya Prakash Narayan acted as a pioneer in promoting the concept of business social responsibilities, During sixties, a number of conferences, seminars and workshops on social responsibilities of entrepreneurs were held in India. These were addressed by eminent political and social personalities of India. Galaxy of eminent persons who addressed these seminars in past included Mr. Lal Bahadur Shastri, C.D. Deshmukh, Rao Birendra Singh, Minoo Masani, Sharu Rangnekar etc.

Social performance of business entrepreneurs in India has been by and large satisfactory. But looking to the number of problems and challenges which the country faces progress made so far can by no means be viewed as sufficient. The success achieved so far on the part of Indian entrepreneurs can at best be called a good beginning in this pursuit. A number of industrial entrepreneurs pursued social responsibilities. Involvement of several business entrepreneurs in welfare activities can be traced back to periods of national calamities like folds, cyclone, earthquakes, epidemics, and drought when they worked to provide relief to the victims. In the private sector, involvement of the Tata, Birla, Maftalal Group of Industries, the ACC Limited, the ITC Limited, The Hindustan Lever Limited, etc. has been particularly noteworthy. Organizations like the Tata Iron and Steel Company (ITISCO) and the Indian Tobacco Company (ITC) have been pace-setters. In public sector, the performance of social responsibility of organizations like the Oil and Natural Gas Commission (ONGC), The Bharat Heavy Electricals Limited (BHEL), The Steel Authority of India Limited (SAIL) has been worthy of praise. The ONGC during 1984-85 donated a massive sum of two crore of rupees to the City Industrial Development Corporation, Bombay for purposes o slum improvement, road construction, city cleanliness, development of children parks and playgrounds, city beautification including beach development and laying of water pipelines. Likewise the contributions made by SAIL and the BHEL have been no less. The Birla group of industries is known for building up a series of temples in the country. Establishment of the Birla Institute of Science and Technology at Pilani is a reflection of Birla Group's concern for development of science and social cause. The Asian Paints, a socially responsible enterprise in private sector, keeps participating in community welfare programmes from time to time In past it funded a Rs.60 lakhs community development projects. The Associated Cement Companies Limited (ACC) is pioneer in the field of social responsibilities. It launched many village welfare schemes, and rural industrialization, health care and education programme.

It is clear from the above list that a large number of business organizations and entrepreneurs in India have discharged their social responsibilities quite satisfactorily. However, entrepreneurs in India should now discharge their social responsibilities especially in the following fields:

- (a) Rational use of natural resources and conservation of natural environment.
- (b) Control of pollution.
- (c) Removal of unemployment by establishing new industrial units in rural
- (d) Health and Hygiene Programmes.
- (e) Technical education and training facilities in rural areas.
- (f) Creation of housing facilities in villages.
- (g) Financial support for starting small scale units in rural areas.



## Entrepreneurial Development Programmes

Entrepreneurs are inspired people. They are motivated skilled adventurers. Entrepreneurs are not necessarily born. They can also be developed through education training and experience. Entrepreneurial talent exists in every society and in all sections of the society. The social-economic environment finds the emergence of entrepreneurial talent. Entrepreneurial development seeks to provide constructive direction for those who choose a career path different from traditional roles.

Entrepreneurship development is a prerequisite for overall economic development of any country. The growth of a nation depends upon the skilled entrepreneurs. But the supply of entrepreneurial talent depends upon the business and industrial climate prevailing in the country. "It is common experience anywhere that entrepreneur is a scarce but most important agent of economic development of any country. The supply of entrepreneurs always lags behind the need generated by the requirements of development efforts. It is believed that in India a tremendous entrepreneurial talent exists which if properly developed and motivated, can help accelerate the pace of socio-economic development. Today, entrepreneurial development programmes (EDPs) for various target groups of population in the country are being offered by a large number of organization with a view to utilize the entrepreneurial ability for the progress of the country.

## MEANING AND DEFINITION OF ENTREPRENEURIAL DEVELOPMENT PROGRAMMES

Entrepreneurial development is an act of encouraging people for entrepreneurial career and making them capable of exploiting business opportunities. It is not simply a training task. It is the act of motivating and developing skills of potential entrepreneur and helping them in developing their own ventures.

According to Prof. Pareek and Nadkarni, "Operationally, entrepreneurship development would mean development of entrepreneurs and promotion of increased flow of individuals to entrepreneurial ranks."

In addition, entrepreneurial development (EDP) may be defined as "a programme designed to help an individual in strengthening and fulfilling his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively." To achieve this object, it is necessary to promote his understanding of motives, motivation pattern, their impact on behavior and entrepreneurial value.

## NATURE OR CHARACTERISTICS OF ENTREPRENEURIAL DEVELOPMENT PROGRAMME

1. Entrepreneurial development is essentially an educational process.
2. It is an Endeavour in human resource development.
3. It is an organized and systematic development.
4. It is regarded as tool of industrialization and a solution to unemployment problem.
5. An EDP is based on the belief that individuals can be developed, their outlook can be changed, and their ideas can be converted into action through training.
6. It is based on entrepreneurial motivation.
7. EDP is primarily meant for developing those first generation entrepreneurs. Who on their own cannot become successful owners of enterprises?
8. It is a continuous process of training and motivation to set up enterprises. It cannot create magical result.
9. It is not totally based on training. The whole process extends much beyond 'training'. Much of it is personal counseling and support.
10. Environment factor also play a very crucial role in the success of EDP. Hence, EDP conducting agencies and trainers alone cannot develop entrepreneurs.
11. The quantitative craze and emphasis on statistical output have forced manipulations in EDPs. The impact and quality of the programmer (EDP) matters more than the number.
12. Most EDPs are State-sponsored.
13. The EDP's uniqueness lies in its integrated approach, which provides instructions, counseling, motivation and all-round facilities.
14. EDP has emphasis on operational rather than academic training.
15. It is adapted to local needs.
16. It is catalyst for developing industry and economic programmes.



## NEED, IMPORTANCE AND RATIONALE OF EDP

Entrepreneurial development programme is an effective way to develop entrepreneurs which can help accelerate the pace of socio-economic development, balance regional growth, exploitation of locally available resources. It can also create gainful self-employment. An EDP equips entrepreneurs and makes them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneurs to face uncertainties and take profitable risks. It prepares them to deserve and make good use of various forms of assistance.

EDP can be beneficial in the following ways:

1. Economic Growth :
2. Balanced Regional Development :
3. Eliminates Poverty and Unemployment :
4. Optimum Use of Local Resources :
5. Solves Industrial Problems :
6. Defuses Social Tension :
7. Development of Backward and Tribal Areas :
8. Successful Launching of New Units :
9. Improves Standard of Living :
10. Fulfillment of Dreams :

## OBJECTIVES OF EDP

The objectives of entrepreneurial development programme may be divided in two categories: short-term objectives and long-term objectives. Short-term objectives are those which are to be achieved immediately after the completion of the programme. Long-term objectives relate to equipping the people with all the skills required for the establishment and smooth running of business ventures.

The main objectives of EDP are:

1. To identify and train potential entrepreneurs.
2. To impart training in managerial understanding facilities.
3. To provide post-training assistance and monitoring facilities.
4. To develop and strengthen entrepreneurial quality.
5. To analyze the environmental issues related to the proposed project.
6. To select the right project and product.
7. To formulate the profitable projects.
8. To know the sources of help and incentives and subsidies to set up the project.
9. To know the pros and cons of being an entrepreneur.
10. To increase the supply of entrepreneurs for industrial development.
11. To develop small and medium enterprises sector.
12. To industrialize rural and backward regions.
13. To provide gainful self-employment to educated young men.
14. To encourage first-generation entrepreneurs who do not have any business background.
15. To diversify the sources of entrepreneurship.
16. To develop wide vision about the business and passion for integrity and honesty.
17. To harness the vast untapped human skills and to channelize them into accelerating industrialization.

## PHASES OF OR STAGES, STEPS IN EDP

Entrepreneurial development programme is a wide endeavour which is related to develop various entrepreneurial traits, skills, attitudes, motives, vision, and capabilities necessary for playing entrepreneurial role effectively. It consists of five broad phases of stage described below:

- I. Initial Preparations
- II. Identification and Selection of Potential Entrepreneurs
- III. Training and Development Phases
- IV. Providing Support Systems
- V. Monitoring and Follow-up

A brief description of each stage is given below:





## I. Initial Preparations

This phase includes the preparatory activities required to launch the training programme. This comprises the following:

- (a) Pre-potential survey of environmental opportunities.
- (b) Publicity campaign for the programme.
- (c) Creation of infrastructure for training.
- (d) Laying down policy issues related to the objectives of the programmes.
- (e) Determining criteria of success, recruitment, selection, and training of trainers.
- (f) Development of training materials.
- (g) Tie-up of guest faculty.
- (h) Arrangement for inauguration of the programme.
- (i) Designing tools and techniques for selecting the trainers.
- (j) Formation of selection committee.
- (k) Development of application form.
- (l) Survey of viability of the programme.

## II. Identification and Selection of Potential Entrepreneurs

The most important step in the EDP is the proper identification and selection of potential entrepreneurs. A selection of unsuitable person may be a national waste of money and time as well as a disservice to the person concerned. His failure in business would result not only in loss of morale and prestige but also in wastage of productive resources. This may also create a pessimistic environment towards productive resources. This may also create a pessimistic environment towards entrepreneurship.

(A) **Identifying Entrepreneurial Traits:** A candidate must have a minimum level of eligibility to become an entrepreneur. He should possess certain entrepreneurial traits described below :

- (i) **Family background:** It must be related with trade, business, or occupation. Family members should have entrepreneurial awareness.
- (ii) **Age:** Younger people are more successful entrepreneurs. They can start risky ventures.
- (iii) **Education:** To perform certain functions of office and meeting officials, a minimum level of education is essential.
- (iv) **Ability to influence:** He should have good financial support and working hands to depend upon.
- (v) **Family resources:** The candidate should have good financial support and working hands to depend upon.
- (vi) **Achievement motivation:** It includes both personal achievement and social achievement.
- (vii) **Risk taking willingness:** It is the ability to seek challenge in entrepreneurial job.
- (viii) **Influence ability:** It is the ability and desire to influence other people and the surrounding environment. It is a  
Personal efficacy.
- (ix) **Aspirations:** These are the ambitions of people concerning the future level of achievement.
- (x) **Flexibility:** It is the ability to change if the situation so demands.
- (xi) **Analytical ability:** It is the ability to analyse the problems before making decisions.
- (xii) **Planning skill:**

(B) **Identification of Enterprise:** When an entrepreneur having necessary qualities is identified, it is necessary to identify a suitable enterprise or project for him. The project must be matched with the liking, willingness and required skills of the potential entrepreneur. For selecting the project for him, all the background information like his skills, experience in the field, the physical resources available, family occupation, etc. should be taken into consideration, the viability of trade in terms of financial implications should be examined also, the availability of raw materials, the sales avenues, and profitability of the enterprise have to be explored.

(C) **Target Group:** It is the group of persons for whom the EDP is designed and undertaken. Since every target group has its own needs and constraints, the largest group to be trained must be clearly defined. An entrepreneurial development programme may be organized for any of the following target groups.

- (i) Technical Persons:
- (ii) Ex-servicemen:
- (iii) Business Executives:





- (iv) Women Entrepreneurs:
- (v) Backward Castes Entrepreneurs:
- (vi) Rural Entrepreneurs:
- (vii) Unemployed Educated Youth:

### III. Training and Development Phase

EDP training helps the entrepreneur in preparing feasible and viable projects, in enhancing the skills, in taking suitable decisions, and in motivating them to become self-employed. Once the suitable candidates are identified, they have to be equipped with managerial and technical skills to start the enterprise, since the candidates have a variety of backgrounds and qualities; they need a training programme of varied contents. The contents of the training should include the following:

1. General Principles of Entrepreneurship”
2. Motivational Training:
3. Technical Knowledge:
4. Managerial Skills:
5. Project Formulation:
6. Structural Arrangement:
7. Market Survey:
8. Support Systems and Procedures:
9. Factory Visits and In-Plant Training:

### IV. Support Systems

After getting training and equipping himself with the requisite skills, the participant feels competent to set up his own enterprise. In order to start his. New venture, he requires assistance and support of many agencies which supply raw materials, tools, equipments venture capital, finance and other facilities and services, these agencies help the entrepreneur to materialize his ideas and projects. Support systems form an important part of the EDP. Credit service and implementing institutions form the backbone of EDP. The supporting institutions provide strength and co-ordination to EDP. In order to promote entrepreneurs in the country, it is necessary to develop various support systems at least in the initial stage of growth. The support system is essential to mobilize the entrepreneurial resources and inputs. These systems nurture the growth of entrepreneurs.

### V. Monitoring and Follow-up

A system of continuous monitoring and follow and follow-up is a must for the success of any entrepreneurial development programme. It must be built-in every stage of EDP. It is the mechanism through which defects and irregularities can be identified and removed. To be effective, the monitoring procedure should not be bureaucratic.

Some activities relating to the monitoring and follow-up process are as follows:

- (a) Maintaining the bio-data file and various records for each trainee.
- (b) Keeping the various records on written tests and interviews at various stages of training and post-training.
- (c) Preparing a file and record of work performance of each entrepreneur.
- (d) Maintaining contacts with every entrepreneur through letters.
- (e) Remitting the required information to the entrepreneur well in time.
- (f) Visiting the industrial unit or enterprise of every entrepreneur periodically.
- (g) Keeping follow-up meeting and a follow-up register.
- (h) Knowing about progress of self-employment job of every entrepreneur.
- (i) Knowing about the repayment of loans take by entrepreneurs.
- (j) Knowing about the coordination between entrepreneur and support system agency.
- (k) Asking about the progress report of entrepreneurs’ venture and his further projects.



## **INSTITUTIONS CONDUCTING EDPS IN INDIA**

In India, various national and State agencies are engaged in organizing EDPs for first generation entrepreneurs. These agencies are as follows:

1. National Institute for Entrepreneurship and Small Business Development (NIESBUD)
2. Entrepreneurship Development Institute of India (EDII)
3. Small Industries Development Organization (SIDO)
4. Indian Investment Centre
5. National Institute for Small Industry Extension and Training (NISIET), Hyderabad
6. Small Industry Development Bank of India (SIDBI)
7. Xavier Institute of Social Services, Ranchi
8. Madhya Pradesh Consultancy Organization Ltd.
9. Calcutta 'Y' Self-Employment Centre
10. Technical Consultancy Organizations (TCOs)

## **INSTITUTIONAL EFFORTS FOR 'EDPS' IN INDIA**

After getting independence, India made efforts for industrial development, recognizing the key role of entrepreneurship in economic development, the Government of India decided to assist the potential entrepreneurs through several positive programmes. These programmes were designed to provide various types of assistance and facilities to small scale and other entrepreneurs. These included finance, technical know-how, market information, factor inputs, raw materials, project guidance etc. Several institutions have been set-up at the all India and State levels to provide these services to the existing and new entrepreneurs. The various efforts are described below:

1. Efforts by Development Banks:
2. Efforts by State Level Financial Institutions:
3. Efforts by Entrepreneurship Development Institutions:
4. Efforts by Gujarat Government:
5. Efforts by Uttar Pradesh Government:

## **CRITICAL EVALUATION OF EDPs IN INDIA**

The present growth and success of EDPs in backward areas is far from satisfactory. It is observed that efforts made by various institutions have been limited and somewhat haphazard. The programmes conducted by various agencies vary in duration, selection procedures, and course contents etc. The contribution of EDPs has been very uneven among various areas and State.

EDPs are presently operating only in few states. In rural areas, their operations are not satisfactory and up to the mark. Even within industrially developed state, there many areas which have remained backward. The reasons for this slow growth have been the environmental factors such as adverse terrain, soil, climate etc., and lack of entrepreneurial spirit.

1. Lack of Co-ordination:
2. Inappropriate Support system:
3. Costly Affair:
4. Not Catered to our Needs:
5. Lack of Innovative Functions:
6. Improper Selection of Projects:
7. Poor Financial Management:
8. Non-Availability of Inputs:
9. Shortage of Technical Manpower:
10. Unsatisfactory Infrastructure Facilities:
11. Delays in Project Implementation:
12. Multiplicity of Government Agencies:
13. Dependency upon Middlemen:



## SUGGESTIONS TO MAKE EDPS MORE EFFECTIVE

Entrepreneurial development programme is an important innovative strategy for developing human resources. In spite of above weaknesses, the agencies are doing their sincere efforts to publicize the EDP' to first generation entrepreneurs. The following suggestion can improve the viability of EDPs.

1. Effective Composition:
2. Practical Content:
3. Effective Support Services:
4. Proper Selection of Entrepreneurs:
5. Inter-disciplinary Approach:
6. Ensuring Commitment:
7. Conceptual Clarity:
8. Facilities and Inputs:
9. Trainer's Role:

## Role of Government in Entrepreneurial Development

Entrepreneurial development plays an important role in industrial production, employment generation, and exports. The Government provides many incentives and support facilities for the promotion of entrepreneurs in India. Entrepreneurs need these incentives for setting up industries of their own. These incentives are also necessary to initiate expansion and modernization programme. By providing assistance and incentives, the government can accelerate the process of entrepreneurial development.

New ventures involve high risks. But these risks can be minimized by proper guidance and training provided by the government.

## GOVERNMENT INCENTIVES, SUBSIDY, AND ASSISTANCE

The basic purpose of government incentives and help is to encourage an entrepreneur to undertake new entrepreneurial activities for increasing the supply of goods and services in the country. Incentives are motivational forces which improve productivity of entrepreneurs. They enable the entrepreneurs to take appropriate decisions.

### Need and Importance of Government's Role

The need for providing assistance and incentives to entrepreneurs arises due to the following reasons:

- (a) To encourage entrepreneurs to undertake new ventures.
- (b) To develop their units in backward areas.
- (c) To promote balanced regional development and to ensure uniformity in the development process of all regions.
- (d) To develop first generation entrepreneurs to work for industrial development of the country.
- (e) To improve the competitive strength of entrepreneurs to face competitive environment of the industry.
- (f) To remove impediments and economic constraints in the way of entrepreneurial development.
- (g) To create motivational force to improve productivity of entrepreneurs.
- (h) To initiate expansion and modernization programme.
- (i) To accelerate the process of industrialization.
- (j) To build infrastructural facilities for setting up units.

## GOVERNMENT ROLE IN THE FORM OF ASSISTANCE AND INCENTIVES

The Government plays a vital role in entrepreneurial development by providing the following types of assistance and incentives:

### I. GOVERNMENT ASSISTANCE

1. Technical Assistance
2. Assistance of obtaining raw material
3. Cash Assistance
4. Supply of plant and machinery on hire-purchase basis
5. Marketing Assistance
6. Assistance to small entrepreneurs



7. Rural Industrial Project Assistance

**II. GOVERNMENT INCNTIVES**

1. Subsidy relating to Investment
2. Export/Import Subsidies and Bounties
3. Subsidy relating to Research and Development
4. Subsidy relating to Taxes
5. Subsidy relating to Resources
6. Capital Subsidy Scheme for Technology Up gradation
7. Excise Duty Exemption

**III. GOVERNMENT SCHEMES FOR INFRASTRUCTURE**

1. Industrial Estates Programme
2. Integrated Infrastructural Development Scheme
3. Small Industry Clusters
4. Industrial Growth Centers Scheme
5. Export Processing Zones
6. Industrial Parks

**IV. OTHER ROLES FO GOVERNMENT**

All the above points are discussed below in brief:

1. Investment Promotion and Infrastructure Development Cell :
2. Technological Development Fund Scheme :
3. Entrepreneur Assistance Unit :
4. Indian Institute of Entrepreneurship, Guwahati :
5. Entrepreneurship Development and Management development Programmes :
6. National Entrepreneurship Development Board (NEDB)

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