

# **Entrepreneurial Management**

## **Unit - I - Entrepreneurship**

### **Meaning and Definition of entrepreneur**

The word entrepreneur has come from the France word “entreprenra” which means to undertake, to pursue opportunities to fulfill needs and wants through innovation to undertake business.

In the year 1725 the word entrepreneur was first brought into economics by a social scientist named Richard cantilion.the expert who invented the theory of entrepreneurship was David mc cellion in 1961.

There was various definition of entrepreneur.

#### **According to America heritage dictionary;**

“Entrepreneur is a person who organizes operates and assumes the risk for business venture”

**The dictionary of social science** has defined entrepreneur from functional viewpoint. According to it “entrepreneur is a person 1) who exercise the function or 2) initiating coordinating controlling or institute major change in a business enterprise and or 3) bearing those risk of operation which arise from the dynamic nature of society and imperfect knowledge of the future which can cast through transfer calculation or elimination

#### **According to encyclopedia Britannica**

“Entrepreneur as the individual who bears the risk of operating a business in the face of uncertainty about future condition and who is rewarded accordingly by his profit or losses”.

#### **Richard cotillion says**

“Entrepreneur is the agent who purchased the means of production for combination into marketable product”.

So we can say that entrepreneur a person who takes risk for establishing a new venture or business in order to create utility for the welfare of human being as well as for him of herself. She or he is always a person who seeks out opportunities and takes on challenges.

#### **Meaning and Definition of Entrepreneurship:**

Entrepreneurship is considered as of assuming the risk of an entrepreneur.

### **According to Natheal H. Leff:**

Entrepreneurship is the capacity for innovation investment and expansion in new markets product and techniques.

Webster highlights entrepreneurship as economic venture organizing and risk taking capabilities.

Joshep a Schumpeter describe entrepreneurship is the force of creative destruction whereby established way of doing things are destroyed by the creating of new and better ways to get things done.

### **According to S. S. kanaka:**

Entrepreneurships is a process involving various actions to be taken to establish an enterprise.

From the functional view point entrepreneurship is defined as the combination of activities such as perception of market opportunities gaining command over scarce resources purchasing input producing and marketing of product responding to competition and maintaining relation with political administration and public bureaucracy for concession licenses and taxes etc.

### **Characteristics of an entrepreneur:**

An entrepreneur is a person who initiates a business venture. there are some essential feature of an entrepreneur which are describe below.

- **Risk taking capability:** every business has risk of time money etc .so an entrepreneur must have the risk taking capability.
- **Creativity and innovation:** an entrepreneur has an initiator possesses creativity and innovative power.
- **Need for achievement:** the entrepreneur has strong desire to achieve the goal of business. He is always driven by the needs for achievement.
- **Need for autonomy:** an entrepreneur does not like to be under anybody. it is the need for autonomy which drives a person to be an entrepreneur.
- **Internal locus of control:** an entrepreneur believes in him his work.
- **External locus of control:** he also believes in fate for ultimate result.
- **Self confident:** an entrepreneur has confidence in him.
- **Leadership capability:** an entrepreneur must have leadership capability to lead works under him

- **Industriousness:** a successful entrepreneur must have leadership capability to lead workers working under him.
- **Decision making capability:** the entrepreneur has capability to take quick decision
- **Adaptability:** he has the capacity to adapt with any kind of situation that arise in the enterprise
- **Foresightness:** The entrepreneurs have a good foresight to know about future business environment.
- **Others;** the other feature are dynamism, ambition, education and training, long term involvement, future orientation.

### **Qualities of successful entrepreneur:**

To become a successful as an entrepreneur in its business life, a businessman should possess a quite a number of essential qualities. Those are noted below:

1. **Moderate risk taking:** an entrepreneur always takes calculated risk to operate the organization
2. **Hard work:** an entrepreneur is very much hard worker, he or she always busy with various types work.
3. **Accountability:** a successful entrepreneur is accountable well as his associates always accountable to him.
4. **Educated in real sense:** successful entrepreneur is educated In real sense .he tries to implement his organizational objectives through his education.
5. **Analytical mind:** a successful entrepreneur is analytical minded. he scrutinizes every activity on the organization.
6. **Dynamic leadership:** a successful entrepreneur is always dynamic to operate the organization
7. **Presence of mind:** a successful entrepreneur is always at present of mind he is always aware of activities that to happening in the organization and around him
8. **Accommodative:** a good entrepreneur has the capacity to make his own place at every sector
9. **Courageous and tactful:** Corsages and techniques is very much essential for a successful entrepreneur

10. **Maker of right decision:** A successful entrepreneur makes right decision in right time in right place
11. **Foresighted:** a successful entrepreneur foresees the future and take decision accordingly
12. **Right perception of things:** A successful entrepreneur things in a right way
13. **Enjoy simple life:** A successful entrepreneur always deals a simple life a general people of the society
14. **Strong desired to success:** A successful entrepreneur have a strong desire to success. he is driven by the desire to success
15. **Innovation:** innovation is the process of making new something. A successful entrepreneur is innovative
16. **Self confidence:** A successful entrepreneur is self confidence. does not really on other for decision or fate
17. **Goal setting:** a successful entrepreneur set the goal
18. **Keen observation:** A successful entrepreneur always observes the origination
19. **Sociable:** A successful entrepreneur is sociable person
20. **Loves to work;** A successful entrepreneur is very much addicted to work
21. **Loves new ideas:** A successful entrepreneur loves new ides of the organization
22. **Team builder:** A successful entrepreneur builds a suitable team
23. **Clean understanding:** A successful entrepreneur clearly understands every things
24. **Ability to conceptualize:** A successful entrepreneur is able to conceptualize the reality
25. **other:** the other qualities are patience, optimistic ,strategist, etc

### **Relationship between entrepreneur and entrepreneurship:**

The relationship between entrepreneur and entrepreneurship are discussed below:

#### **Entrepreneur                      vs              Entrepreneurship**

- 1) Entrepreneur is a person. Entrepreneurship is a process.
- 2) Entrepreneur is an organizer. Entrepreneurship is an organization.

- 3) Entrepreneur is an innovator. Entrepreneurship is an innovation.
- 4) Entrepreneur is a risk bearer. Entrepreneur is a risk bearing.
- 5) Entrepreneur is a motivator. Entrepreneur is a motivation.
- 6) Entrepreneur is a creator. Entrepreneur is a creation.

Entrepreneur is a visualizer. Entrepreneur is a vision.

Entrepreneur is a leader. Entrepreneurship is a leadership.

Entrepreneur is an imitator. Entrepreneurship is an imitation.

### **Distinction between an Entrepreneur and a Manager.**

Sometimes the word entrepreneur and manager are used as synonyms. In fact there are some differences between them. They are described below –

#### **1. Motive**

Thinking function. His main motive is to start a new venture by setting up an enterprise.

Doing function. His main motive is to render service to the organization already established.

#### **2. Status**

Entrepreneur is the owner of the enterprise.

Manager is the service holder or servant of the enterprise.

#### **3. Risk bearing**

Being owner of the enterprise assume all risk and uncertainty involved in the enterprise.

As the servant don't take or bear risk and uncertainty involved in the organization.

#### **4. Reward**

Reward is profit which is highly uncertain.

Get salary as a reward which is fixed and certain.

#### **5. Innovation**

An entrepreneur is an innovator.

A manager is not an innovator in that sense he implements the plan prepared by the entrepreneur.

#### **6. Qualification**

They are not highly qualified but have extraordinary experience forecasting.

They are highly qualified (institutional education).

After the above discussion we can say that at a time an entrepreneur can be a manager but a manager cannot be an entrepreneur.

### **Different types of entrepreneurs:**

On the basis of nature *Clarence Danhof* classified entrepreneurs into four categories. These are

- 1. Innovative entrepreneurs:** An innovative entrepreneur is one, who introduces new goods, inaugurates new method of production, discovers new market and recognizes the enterprise. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved and people look forward to change and improvement.

**2. Imitative entrepreneurs:** These types of entrepreneurs creatively imitate the innovative technical achievement made by another firm. Imitative entrepreneurs are suitable for underdeveloped countries as it is hard for them to bear the high cost of innovation.

**3. Fabian entrepreneurs:** Fabian entrepreneurs are characterized by very great caution and skepticism to experiment any change in their enterprises. They usually do not take any new challenge. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise.

**4. Drone entrepreneurs:** They are characterized by a refusal to adopt any change even at cost of severely reduction of profit.

### **Some other types of entrepreneurs:**

**(i) Solo operators:** These are the entrepreneurs who essentially work alone and if needed at all employ a few employees. In the beginning most of the entrepreneurs start their enterprises like them.

**(ii) Active partners:** Active partners are those entrepreneurs who start or carry on an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business.

**(iii) Innovators:** Such entrepreneurs with their competence and creativity innovate new products. Their basic interest lies in research and innovative activities.

**(iv) Buyers' entrepreneurs:** These are the entrepreneurs who do not like to bear much risk. They do not take the risk of production but take the risk of marketing a product i.e. wholesaler and retailer.

**(v) Life timers:** These entrepreneurs believe business as an integral part of their life. These entrepreneurs actually inherit their family business i.e. goldsmith, potter etc.

**(vi) Challengers:** These are the entrepreneurs who initiate business because of the challenges it presents. They believe that 'No risk, No gain'. When one challenge seems to be met, they begin to look for new challenges.

Beside these, there are Govt. and Non-govt. entrepreneurs.

### **Factors of Entrepreneurship development:**

#### **(A) Personal factors**

1. · Ability to cope with the situation
2. · Age
3. · Education
4. · Personality
5. · Intrapersonal communication ability
6. · Achievement motivation
7. · Self-confidence
8. · Competence
9. · Emotion
10. · Understanding capacity

**(B) Environmental factors**

**1. Socio-cultural factors**

- · Religion
- · Values
- · Rural-urban orientation
- · Marginality
- · Education
- Tradition

**2. Political and legal factors**

- · Govt. legal bindings
- · Govt. policies
- · Rules and laws related to the industry and business

**(C) Institutional factors:**

1. · Financial institution
2. · Training and development institution
3. · Consulting firms
4. · Incubators organization (old & pioneer)
5. · Research organization

**(D) Micro factors**

1. · Enterprise itself
2. · Suppliers
3. · Intermediaries
4. · Customers
5. · Competitors
6. · Public

**(E) Macro factors:**

1. · Demographic factors
2. · Economic factors
3. · Physical factors
4. · Technological factors
5. · Cultural/social factors

**(F) Others:**

1. · Venture capital
2. · Experience entrepreneurs

3. · Technically skilled labor force
4. · Supplier's accessibility
5. · Proximity to universities
6. · Availability of land facilities
7. · Accessibility of transportation
8. · Favorable loan and financial policies
9. · Deceived population
10. · Availability of supportive
11. · Attractive living condition
12. · Capital intensiveness
13. · Research and development activities
14. · Capital incentive ness
15. · Proximity to corporate head quarters
16. · Competitive situation

### **Causes of success and failure of entrepreneur:**

An entrepreneur may sometime become successful and sometime becomes failure. There are some causes of such success and failure. They are noted below:

1. **Selection of business:** It is an important aspect. That means an entrepreneur has to determine what type business he is going to start. Form various points of view the feasibility of the business should be tested.
2. **Proper planning:** Proper planning me s also important. For planning, planning premises like political, economic, social premised should be considered first. The steps of planning should be followed properly.
3. **Initial capital:** if the initial capitals are not an optimal level the organization would fall. So whether the enterprise is big or small the initial capital should be sufficient enough.
4. **Determination oof market demand:** Through research the demand in the market should be identified. Both for long term and short term it should be considered.
5. **Marketing of product:** If the promotion policy, channel of destitution, transportation is not good the enterprise would fall.
6. **Education and experience:** One of the important tasks of the entrepreneurs is to select right person for the right post because the success of an enterprise depends on the right selection of employees.
7. **Joint initiative:** One may have much money and another may have more merit. Through joint initiative it can be balanced. But sometime for joint initiative misunderstanding arise, or sometimes corruption occur which may result in fall of enterprise.



8. **Employment:** Recruitment and appointment should be properly done. Those who have specialized skill should be appointed to that specialized job. Inefficient, corrupted employees may be responsible for fall of business.

9. **Location of business:** Site selection is an important factor. While starting a new business, an entrepreneur should think about the location of the business. In this case, many factors should be considered such as availability of raw materials, proper communication system, availability of labor, marketing facilities and so on.

10. **Qualities of management:** The management must have a minimum quality to success otherwise it would fall.

These are the common causes for which one enterprise may become successful and another may fall.

### **The opportunities or prospects of entrepreneurship development :**

As a third world country a considerable number of entrepreneurs has not been developed.

Nevertheless, there is a great possibility of developing entrepreneurship in Bangladesh. Following are the prospects and opportunity of entrepreneurship development in Bangladesh.

1. **Availability of human resources:** Bangladesh has its vast population of about 150 million. So there is a great possibility of developing entrepreneurship and entrepreneurs in Bangladesh. HR is the fundamental factors of production that is available in vast amount. So production that is available in vast amount. Therefore, entrepreneurs can easily use them with l on payment that may encourage them to be entrepreneur. Therefore, abundance of HR is the great opportunity in creating entrepreneurs in Bangladesh.

2. **Industrial innovative sensation:** People of Bangladesh have industrial innovative sensation. They may get involved largely in industrial initiative if they get favorable opportunity. Already they established many small and collage industries with the help of NGOs and other financing institution.

3. **Mobility of profession:** A considerable number of villagers now replaced their agriculture-based profession into petty businesses and many other small and cottage industry. Many of them transferred into city area. Thus, way here creates a mobility of profession. That is another prospect of developing entrepreneurship in Bangladesh.

4. **No religious hindrances on mobility of profession:** In Bangladesh, there are any religious and cultural hindrances on mobility of profession. Most of the people are changing their work, profession day by day. In past, certain religious people belong to certain profession. But now people get engaged in their desired profession without religious and cultural hindrance. That is another prospect of creating entrepreneurs.

5. **Large number of educated unemployed:** In our country, there are many educated unemployed people, but there is a limited scope of employment. For this reason, educated unemployed people will take new initiative to do something new themselves. As there is a close connection of education and entrepreneurship there is a possibility of developing entrepreneurship.

6. **Tendency toward industries work:** Industrials work bears more salary, status, facilities for living in city area and so on. For this reason people tending towards industrial work. Thus, industrial sector will be developed in future. Such mentality and tendency is helpful in developing entrepreneurs. Therefore, it is another prospect of developing entrepreneurs.

7. **Preference in establishing agro-based industry in Government planning:** As our country in agro-based, there is a greater possibility of establishing agro-based industry. Besides, most of the raw materials of industry come from agricultural sector. So our resourceful agriculture sector is helpful in developing entrepreneurship. Nowadays, Govt. announces preference in agro-based industry that is also greater opportunity to develop entrepreneurs.

8. **Liberalization of Govt. industrial policy:** With the aim of rapid industrialization, govt. adopted liberalization in industrial policy and encourages entrepreneurs to come ahead in industrial sector with their large capital. For this reason, investors are investing their capital in industrial sector. That is another prospect of developing entrepreneurs in Bangladesh.

9. **Disbursement of micro-credit by different NGO's:** In our country there are large numbers of NGOs providing micro-credit to the village poor people. That is helpful in forming small and cottage industry. NGOs also provide training facilities, advice, investment consultancy, raw materials etc to its loaner. That is another prospect of developing entrepreneurs in Bangladesh.

From above mentioned discussion, we observed that there is a greater possibility of developing entrepreneurs in Bangladesh.

### **Suggestions for removing the problems of entrepreneurship development :**

1. **Making specific policy:** To perform any activities some policies should be maintained. We all shall recognize that some effective policies should be made to develop entrepreneurship in Bangladesh. Relating organization and officials should make some specific policies for developing it.

2. **Involving entrepreneurial knowledge in text book:** As our education system is theoretical based so entrepreneurial knowledge should be included in textbook. So that students can achieve entrepreneurial knowledge that will be beneficiary for developing entrepreneurship in future. In text book following matters should be involved or suggested to be included.

3. **Offering package help:** After providing training, trainee should be provided necessary help for developing industrial sector. Necessary help including fixed capital, working capital,

technical men, technology, and raw material and so on. This is helpful in creating entrepreneurship.

4. **Formal arrangement of training:** people who are engaged in entrepreneurial work or people who are willing to take new initiative have suggested providing training in the respective field that will be helpful for them to take initiative and operates industry smoothly. Govt. and non-govt. organization can arrange this program.

5. **Increasing govt. facilities and its extensive publicity:** Govt. facilities for developing entrepreneurship are not sufficient. So govt. should provide abundant facilities for developing entrepreneurship. Govt. should also arrange extensive publicity of it's given facilities. So that rural centered people can get these facilities. That will be very helpful in developing entrepreneurship in Bangladesh.

6. **Encouragement in industrialization:** Govt. and non govt. organization may encourages people towards industrialization by providing different facilities including tax redemption or tax holiday, EPZ facility, BSCIC industrial state, providing raw material, capital, technical assistance etc. with unqualified condition.

7. **Establishment of supplementary industry:** Entrepreneurship may be developed by establishing supplementary industry extensively. Some of them produce industrial product that are reproduced large industry and some of them use by product of large industry. They are also essential to develop large-scale industry.

8. **Increasing loan facilities:** Most of the people establish small or large-scale industry with loan facility. Financing institution should provide sufficient loan to the entrepreneur with flexible condition and supporting paper. This program will be helpful in establishing and operating new industries and businesses.

9. **Exhibition of industrial product:** To increase demand for industrial product govt. and non-govt. organization may arrange exhibition. Industrial fair in domestic country will be helpful in creating demand for industrial product. Industrial product may introduce in abroad. It is an important recommendation to develop entrepreneurs and entrepreneurship.

10. **Reduction of tax and duty:** Govt. may encourage industrialization by lessening duty rate of industrial product. That will also lessen cost of industrial product, which is helpful in capturing market. Thus, way industrialization or entrepreneurship will be developed duty on importing bank raw materials have suggested to reduce.

11. **Favorable import and export policy:** Most of the basic raw materials used in industry have been imported from foreign countries. Some industrial products have produced to export as a whole. So for developing industrialization and entrepreneurship proper authority should make obvious and flexible export-import policy.

## **Importance/Need of entrepreneurship development programme (EDP)**

Importance of entrepreneurship development programme (EDP) is to enable entrepreneurs initiating and sustaining the process of economic development in the following ways-

### **1. Creation of Employment Opportunities**

Unemployment is one of the most important problems confronting developing and underdevelopment countries, EDP's enable prospective entrepreneurs in the setting up of their own units, thus enabling them to get self employment. With the setting up of more and more units by entrepreneurs, both on small and large scale, numerous job opportunities are created for the others.

Entrepreneur in this way get an opportunity to lead an independent and honorable life and at the same time they enable others in getting gainful employment. Several schemes like Nehru Rozgar Yojna, National Rural Employment Programme (NREP), Integrated Rural Development Programme (IRDP) etc. have been initiated by the government, of India in this direction. The thrust of all these schemes is to eliminate poverty and generate gainful employment opportunities for the unemployed. Thus entrepreneur can play an effective role in reducing the problem of unemployment.

### **2. Capital Formation**

It is not possible to set up an enterprise without adequate funds. Entrepreneur as an organizer of factors of production employs his own as well as borrowed resources for the setting up of his enterprise. Entrepreneur mobilizes idle savings of the public and put them to productive use. In this way he helps in capital formation, which is so essential for the industrial and economic development of a country. Various development banks like ICICI, IFCI, IDBI; SFCs, SIDCs take initiative in promoting entrepreneurship through assistance to various agencies involved in EDP and by providing financial assistance to new entrepreneurs.

### **3. Balanced Regional Development**

Small scale units can be set up in industrially backward and remote areas with limited financial resources. Successful EDP's assist in accelerating the pace of industrialization in the backward areas and reduce the concentration of economic power in the hands of a few, Entrepreneurs feel like taking advantage of the various concessions and subsidies offered by the state and central government. Success story of entrepreneurs set right example for others to follow and this accelerates the pace of industrialization in the backward areas. Setting up of more units leads to more development of backward areas and balanced regional development.

#### **4. Use of Local Resources**

In the absence of any initiative local resources are likely to remain unutilized. Proper use of these resources can result in the progress or development of the area and that too at lower cost. Alert entrepreneurs seize the opportunity and exploit it in the best interests of the area and industry. Effective EDPs can help in the proper use of local resources by providing guidance, assistance, education and training to the prospective entrepreneurs.

#### **6. Improvement in per Capital Income**

Entrepreneurs are always on the lookout for opportunities. They explore and exploit the opportunities. Entrepreneurs take lead in organizing various factors of production by putting them into productive use through the setting up of enterprises. More enterprises will lead to more production, employment and generation of wealth in the form of goods and services. It will result in the increase in the overall productivity and per capita income in the country. EDPs play a positive role in the setting of more units and thus help in generation of more employment and income.

#### **EDP will allow participants to:**

- Create, identify, and evaluate new venture opportunities
- Interpret customer needs and quantify the value proposition
- Start and build a successful technology-based company
- Understand how the process of starting new ventures may vary geographically and culturally Leverage new science and technologies from corporate or university laboratories
- Develop winning business plans
- Scale companies to be globally successful
- Navigate the venture capital investment process
- Obtain feedback on personal entrepreneurship skills
- Enhance and expand their networks

#### **Problems of entrepreneurship development programmes (EDPs)**

- 1. No Policy at the National Level.** Though Government of India is fully aware about the importance of entrepreneurial development, yet we do not have a national policy on entrepreneurship. It is expected that the government will formulate and enforce a policy aimed at promoting balanced regional development of various areas through promotion of entrepreneurship.
- 2. Problems at the Pre training Phase.** Various problems faced in this phase are — identification of business opportunities, finding & locating target group, selection of trainee & trainers etc.

**3. Over Estimation of Trainees.** Under EDPs it is assumed that the trainees have aptitude for self employment and training will motivate and enable the trainees in the successful setting up and managing of their enterprises. These agencies thus overestimate the aptitude and capabilities of the educated youth. Thus on one hand the EDPs do not impart sufficient training and on the other financial institutions are not prepared to finance these risky enterprises set up by the not so competent entrepreneurs.

**4. Duration of EDPs.** An attempt is made during the conduct of EDPs to prepare prospective entrepreneurs thoroughly for the various problems they will be encountering during the setting up and running of their enterprises. Duration of most of these EDPs varies between 4 to 6 weeks, which is too short a period to instill basic managerial skills in the entrepreneurs. Thus the very objective to develop and strengthen entrepreneurial qualities and motivation is defeated.

**5. Non Availability of Infrastructural Facilities.** No prior planning is done for the conduct of EDPs. EDPs conducted in rural and backward areas lack infrastructural facilities like proper class room suitable guest speakers, boarding and lodging etc.

**6. Improper Methodology.** The course contents are not standardized and most of the agencies engaged in EDPs are themselves not fully clear about what they are supposed to do for the attainment of pre-determined goals. This puts a question mark on the utility of these programmes.

**7. Mode of Selection.** There is no uniform procedure adopted by various agencies for the identification of prospective entrepreneurs. Organisations conducting EDPs prefer those persons who have some project ideas of their own and thus this opportunity is not provided to all the interested candidates.

**8. Non Availability of Competent Faculty.** Firstly there is problem of non availability of competent teachers and even when they are available, they are not prepared to take classes in small towns and backward areas. This naturally creates problems for the agencies conducting EDP.

**9. Poor Response of Financial Institutions.** Entrepreneurs are not able to offer collateral security for the grant of loans. Banks are not prepared to play with the public money and hence they impose various conditions for the grant of loans. Those entrepreneurs who fail to comply with the conditions are not able to get loan and hence their dream of setting up their own enterprises is shattered. Helpful attitude of lending institutions will go a long way in stimulating entrepreneurial climate.

## **Factors influencing Entrepreneurial development**

Capital, labour, raw materials and market are the main economic factors.

### **(a) Capital:**

Capital is one of the most important prerequisites to establish an enterprise. Availability of capital helps an entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. Therefore, capital is regarded as lubricant to the production process. Basically, capital is the life blood of any activity. If capital is available, people who have innovative ideas would like to put them into reality. Without having any obstacles, if capital is available, it will act as a lifeline to entrepreneurs. So, if capital is available, entrepreneurial activities will increase.

### **(b) Labour:**

The quality and quantity of labour is another factor which influences the emergence of entrepreneurship. Availability of labour makes entrepreneurship attractive. More than abundantly available labour, the presence of skilled labour force is very important because such a workforce is generally less mobile than other resources. If entrepreneurial activities are initiated near areas where labour is available, then it is easy to carry out the business more comfortably and profitably at low cost. This is why one finds textile units and machine tools manufacturing industries concentrated in certain cities like Coimbatore, Tiruppur, Ludhiana, Rajkot, Baroda, etc. just because of availability of skilled labour force required for such units.

### **(c) Raw Materials:**

Raw materials are required for establishing any industrial activity and therefore have an influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur emerge. In some cases technological innovations can compensate for raw material inadequacies. The supply of raw materials is not influenced by themselves but becomes influential depending upon other opportunity conditions. The more favourable these conditions are, the more likely is the raw material to have its influence on entrepreneurial emergence.

### **(d) Market :**

It is not only the availability of capital, labour and raw materials but a readily available market that attracts entrepreneurial activities. Ultimately, it is the market that fetches revenue for any

business. If sufficient market is not there, people will naturally hesitate to do business in a sector where there is no market. In addition to market opportunities, it is equally important to ensure future market opportunities for the emergence of entrepreneurial activities.

## **2. Social Factors :**

Development of entrepreneurship in a society may take place not just because of better economic factors but because of the presence of positive social factors. The following social factors influence the development of entrepreneurship in a society.

### **(a) Social norms and values:**

A society sets certain norms and values for the behaviour of people who are part of that society. If people violate or overstep these norms and values, certain restrictions are likely to be imposed on them. As a result, many people are forced to accept certain types of jobs and tasks that reflect the social environment. If the society has an open and flexible approach towards various types of jobs and works, then people will feel free to do whatever they like and even go in for innovation and creativity. When there is more openness and flexibility, entrepreneurship will not only emerge but also thrive.

### **(b) Role models:**

Societies that celebrate entrepreneurship and felicitate successful entrepreneurs in a way encourage many future generations to take up entrepreneurial activities. This is because successful businessmen prove to be role models for the society at large. For instance, states like Gujarat, Maharashtra and to some extent Tamil Nadu and Haryana have experienced better industrial development as a result of higher concentration of entrepreneurs compared to lesser industrialised states such as Orissa, Chattisgarh, Madhya Pradesh and other Northeastern states.

### **(c) Social pressure:**

At times, entrepreneurship can emerge in a society due to social restriction too. If a society is orthodox, close and imposes a lot of restrictions, then it is likely to backfire. People who are at the receiving end are likely to react strongly and go in for change. In other words, because of negative pressure, more number of people would like to become entrepreneurs as a means of improving their status. It has been noticed that where people were marginalised, they became entrepreneurs just to prove their abilities and establish an identity in the society.

### **(d) Respect and Status:**



If societies accord recognition and respect to people who dare to do something different and creative, it proves to be an encouragement for others to do something enterprising. Therein lies the emergence of entrepreneurship. In the traditional societies, people were looked down upon rather than encouraged for deviating from the set norms or regular occupation. This means there was no respect for change. Thus, societies where there is respect and recognition for people to do something different are more likely to see the development of entrepreneurial activities.

**(e) Security:**

The view regarding role of social security in encouraging entrepreneurship development is rather divided. One school of thought is of the view that people are more prone to take entrepreneurial risks in secure social environments. On the other hand, there are others who argue that entrepreneurship will more likely emerge if there are turbulent conditions. In both cases, there is scope for entrepreneurship development.

**3. Psychological Factors**

**(a) Need Achievement:**

According to David McClelland's theory of need achievement, a constellation of personality characteristics which are indicative of high need achievement is the major determinant of entrepreneurship development. Therefore, if the average level of need achievement in a society is relatively high, one would expect a relatively high amount of entrepreneurship development in that society. McClelland gives the psychological concept of achievement motivation to account for the differences in response to similar conditions. Referring to the encouraging impact of achievement motivation training programmes organised by the Small Industries Extension Training Institute (SIET), Hyderabad McClelland argues that the need achievement can be developed through the intensive training programmes.

**(b) Withdrawal of Status Respect:**

E.E. Hagen attributed the withdrawal of status respect of a group to the genesis of entrepreneurship. Giving a brief sketch of history of Japan, he concludes that she developed sooner than other non-Western society except Russia due to two historical differences. First, Japan had been free from 'colonial disruption' and secondly, the repeated long continued withdrawal of expected status from important groups (Samurai) in her society drove them to

retreatism which caused them to emerge alienated from traditional values with increased creativity. This very fact led them to the technological progress entrepreneurial roles.

Hagen believes that the initial condition leading to eventual entrepreneurial behaviour is the loss of status by a group. He postulates four types of events can produce status withdrawal

- (a) The group may be displaced by force;
- (b) It may have its value symbols integrated;
- (c) It may drift into a situation of status inconsistency; and
- (d) It may not be accepted the expected status on migration in a new society.

He further postulates that withdrawal of status respect would give rise to four possible reactions and create four different personality types

- (a) **Retreatist:** He who continues to work in a society but remains different to his work and position.
- (b) **Ritualist:** He who adopts a kind of defensive behaviour and acts in the way accepted and approved in his society but no hopes of improving his position.
- (c) **Reformist:** He is a person who forements a rebellion and attempts to establish a new society; and
- (d) **Innovator:** He is a creative individual and is likely to be an entrepreneur.

Hagen maintains that once status withdrawal has occurred, the sequence of change in personality formation is set in motion. He refers that status withdrawal takes a long period of time – as much as five or more generations to result in the emergence of entrepreneurship.

#### **4. Government Actions**

The government by its actions or failure to act also does influence both the economic and non-economic factors for entrepreneurship. Any interested Government in economic development can help, through its clearly expressed industrial policy, promote entrepreneurship in one way or other. By creating basic facilities, services and utilities and by providing incentives and concessions, the Government can provide the prospective entrepreneurs a facilitative socio-economic setting. Such conducive setting minimises the risks which the entrepreneurs are to face. Thus, the supportive actions of the Government appear as the most conducive to the entrepreneurial growth. This is true of the Indian entrepreneurs also.

## **Support Institutions**

- NSIC
- SIDO
- SSIB
- SSIDC
- SISIs
- DICS
- INDUSTRIAL ESTATES

## **Financial Institutions:**

- Commercial banks
- IDBI
- IFCI
- ICICI
- LIC
- UTI
- SFCs
- SIDBI
- EXIM BANK

## **Entrepreneurial Initiatives in India- “Top Incubation Center”**

### **1. Centre for Innovation, Incubation & Entrepreneurship (CIIE) - IIM Ahmedabad**

- Set up in 2001
- Since inception CIIE has 15-odd innovations grow out of the incubation centre in varied technologies

### **2. Society for Innovation and Entrepreneurship (SINE)- IIT Bombay**

- Set up in 2004
- It currently has 16 companies under its incubation programme

### **3. Cell for Tech Innovation, Development & entrepreneurship support- IIT Chennai**

- Set up in 2000
- Organises national level competitions, „Breakthrough“ (general business plan competition) and „Genesis“ (social entrepreneurship plan competition)

### **4. Society for Innovation and Development (SID) - IISc, Bangalore**

- Set up in 2006
- The investigator is given a seed capital for Rs 20 lakh a year for two years as soft loan for the approved plan

### **5. The SP Jain Centre for Entrepreneurship Development- SPJIMR**

- 16-week 'Start Your Own Business' programme-a public programme held every six months.

### **6. Technology Business Incubator (TBI) - BITS Pilani**

- In association with DST, BITS has established Technology Business Incubator in the area of embedded systems and VLSI design back in 2004
- So far, TBI has helped spawn ten companies.

### **7. Technology Incubation and Entrepreneurial Training Society (TIETS) – IIT Kharagpur**

- Set up in 2005, So far, the institute has been able to incubate two companies through „Concipio“ over the last three years. Besides, an in house panel has helped 11-12 ventures take wing

## **8. Nirma Labs, Nirma University, Ahmedabad**

- Established in 2004, Nirma Labs used to pride itself in a three-step model for students who were interested to start their own businesses-training, incubation and funding. Month long „Igniting Minds and Ideas“-IEEE certification programme by the Delhi based ISO certified strategy consulting firm „Total Solutions Incorporation“ (TSI) and „Total Resource Academy of India (TRAIN)“ a knowledge management , training and development organisation held for students of Delhi Public School (DPS), R K Puram.