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# Entrepreneurship



Polyhydron Private Limited, Karnataka, India, an example of entrepreneurship.

***"The entrepreneur is essentially a visualizer and an actualizer. He can visualize something, and when he visualizes it he sees exactly how to make it happen."***

**—Robert Schwartz**

## Learning Objectives

- To understand the importance of entrepreneurship
- To introduce concepts of entrepreneurship
- To identify the characteristics of a successful entrepreneur
- To identify various types of entrepreneurs
- To identify the myths of entrepreneurship
- To discuss entrepreneurial development models
- To present the problems faced by entrepreneurs and capacity building for entrepreneurship.
- To present the profiles of some successful entrepreneurs

## IMPORTANCE OF ENTREPRENEURSHIP

Entrepreneurial development today has assumed special significance, since it is a key to economic development. The objectives of industrial development, regional growth, and employment generation depend upon entrepreneurial development.

Entrepreneurs are, thus the seeds of industrial development and the fruits of industrial development are greater employment opportunities to unemployed youth, increase in per capita income, higher standard of living and increased individual saving, revenue to the government in the form of income tax, sales tax, export duties, import duties, and balanced regional development.

In practice, entrepreneurs have historically altered the direction of national economies, industries, or markets. They have invented new products and developed organisations and the means of production to bring them to market. They have introduced quantum leaps in technology and more productive uses. They have forced the reallocation of resources away from existing users to new and more productive users. Many innovations have transformed the society and altered our pattern of living, and many services have been introduced to alter or create new service industries.

India needs entrepreneurs. It needs them for two reasons: to capitalise on new opportunities and to create wealth and new jobs. A recent McKinsey & Company–Nasscom report estimates that India needs at least 8,000 new businesses to achieve its target of building a \$ 87, billion IT sector by 2008. Similarly, by 2015, 110–130 million Indian citizens will be searching for jobs, including 80–100 million looking for their first jobs; that seven times Australia's population. This does not include disguised unemployment of over 50 per cent among the 230 million employed in rural India. Since traditional large employers—including the government and the old economy players—may find it difficult to sustain this level of employment in the future, it is entrepreneurs who will create these new jobs and opportunities.

Fortunately, today's knowledge-based economy is fertile ground for entrepreneurs in India. The success stories of businesses built on a great idea executed by a talented team have great appeal in India, where access to capital is scarce and regulation has often created barriers to success. And young Indians have a dream: to be the next Sabeer Bhatia of India. Estimates indicate that several thousand "new economy" businesses were launched in India. This is not just a "big-town" phenomenon. For example, when McKinsey & Company launched India Venture 2000, a business plan competition to catalyse entrepreneurship in India, many of the 4,500 teams that participated were from small towns such as Meerut, Siliguri, Warangal, and Pollachi.

### Charms of Being An Entrepreneur

The most exciting part of entrepreneurship is that you are your own master. When you are an employee, you work for others according to their plans, whims and fancies. In an entrepreneurship, it is you who set the goal, plan the action and reap the satisfaction and rewards of having achieved the goal.

### Why Should You Become an Entrepreneur?

- ◆ You will be your own boss and boss to other people and make decisions that are crucial to the business' success or failure.
- ◆ You will have the chance to put your ideas into practice.
- ◆ You will make money for yourself rather than for someone else.
- ◆ You may participate in every aspect of running a business and learn and gain experience in a variety of disciplines.
- ◆ You will have the chance to work directly with your customers.
- ◆ You will have the personal satisfaction of creating and running a successful business.
- ◆ You will be able to work in a field or area that you really enjoy.
- ◆ You will have the chance to build retirement value (for example, by selling the business when you retire).

Economic development involves more than just raising the per capita income. It is a process of total and radical change in the socio-economic structure. The expansion of output and social change result in growth that will set parameters for future

#### Box 2.1 Difference between a Manager and an Entrepreneur

Entrepreneur	Manager
◆ Own boss	Salaried employee
◆ Takes own decisions	Executes the decisions of the owner
◆ Hires employees	He is an employee
◆ Uncertain rewards which can be unlimited	Fixed rewards and salary

growth. In the process of economic growth, the factors on the supply side allow expanding output, while those on the demand side determine how far growth will proceed. Failure to fully utilise the resources reduces potential capital formation and restricts future growth. What, then, is expected of an entrepreneur? To be precise, what are his functions? What is the meaning of the word entrepreneur?

## CONCEPTS OF ENTREPRENEURSHIP

“Entrepreneur” is a person who creates an enterprise. The process of creation is called as “entrepreneurship”. The word “entrepreneur” has been taken from French, where it was originally meant to designate an organiser of musical and other entertainment.

The word “entrepreneur” is derived from the French verb *entreprendre*, which means ‘to undertake’. This refers to those who “undertook” the risk of new enterprises. In the earlier part of the 16<sup>th</sup> century, the French men who organised and led military expeditions were referred to as entrepreneurs. French tradition regarded an entrepreneur as a person translating a profitable idea into a productive activity. During the year 1700, the architects and contractors of public works were called entrepreneurs. Quensnay recognised a rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence and wealth.

### SNAPSHOT

- ◆ Entrepreneurial Development is a key to socio-economic transformation of the region.
- ◆ Entrepreneurship can be defined as a process of action an entrepreneur undertakes to establish his enterprise.
- ◆ The word “entrepreneur” is derived from the French Verb *entreprendre*, means ‘to undertake’. This refers to those who “undertook” the risk of new enterprises.
- ◆ Entrepreneurial development process can be explained in five stages.

In economics and commerce, an entrepreneur is an economic leader who possesses the ability to recognise opportunities for the successful introduction of new commodities, new techniques, and new sources of supply, and to assemble the necessary plant and equipment, management and labour force, and organise them into a running concern. Whatever the economic and political setup of a country, entrepreneurship is essential for economic development.

Entrepreneurship can be defined as a process of action an entrepreneur undertakes to establish his enterprise. According to D.C. McClelland, entrepreneurship is doing things in a new and better way and decision-making under the condition of uncertainty. Benjamin Higgins has defined entrepreneurship as the function of foreseeing investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging for the supply of raw materials, and selecting to managers for the day-to-day operation of the enterprise.

According to Peter F. Drucker, entrepreneurship is neither a science nor an art. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed, the ends largely define what contributes knowledge in practice.

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In early 16<sup>th</sup> century, the entrepreneur was denoted as a dealer who bought a thing at a certain price and sold it at uncertain price, making a profit.

### Various Definitions of an Entrepreneur

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

—Encyclopedia Britannica

He is the one who innovates, and introduces something new in the economy.

—Joseph A. Schumpeter

He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.

—J. B. Say (French economist)

He searches for change, responds to it and exploits opportunities. Innovation is the specific tool of an entrepreneur.

—Peter F. Drucker

Entrepreneurs are people who have the ability to see and evaluate business opportunities; together with the necessary resources to take advantage of them; and to intimate appropriate action to ensure success.

—International Labour Organisation (ILO)

He is the one who is endowed with more than average capacities in the task of organising and coordinating the various factors of production. He is a pioneer and captain of industry.

—Francis A. Walker

He is a critical factor in economic development and an integral part of economic transformation.

—William Diamond

He is a person who is able to look at the environment, identify opportunities to improve the environment, marshal resources, and implement action to maximise those opportunities.

—Robert E. Nelson

He is the agent who buys means of production at a certain price in order to combine them into a product that is going to sell at prices that are certain at the moment at which he commits himself to his costs.

—Cantillon

The word entrepreneur is derived from a Sanskrit word called "Antaraprerana".

—Poornima Charantimath

### Entrepreneurial Development Process

Entrepreneurial development can be explained in five stages.



Kilby, Peter (1971). *Entrepreneurship and Economic development*. New York: Press.

**Stage 1** Perceiving, identifying and evaluating an opportunity

**Stage 2** Drawing up a business plan

Stage 3 Marshalling resources

Stage 4 Creating the enterprise

Stage 5 Consolidation and management

Identifying and evaluating an opportunity is a difficult task. Opportunities do not appear from nowhere. One has to be "watchful" for opportunities. Ideas can come from various sources. The opportunities should be evaluated carefully. After having identified the project, the next step is to develop a plan for the venture. A further step in the process is to assess the resource position. Once the enterprise is established, an entrepreneur should always look forward to indefinite future, to growth, development, or at least continuation.

## DISCUSSION FORUM



- ◆ Discuss the importance of entrepreneurship.
- ◆ Define the terms: entrepreneur, enterprise, entrepreneurship.
- ◆ Identify the charms of being an entrepreneur.
- ◆ Explain the entrepreneurial development process.

## CHARACTERISTICS OF A SUCCESSFUL ENTREPRENEUR

The following are some characteristics that every successful entrepreneur must possess in adequate measure.

(a) **Creativity:** The terms creativity and innovation are often used to mean the same thing, but each has a unique connotation. Creativity is "the ability to bring something new into existence". This definition emphasises the "ability", not the "activity," of bringing something new into existence. A person may therefore conceive of something new and envision how it will be useful, but not necessarily take the necessary action to make it a reality. Innovation is the process of doing new things, but creativity is a prerequisite to innovation.

### SNAPSHOT

#### The Characteristics of a Successful Entrepreneur

- ◆ Creativity
- ◆ Innovation
- ◆ Dynamism
- ◆ Leadership
- ◆ Teambuilding
- ◆ Achievement motivation
- ◆ Problem solving
- ◆ Goal orientation
- ◆ Risk taking and decision making ability
- ◆ Commitment

Ideas usually evolve through a creative process whereby imaginative people bring them into existence, nurture them, and develop them successfully. The creative process for an idea involves five stages—germination, preparation, incubation, illumination, and verification. A model of the creative process is shown in Figure 2.1.

**Germination:** The germination stage is the seeding process. It is not like planting seed as a farmer does to grow corn, but more like the natural seeding that occurs when pollinated flower seeds, scattered by the wind, find fertile ground to take root. The exact manner in which an idea is germinated is a mystery; it is not something that can be examined under a microscope. However, most creative ideas can be traced to an individual's interest in or curiosity about a specific problem or area of study.

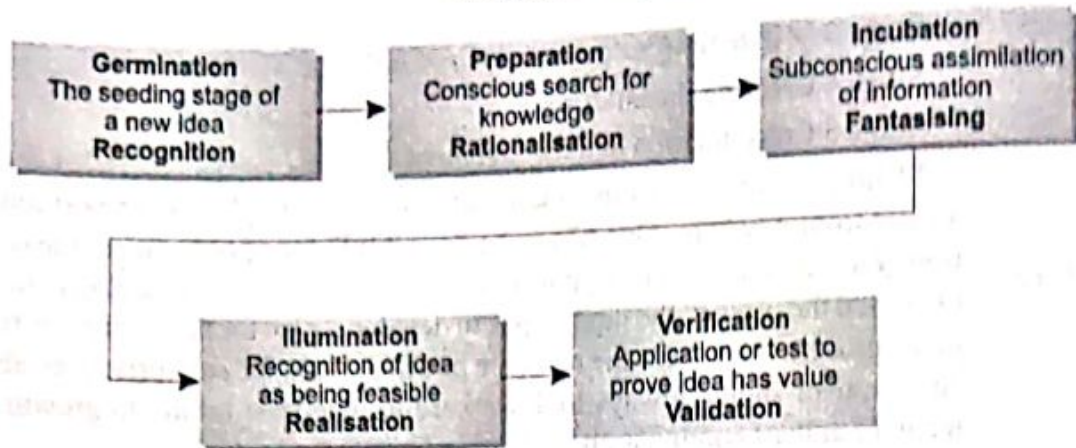


Figure 2.1 ■ The Creative Process

**Preparation:** Once the seed of curiosity has taken form as a focused idea, creative people embark on a conscious search for answers. If it is a problem they are trying to solve—such as Alexander Graham Bell's determination to help those with impaired hearing—then they begin an intellectual journey, seeking information about the problem and how others have tried to resolve it. If it is an idea for a new product or service, then market research is the business equivalent. Inventors will set up laboratory experiments, designers will begin engineering new product ideas, and marketers will study consumer-buying habits. Any individual with an idea will consequently think about it, concentrating his or her energies on rational extensions of the idea and how it might become a reality. In rare instances, the preparation stage will produce results. More often, conscious deliberation will only overload the mind, but the effort is important to gather information and knowledge vital to an eventual solution.

**Incubation:** Individuals sometimes concentrate intensely on an idea, but, more often, they simply allow ideas time to grow without intentional effort. We all have heard about the brilliant “flashes” of genius, but few great ideas come from thunderbolts of insight. Most evolve in the minds of creative people while they go about other activities. The idea, once seeded and given substance through preparation is put on a back burner; the subconscious mind is allowed time to assimilate information.

Incubation is a stage of “mulling it over” while the subconscious intellect assumes control of the creative process. This is a crucial aspect of creativity because when we consciously focus on a problem, we behave rationally to attempt to find systematic resolutions. When we rely on subconscious processes, our minds are untrammelled by the limitations of human logic. The subconscious mind is allowed to wander and to pursue fantasies. It is, therefore, open to unusual information and knowledge that we cannot assimilate in a conscious state. This subconscious process has been called the art of synaptic, a word coined by W.J.J. Gordon in 1961. Synaptic, derived from Greek, means a joining together of different and often unrelated ideas. Therefore, when a person has consciously worked to resolve a problem without success, allowing it to incubate in the subconscious will often lead to a resolution.



**Illumination:** The fourth stage, occurs when the idea resurfaces as a realistic creation. There will be a moment in time when the individual can say, "Oh, see!". Bell heard the twang of the steel reed, Fleming watched his penicillin attack infectious bacteria under microscope, and Art Fry envisioned his gumlined notepads in use. The fable of the thunderbolt is captured in this moment of illumination—even though the often long and frustrating years of preparation and incubation have been forgotten.

Illumination may be triggered by an opportune incident, as Bell discovered harmonic telegraphy in the accidental twang created by Watson. But there is little doubt that Bell would have had his moment of illumination, triggered perhaps by another incident or simply manifested through hard work. The point, of course, is that he was prepared and the idea was incubated. Bell was ready for an opportune incident and able to recognise its importance when it occurred.

The important point is that most creative people go through many cycles of preparation and incubation, searching for that catalyst of an incident that can give their idea full meaning.

When a cycle of creative behaviour does not result in a catalytic event, the cycle is repeated until the idea blossoms or dies. This stage is critical for entrepreneurs because ideas, by themselves, have little meaning. Reaching the illumination stage separates daydreamers and tinkerers from creative people who find a way to transmute value.

**Verification:** An idea once illuminated in the mind of an individual continues to have little meaning until verified as realistic and useful. Entrepreneurial effort is essential to translate an illuminated idea into a verified, realistic, and useful application. Verification is a stage of development that refines knowledge into application. This is often tedious and requires perseverance by an individual committed to finding a way to "harvest" the practical results of his or her creation. During this stage, many ideas fall by the wayside as they prove to be impossible or have little value. More often, a good idea has already been developed, or the aspiring entrepreneur finds that competitors already exist. Inventors quite often come to this harsh conclusion when they seek to patent their products only to discover similar inventions registered.

**(b) Innovation:** Entrepreneurs innovate. Innovation is the specific instrument of entrepreneurship. It is the act that endows resources with a new capacity to create wealth. Innovation, indeed, creates a resource. Successful entrepreneurs, whatever their individual motivation—be it money, power, curiosity, or the desire for fame and recognition—try to create value and to make a contribution. Still, successful entrepreneurs aim high. They are not content simply to improve on what already exists, or to modify it. They try to create new and different values and new and different satisfaction, to convert a "material" into a "resource", or to combine existing resources in a new and more productive configuration.

A small-scale enterprise today need not remain small forever. There are chances for the unit to grow from small to large. In Japan, the relevant sector is called the "small and medium scale industry" revealing the government philosophy and growth expectations. The entrepreneur should be futuristic and innovative.

The most important function of an entrepreneur, according to Joseph Schumpeter, is innovation. It is the core attribute of an entrepreneur. Innovative spirit is fed by information, knowledge, or even by intuition. Using information and skill, the idea of a novel project could be conceptualised. For an innovator, the market is never too saturated. Innovation need not merely be activities like replacing fruit juices or squashes with soft drink concentrates. It may be a new method for reducing the cost of production. It can be a totally new concept of commodity or an improvement in the design and specifications of a product. Or, simply exploring a market, which had not been thought of or tried out earlier. Innovation could be the result of positive reflexes or continuous and spontaneous thought processes.

A small business is always entrepreneur based. The scope for delegation of authority is limited. The entrepreneur has to show initiative and independence. They should act on their own rather than follow directions.

The issues that arise may vary from time to time. At a particular point of time, the government policy may favour one method or another, but with changes in environment, it may be necessary to reverse the decision in the interest of the enterprise. For instance, quoting prices in rupees may be favourable for an exporter when the exchange rate is favourable. But the moment there is erosion in the external value of the rupee, it is advisable to quote export prices in a stable foreign currency. The entrepreneur should be constantly in search of the changes in the environment to find answers to issues confronting him.

A good entrepreneur-manager should have a scientific and calculating bent of mind. Those who show a bias against modern tools for making management decisions will have to be satisfied with a low profile. Entrepreneur-managers must always encourage and nourish new ideas about every aspect of business.

And it is change that always provides the opportunity for the new and different. Systematic innovation, therefore, consists in purposeful and organised search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation. Systematic innovation means monitoring following seven sources for innovative opportunity.

- ◆ The unexpected—unexpected success, unexpected failure, unexpected outside event.
- ◆ The incongruity—between reality as it actually is and reality as it is assumed to be or as it “ought to be”
- ◆ Innovation based on process need
- ◆ Changes in industry structure or market structure that catches everyone unawares
- ◆ Demographics (population changes)
- ◆ Changes in perception, mood, and meaning
- ◆ New knowledge—scientific and non-scientific

(c) **Dynamism:** Innovation together with dynamism constitutes a potential combination for prosperity. Dynamism revises the targets of the enterprise upwards time and again. The enterprise may open up new vistas, better product mix, or

charismatic product image stimulating steady growth. A dynamic entrepreneur is always pragmatic. Given the potentialities of the enterprises, he sets attainable goals, which are to be accomplished within specific timeframes. An entrepreneur tends to approach problems to solve them rather than running away from them. Being the decision maker, he cannot wish away problems. They have to be analysed systematically and solved in the interest of the enterprise. He must believe in, create, and practice "win-win" situations. This is a condition where everyone wins and no one loses. A good entrepreneur-manager trains his staff continuously besides undergoing the same process himself.

A sole entrepreneur should promote a second line of decision-making mechanism to prevent a void being created in his absence. There cannot be a vacuum in the decision-making system. A dynamic entrepreneur believes in action rather than depending on lengthy paper correspondence. An engineer at heart, he should update his knowledge of various functions. An efficient entrepreneur must be good at managing change. He must foresee and plan for change and administer it with minimum discomfort and dislocation. He should be highly visible as well as mobile. High visibility ensures good control and morals. He has many eyes and ears and an extremely clear head. He operates by razor-sharp ratios and keeps his fingers on these functional parameters. As a pragmatist, he must verify all proposals, propositions, products, and hypotheses. Profitable enterprises are known for their dynamic and aggressive leadership.

**(d) Leadership:** *Leadership is the basic quality of an entrepreneur.* This spirit keeps him paces forward in any field. Leadership qualities will enable a person to stand apart in whatever profession he might be in. The quality of his leadership is clear from personal relationships, mode of handling a problem, generating resources and taking others in to one's own stride. An enterprise endowed with the resource of leadership will always be prominent in the market.

**(e) Teambuilding:** An entrepreneur should have an ability to build a team. A team is a group of individuals with a common purpose, that is focused and aligned to achieve a specific task or set of outcomes.

A good team will be able to share knowledge, core competency, and goals. The teambuilding skill consists of the following steps.

**Step 1** Wanting to feel better

**Step 2** Identifying the problem and needs of the enterprise

**Step 3** Creating a vision

**Step 4** Setting goals for the group

**Step 5** Reviewing progress

With mutual trust in place, team work breeds a healthy organisational climate needed for developing a perfect team. The collaboration and consensus brings synergetic effect in the enterprise. To illustrate this point, a story is narrated as follows:

A hare and a tortoise lived in Ahmedabad. They were good friends and, like all good friends, sometimes had a dig at each other. One day, in a light mood, the hare

ridiculed the tortoise for his slow pace. The tortoise reacted by challenging the hare to a race from Paldi to Navarangpura. On the appointed day and time, the two met at the starting line and began the race. The hare dashed off like a flash. After crossing the midway mark, he felt that a short nap would do no harm. The short nap turned out to be a bit too long. The tortoise crossed the hare and reached the destination. The hare awoke from his slumber, oblivious of the time, and dashed off to Navarangpura. To his dismay he found the tortoise having a nap at the finish line. The story does not end here.

The hare went home and understood that complacency and overconfidence were the reasons for his defeat. He vowed not to repeat the mistake again. He invited the tortoise to another race. The tortoise agreed. They met on the appointed day and at the appointed hour. The race began. This time the hare dashed off to the finishing line without a break and won the race comfortably.

The moral of the story—Fast and steady also wins the race. The story does not end here.

The tortoise went home and thought hard. He was aware that the hare could not be defeated by speed. He pondered over his core competence and invited the hare to another race. This time the race was to be run from Paldi to the airport. The hare dashed off in a flash. Soon he arrived at the banks of the Sabarmati. He did not know how to swim. The tortoise arrived at the river bank, looked at the hare in sympathy and coolly entered into the water. He swam to the other side and reached the airport.

The moral of the story—Core competence, surely, wins the race. The story does not end here.

The friends decided—enough of racing against each other. They thought hard and found a way by which they could together travel from Paldi to airport in the minimum possible time. At the appointed time the following day, the tortoise sat on hare's back and dashed off from Paldi. On the banks of Sabarmati, the hare got on to the back of the tortoise. The tortoise swiftly crossed the river. On reaching the other bank the tortoise again climbed on to hare's back. The hare ran as fast as he could to the airport. Thus, they both made it to the airport in the fastest possible time.

The moral of the story—Innovation and team work, successfully win the race...any race.

**(f) Achievement motivation:** Entrepreneurs have a high need for achievement and are guided by their inner self, motivating their behaviour towards accomplishment.

Most entrepreneurs are attracted to this innovative career for one good reason that it is challenging and demands a high degree of intelligence, and involvement. Entrepreneurs can be classified into three categories. Some are only dreamers and though they indulge in nice dreams, they are not capable of translating their dreams into action. The growth of such entrepreneurs is soon stunted. Some entrepreneurs belong to the category of doubters. They always have a negative attitude, never expand their activities, never take any risk, and never go out of their way to achieve anything. They doubt their own capacity to do anything new. They are never innovative and they follow the line of least resistance. The third category of

entrepreneurs are the doers. They always accept any challenge and take a calculated risk to do something worthwhile. It is necessary to contact such highly successful entrepreneurs and ask them what motivated them to become successful in their life.

In India, we have a number of such entrepreneurs who started their business activity from scratch. They may be considered as entrepreneurs of the first generation. These entrepreneurs had to go through a great ordeal to achieve success. Jamshetji Nowroji was a first generation entrepreneur in the days when the British policy was not to encourage Indian enterprises beyond a point. Jamnalal Bajaj was also considered as a great pioneer and first generation entrepreneur in the Bajaj family. Charat Ram and Bharat Ram, who started their careers at the bottom of the rung, buffing coal into boilers and washing floors, also became great go-getters. Business families of Tata, Birla, Mafatlal, Singhanian, Kirloskar, Bajaj, Firodia and a host of others were really pathfinders and pioneers in their respective fields.

These entrepreneurs believed in "Slow and steady wins the race". They realised that nobody achieves success overnight. They were always careful and cautious in driving themselves ahead in their career. They built their ideas day by day and built their business houses brick by brick. They thought with a proper perspective and were always realistic in making calculations. They were also aware that they should not become obsolete in their knowledge and information. They kept pace with modern requirements and the changing trends in the areas of their specialisation and activity. They believed in continued education and, therefore, were prepared to learn anything and everything directly or indirectly related to their business. They had tremendous imaginative power and robust common sense. They were professional in their thinking and approach. They were never content after achieving initial success. They did not fall prey to complacency, hypocrisy, sycophancy, idiosyncrasy, and obsolescence. They obtained interpersonal support. They were taskmasters and did not neglect even the smallest tasks assigned by them to their subordinates. They also took a considerable interest in their personal life and were always cheerful. They always liked to go around and meet different sections of the community and learn a lot by the exposure that they got from such interaction. They are patient listeners and are prepared to understand what others have to say. They had initiative but they were prepared to give the credit where it was due.

**(g) Problem solving:** It is important that an entrepreneur should be able to solve problems and not avoid them. A formal problem-solving model helps entrepreneurs solve problems on a logical manner. The model consists of six steps.

- (a) Define the problem
- (b) Gather information
- (c) Identify various solutions
- (d) Evaluate alternatives and select the best option
- (e) Take action
- (f) Evaluate the action taken

Brainstorming is a creative group problem-solving technique that involves generating a large number of fresh ideas. In a brainstorming session, several people

gather in a room to discuss a particular problem. The meeting is informal, and everyone is encouraged to volunteer possible solutions. A designated person writes down all of the ideas suggested. The person who called the meeting usually serves as the group moderator. The moderator maintains order during the brainstorming session, making sure that everyone has a chance to be heard. The moderator also makes sure the group does not stray too far from the problem being examined.

Ideas are not analysed or criticised at a brainstorming session. The purpose is to share creative ideas, regardless of how practical or impractical they may be. Following the brainstorming session, all the ideas are carefully evaluated, and a list of ideas that are practical to implement is prepared. Entrepreneurs should facilitate brain-storming among their employees when a new opportunity presents itself or a problem seems to demand new ideas.

**(h) Goal orientation:** Goal setting is the achievement of targets and objectives for successful performance of an entrepreneur, both long run and short run. It helps to measure how well individuals and groups are meeting the performance standards.

Human behaviour is goal directed. Therefore, goal setting is a necessary part of all activities. Everyone needs to feel that they have a worthwhile goal that can be reached with the resources and leadership available. Without goals, different members may go in different directions which may give rise to difficulties and these difficulties would continue as long as there is no common understanding of the goals involved.

The goal-setting process requires three steps, which are as follows.

1. Definition of goal
2. Specific goals
3. Feedback about goal achieved

The definition of a goal requires that a leader explain the purpose and necessity of the specified goals to his team members. Whatever the situation, people need goals that are meaningful to them in order to be highly motivated and involved. Goals must be as specific as possible so that employees can feel a sense of achievement when a goal is attained. Goals must lead to tangible results.

#### *Aspects of goal setting*

- (a) **Clarity of goals** Clear and simple objectives will bring expected results. Misinterpretation and confusion will not allow people to achieve the set goals. If the goals are set in terms of action, there will be clarity.
- (b) **Reformulation of goals:** If any discrepancy occurs in initial formulation the outcome would be subject to change. Goal setting should, therefore, be dynamic. Goals should be redefined according to the requirements. The prospect of achieving a goal can be assessed through reformulation. A change in the situations may require a change in strategy and perhaps even the goals. Therefore, constant re-examination of goals is necessary.
- (c) **Restating goals:** Defining or redefining goals results in analytical thinking, the outcome of which could be restating the goal, thereby making it more ap-

proachable and practical. The new goal might serve the organisation/individual purpose far better. The emerging strategy will also thus be clearer, making the goal more relevant and achievable.

- (d) **Plan of action:** A detailed strategy needs to be chalked out in advance after a through discussion and debate to achieve the set goals. Thereafter, responsibilities and duties must be assigned and resources arranged.
- (e) **Defining standards of performance and measurement criteria:** This should effectively be able to rate success and failure and must be reliable enough to provide necessary feedback.
- (f) **Recognising risks and obstacles:** A fair amount of thought must be given to possible stumbling blocks on the route to attaining goals. In the process associated losses must also be calculated.
- (g) **Goal reaffirmation:** It is necessary to periodically review the goal since (i) with the passage of time the set goal might become redundant; (ii) the organisation may have sidetracked the original goal; (iii) more time than necessary might be making its purpose ineffective.
- (h) **Goal attainment:** The questions that need to be asked here are: Have the goals been attained? Is there a need to modify the goals? Then the expected results must be examined to see if they meet the goals set.

#### *Types of Goals*

- (a) **Target oriented:** At times established targets that have been set in advance bind an individual/organisation. The ultimate objective is to reach the targets despite the constraints and a specified time frame. The process through which one should achieve the goal is not as important as the goal. One should keep in mind that the process, though not sidelined, is just a means. Moreover, results are often gauged in quantitative, rather than qualitative, terms.
- (b) **Achievement oriented:** The value and effectiveness of goals are weighed in the true sense, in real terms. The qualitative aspects and achievement orientation of an entrepreneur should be ranked higher than any other requisites such as sales turnover or employee welfare. Goal effectiveness is not evaluated merely in terms of numbers. Performance is given a very high weightage.
- (c) **Specific (primary):** Specific goals are very important to any individual/organisation. Specific goals are the pivot around which work process revolves. No constructive activity can be accomplished without knowing specific objectives. Loose, open-ended goals will only lead to indeterminate results. Every individual/organisation must have a primary objective to adhere to, and this operational goal must take precedence over other goals.
- (d) **Overall:** Overall goals are broad based. An organisation may have "strengthening" (carving a niche for itself) as its overall objective. Each of its departments, working together, contributes to the overall goal.
- (e) **Secondary:** Secondary goals take a back seat to specific goals. But they must not be overlooked in the rush to meet the primary goal. In the long run, sec-

ondary goals become very important since the degree of effectiveness of the primary goals rest on their fulfillment.

- (f) *Long range/short range*: An individual/organisation works as much for the future as for the present. Each goal, however, has a time dimension. Short-range objectives have sharper deadlines and are much more planned as their result can be seen in the near future. Long-range goals, on the other hand, require perspective planning and foresight. For example, the long-range objective of a small-scale unit might be to ultimately grow into a medium-scale unit.
- (g) *Personal/social*: Personal and social goals can either be complementary or substitutes or both. For example, a teacher might set a goal of being the best teacher in the group (personal goal). Besides, he might also want his students to be the best (social goal). For best results, it is necessary that both personal and social goals be in harmony. Conflict will only act as an impediment in achieving the objectives.

A performance-sensitive organisation must always strive to set goals which should be a balance of the various categories mentioned above. Once the appropriate mix is identified, the task of goal stating as well as setting becomes easier.

(i) **Risk taking and decision-making ability**: Entrepreneurs are persons who take decisions under conditions of uncertainty, and therefore are willing to bear risk, but never gamble with results. This is evidenced by market studies, exploring alternative lines of production or a new product mix, or a new combination of inputs, and so on. They set goals that require high level of performance.

Risk bearing and decisions making calls for absolute clarity in thinking and coordinated actions. Though decision-making can be taught in classrooms and perfected through experience, individual ability always stands supreme. Every decision pertaining to an enterprise involves risk. As a matter of fact, economic decisions become critical in an atmosphere of uncertainty. *An uncertainty is faced not just by a single enterprise but by all, like the market.*

Decision-making in an environment of uncertainty requires anticipation of risk. Profit is said to be the reward for anticipating and taking such a risk. The stakes involved in the event of a wrong decision are enormous. The risk, however, needs to be always well calculated, and access to liquid resources may be desirable to overcome uncertainties and unforeseen contingencies. A conservative enterprise, which is unwilling to take even risk that can be covered to gain, has lesser than an enterprise which takes rational risk. How far risk taking is justified depends on the calibre of the entrepreneur. A person who has the ability of averting risk needs to be always objective. Persons who can take risks and make quick decisions tend to prosper. Therefore, entrepreneurs develop the art of decision making under conditions of uncertainty as a matter of survival.

A good entrepreneur should avoid excessively high as well as low risk situations. Risk bearing is an indication of an extreme sensitivity to cost consciousness and a passion for profit. The focus should always be on the market. The entrepreneur should believe in competition. The progress of an entrepreneur depends increasingly on effective knowledge and its continuous updating and proper utilisation.





1. Drucker, Peter F. (1985) *Innovation and Entrepreneurship*. New York: Harper and Row. 2. McClelland, D.C. (1961). *The Achieving Society*. New York: Free Press.

It is generally difficult to assess risk factors in the small-scale sector. Most business failures appear to occur within five years of founding. Long history of gradually shrinking

sales and profits need careful consideration. Depending heavily upon few customers or on the skills or knowledge of a few is also quite risky. Highly competitive markets and high direct cost of labour and materials in relation to sales often indicate high-risk situations. It is useful to consider the nature of relationship between risk and return. Low-risk investment provides a return not exceeding 10 per cent, moderate risk of 20 per cent and a high risk up to 100 per cent. It is left to individual entrepreneurs to choose the degree of risk they would be able to take.

(j) **Commitment:** One of the subtle qualities of an entrepreneur is his willpower. Strong determination with sound thinking fortifies will power. It is determination that provides the entrepreneur energy to work for 15–18 hours a day, 7 days a week and 52 weeks in a year till the unit reaches a natural stage of take off.

## DISCUSSION FORUM



- ◆ What are the characteristics of a successful entrepreneur?
- ◆ Sketch a model of a creative process.

## CLASSIFICATION OF ENTREPRENEURS

### (a) Based on Functional Characteristics

1. **Innovative entrepreneur:** Such entrepreneurs introduce new goods or new methods of production or discover new markets or reorganise their enterprises. Entrepreneurs in this group are characterised by an aggressive assemblage of information for trying out a novel combination of factors. Such entrepreneurs can do well only when a certain level of development has already been achieved; they look forward to improving upon the past.
2. **Imitative or adoptive entrepreneur:** Such entrepreneurs do not innovate themselves, but imitate techniques and technology innovated by others. Entrepreneurs in this group are characterised by their readiness to adopt successful innovations by successful entrepreneurs. Such entrepreneurs are particularly suitable for underdeveloped economies as adoption saves costs of trial and error.
3. **Fabian entrepreneur:** Such entrepreneurs display great caution and skepticism in experimenting with any change in their enterprise. They change only when there is an imminent threat to the very existence of their enterprise.
4. **Drone entrepreneur:** Such entrepreneurs are characterised by a die-hard conservatism and may even be prepared to suffer the loss of business.

**Box 2.2 Entrepreneurial Core Competencies**

Sl. No	Core competencies	Entrepreneurial activities
1.	Initiative	Does things before asked for or forced by events, and acts to extend the business to new areas, products, or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilises necessary resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information on client's or supplier's needs. Personally undertakes market research and makes use of personal contacts or information network to obtain useful information.
5.	Concern for quality work	States desire to produce or sell a better quality product or service. His performance compares favourably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expends extraordinary effort to complete a job. Accepts full responsibility in completing a job contract on schedule. Pitches in with workers, or works in their place, to get job done. Shows utmost concern to satisfy customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better, and economically.
8.	Planning	Various inter-related jobs are synchronised according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to them in spite of initial setbacks.
11.	Expertise	Possesses technical expertise in area of business, finance, marketing, and so on.
12.	Self-critical	Aware of personal limitations but tries to improve upon them by learning from his past mistakes, or experiences of others and is never complacent with success.

13.	Persuasion	Persuades customers and financiers to patronise his business.
14.	Use of influence strategies	Develops business contracts. Retains influential people as agents. Restricts dissemination of information in his possession.
15.	Assertiveness	Instructs, reprimands, or disciplines for failing to perform.
16.	Monitoring	Develops a reporting system to ensure that work is completed and that it meets quality norms.
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers, and customers even if it means a loss of business.
18.	Concern for employee welfare	Expresses concern for employees by responding promptly to their grievances.
19.	Impersonal relationship	Places long-term goodwill above short-term gain in a business relationship.
20.	Expansion of capital base	Reinvests a greater portion of profits to expand capital base of the firm.
21.	Building product image	Concerned about the image of his product among customers. Does everything possible to establish a niche for his product in the market.

### (b) Based on the Developmental Angle

1. **Prime mover:** This entrepreneur sets in motion a powerful sequence of development, expansion, and diversification of business.
2. **Manager:** Such an entrepreneur does not initiate expansion and is content just staying in business.
3. **Minor innovator:** This entrepreneur contributes to economic progress by finding better use for existing resources.
4. **Satellite:** This entrepreneur assumes a supplier's role and slowly moves towards a productive enterprise.
5. **Local trading:** Such an entrepreneur limits his enterprise to the local market.

### (c) Based on Types of Entrepreneurial Business

1. **Manufacturing:** An entrepreneur who runs such a business actually produces the products that can be sold using resources and supplies. For example, apparel and other textile products, chemical and related products, electronics and other electrical equipment, fabricated metal products, industrial machinery and equipment, printing and publishing, rubber and miscellaneous plastic products, stone, clay etc.
2. **Wholesaling:** An entrepreneur with such a business sells products to the middle man.

## SNAPSHOT

**Classification of Entrepreneurs**

- ◆ Based on the functional characteristics: Innovative, Imitative/Adoptive, Fabian, Drone.
- ◆ Based on the Developmental Angle: Prime mover, Manager, Minor innovator, Satellite, Local trading.
- ◆ Based on the types of Business: Manufacturing, Wholesaling, Retailing, Service.
- ◆ Based on the 9 Personality types: The Improver, The Advisor, The Superstar, The Artist, The Visionary, The Analyst, The Fireball, The Hero, The Healer.
- ◆ Based on the Schools of Thought on Entrepreneurship.

3. **Retailing:** An entrepreneur with such a business sells products directly to the people who use or consume them.
4. **Service:** An entrepreneur in this business sells services rather than products.

**(d) Based on the Nine Personality Types of Entrepreneurs**

Your business personality type is the traits and characteristics of your personality that blend with the needs of the business. If you better understand your business personality, then you can give your company the best part of you. Find others to help your business in areas you may not be prepared to fulfill. There are 9 key types of personality and understanding. Each will help you enjoy your business more and provide your company with what it needs to grow. Begin identifying your dominant personality theme and understand how you operate in your business.

1. **The Improver:** If you operate your business predominately in the improver mode, you are focused on using your company as a means to improve the world. Your overarching motto is: morally correct companies will be rewarded working on a noble cause. Improvers have an unwavering ability to run their business with high integrity and ethics.

*Personality Alert:* Be aware of your tendency to be a perfectionist and over-critical of employees and customers.

Entrepreneur example: Anita Roddick, Founder of The Body Shop.

2. **The Advisor:** This business personality type will provide an extremely high level of assistance and advice to customers. The advisor's motto is: the customer is right and we must do everything to please them. Companies built by advisors become customer focused.

*Personality Alert:* Advisors can become totally focused on the needs of their business and customers that they may ignore their own needs and ultimately burn out.

Entrepreneur example: John W. Nordstrom, Founder Nordstrom.

3. **The Superstar:** Here the business is centered on the charisma and high energy of the Superstar CEO. This personality often will cause you to build your business around your own personal brand.

*Personality Alert:* Superstars Can be too competitive and workaholics.

Entrepreneur example: Donald Trump, CEO of Trump Hotels & Casino Resorts.

4. **The Artist:** This business personality is the reserved but a highly creative type. Often found in businesses demanding creativity such as web design and



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ad agencies. As an artist type you'll tend to build your business around the unique talents and creativities that you have.

*Personality Alert:* You may be overly sensitive to your customer's responses even if the feedback is constructive. Let go the negative self-image.

Entrepreneur example: Scott Adams, Creator of Dilbert.

5. **The Visionary:** A business built by a Visionary will often be based on the future vision and thoughts of the founder. You will have a high degree of curiosity to understand the world around you and will set-up plan to avoid the landmines.

*Personality Alert:* Visionaries can be too focused on the dream with little focus on reality. Action must precede vision.

Entrepreneurial example: Bill Gates, Founder of Microsoft Inc.

6. **The Analyst:** If you run a business as an Analyst, your company focus is on fixing problems in a systematic way. Often the basis for science, engineering or computer firms, Analyst companies excel at problem solving.

*Personality Alert:* Be aware of analysis paralysis. Work on trusting others.

Entrepreneurial example: Intel Founder, Gordon Moore.

7. **The Fireball:** A business owned and operated by a Fireball is full of life, energy and optimism. Your company is life energizing and makes customers feel the company has a get it done attitude in a fun playful manner.

*Personality Alert:* You may over commit your teams and act impulsively. Balance your impulsiveness with business planning.

Entrepreneurial example: Malcolm Forbes, Publisher of Forbes Magazine.

8. **The Hero:** You have an incredible will and ability to lead the world and your business through any challenge. You are the essence of entrepreneurship and can assemble great companies.

*Personality Alert:* Over promising and using forceful tactics to get your way will not work long term. To be successful, trust your leadership skills to help others find their way.

Entrepreneurial example: Jack Welch, CEO of GE.

9. **The Healer:** If you are a Healer, you provide nurturing and harmony to your business. You have an uncanny ability to survive and persist with an inner calm.

*Personality Alert:* Because of your caring, healing attitude toward your business, you may avoid outside realities and use wishful thinking. Use scenario planning to prepare for turmoil.

Entrepreneurial example: Ben Cohen, Co-Founder Of Ben & Jerry's Ice Cream.

Each business personality type can succeed in the business environment if you stay true to your character. Knowing firmly what your strong traits are can act as a compass for your small business. If you are building a team, this insight is invaluable.

For the solo business owners, understand that you may need outside help to balance your business personality.

### (e) Based on schools of Thought on Entrepreneurship

These are six schools of thought on entrepreneurship each with its own underlying set of beliefs. Each of these schools can be categorised according to its interest in studying personal characteristics, opportunities, management, or the need for adapting an existing venture.

<b>Box 2.3 Schools of Thought on Entrepreneurship</b>			
<i>Entrepreneurial model</i>	<i>Central focus or purpose</i>	<i>Behaviours and skills</i>	<i>Situation</i>
"Great Person" school	The entrepreneur has an intuitive ability – a sixth sense—and traits and instincts he is born with.	Intuition, vigour, energy, persistence, and self-esteem	Start up
Psychological Characteristics school	Entrepreneurs have unique values, attitudes, and needs, which drive them.	Personal values, risk taking, need for achievement, and others	Start up
Classical school	The central characteristic of entrepreneurial behaviour is innovation.	Innovation, creativity, and discovery	Start up and early growth
Management school	Entrepreneurs are organisers of an economic venture; they are people who organise, own, manage, and assume the risk.	Production planning, people organisation, capitalisation and budgeting	Early growth and maturity
Leadership school	Entrepreneurs are leaders of people; they have the ability to adapt their style to the needs of people.	Motivating, directing, and leading	Early growth and maturity
Intrapreneurship school	In corporations intrapreneurship is the development of independent units to create, market and expand services.	Alertness to opportunities, maximising decisions	Maturity and change

#### Assessing personal qualities

1. The Great Person school of entrepreneurship
2. The Psychological Characteristics school of entrepreneurship

#### Recognising opportunities

3. The Classical school of entrepreneurship

### Acting and managing

4. The Management school of entrepreneurship
5. The Leadership school of entrepreneurship

### Reassessing and adopting

6. The Intrapreneurship school of entrepreneurship

Different entrepreneurial situations of start-up, growth, and maturity of a venture may require different behaviours or skills. The behaviour and skills of different schools of thought are presented in Box 2.3 and are described below.

1. **The Great Person school of entrepreneurship:** This school believes that an entrepreneur is born with an intuitive ability, sixth sense, traits, and instincts. The successful entrepreneur is described as having a strong drive for independence and success, with high levels of vigour, persistence, and self-esteem. This “great person” has an exceptional belief in himself and his abilities. Attention is paid to such traits as energy, perseverance, vision, and single mindedness, or abilities such as being inspirational or motivational. Other traits frequently mentioned include physical attractiveness, popularity and sociability, intelligence, knowledge, judgement and fluency of speech as also tact, diplomacy, and decisiveness.
2. **The Psychological Characteristics school of entrepreneurship:** This school of thought focuses on personality factors and believes that entrepreneurs have unique values and attitudes towards work and life. These, along with certain dominant needs, propel the individual to behave in certain ways. Entrepreneurs can be differentiated from non-entrepreneurs by personality characteristics. Three personality characteristics have received considerable attention in research: (1) personal values such as honesty, duty, responsibility, and ethical behaviour; (2) risk-taking propensity; and (3) the need for achievement.

The school generally believes that entrepreneurs cannot be developed or trained in classroom situations. Much of an entrepreneur’s ability relates to a personality or style of behaviour, which develops over time, primarily through relationships with parents and teachers early in life. Values and ideals, fostered in one’s family, school, religion, community, and even culture, stay with the individual and guide him for a lifetime. These values are learned and internalised, and reflect the process of socialisation into a culture. Personal values are basic to the way an individual behaves and will be expressed regardless of the situation. Since these values are learned early in life and are well established prior to adulthood, entrepreneurial characteristics are hard to inculcate in universities and schools. Industriousness need for achievement, locus of control, risk taking, and tolerance of ambiguity, have received a great deal of attention in this school.

3. **The Classical school of entrepreneurship:** Innovation, creativity, or discovery are the key factors underlying the classical body of thought and research on entrepreneurship. In this view entrepreneurship refers to the

process of creating an opportunity or the opportunity-seeking style of management that sparks innovation. The critical aspect of entrepreneurship is in the process of doing rather than owning.

- 4. The Management school of entrepreneurship:** As in most fields of organisational study, entrepreneurship draws heavily from management theory. The management school suggests that an entrepreneur is "a person who organises or manages a business undertaking, assuming the risk for the sake of profit". This school deals with the technical aspects of management and seems to be based on the belief that entrepreneurs can be developed or trained in the classroom. Since many entrepreneurial ventures fail each year, a significant proportion of these failures might be traced to poor management and decision making, as well as to financing and marketing weaknesses. According to this school, entrepreneurship is a series of learned activities which focus on the central functions of managing a firm.

The management school is directed at improving a person's management capability through developing his rational, analytic, and cause-and-effect orientation. This school believes that entrepreneurs can be developed or trained in the technical functions of management. Since, according to this school, entrepreneurship can be taught, its central aim is to identify the specific functions involved and provide training to existing and hopeful entrepreneurs. Courses such as new venture marketing and new venture finance provide the training in these management functions that can reduce the number of business failures.

- 5. The Leadership school of entrepreneurship:** An entrepreneur is often a leader who relies on people to accomplish his purposes and objectives. The Leadership school of entrepreneurship is a non-technical side of the management school, which suggests that entrepreneurs need to be skilled in appealing to others to join the cause. A successful entrepreneur must also be a people manager or an effective leader/mentor who plays a major role in motivating, directing, and leading people. Thus the entrepreneur must be a leader, able to define a vision of what is possible, and attract people to rally around that vision and transform it into reality.

There are two "streams" of writings on entrepreneurial leadership. The first stream has been grouped within the "great person" school, and describes the writings, which suggest that certain traits, and personal characteristics are important for success. The "great person" school follows early leadership research, which suggests that traits such as adaptability to situations, cooperation, energy, and willingness to take responsibility are important aspects of success.

The most pervasive stream of the Leadership school is concerned with how a leader gets tasks accomplished and responds to the needs of people. Two dimensions are important for the management of an enterprise—concern for getting the task accomplished and concern for the people doing the work. These two dimensions grow out of the previous research, which tried to describe the essential aspects of leadership.



Fiedler suggested that leaders should adjust their leadership style based on the situations facing them. Entrepreneurial leadership involves more than personal traits or style in relating to others. The role can be a focal point for change and inculcating values, and it can involve the skills of setting clear goals and creating opportunities. These include the skills of empowering people, preserving organisational intimacy, and developing a human resource system. This school describes a leader as a “social architect”, or as one who is “primarily an expert in the promotion and protection of values”.

This school suggests that leaders must be effective in developing and mentoring people. The leader is an experienced mentor by whom the protégé is taught the “critical trade secrets”. Given the importance of the mentoring process, the entrepreneur is more than a manager—he is also a leader of people.

- 6. The Intrapreneurship school of entrepreneurship:** The Intrapreneurship school evolved in response to the lack of innovativeness within organisations. Intrapreneurs, to the limited extent that they possess discretionary freedom of action, are able to act as entrepreneurs and implement their ideas without themselves becoming owners. Alertness to opportunities is one dimension of intrapreneurial activity. Such strategic behaviour provides the means for extending the organisation’s activities and discovering opportunities. This allows existing organisations to develop and diversify their activities in other areas. Intrapreneurship involves the development of independent units designed to create a market, and expand innovative services, technologies, or methods within the organisation. Schumpeter noted that successful intrapreneurial activity often leads to organisation building and to intrapreneurs becoming managers.

The Intrapreneurial school generally assumes that encouraging people to work as entrepreneurs in semi-autonomous units can achieve innovation in existing organisations. However, there are indications that large corporations have been unsuccessful in creating intrapreneurs or an entrepreneurial climate. Many managers involved in an intrapreneurial venture often leave the company, sometimes in frustration, to start their own entrepreneurial venture. Their departure may indicate that entrepreneurial forces might be at odds with normal managerial activity, or that conventional organisations have not been able to use the intrapreneurship model to their best advantage. The success of the intrapreneurial model seems to depend on the abilities of operational participants to exploit entrepreneurial opportunities. It also depends on whether or not managers in the overall corporate structure see the need to exploit these opportunities.

The Intrapreneurial school does not just provide a model for encouraging bureaucratic creativity. As a school, it is not merely an attempt to give freedom to a group of people so that they can be entrepreneurs. It also requires individuals to work with others in teams, much more than entrepreneurs do. When individuals work together in groups, they are better able to recognise the importance of political needs and understand how to implement their

ideas. In this sense, intrapreneurship is a "team" model whereby individuals are asked to work together to solve problems and create opportunities. Building a balanced "team" requires the ability to use people effectively in groups, where tasks require different inputs from team members. For some tasks, intrapreneurial activities may require the input of professionals, while in others the support and assistance of operational workers may be needed. Intrapreneurial activities can focus on strategic redirection, organisational duplication, product development, and operational efficiency.

## DISCUSSION FORUM



- ◆ Discuss in small groups various types of classifications of entrepreneurs with examples.

## MYTHS OF ENTREPRENEURSHIP

Down the years many myths have been created about entrepreneurship. Some of the major myths are discussed below.

### (a) *Entrepreneurs are born, not made*

According to this long-prevalent myth, the characteristics of entrepreneurs cannot be taught or learned, they are innate traits with which a person must be born. Today, however, the recognition of entrepreneurship as a discipline is helping to dispel this myth. Like all disciplines, entrepreneurship has models, processes and case studies that allow the topic to be studied and the traits acquired by training and development.

### (b) *Entrepreneurs are academic and social misfits*

The belief that entrepreneurs are academically and socially ineffective is born of some business owners having started successful enterprises after dropping out

of school or quitting a job. In many cases such an event has been blown out of proportion in an attempt to profile the typical entrepreneur. Historically, in fact, educational and social organisations did not recognise the entrepreneur. They abandoned him or her as a misfit in a world of corporate giants. Business education, for example, was aimed primarily at the study of corporate activity. Today the entrepreneur is considered a hero socially, economically and academically. The entrepreneur is now viewed as a professional.

### SNAPSHOT

#### Myths of Entrepreneurship

- ◆ Entrepreneurs are born not made
- ◆ Entrepreneurs are academic and social misfits
- ◆ Entrepreneurs fit an ideal profile.
- ◆ All you need is money to be an entrepreneur
- ◆ All you need is luck to be an entrepreneur
- ◆ A great idea is the only ingredient in a recipe for business
- ◆ My best friend will be a great business partner
- ◆ Having no boss is great fun
- ◆ I can make lots of money
- ◆ I will definitely become successful
- ◆ Life will be much simpler if I work for myself

(c) *Entrepreneurs fit an ideal profile*

Researchers have presented checklists of characteristics of a successful entrepreneur. These lists were neither validated nor complete; they were based on case studies and on research findings among achievement-oriented people. Today we realise that a standard entrepreneurial profile is hard to compile. The environment, the venture itself, and the entrepreneur have interactive effects, which result in many different types of profiles. Contemporary studies being conducted at universities across the world will, in the future, provide more accurate insights into the various profiles of successful entrepreneurs.

(d) *All you need is money to be an entrepreneur*

It is true that a venture needs capital to survive; it is also true that a large number of business failures occur because of lack of adequate financing. Yet having money is not the only bulwark against failure. Failure due to a lack of proper financing is often an indicator of other problems: managerial incompetence, lack of financial understanding, poor investments, poor planning, and so on.

(e) *All you need is luck to be an entrepreneur*

Being in "the right place at the right time" is always an advantage, but "luck happens when preparation meets opportunity" is an equally appropriate adage. Prepared entrepreneurs who seize an opportunity when it arises often appear to be "lucky". They are, in fact, simply better prepared to deal with situations and turn them into successes. What appears to be luck is really a combination of preparation, determination, desire, knowledge, and innovativeness.

(f) *A great idea is the only ingredient in a recipe for success*

A great idea may stay just that if it is not backed by adequate finance, demand for the product and, most importantly, good management. Venture capitalists say bad management is the main cause of failures among small businesses. "The quality of management will determine the success/failure of the venture,"

(g) *My best friend will be a great business partner*

Teaming up with your best friend just because you share an idea and a drink every weekend may not be a good idea. Sure, you may agree on most issues but misunderstandings can erupt over insignificant aspects like who should be in the office first, who's in charge of supervising the office staff and so on.

(h) *Having no boss is great fun*

If you thought your boss was way too demanding, watch out for your vendors, bankers, investors, suppliers and customers. The owner of a restaurant delivery service we met complains that a client refused to pay for the order because the restaurant did not put in pickles. Since customers can make or break you, their wish often ends up being your command.



1. Sexton Donald L., Raymond W. Smilor (eds), 1986. *The Art and Science of Entrepreneurship*. Cambridge: Ballinger. 2. "Do you have an Idea for the Money", *Business World*, May 17, 1999.

*i. I can make lots of money*

When Sumit Roy, a training consultant, quit his job at Lintas and set up his own outfit called Univbrands in 1992, he had to

make quite a few sacrifices. "For the first three months I gave up my car and traveled by bus," he says. For most people it is years, not months, before the money starts coming in. Till that happens, you'll have to miss the security of your monthly pay cheque. Are you ready for that?

*(j) I'll definitely become successful*

Put it down to plain optimism, egoism or a survival strategy, but most business owners or even those starting off on their own refuse to accept the possibility of failure. Don't believe those clichés about winners never quitting and quitters never winning: the number of people who fail are legion, and it can happen to you as well.

*(k) Life will be much simpler if I work for myself*

Don't believe it for one moment. Working for yourself is definitely more strenuous than working for others, at least when starting off. Take for instance Dinesh Gupta. He set up Green Investors' Grievances Services two years ago to take care of individuals' stock-related problems, and has a punishing schedule even now. His typical day starts at 5 a.m. and ends at 7 p.m.

## DISCUSSION FORUM



- ◆ Comment on the statement, "It is not all that rosy to start your own business, so before you take the plunge with an overdose of optimism, be sure you do not fall for any of these myths".
- ◆ Discuss popular myths of entrepreneurship and why they are more fantasy than fact.

## ENTREPRENEURIAL DEVELOPMENT MODELS

The models suggested for the development of entrepreneurship fall in the following categories.

- (a) Psychological models
- (b) Sociological models
- (c) Integrated models

### (a) Psychological Models

McClelland (1961) has given a significant lead in identification of determinants of entrepreneurship. In his model, he ascribes more importance to achievement motives, which earlier related to child-rearing practices. But in his recent book with D.G. Winter, he has altered his earlier proposition on the importance of child rearing as the

**SNAPSHOT**

- ◆ **Models suggested for the development of entrepreneurship**
  - a. Psychological models. b. Sociological models. c. Integrated models.
- ◆ **Five stages for promoting small entrepreneurship are:**
  - a. Stimulation b. Identification. c. Development. d. Promotion e. Follow up.
- ◆ **Entrepreneurial development cycle consists of the following activities:**
  - a. Stimulatory. b. Support. c. Sustaining

intrinsic determinant of the achievement motive. Now, change in motivation is seen primarily as a result of the ideological arousal of the latent need for achievement among adults. After identifying achievement orientation as the key variable in the development of entrepreneurship, McClelland suggests motivation-training programme as the policy measure, which will make entrepreneurs really willing and eager to exploit the new opportunities provided.

Everett Hagen's theory of social change lays emphasis on "creative personality" as a casual link in entrepreneurial behaviour and "status withdrawal" as the determinant of the creative personality. Hagen

elaborately explains the causal sequence of entrepreneurial behaviour. But his model of entrepreneurship fails to give any policy variable for the development of entrepreneurship. Status withdrawal would occur in the natural evolutionary process of the society and not by any deliberate attempt.

John Kunkel (1965) considered entrepreneurial supply by suggesting a behaviourist model. His model suggests that entrepreneurial behaviour is a function of the surrounding social structure, both past and present, and can really be influenced by manipulating economic and social incentives. Thus, Kunkel's model is based upon experimental psychology, which identifies sociological variables as the determinants of entrepreneurial supply.

### (b) Sociological Models

Frank W. Young's theory of entrepreneurship is a theory of change based upon society's incorporation of relative sub-groups. The relativeness of a sub-group which has a low status in a larger society will lead to entrepreneurial behaviour if the group has better institutional resources than others in the society at the same level. Young's model of entrepreneurship suggests the creation of supporting institutions in society as the determinant of entrepreneurship.

### (c) Integrated Models

T. V. Rao (1975) in "entrepreneurial disposition" has included the following factors.

- (i) Need for motive is the dynamic which, for the prospective entrepreneur, has the greatest possibility of achieving the goals if one performs those activities.
- (ii) Long-term involvement is the goal either at thinking level or at activity level in entrepreneurial activity that is viewed as a target to be fulfilled.
- (iii) Personal, social and material resources which, he thinks, are related to entry and success in the area of entrepreneurial activity.
- (iv) Socio-political system to be perceived as suitable for establishment and development of his enterprise.

All these factors are additive in nature and their optimal presence lead to the entry point of entrepreneurship, which leads to acquisition of material resources and beginning of business.

B. S. Venkata Rao (1975) described the following five stages for promoting small entrepreneurship.

- (1) Stimulation
- (2) Identification
- (3) Development
- (4) Promotion
- (5) Follow up

(1) **Stimulation:** This stage includes the creation of an industrial atmosphere, policy statement emphasizing the role of small industry, wide publicity of industrial development programmes, and formation of special schemes and creation of support institutions. This stage is necessary to stimulate interest of the backward regions in industrial activity and to create awareness.

(2) **Identification:** This stage is necessary to identify prospective entrepreneurs. The prospective entrepreneurial force can be identified in rural artisans, factory workers, persons with formal training in engineering and technology, and graduates in business administration and management.

(3) **Development:** This stage would include organisation of motivation and managerial training programmes along with advice on technology, formulation of bankable project, location, and so on.

(4) **Promotion:** This stage would include government policy initiatives for promoting small entrepreneurship.

(5) **Follow up:** This stage includes reviewing the policies and programmes of the government and seeking follow up with a view to making them more effective.

Entrepreneurship is a behaviour rather than a personality trait. It is risky in the sense that only a few of them know what they are doing. The whole process of developing an entrepreneur, making him start a venture, supporting and sustaining him involves a cyclic process. M. P. Akhori suggested the entrepreneurial development cycle (Figure 2.2) consisting of the following components for the promotion and development of entrepreneurship.

**1. Stimulatory activities:** These activities ensure the emergence of entrepreneurs in the society. They prepare the background for the entrepreneurship to sprout and for people to start looking for entrepreneurial pursuits. They generate initial motivation and offer opportunity to acquire skill. These can be achieved by the following activities.

- ◆ Entrepreneurial education
- ◆ Planned publicity for entrepreneurial opportunities
- ◆ Identification of potential entrepreneurs through scientific methods
- ◆ Motivational training to new entrepreneurs
- ◆ Help and guidance in selecting products and preparing project reports



Figure 2.2 ■ Entrepreneurial Development Cycle

- ◆ Making available techno-economic information and product profiles
- ◆ Evolving locally suitable new products and processes
- ◆ Availability of local agencies with trained personnel for entrepreneurial counselling and promotions
- ◆ Creating entrepreneurial forums
- ◆ Recognition of entrepreneurs

**2. Support activities:** These activities help a person to develop into an entrepreneur. They nurture and help entrepreneurship to grow. This can be done by providing the necessary infrastructure in the form of

computers, Internet connectivity, offering consultancy and training, and providing all required information as to how a person should groom himself as an entrepreneur. Financial assistance for projects and seminars could also promote entrepreneurship. These activities can be promoted in the incubation centre to groom a person to become an entrepreneur. The various support activities are given below.

- ◆ Registration of unit
- ◆ Arranging finance
- ◆ Providing land, shed, power, water, and so on.
- ◆ Guidance for selecting and obtaining machinery
- ◆ Supply of scarce raw materials
- ◆ Getting licences/import licences
- ◆ Providing common facilities
- ◆ Granting tax relief or other subsidy
- ◆ Offering management consultancy services
- ◆ Help marketing the product
- ◆ Providing information

**3. Sustaining activities:** These activities are all those that help in the continuous and efficient functioning of entrepreneurship. These include modernisation of infrastructure, encouraging diversification, providing opportunities and supporting industry-institute interaction through consultancy, promoting quality, and organising need-based common facilities centres. The various sustaining activities are as follows.

- ◆ Help modernisation
- ◆ Help diversification/expansion/substitute production
- ◆ Additional financing for full capacity utilisation
- ◆ Deferring repayment/interest
- ◆ Diagnostic industrial extension/consultancy services
- ◆ Production units legislation/policy change



1. Pareek, U. and T. V. Rao (eds.). 1978. *Developing Entrepreneurship*, New Delhi: Learning Systems. 2. Gupta, C. B. and N. D. Srinivasan, (1997). *Entrepreneurship Development in India*. New Delhi: Sultan Chand and Sons.

- ◆ Product reservation/creating new avenues for marketing
- ◆ Quality testing and approving services
- ◆ Need-based common facilities centres

### DISCUSSION FORUM



- ◆ Compare the different entrepreneurial development models.
- ◆ Explain the stages for promoting small entrepreneurship.
- ◆ Discuss in small groups entrepreneurial development cycle.

## PROBLEMS FACED BY ENTREPRENEURS AND CAPACITY BUILDING FOR ENTREPRENEURSHIP

Entrepreneurs face a number of problems in the promotion of units and during production, marketing, distribution, procurement of raw material, and availing of incentives offered by the State government.

However, it would be of great interest to broadly study the common general problems faced by the entrepreneur and the specific problems faced by his units. A conceptual framework of the problems faced by the entrepreneurs in general is discussed here.

The problems of entrepreneurs may be divided into two groups—**external and internal**. External problems are those which result from factors beyond the control of the entrepreneurs while internal problems are those which are not influenced by external factors.

The problems of industries, whether in the small sector or in the organised sector, are almost identical. However, given that the organised industry is financially very strong and its resources large, it can, therefore, face its problems more effectively. Owing to its weak financial structure, the resources of the small sector are limited. While the large sector can employ trained and experienced managers, in the small industry, its proprietor or partners or, if the unit is a company, its director or directors themselves have to take care of all the problems. The large sector can influence its raw material suppliers, its customers and at times even the government in framing its policies, but the small entrepreneur is helpless in this respect.

### Internal Problems of Entrepreneurs

#### 1. Planning

- (a) Technical feasibility
  - ◆ Inadequate technical know-how



**SNAPSHOT**

**Problems faced by entrepreneurs are:**

a. Internal problems b. External problems and c. Specific management problems.

**To build capacity for entrepreneurship following measures can be taken:**

Availability of credit, imported raw materials, skilled labour, Technology and Equipment, Infrastructural facilities, Advisory Services and access to market.

- ◆ Locational disadvantage
- ◆ Outdated production process
- (b) Economic viability
  - ◆ High cost of inputs
  - ◆ Break-even point too high
  - ◆ Uneconomic size of project
  - ◆ Choice of idea
  - ◆ Feeble structure
  - ◆ Faulty planning

- ◆ Poor project implementation
- ◆ Lack of strategies
- ◆ Lack of vision
- ◆ Inadequate connections
- ◆ Lack of motivation
- ◆ Underestimation of financial requirements
- ◆ Unduly large investment in fixed assets
- ◆ Overestimation of demand

**2. Implementation**

Cost over-runs resulting from delays in getting licences, sanctions, and so on, and inadequate mobilisation of finance.

**3. Production**

(a) Production management

- ◆ Inappropriate product mix
- ◆ Poor quality control
- ◆ Poor capacity utilisation
- ◆ High cost of production
- ◆ Poor inventory maintenance and replacement
- ◆ Lack of timely and adequate modernisation and so on
- ◆ High wastage
- ◆ Poor production

(b) Labour management

- ◆ Excising high wage structure
- ◆ Inefficient handling of labour problems
- ◆ Excessive manpower
- ◆ Poor labour productivity
- ◆ Poor labour relations
- ◆ Lack of trained skilled labour or technically competent personnel

(c) Marketing management

- ◆ Dependence on a single customer or a limited number of customers/single or a limited number of products

- ◆ Poor sales realisation
  - ◆ Defective pricing policy
  - ◆ Booking of large orders at fixed prices in an inflationary market
  - ◆ Weak market organisation
  - ◆ Lack of market feedback and market research
  - ◆ Unscrupulous sale purchase practices
- (d) Financial management
- ◆ Poor resource management and financial planning
  - ◆ Faulty costing
  - ◆ Dividend policy
  - ◆ General financial indiscipline and application of funds for unauthorised purposes
  - ◆ Deficiency of funds
  - ◆ Over trading
  - ◆ Unfavourable gearing or keeping adverse debt equity ratio
  - ◆ Inadequate working capital
  - ◆ Absence of cost consciousness
  - ◆ Lack of effective collection machinery
- (e) Administrative management
- ◆ Over centralisation
  - ◆ Lack of professionalism
  - ◆ Lack of feedback to management (Management Information System)
  - ◆ Lack of timely diversification
  - ◆ Excessive expenditure on R and D

### External Problems of Entrepreneurs

- (a) Infrastructural
- ◆ Location
  - ◆ Power
  - ◆ Water
  - ◆ Post Office and so on
  - ◆ Communication
  - ◆ Non-availability or irregular supply of critical raw materials or other inputs
  - ◆ Transport bottlenecks
- (b) Financial
- ◆ Capital
  - ◆ Working capital
  - ◆ Long-term funds
  - ◆ Recovery

- (c) Marketing
- (d) Taxation
- (e) Raw material
- (f) Industrial and financial regulations
- (g) Inspections
- (h) Technology
- (i) Government policy
- (j) Administrative hurdles
- (k) Rampant corruption
- (l) Lack of direction
- (m) Competitive and volatile environment

### Specific Management Problems

Besides internal and external problems of entrepreneurs, some specific problems faced by the entrepreneurs are discussed in this section.

**Management deficiency:** It is a well-known factor that management deficiency is one of the main reasons for poor performance and sickness of small enterprises. The new entrants in the field of small industries in general do not have any prior training or background in the management of their units. With growing sophistication and modernisation of market requirements for their products, it is very important for entrepreneurs to employ modern methods of management. Eighty per cent of the units under study faced a problem on the management front due to lack of professionalism. Entrepreneurship is not only an inborn gift; it can be cultivated through application and training. Various colleges and universities in advanced countries offer courses in starting and managing small enterprises.

**Finance:** Financial inadequacy is also reported to be one of the most important causes leading to sickness of small-scale units. A survey carried out in various parts of the country reveals that 70 per cent of the units have considered finance as a stumbling block in setting up and diversification of industrial units.

Critical issues in financial management require to be constantly borne in mind to ensure that a small-scale business enterprise remains healthy. Planning for profits must be ensured at all times by resorting to periodical performance evaluation and while reporting such performance—actual or planned—the merits of being conservative should not be lost sight of. Proper utilisation of various assets is critical to profit maximisation. Along with credibility, solvency and liquidity are essential for enterprise growth. During emergencies, liability management can be helpful. But all this would be possible only if proper books of accounts are maintained. An accountant ensures criticalities involved in financial planning and management and takes care of timely provision of financial information. All aspects of financial management contribute in a small or big measure in maintaining business survival and growth.

**Manufacturing and technical problems:** Most units face production problems due to lack of raw material availability, skilled labour shortage, under-utilisation of capacity, and time and cost overrun. Manufacturing and technical problems arise right at the stages of project planning and feasibility report preparation. Problem areas are product pricing; selection of right equipment, plant and machinery; selection of personnel and training them; technical know-how; technology transfer; industrial engineering; production engineering; use of standard quality control and use of high-tech equipment.

**Product planning:** The selection of product depends on technical know-how, infrastructure facilities available, and technical and managerial abilities of entrepreneurs to complete a project successfully. No product planning is done by most SSI units.

**Selection of equipment, plant and machinery:** No detailed scrutiny is done before selecting equipment, plant and machinery. However, this needs to be done and while doing so, entrepreneurs should give importance to production capacity, process capability, accuracy requirements, and other supporting facilities. They are required to look for alternative and appropriate high-tech equipment if they are technologically, economically feasible. These high-tech equipment are known for their quality, quantity, reliability, and high productivity. These qualities increase productivity and lower the cost of production.

**Human resource development:** Most SSI units do not give any consideration to human resource development. Selecting the right person for the right job would contribute for smooth and efficient working of the enterprise. After selecting the right personnel on scientific lines, it is very essential to train them at appropriate organisations so that they have, both theoretical and on-the-job training in improving the productivity of the enterprise. Entrepreneurs should know that it is not machines alone that work, but the people behind the machines who make it work. Organisations like NITCON and various training institutes are coming forward in a big way to help small business houses train their personnel.

**Technical know-how:** Most SSI units are neither technically equipped nor do they possess technical know-how. While there are numerous ways of doing a job, there is only one way of doing it in a manner that is most effective, efficient, and highly productive. Many entrepreneurs do not realise this and their trial and error method wastes time, money, energy and other resources. It is, therefore, better that entrepreneurs consult and contact organisations that are doing pioneer work in the areas of technology development and technology transfer. These are non-profit government organisations established for the purpose of helping industries.

**Preparation of project report:** A project report is usually not prepared on scientific lines. Very often project feasibility reports are prepared for availing loans. A project report, also referred to as pre-investment feasibility study, or business plan, is a detailed description of the business you want to be in, how the business will achieve its stated goals, and when that would happen. It is an operating document—the description of a project indicating what products are to be manufactured or what services are to be offered and to whom. While such an operational description is relatively easy to formulate. It is essential that the promoter of a business venture have

conceptual clarity on what business he is in. Details regarding the infrastructure required for the business, manpower, material, and financial resources needed to reach the envisaged activity level; how such resources would be mobilised and managed and with what financial resources; how the business will achieve the stated goals, the time frame within which a project will be implemented; when it will produce the envisaged output and when the business would reach optimal activity level generating financial surplus—these would constitute a business plan.

### Capacity Building for Entrepreneurship

India has an extraordinary talent pool with virtually limitless potential for entrepreneurship. India must, however, commit to creating the right environment to develop successful business builders. To do this, India must focus on four areas.

**1. Create the right environment for success:** Entrepreneurs should find it easy to start a business. To do so, most Indians would start slow, with capital borrowed from family and friends; the CEO playing the role of salesman and strategist; a professional team assembled months or perhaps years after the business was created; and few, if any, external partners. Compare this with a start up in the Silicon Valley: a venture capitalist (VC) or angel investor would be brought in early on; a professional management team would drive the business; a multifunctional team would be assembled quickly; and partnerships would be explored early on to scale up the business.

#### Box 2.4 Some General Problems of Small Entrepreneurs

- ◆ Inadequate technical support to entrepreneurs in respect of product identification and machinery installation from SISI. The difficulty has been in breakdowns, upgradation of technology, and R and D quality control.
- ◆ Non-availability of suitably updated handbooks about the various industries in SISI.
- ◆ The hire-purchase scheme of providing assistance to SSI help only the larger entrepreneurs in the small-scale sector, leaving smaller units financially deprived.
- ◆ Delays in provision of infrastructure facilities like sheds, water, raw material, and so on.
- ◆ Delay in payment of bills creating liquidity problem for SSI units.
- ◆ Low recovery of bank funds because of difficulties in identifying genuine entrepreneurs.
- ◆ Lack of coordination between banks and state financial corporation and other agencies in assisting SSI units.
- ◆ Lack of expertise on the part of small-scale entrepreneurs in maintaining records and books.
- ◆ Innumerable laws relating to labour, excise, taxes and other areas required to comply with that of a unit holder.
- ◆ Lack of professionalism on the part of bankers in rendering timely and adequate financial assistance and consultancy to SSI entrepreneurs.
- ◆ Overlapping of many items reserved for purchase from the small sector.

### Box 2.5 Self-made Entrepreneurs

- ◆ 34-year-old Baldau Ram Sahu, a farmer of village Kapsada in the Raipur District of Chhatisgarh, owned just two cows and five buffaloes. That was till 1999. By 2002, he transformed his small milk trade into a major business activity with 25 dairy animals milk per day.
- ◆ Hussaina Bano of Khartdwa in Madhya Pradesh had neither any business background nor much education. She had studied upto class V. Today, her enterprise "Hussaina Store" has a monthly sale of nearly Rs 10,000.
- ◆ Rashmi Nayyar of Dewas did her M.Sc. in Chemistry and Master of Computer Management. Though she could easily get a job in the IT field, she had a burning desire to be her own boss. She set up Ekta Computer and Graphics where she teaches computer to over 25 students a day and trains young students from other strata of society as well.
- ◆ The above examples of self-made entrepreneurs are a just a "pick" from the thousands of men and women who have taken to entrepreneurship rather than getting into some or the other job. Their mantra for success is self-confidence, hard work and application. Rashmi says, "Whatever be the unit that you set up or the field of work that you choose, make grow and develop it through hard work, application and effort."

To a large measure, culture shapes this style. Silicon Valley is abuzz with ideas to build global businesses; deals are continually being negotiated, teams are pulled together and partners are identified. There is almost unlimited access to multiple VCs and angel investors. Critical support services abound, including professional managers, legal firms, venture capitalists, angel investors, and placement agencies. Combine this with excellent infrastructure—connectivity, communication, and office space—and getting started is easy.

The first challenge for India is to create a handful of such areas of excellence—the breeding ground for ideas to grow into businesses. Some already exist in a very preliminary way (the businesses are there). For example, Gurgaon and Hyderabad for remote services, or Bangalore for IT services. However, these areas of excellence need strengthening before they can claim to be India's own "valley". One way of strengthening these areas is to consider the role of universities and educational institutions—places where excellence typically thrives. Creating such educational institutions by strengthening the Indian Institutes of Technology (IITs) and starting new ones is going to be very important.

**2. Ensure that entrepreneurs have access to the right skills:** A survey conducted by McKinsey & Company revealed that most Indian start up businesses face two skill gaps: entrepreneurial (how to manage business risks, build a team, identify and get funding) and functional (product development know-how, marketing skills, and so on). In other countries, entrepreneurs either gain these skills by hiring managers or have access to "support systems" such as universities or other institutions that may nurture many regional businesses. In addition, business schools give young graduates the skills and knowledge required for business today.



Visit [www.entrepreneur.com](http://www.entrepreneur.com) and [www.entreworld.org](http://www.entreworld.org) to learn more about problems of entrepreneurs and capacity building for entrepreneurship.

India can move towards ensuring that the curriculum in universities is modified to address today's changing business landscape, particularly in emerging markets, and build "centres of entrepreneurial excellence" in institutes that will actively assist entrepreneurs.

**3. Ensure that entrepreneurs have access to "smart" capital:** For a long time, Indian entrepreneurs have had little access to capital. It is true that in the last few years, several venture funds have entered the Indian market. And, while the sector is still in its infancy in India, VCs are providing capital as well as critical knowledge and access to potential partners, suppliers, and clients across the globe. However, India has only a few angel investors who support an idea in the early stages before VCs become involved. India Venture 2000 showed this to be a critical gap. While associations such as TIE are seeking to bridge the gap (by working at creating a TIE India Angel Forum), this is India's third challenge: creating a global support network of "angels" willing to support young businesses.

**4. Enable networking and exchange:** Entrepreneurs learn from experience—theirs and that of others. Much of the success of Indians in Silicon Valley is attributed to the experience, sharing, and support TIE members have extended to young

### Box 2.6 Acquiring Entrepreneurship

- ◆ People ask a valid question, "Can entrepreneurship be really acquired"? The answer is, "Most certainly." According to sociologists and psychologists, everyone is born with infinite potential for growth. Those occupying top positions in industry, government, or elsewhere today are not necessarily persons born with a silver spoon. There are umpteen examples of those who started from scratch and reached enviable positions in 25–30 years. What are their attributes? Intense desire to be different from others, open-eye and ear approach, enterprising spirit, and determination to meet any challenging situation.
- ◆ No one is born a businessman or businesswoman anymore than one is born a doctor or engineer or lawyer or administrator or entrepreneur. To be successful in any entrepreneurial area, one must learn not only the basic techniques but also how to apply those techniques. Let us illustrate this with an example.
  - ◆ Under the Prime Minister Rojgar Yojana (PMRY), it is mandatory to undergo a 10-day training organised by specified institutions before persons are disbursed financial assistance by banks.
  - ◆ The beneficiaries under PMRY must be persons in the age group 18–45, with a minimum educational qualification of class VIII Pass. They include women, ex-servicemen, physically challenged, those belonging to SC/ST/Backward Classes, and so on. The 10-day well-planned rigorous training covers both classroom and field training.
  - ◆ The sessions cover Communication, Motivation, Financial Accounting, Marketing, Insurance, Taxation, Banking, and Project Report. By undergoing such training, the participants develop competence and capacity to set up and then run their own small units.

entrepreneurs. During India Venture 2000, established entrepreneurs, who still remembered the challenges they faced, offered to support startups. Clearly, India would benefit from creating a strong network of established entrepreneurs and managers that entrepreneurs could draw on for advice and support.

The rapid pace of globalisation and the fast growth of Asian economies present tremendous opportunities and challenges for India. Through planning and focus, India can aspire to create the pool of entrepreneurs who will be the regions'—and the worlds'—leaders of tomorrow.

## DISCUSSION FORUM



- ◆ Discuss the problems faced by entrepreneurs during various stages of the venture.
- ◆ What are the strategies you suggest in capacity building for entrepreneurship?

## Box 2.7 Capacity Building for Prospective Entrepreneurship

Entrepreneurship has its own rewards. An entrepreneur is his own boss, can set his own hours, can own his business with investment—partly his own and partly from banks, is his own master and can plan the growth of his enterprise the way he wants. Here are some tried steps for capacity building for prospective entrepreneurship.

- ◆ **Positive attitude** Success in one's own enterprise, as in all areas of life, is 90 per cent attitude and 10 per cent aptitude. A positive attitude is bound to lead to success.
- ◆ **Learn to handle money intelligently** For success as an entrepreneur, it is absolutely necessary to become an efficient money manager.
- ◆ **Expect "no"** Realise that no's are not personal. In business, as perhaps nowhere else, the law of averages works. Every "no" gets you closer to a "yes". Do not get disheartened by "no". Put your best foot forward and you will get a "yes".
- ◆ **Be involved** Both in online communities and offline in your local community, know what is going on and what is current in your field. Be a part of what is going on and network with others in your field.
- ◆ **Remember the magic word** In business the magic word is "Ask". Never expect the business to come to you. You create your business by asking for it. Ask for business and you will close sales. Ask for referrals, you will always have a full list of potential clients/customers/users.
- ◆ **Be a goal setter** Set your goal, write it down, set a target for achieving the goal and mobilise all your energies and resources to accomplish the same each day, each week, and each month. Little is ever accomplished without definite goals.
- ◆ **Be organised** Each evening, list all the things you want to get done the following day. That gives you an organised approach to each day. As each task is finished, mark it off your list. It is amazing how much can get done when one works with a "things-to-do" list in an organised way.
- ◆ **Be enthusiastic** Enthusiasm is the "fuel" that entrepreneurs run on. Enthusiasm generates its own energy. Energy and good health are synonymous with busy, happy people and people who are achievers.



## PROFILES OF SUCCESSFUL ENTREPRENEURS

### Rags to Riches—Dhirubhai Ambani

This is the story of a man who rose from obscurity to create corporate history. This is the story of Dhirajlal Hirachand Ambani (fondly called Dhirubhai), born to Jamunaben and Hirachand Govardhandas Ambani, a lowly paid schoolteacher, in 1932, in Chorwad, a village in Saurashtra region of Gujarat.

The man hailed as the messiah of the investing masses began his great journey into the corporate world at the age of 17 when he followed his elder brother, Ramniklal Ambani, to Aden in 1949 and took up his first job of filling gas at a Shell pump at a monthly salary of Rs. 300.

He returned to Mumbai (then Bombay) in 1958 and began trading in spices such as ginger and turmeric. A firm, Reliance Commercial Cooperation, was simultaneously floated with a capital of Rs. 15,000.

In 1959, Dhirubhai switched his trading business from spices to yarn.

He earned quite handsomely in the yarn business and graduated from a yarn trader to a mill owner in 1966 by setting up a small textile mill at Naroda, near Ahmedabad.

He expanded the small textile unit into India's most modern textile mill. This was the period when the Indian Government allowed earnings from rayon fabric exports to be used for importing nylon fabric. This was also a period when the Indian government faced a massive foreign exchange crisis. This provided Ambani's company an opportunity to foray into exports in a big way. The massive profits made from exports to Russia, Poland, Zambia, Uganda, Saudi Arabia, and other countries were spent on expansion and modernisation of the Naroda mill.

The year 1977 was definitely a turning point in the history of Reliance Industries Limited when the company went public. Dhirubhai succeeded in mobilising 58,000 investors. The marathon task was achieved despite the warnings of the merchant bankers to the people to keep off the issue. Several of these investors were investing in shares for the first time. The march continued as Dhirubhai successfully introduced convertible debentures and mobilised another Rs 400 crore. He also managed to procure a loan to manufacture Polyester Filament Yarn (PFY).

Another major resource generation step of the Ambani group was when Reliance Petrochemicals floated a Rs 516 crore public issue in 1988. Over 20 lakh investors responded. In 1993 RIL it emerged as India's largest private sector company with sales crossing the Rs 4,000 crore mark. It also figured among the top 50 companies of the developing countries listed by *Business Week*.

To Reliance also goes the credit of entering the US debt market in 1997 with a bonds issue. This was a first instance of an Asian company entering the US market. In the same year, the Hazira complex was completed. Dhirubhai created another record of sorts when he dedicated the world's largest grassroots refinery, valued at Rs 25,000 crore, at Jamnagar, to the nation.

Just before his death in July 2002, Dhirubhai created India's only private sector 'Fortune 500' company by merging RIL and RPL. His sons, Mukesh and Anil, slowly began to emerge from the shadows of their illustrious father.

Reliance Group's Major Businesses	Reliance Group of Companies
◆ Petrochemicals	◆ Reliance Industries Ltd.
◆ Polyester fiber	◆ Reliance Capital Ltd.
◆ Polyester filament yarn	◆ Reliance Industrial Infrastructure Ltd.
◆ Oil and gas exploration and production	◆ Reliance Power Ltd.
◆ Refining and marketing of petroleum	◆ Reliance Telecom Ltd.
◆ Textiles	◆ Reliance Infocom Ltd.
◆ Power	◆ Reliance Life Insurance Co. Ltd.
◆ Telecom	◆ Reliance General Insurance Co. Ltd.
◆ Infocom	◆ Reliance Communications
◆ Financial services	

Both sons are cast in the mould of their father and despite their elite education, the duo regarded their father as the biggest training ground and a role model.

Dhirubhai was a man with an earthy vocabulary, possessing no airs of a management genius or a great business tycoon. He attributed his success to being a step ahead of the main competition, looking ahead and scoring a bull's eye with most of the bold steps and decisions he took.

## The Nirma Story—The Saga of Karsanbhai Patel

### *Business opportunity identification*

Karsanbhai Patel's life typified that of millions of other Indians. He worked as a chemist with Gujarat Mineral Development Corporation in Ahmedabad in the western state of Gujarat, earning a meagre salary on which he was desperately struggling to make ends meet. At the same time Karsanbhai recognised that there was a vacuum in the rural Indian market for an affordable detergent. There were low quality soap bars that did not wash very well and were very time intensive or there were up market detergent brands that washed very well but were too expensive. Karsanbhai recognised the need for an affordable detergent and concluded that a good product would create its own market. On the basis of this rather simplistic but accurate belief, Karsanbhai started conducting experiments in his kitchen. His efforts finally yielded a pale, whitish-yellow powder that he named "Nirma", after his then one-year-old daughter Niranjana. In no time he began producing small quantities of washing powder and selling them to his neighbours. He look on the might of the giant multinational Hindustan Lever with his puny, homespun unit. He packaged his product in small pouches with neither colourful decorations nor designs. Every morning Patel got onto his bicycle and went from door to door selling his washing powder.

For harried housewives, struggling to balance their monthly budgets, the product came as a boon. It was much cheaper than Surf, which had already gone well out of their reach; and it washed clothes nearly as well. Its cleansing power was far superior to that of the slabs of cheap washing soaps that had been their sole alternative until

then. As word-of-mouth spread, Karsanbhai got more and more customers to whom he effected his deliveries on foot.

Soon wholesalers and distributors from different neighbourhoods, towns, cities, and States of India started arriving at Karsanbhai's doorstep to buy and redistribute Nirma. Karsanbhai took on no responsibility for delivery or distribution; but his product was soon available in every corner of India.

As television reach spread in India during the late 1970s so did Nirma's. The little girl on the pack became a symbol that was almost generic with a good quality, low-priced detergent. A catchy single hammered home the message to millions of housewives. It was as if a down market consumer revolution had taken off.

Today Nirma sells over 800000 tonnes of detergent annually, giving it a 35 per cent share of the market.

The story of Nirma has become a classic as a marketing case study.

*Nirma products:* Even the second product that Karsanbhai introduced—a low-priced toilet soap, which he thoroughly test marketed in Gujarat before going national with it in 1990—has been faring well.

As with Nirma detergent, Karsanbhai did not start up a media assault until his entire distribution network had the product in place.

A toothpaste, which Karsanbhai claims has been developed with indigenous technology, is next in the pipeline, but has already taken nearly four years on the drawing board.

*Problems:* Of late, Karsanbhai has encountered several other problems that promise to try his managerial skills to the utmost. One is the fact that his size has expanded so much that he is deemed to be a public limited company. That status will deprive his products of their edge in price, because they will be gathered into the excise net.

The intrepid entrepreneur also faces intense competition from the small sectors, which was his initial launch pad. Inspired by the success of Nirma, there are literally hundreds of soap-makers, who have made Ahmedabad the detergent capital of the country. Since transportation costs are a very crucial part of the costing in a low-priced detergent, many manufacturers are locating their factories as close as possible to their eventual sales points to save on transport costs. Nirma could well lose out soon on its best Unique Selling Proposition—price.

Another problem is that the sheer size of his operations makes it difficult for Karsanbhai to maintain the highly centralised style of running that has always been characteristic of Nirma. For an enterprise that is today competing with Godrej for the accolade of the largest privately owned business in India, Nirma has an exceedingly top light management structure, with barely 200 managers handling the huge 14,000 strong work force. Decision-making is restricted to a handful of top people.

*The saga continues:* Nirma has embarked upon two ambitious backward integration projects—manufacture of two key raw materials, Linear Alkyl Benzene (LAB) and Soda Ash, with a view to control almost 85 per cent of its detergents raw material requirement.

Karsanbhai's concern for the environment is noteworthy. For instance, his detergent powder is completely eco-friendly since it is phosphate free and biodegradable. Nirma's LAB plant is India's most environment-friendly of its kind.

Karsanbhai considers contributions to society vital—he has constantly endeavoured to pay back what he sees as his own debt to society. This has taken various forms over the years, including a number of agencies, bodies and causes, like the Nirma Memorial Trust and Nirma Foundation, which look after deprived women in Gujarat, as well as ashrams and guest houses for pilgrims and the elderly.

With an intense desire to provide world-class technical and managerial education, Karsanbhai Patel set up the Nirma Education and Research Foundation. Today, the Nirma Institute of Technology, Nirma Institute of Management, and Nirma Institute of Diploma Studies have become the most sought-after institutes of the student community not only in Gujarat but also in different parts of the country.

### The King of Omega-3—P. J. Kunjachan

“Hard work, luck, all of them remain complimentary to my success mantra—do what you have to do today, today itself,” says P.J. Kunjachan, the CMD of Arjuna Natural Extracts Ltd., Kerala.

To have assumed the driver's seat, after a modest, humble beginning in 1989, today, Mr. Kunjachan leads the flagship company, Arjuna Natural Extracts Ltd., Kerala an ISO 9002 GMP Institution having Livelong Nutraceuticals Ltd. and Herbal Supplements Ltd. as prime associate companies. Add to it 300 acres of prime land farming and an innovative integrated dairy project, up in the high ranges of Kerala, flourishing under his direct supervision.

Ten thousand square metres of processing plants alone, two factories in Tamil Nadu, two in Kerala, world class red facilities approved by the Ministry of Science and Technology, Government of India, for in-house research, experts comprising clinicians, ayurvedic physicians, phytochemists, botanists, and scientists manufacturing more than 40 standardised herbal/spice extracts, marketing in over 30 countries for more than a decade, the largest manufacturer of omega-3 concentrates in Asia—CEO Kunjachan is a busy entrepreneur! More so because he started his career as a proofreader in local daily with Rs 1.50 per day as wages and that too he had to literally “snatch” from his employer.

Kunjachan was the fourth of six children, born to an Ayurvedic physician and a hard working housewife. As his parents were struggling to make both ends meet Kunjachan's education came to a halt after his pre-degree course.

He became proofreader for a local mid-day daily *Indian Pouran* for nearly one and a half years. Thereafter he began a joint venture supply chain at home. Since he did not have sufficient money, he became the working partner in a system to distribute major newspapers in his village. His partner invested the initial amount and Kunjachan did the rest, that is, manage the entire operations.

A voracious reader of newspapers, he learnt about the scope of running the distribution of a fertilizer manufacturing company in his locality. He invested his small

savings and soon became the distributor for the State of Kerala. His business grew steadily. Companies dealing in products related to the fertilizer industry like poisons also became his partners in business. Slowly he reached a position to do something new on his own, that others were normally reluctant to do in view of the risks involved.

Therefore, he ventured into the more risky field of manufacturing. He started a bone meal factory in Tamil Nadu to minimise operational costs and also avoid political interference to some extent. The business did very well.

Then came the transformation to natural extracts. Together with his brother-in-law Benny Antony, a biochemist, he launched Arjuna Aromatics in 1989. With its due share of successes and setbacks, Arjuna Aromatics' products started getting global acceptance. Then following his next desire and ambition—agriculture, farming, plantation, Kunjachan purchased approximately 200 acres of cardamom plantation in Munnar. Planting and re-planting was soon in full swing. And then Kunjachan took up another ambitious project to set up a plant for manufacturing Omega-3 fatty acids from fish oil.

The facility in Tamil Nadu can be best described as the largest unit manufacturing Omega-3 fatty acids from fish oil in Asia. They have won awards from government and non-governmental agencies for export and innovations. Global patents are pending for at least four products. The organisation has grown manifold. Arjuna Natural Extracts, (as it is now called) has become a public limited company with Livlong Nutraceuticals Ltd. and Herbal Supplements Ltd. as fully owned subsidiaries.



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Leading his business from the front is P.J. Kunjachan. A man, who had not even a penny to start off but a success mantra, proven and now time tested, and a flair for new ideas and instinct to like, attract and retain people. Till

date there have been no dropouts or resignations from his team. A handful of people who left were actually encouraged to take up better positions by Kunjachan himself. Absenteeism and labour problems are alien terms for him. His vision of employing as many people as he can continues to thrive and his affinity for unflinching quality standards continues to yield results. His inborn talent of maintaining excellent human relations makes him a CEO who always finds time to visit factories and plantations and, more importantly, talk to his team members.

## SUMMARY

- ◆ The word “entrepreneur” is derived from the French verb *entreprendre*, meaning “to undertake”. Entrepreneurship can be defined as a process of action an entrepreneur undertakes to establish his enterprise.
- ◆ Creativity, innovation, dynamism, leadership, teambuilding, achievement motivation, problem solving, goal orientation, risk and decision ability, and commitment are considered to be the characteristics of a successful entrepreneur.

- ◆ Entrepreneurship falls within six schools of thought, each with its own underlying set of beliefs. Each of these schools can be categorised according to its interest in studying personal characteristics, opportunities, management, or the need for adapting an existing venture.
- ◆ The models suggested for the development of entrepreneurship can be stated as the psychological models, the sociological models, and the integrated models.



## KEY WORDS

- ◆ Entrepreneurship
- ◆ Entrepreneur
- ◆ Enterprise
- ◆ Entreprenre
- ◆ Creativity
- ◆ Innovation
- ◆ Dynamism
- ◆ Leadership
- ◆ Teambuilding
- ◆ Achievement motivation
- ◆ Problem solving
- ◆ Goal orientation
- ◆ Risk taking
- ◆ Decision making
- ◆ Commitment
- ◆ Business plan
- ◆ Opportunity
- ◆ Identification
- ◆ Marshalling
- ◆ Germination
- ◆ Rationalisation
- ◆ Incubation
- ◆ Illumination
- ◆ Verification
- ◆ Validation
- ◆ Industrial voodoo
- ◆ Compensation system
- ◆ Core competency
- ◆ Imitative
- ◆ Adoptive
- ◆ Fabian
- ◆ Drone
- ◆ Prime mover
- ◆ Manager
- ◆ Satellite
- ◆ Trading
- ◆ Wholesaling
- ◆ Retailing
- ◆ Service
- ◆ Intrapreneurship
- ◆ Stimulatory
- ◆ Rags to Riches



## CASE STUDIES

Divide the class into small groups not exceeding five students each. Discuss this case in groups. Prepare answers for the case questions. All the groups have to prepare a 15-minute PowerPoint presentation on the case analysis. All the groups have to make the presentation in front of the panel consisting of three Professors of your Institute. After all the presentations are over, the panel has to decide the winner and the first and second runner-up.

Request your professor to supervise this exercise.

## Case 2.1 Entrepreneurship—Luck or Persistence?

When Deepak Joshi was 17 years old, he sampled ice cream at a store and thought that he could make it better. He made his own recipe and began selling ice cream bars, cones, and cups in his hometown of Belgaum. People began asking him for more. Deepak got himself trained at Mysore and developed skills to prepare ice creams of different flavours and compositions. Using meagre profits and his mother's kitchen, Deepak Joshi began making large batches of ice creams. He then designed his own wrappers and developed a commission system for friends who sold ice creams at several schools.

Business was so good that it became an obsession. Deepak worked after college, weekends, and holidays, and aside from a brief period when the health department suspended his operations until he obtained proper permits to make ice creams, he made different types of ice creams by trying his own methods until he graduated from college. At first, he could meet the demand without purchasing special equipment or sacrificing other activities, but when he began providing ice creams for college fund-raising events and fun fairs, demand exceeded capacity, and Deepak found himself buying professional equipment, hiring helpers, and purchasing bulk supplies.

Looking back, Deepak recalled the obsession, the long hours, and the drive to learn about business. Deepak set about placing orders with local stores and developing contracts with dozens of schools, colleges, caterers, hotels, and civic organisations. His business soon consumed his entire family and closest friends; he registered the company and set up an ice cream parlour. During the first month, he had 18,000 orders, and by the time he graduated, Deepak was distributing specialty ice creams to retail stores in three States.

At the age of 26, Deepak repositioned his company as a major distributor of specialty ice creams and began planning a chain of upscale ice cream parlours which would complement his current ice cream manufacturing and distribution system. When he paused to think about his plans, he realised that to launch a regional or national chain would mean major changes in his organisation. He and his family could not handle all the responsibilities, and the nature of Deepak's ice cream business would change. Although the idea of pursuing a major business was exciting, Deepak would not help feeling apprehensive.

Reflecting upon his business, Deepak realised that many people considered his success to be no more than the luck of a personable young man who made good ice creams and had accidentally stumbled upon a few good markets. In fact, he had worked extremely hard to attract clients. Most of his customers had not been comfortable buying from a young college student, and customers seldom took him seriously until they had dealt with him for a long time. Winning over customers had always been a challenge to Deepak, not a roadblock, and creating unusual ice creams had been exciting.

He was not anxious to become a corporate manager, and although he had always worked well with others, Deepak liked being independent. Running a company would mean sacrificing his autonomy, yet the idea of a chain of stores selling his specialty ice creams had been a dream for years. At the same time, expansion would mean financial risk, and Deepak had always avoided debt; he dealt in cash and had always carefully calculated his expenses to avoid even the slightest loss. He realised that he was at a major crossroad in his young career. The choice seemed to be whether to follow his dream and expand or to be content with his existing business.

### Case Questions

1. Identify the entrepreneurial characteristics of Deepak Joshi. How do they match the characteristics described for successful entrepreneurs?

2. Take a position regarding the decision facing Deepak on whether to expand into a chain of ice cream parlours.
3. Based on what you know about Deepak and what you believe his characteristics to be, would you say his success was due to luck or persistence? Explain. How does luck play a role in any new venture?

### Case 2.2 Pain of Partnership

Mahesh and Raja met while working at a Compaq disc production company. Mahesh was in charge of editorial and production, Raja ran the sales force. Mahesh decided to start his own company and invited Raja to join him. Raja would handle sales and administration, while Mahesh managed the clients and directed production.

MR communications seemed like a perfect partnership. Things seemed to be going well, and they even landed a major project.

As time went by, Raja decided that he wanted a "creative" job too. He spent most of his time producing Compaq discs rather than looking for new business. Mahesh's loyalty to Raja made him blind to many things that were obvious to others. Because of their friendship, he trusted that Raja was taking care of his side of the business. As it turned out, Raja was not very good at the tasks he had taken on. He made mistakes that reduced expected profits. He was not making new sales contacts, which was supposed to be the main part of his job. If that were not enough, the feeling that he was letting his friend down made Raja feel even worse. Raja began to avoid talking to Mahesh. He stopped coming into the office. Finally, he stopped returning phone calls.

By the time Mahesh realised what was happening to the business, it was too late. There were no new sales. What Mahesh thought were profits was the result of Raja not paying their bills. Mahesh was left with more than Rs 5,50,000 in unpaid bills and other debts. A tearful message on the answering machine from Raja "I'm moving out to Chennai for a while. Sorry it didn't work out."

It took Mahesh three years to dig out of the financial mess and get his new company up and running successfully.

### Case Questions

1. How could Mahesh and Raja have avoided the problems that led to the end of their partnership?
2. Why is this situation a good example of the difficulty in maintaining partnerships between friends?



### EXERCISES

#### Exercise 2.1

#### Do you have what it takes to be an entrepreneur?

Successful, self-made business people have some key traits and characteristics. You may not have all the necessary skills but then nor does every successful entrepreneur.

We are all different. In other words, we all have distinctive ways of operating in this world. This self-assessment will help you identify your strengths and weaknesses and take the necessary corrective



measures. For each of the following statements, select the number on the scale that corresponds with your answer.

Remember; there are no right or wrong answers, so be as honest as you can.

**Scale** 1 = Not at all 2 = Disagree 3 = Neither agree nor disagree 4 = Agree 5 = Strongly agree

	Statements	1	2	3	4	5
1.	In a complex situation, I tend to rely upon my intuition and instinct to help make a decision.					
2.	It's important to make a mark in this life.					
3.	Most people who know me would agree that I'm quick to see a good opportunity.					
4.	I'm prepared to take risks where other people hesitate.					
5.	When I set myself a goal, I keep going after it no matter what the obstacles.					
6.	Most people would describe me as an energetic person.					
7.	I can immediately see all implications of a particular situation, and anticipate the potential problems.					
8.	I try to learn from my mistakes so that I can get it right next time.					
9.	Most people who know me well would agree that I'm always seeking out opportunities for personal growth and development.					
10.	I have confidence in my own skills and abilities.					
11.	It's important for me to have control over how I do my work.					
12.	I don't let setbacks bother me; I keep on pushing.					
13.	I am willing to take calculated risks.					
14.	I want to make a lot of money.					
15.	I know that I will be successful in whatever I choose to do.					

**Scoring** Add up the score for each statement and take a look at the final score to understand your profile.

A score of 65 and above indicates that you have a firm belief in your capabilities and a powerful drive to achieve. Being your own boss, with the freedom to select what you do and how you do it, is important to you as is personal growth and development. You see your business as a means of expressing yourself as a person. An ability to take risks, bouncing back from setbacks and the ability to solve problems will stand you in good stead as you plan your independent venture. Start right away.

A score between 50 and 64 indicates a strong will to achieve, good potential for entrepreneurship but you need to identify your areas of weaknesses which may act as barriers to achieving your goals.

A score between 35 and 50 indicates that you may have the drive but lack the perseverance and the grit to hang on when the chips are down. You might doubt your abilities at times, or may lack an ability to focus and plan. A checklist of entrepreneurial skills elsewhere in this chapter will give you an insight into what it takes to be on your own. Identify your weak areas and develop action plans to overcome them.

A score of 34 and below indicates moderate potential for entrepreneurship. You may like to look at other options that match your interests and personality.

### Activity 2.1

Visit any local enterprise. Interview the entrepreneur; study his entrepreneurial journey; prepare the profile of the entrepreneur, not exceeding six A4 size pages with adequate margins and normal space between the paragraphs.



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2. [www.entrepreneur.com](http://www.entrepreneur.com)

101 ways to be a better entrepreneur

3. [www.loc.gov](http://www.loc.gov)

The entrepreneur's reference guide to small business information

4. [www.entreworld.org](http://www.entreworld.org)

Academic materials on entrepreneurship, awards, and more

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