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DEPARTMENT OF CIVIL ENGINEERING



**LECTURE NOTE ON: ENTREPRENEURSHIP MANAGEMENT & SMART
TECHNOLOGY
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INTRODUCTION

The word entrepreneur has an interesting definitional history and it stems from the French word *entreprendre* which refers to ‘undertake’ *i.e.*, individual who undertake the risk of new enterprise.

Richard Cantillon of France used the word entrepreneur, in 1725

A.D. as the person who bears the risk and faces the uncertainty of an activity. He expressed that an entrepreneur is different from a person who supplies capital.

Adam Smith (1776) described the entrepreneur as an individual who forms an organization for commercial purpose—who is a capitalist.

Jean Baptiste Say (1803) considered deployment of factors of production as the role of entrepreneur. This French economist said, “The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” He said that “an entrepreneur is the economic agent who unites all means of production, the labour force of the one and the capital and the land of the others and who finds in the value of the products which results from their employment, the reconstitution of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profit belonging to himself.”

The word “entrepreneur” has its origin in the French word *Entreprendre*, which means “to undertake”. The early Frenchmen who led military expeditions were called entrepreneurs. It was Cantillon, the French Economist, who first applied the term in the eighteenth century to a merchant who purchased the means of production to combine them effectively into saleable products. J.B. Say, another French Economist, projected the entrepreneur as a person who organised the business activity consisting of production and distribution. John Schumpeter gave considerable importance to entrepreneurship in the process of economic development of a country. Accordingly, innovation and entrepreneurship in the initial stages of the development of a business activity is very crucial to the economic development of a country. In fact, entrepreneurship, as such is evident only in the initial stages: not in the later stages of the life of a business venture. To Arthur Dewing Stone, the entrepreneur is the promoter of the business, a person who conceptualises an idea and gives it a concrete shape. Danhof stresses decision making functions of an entrepreneur in popular parlance a distinction is often made between an entrepreneur and a

manager. The entrepreneur is understood as a person who owns the business which he has started (often a small), bears risks involved in the process of starting it and in running it, innovates and provides leadership to the venture he runs. He is so attached to the business venture that the progress of the business is intricately linked with his own personal development. A manager is understood as a person who works for a master, who has a professional approach to getting things done and who ensures that the enterprise built up by the entrepreneur runs successfully in attaining the goals set by the promoter.

Modern Concept of Entrepreneur

An entrepreneur may be defined as an individual who intends to add value to the economy by creating a new business venture through effective use of his knowledge, passion, dreams and desires.

An entrepreneur is a person who evaluates the new situation in the environment and directs the making of such adjustments or alternations in the economic or manufacturing systems as he thinks necessary for achieving desired results.

In recent times, the term entrepreneurial management is often used to signify that even managers working for master can (and should) innovate and take decisions involving risks and uncertainties in the same way as entrepreneurs are supposed to do. Only then will the organisations they belong to will grow. And to bring in a sense of involvement and commitment on the part of managers working in corporate organisations systems of compensation and rewards like stock option plans are created to evoke from the managers the right responses through such incentives.

Definitions of Entrepreneur:

Different authors have given different definitions of entrepreneur. Some of the main definitions are given below :

- (1) **American Heritage Dictionary**, defines entrepreneur as a person who organises, operates and assumes the risk for a business venture."
- (2) **Richard Cantillon**, described the entrepreneur as an agent buying and selling goods at uncertain prices."
- (3) **J.B. Say**, defined an entrepreneur as the economic agent who unites all means of production, the labour, the capital or land and earns profit. He has compared entrepreneur with a farmer."

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

(5) **A.H. Cole**, described, entrepreneurship as the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organise a profit-oriented business unit for the production or distribution of economic goods and services.”

(6) According to **Joseph A. Schumpeter**, “Entrepreneur is a person who foresees the opportunity and tries to exploit it by introducing a new product, new method of production, a new market, a new source of raw materials or a new combination of factors of production.”

Entrepreneur is an individual or group of individuals who tries to create something new, searches new opportunities, bears risk, unites various factors of production (such as land, labour and capital), carries innovations and from his skill and foresightedness, faces unforeseen circumstances and thereby earn profit.” He is basically an innovator, an organisation builder and a risk taker.

When an entrepreneur starts a new business, he is filled with enthusiasm, uncertainty, frustration, anxiety and fear of events of the future. There is a very high failure probability of the enterprise due to low sales rate, cut throat competition, insufficient financial resources, poor planning and forecasting by the entrepreneur, lack of the knowledge of management and its functions etc. It will be a very difficult decision for a person to go for entrepreneurship in the time of ‘efficient in all respects’ Multi-National Corporations or MNCs, since small-scale enterprise can’t face tough competition with the MNCs.

From the above discussion, we may conclude that “An Entrepreneur is a person who detects new opportunities, evaluates them, gathers all factors of production, innovates, bears the risk of loss and uncertainties and with the application of his skills earn profit from his venture.”

CHARACTERISTICS OF AN ENTREPRENEUR

(1) An Individual or Group Individuals : Entrepreneur may be an individual or a group of many individuals. Present age belongs to large business houses and mass level of production. To commence an enterprise on a very large scale, the capital or skills of a single individual is not sufficient. A group of individuals gathers,

contribute their share of capital and resources and start a business enterprise.

(2) Need for achievement: It is the prime psychological drive that motivates the entrepreneur. His desire to excel in his venture and to achieve desired goal. As a high achiever, he competes with his rivals in the venture field as well as with his own previous performance.

(3) Independence or autonomy: Although there are various motivations for venturing out alone, the most frequent reason for becoming an entrepreneur is the desire for independence or autonomy—not wanting to work for anyone else. This desire to be one's own boss ignites a fire in the heart of an entrepreneur to accept all social, psychological, financial, and technological risks and to work hard.

(4) Risk Bearer: Entrepreneur has the risk bearing capacity. In fact it is the characteristics of risk bearing that distinguishes an entrepreneur from a manager. An entrepreneur is a manager but he has the distinction of performing risk bearing function. A manager also does more or less the same thing but he does not take risks.

(5) Innovation : An entrepreneur is basically an innovator by nature. He is always in search of new ideas and new opportunities. He tries to outshine others by taking initiative in doing new things i.e., exploring new products, new markets, new raw materials, new methods of production, etc.

(6) Goal Oriented : Entrepreneur is goal oriented. He gets happiness by setting and striving for goals one by one. Reaching one goal set by entrepreneur will lead to setting up of another goal.

(7) Decision-making : An entrepreneur is a rational decision-maker. He has to take several decisions to put his business idea into a reality. He recognises an idea i.e., a product, service or market. He has several alternatives before him. He has to make a choice between them. This involves decision-making as to choose the best alternative which may suit him and give maximum profit. For example, he has to decide what is to be produced, how is to be produced, where to be produced and when to be produced etc.

(8) Self-confidence : An entrepreneur has high degree of self-confidence in achieving his goals. He has the capacity to face extraordinary and unforeseen circumstances as and when they arise.

(9) Initiative : An entrepreneur always takes initiative. He spends a large portion of his time in thinking over and finding out new or novel

ways of doing things differently—finding out a new raw material, a new product, a new method of production, a new style of advertisement, a new style of packaging, and so forth. While taking such initiative, entrepreneurs duly keep in mind the needs and requirements of the customers, changing tastes and fashions, changing life-styles and attitudes, etc.

(10) Motivator : An entrepreneur is a motivator. He motivates his workers by giving them incentives, and creation of team work in order to get their whole-hearted cooperation. He is able to influence people in the new business unit in the way that they will strive willingly and enthusiastically toward the achievement of unit's goals.

(11) Human Relations Ability : An entrepreneur possess sound human relations ability to deal with his employees, customers, suppliers, creditors etc.

(12) Economic Planning : Planning is an activity of a highly ubiquitous character. Every action of an entrepreneur is well planned as it evident from the fact where there are production plans, sales plans, financial plans, purchase plans, research and development plans and so on. Without proper business planning the affairs of any business enterprise are likely to be haphazard.

The concept of entrepreneurship emerged in the areas of business and finance in the 18th century. Before this the concept was used in engineering and military services only. Since then various economists and socio-psychiatric scholars have expressed their views in this regard. Nevertheless, they are unanimous about the exact meaning of the term. William Bongo writes, “The matter of entrepreneurship has always been confusing.” As a result of the confusion, entrepreneurship have been used in different terms. The meaning of entrepreneurship changes with the stages of the economic development also.

In general terms, entrepreneurship is bearing risks of various types inherent in business, and the ability and tendency of facing uncertainties and challenges. In modern times, entrepreneurship is establishing new enterprise, ability to control and direct the venture capability of making new changes and improvement in the business enterprise. In this sense, entrepreneurship is a quality of leadership and innovations by which higher profits and goals can be achieved. Entrepreneurship is adoption in dynamic environment and ability of activating creative and innovative ideas and plans.

Definitions of Entrepreneurship:

- 1. According to Prof. Musselman and Jackson :**
“Entrepreneurship is to start a business and put money, time and efforts into it to make it a success, by bearing risks.”

The above definition has not included innovation in the sphere of entrepreneurship, so, the definition is incomplete in the context of an underdeveloped economy.

- 2. According to Prof. Rios and Math :** “Entrepreneurship can be described as creative and innovative response to the environment.” This definition can be said modern and dynamic. It stresses on innovation and dynamic. It stresses on innovation and creativity. It says that entrepreneurship is the competence to adopt changes, and creative ideas according to the changing environment.

- 3. According to J.E. Stephanie :** “Entrepreneurship is risk bearing capacity, organizational ability and will for diversification and innovation.” This is another definition which can be said complete. It has included risk-bearing diversification and innovation as well as ability to organise in the main functions of the entrepreneurship.

- 4. According to HW Johnson:** “Entrepreneurship is composition of three elements, invention, innovation and adaptation.”

Adaptation of new ideas and techniques, invention and innovation are stressed upon in this definition. Adaptation is the keyword which indicates towards the dynamic nature of the entrepreneurship.

- 5. According to F.H. Frentz:** “Entrepreneurship is organisation and co-ordination of factors of production into one production unit. Entrepreneur is a higher notion than a manager. He is both innovator and promoter.”

- 6. According to Peter F. Drucker:** “Maximisation of opportunities is meaningful in business, indeed a precise definition of the entrepreneurial job.” The definition of Drucker is more abstract in nature than any other definition. He says that entrepreneurship is nothing but maximisation of opportunities. One can maximise business opportunities as well as the profits by making resources productive, innovating, adopting new ideas and changes, and so bearing risk, sometimes inventing and diversifying the product. Indeed, this is the true meaning of entrepreneurship.

- 7. According to Richman and Copen :** “Entrepreneurship implies more creative, external or open system orientation. It involves innovation, risk bearing and relatively dynamic leadership.”

The above definition links business to its environment. It assumes it as an open system and calls the entrepreneur a dynamic leader of the

society. In the definition, entrepreneurship is said to be the central point of social changes.

Nature or characteristics of Entrepreneurship

1. Risk-bearing capacity : The entrepreneur starts facing uncertainties and several types of risk right from inception of business. The business environment is dynamic and ever changing. The entrepreneur risks his capital when he invests in the business. So, the entrepreneur has the capacity to bear risks and face uncertainties as it is unknown what is hidden in the pistil of the future.

2. “Entrepreneurship Trait : Entrepreneurship is not a trait. The success of the enterprise depends on the decision-making and other capabilities of the entrepreneur. So, a person develops these capabilities in himself. It is often said that entrepreneurs are not born. They can be made by training and development.

3. Creative Activity : Entrepreneurship is basically a creative activity. Entrepreneur searches for new opportunities, new ideas, new techniques etc., think creatively and execute new ideas in his enterprise. It is entrepreneurship which encourages creativity and changes in the society.

4. Result of Changes : Entrepreneurship is the result of social, political, scientific and technical changes occurring in the environment. It is not merely an economic event or activity. The changes in social values, traditions, education, science, techniques, population and government policies are forcing people in the society to change their approaches, thinking and opinion, which is again inspiring people to adopt entrepreneurship.

5. Creation of a Resource : Entrepreneurship transforms materials into ‘resource’. Therefore, the entrepreneurship is the process of developing ‘utility’, ‘economic value’ and ‘capacity of wealth creation’.

6. Essential in all Businesses and Economies : Entrepreneurship is essential in all businesses and all economies, whether big or small, developed or developing, since, the basic functions of the entrepreneurship, innovation risk bearing, adaptation to changes etc are there. It should be borne in mind that entrepreneurship exists in every society and economy. Without entrepreneurship there will be no growth of the economy.

7. Essential in Every Activity : Entrepreneur is needed in every area of life. A person can succeed in every field by adventurous nature and entrepreneurial behaviour. Education, research,

medical, politics, military or games, all needs bearing risks, innovation or leadership to succeed in Drucker has said, “Entrepreneurship is by no means confined solely to economic institutions.”

8. Low Risk : Entrepreneurship carries a greater level of risk. But technological and socio economic environment have made entrepreneurship less risky than ever. Entrepreneurship does not carry a very high level of risk. Infact, if the enterprise is well managed and well planned, then the entrepreneurship becomes a low risk game.

9. Ability to Innovate : Entrepreneurship is an innovative activity. It enables application of creative ideas. The entrepreneur adopts new ideas, new techniques, new production system, new management concepts, new markets, new products and new procedures for more satisfaction and better services to the customers and more profits to the enterprise.

10. Knowledge-based : Peter F. Drucker says, “Entrepreneurship is neither a service nor an art. it is a practice based on knowledge.” The entrepreneur achieves a high place by his knowledge and understanding of thing. The quality of enterprise comes in a person after long experience and practice.

11. Result-Oriented Behaviour : Enterprise can't get success unless the results are favourable. The entrepreneurship stresses on results and not the fate. Entrepreneurs believe in getting good results through their efforts and hard work. They achieve their goals by their ability of making sound decisions, solid planning and goals-oriented behaviour.

12. Environment-Oriented Activity : Entrepreneurship is an external and open environment-linked system. Entrepreneurs produce and take risks keeping social, economic, political and material factors of environment in view. Joseph Schumpeter said in this context, “It is a creative response to every external situation.”

13. Process of Identify Transformation : Entrepreneurship is the process of identity formation and role transformation. A person can't be an entrepreneur by merely adopting innovation, unless he involves in that activity and his identity is established as an innovator. In other words, the activity should be recurring or continuous in nature. Doing one transaction does not come under the purview of entrepreneurship.

Udai Parikh and Nadkarni have this view, “Entrepreneurship is not only adopting new activity or behaviour, it is transformation of personality and establishment of a new identity by himself.”

14. Business-Oriented Tendency : Entrepreneurs by their nature are business oriented and so is entrepreneurship. Entrepreneurship encourages and inspires the people to be an entrepreneur and establish a new business enterprise. Entrepreneurship motivates people to search for new business opportunity, establish a new business enterprises and makes profit by taking risk and putting his monetary and non-monetary assets on stake. This tendency make the establishment of new business and industries possible in the country.

15. Professional Activity : Entrepreneurship is emerging as a profession in developed countries like medical, law and engineering. Entrepreneurial skills are being developed by training and education like management skills. The governments of developing countries have started programmes and schemes to encourage entrepreneurial aptitude in people. Many entrepreneurial development institutions and centers are being established in these countries.

16. management is the basis of Entrepreneurship : Management is the basis of all the entrepreneurial decisions, Entrepreneur brings improvement and changes in the enterprise through management. Ducker writes, "Entrepreneur manager has become an essential part of the functions of the management today."

17. Based on Principles, not on Intuition : Entrepreneurship is based on certain principles, concepts and particular fields of knowledge. It is not intuition based on knowledge and principles, since this is the age of 'scientific management'. An entrepreneur need to have the knowledge of subject like economics, statistics, law sociology and psychology etc. in order to achieve success.

18. Entrepreneurial Skills : It is often stressed that entrepreneurship naturally exists in every organisation, but this is not correct. Every person and organisation have to put efforts very carefully. They have to bring entrepreneurial skills in themselves to get success. Drucker has opined, "Entrepreneurs assume business as a duty. They are disciplined towards their enterprise and put all their efforts for its success."

Entrepreneurship is not only a work, business or profession but it is a life style also. Every person chasing a goal must be creative and imaginative for its accomplishment. he should have the ability to plan, make rational decisions and get them applied.

Types of Entrepreneurship

1. Imitative Entrepreneurship : This type of entrepreneurship is imitative in nature. It presents the existing product in an innovative

manner. takes advantage ideas of other firms' and simply brings to bear the weight of corporate muscle to control markets.

For instance the Japanese have studied American products, found ways to improve on those products and produced them at lower costs and exported them to American markets. This type is very often called espionage.

Consumers are very much benefited, due to the cheap availability of existing costly products or services. Thus, products become commercially viable because of improvement in quality at lower price.

2. Incubative Entrepreneurship : In this type, new ideas materialise. For instance **new venture development unit** that is often provided seed capital and corporate resources and functions almost independently and is semi-autonomous in implementation of responsibility from inception to commercialisation.

3. Opportunistic Entrepreneurship: In this type the managers are given the responsibilities and they do not report through existing management hierarchies but enjoy a semi-autonomous work environment. This gives scope for innovation.

4. Administrative Entrepreneurship : Researchers are supported while providing them with corporate resources for making their ideas commercial realities. Thus, inventions are enthusiastically led by a champion and the organisation encourages the development of the new product.

5. Acquisitive Entrepreneurship : This type is a step further from traditional method of growth and development. Here, we find alternative growth strategies through mergers, acquisitions, joint ventures, etc.

Essential of a Successful Entrepreneur:

1. Imaginative : Creative thinking and imagination are important entrepreneurial qualities since innovation comes with these qualities. An imaginative entrepreneur is always in search for new ideas and is a competent reader of the future events which are uncertain and poses the maximum risk before the enterprise. Entrepreneur plans to profit and to avoid or mitigate risks using his imaginative capabilities and execute these plans for realisation of the profit, sales budget etc. Imaginative entrepreneur can smell the future problems and make plans in advance to tackle those problems.

2. Sharp Memory : Successful entrepreneurs always have a memory sharper than people in general. Every event of the recent past should be in his mind when he is making any important decision as regards the organisation. He has to meet several people, take numerous decisions and keep a score of plans, reference etc. in his mind, which are necessary for accurate decision-making and success of the organisation.

3. Self confident: Entrepreneur should be confident that what he is doing or whatever he is going to do in future is right, but he should keep a place reserved too, i.e., he should be very confident but his actions should not fall prey to over confidence. Emerson has said, "Self confidence is the secret of success."

4. Maturity : A matured entrepreneur performs his duties well and remains honest towards his responsibilities. He is not irritated upon his criticism and maintains his cool while communicating or during conversation with anyone. His thoughts and feelings are filled with maturity.

5. Foresighted : The entrepreneur can evaluate the events even before they are occurred with the help of his foresight. He can analyse the results of the present action and plans. Foresighted entrepreneur is future—oriented, which enables the enterprise to avoid problems which it may face in near future.

6. Dynamic Ideas : The success of the entrepreneur and the enterprise depends on the ideas or thinking of the entrepreneur also. Conservative approach or traditional ideology proves to be a hurdle in the success of the enterprise. Entrepreneur should be a man of dynamic ideas and only then he would be interested in using modern management techniques, latest machineries, plans, and process etc. for his enterprise's success. Dynamic thinking paves the way for innovation and modernisation in the organisation.

7. Willingness of challenges : An entrepreneur should have the tendency of accepting new challenges. He should prefer challenging jobs. "Entrepreneur should have the spirit of enterprise (venture)." "One who chooses challenges between security and challenge is the true entrepreneur."

8. Optimism : The entrepreneur should be an optimistic one. He should see failure as a step towards success. If he does not have this quality then he can't drive his enterprise towards the road of success. A shock of despair creates vacuum in the mind such as paralysis creates in the human body. "So an entrepreneur should always avoid frustration and be optimistic about the future of the enterprise. Only an optimistic entrepreneur can face the risks and

uncertainties of a business enterprise. So, pessimism should be a retired word from his dictionary of words.

9. Ambition : The ambition to do something and get ahead of others must be there. If it's not there in an entrepreneur, he can't succeed. David McClelland has called it an 'urge to Achieve'. Andrew Carnegie says "A person who does not hold desire for success and achievement, can't get to the higher goals in his life." Whether a sports person, an artist, a politician or a scientist, all have an urge or desire to achieve, and so they become popular for the field or working area they are in. They can not get ahead of their competitors, if they do not possess desire to do so. It is the same for an entrepreneur also. First he should have the desire and then he should work to march past others.

10. Foresightedness : A successful entrepreneur must have foresightedness. If the entrepreneur is unable to foresee, he will not be alert about the possible uncontrollable factors.

An entrepreneur should have the most forward looking strategy and vision. Today we face some key challenges due to globalisation, liberalisation and privatisation. Hence, the need of the day is constant competition and change. Small changes will not be enough; entrepreneurs will have to transform themselves not once or twice but continuously and many times over. The topmost task of the entrepreneur would be to create a dynamic environment and make dynamism and transformation the permanent organisation culture. Entrepreneurs must also have the ability to "mind your mind", which means quickly recognising when one is wrong and changing track accordingly. Also the entrepreneur should not be egoistic but should have a sense of humility.

12. Time Management : A successful entrepreneur must value time. If the entrepreneur is not able to manage time, he will also not be able to complete the project before the deadline. While an entrepreneur seeks to minimise risk to the enterprise, encourages work-life balance, monitors quarter-on-quarter results, engages in long-range planning, cost optimisation, he happens to neglect adherence to strict timeliness for delivering results which. This puts enormous pressure and is not surprising if it creates a crisis of identity and confidence. An entrepreneur should be able to manage his time to address all the issues and will not succeed if he addresses issues solely from any one perspective.

13. Technical Management Skill : A successful entrepreneur must have managerial skill and technical knowledge. If he is not able to manage the resources (human, material, capital, equipment) he will risk losing business. Hence young and emerging entrepreneurs

must be able to perform multiple roles and be able to create his own distinctive form of entrepreneurship.

An entrepreneur who has superior technical and managerial knowledge should not neglect soft skills and attitude. He should not be egoistic but should have a sense of humility. The entrepreneur's inexperience may result in a crisis but an intelligent person is he who would overcome this drawback by mustering the emotional and intellectual equity of the people and also gaining their trust and commitment to the vision. "Entrepreneurship is all about plugging into the minds and hearts of people". It is about rallying them around to a compelling and exciting vision of the future. It is about upping the quality of imagination of the organisation.

It is about encouraging a spirit of intellectual ferment and constructive dissent so that people are not bound and are given space and free play. Entrepreneurs should hence build highest level of empathy and trust their people. So the important lesson in entrepreneurship is perhaps 90 percent leadership and only about 10 percent managing. Entrepreneur of today should have knowledge if not experience of all the arenas.

14. Risk-bearing Capacity : In any venture there is some amount of risk. However you may try to take the necessary precautions and measures and only take calculated risks; yet there exists some degree of risk due to uncertain nature of environment. Anything untoward may happen and if you are not able to cope with the ups and downs and not able to do crisis management you will fail. To meet the industry's requirement and create the world-beating requirement the entrepreneur must aim for making the big leap. But this will not happen by itself; at critical times there should be radical leaps. These leaps may sound unrealistic but they are mandatory for the survival of the enterprise.

15. Decision-making : If the entrepreneur is not able to make quick or spontaneous decisions he will also not be able to work with confidence. In fact due to the competitive nature of small business one delayed decision made by the entrepreneur may lead to years of rectification.

A successful entrepreneur is one who has come to terms with the new reality and adopted new methods of communication and information technologies. Net trading has opened door for service sector.

The technology is changing daily but the minds will change by the generation. Those entrepreneurs who would be able to make decisions rightly and make the leap sooner would emerge the winners and benefit the profits of their better positions.

Importance and Significance of Entrepreneurship: Entrepreneur has to play an important role in the economic growth of a country. The mobilisation of human and physical resources of a country is a major function of an entrepreneur. He utilises these resources using innovation as an important tool. He engages in some activities which help in the generation of employment and the opportunities. He is responsible in providing employment to thousands of persons. An entrepreneur can face a backward rural area by establishing his business unit there. He can send his products to foreign countries producing quality goods. These exports by entrepreneurs can balance the trade or the payments. Evident that an entrepreneur is the main element accelerating economic growth of the country.

One of the important inputs in any economic development of a country is entrepreneurship. More the entrepreneurship activity, better the development. Entrepreneurship is the life blood of any economy and it applies more to a developing economy like India. The areas of development are :

- (i) Taking to high rate of economic growth by creation of value.
- (ii) Speed up the process of industrial use of the factors of production.
- (iii) Creation of employment opportunities.
- (iv) Dispersal of economic activities to different sectors of economy and identifying new avenues of growth.
- (v) Development of backward and tribal areas.
- (vi) Better social changes.
- (vii) Improvement of the standard of living of different weaker sections in the society.
- (viii) Bring sociopolitical change in the society.
- (ix) Develop technological know-how.
- (x) Improve culture of business and expand commercial activities.
- (xi) Entrepreneurship act as a change agent to meet the requirements of the changing market and customer preferences.
- (xii) Develop a culture of achievement or orientation.

Entrepreneurship is the primary element of the socio-economic process in a country. The origin and development of entrepreneurship takes place in socio-economic environment. Whereas on one side socio-economic environment provides an area and opportunity to the entrepreneur for working and development, at the same time on another side suitable economic environment provides necessary resources to the entrepreneur on account of which the entrepreneur continues to proceed on the

development path. Several socio-economic problems like backwardness, ignorance, poverty, illiteracy, hunger, unemployment, low standard of living etc. can be solved through the development of entrepreneurship. Economic development of a country is a complex phenomena, which is dependent upon socio-economic environment. Role of socio-economic environment can be studied under the following two heads:

Social Environment in Entrepreneurial Development:

An entrepreneur is born in society. He performs different types of activities as a member of the society. Without entrepreneur, the existence of the society is nil. Different social factors, such as, caste, creed, community, religion, family background, social values, ideals, educational background, occupational background, customs, traditions, technical development and innovations, motivation, managerial ability, initiative, professional background, training facilities, migration thinking pattern, 'self-confidence' etc. play vital role in the development of entrepreneurship. Social process affects the habits, outlook, thinking, method of living, ambitions of a man considerably: The entire development and total personality of an entrepreneur takes place in the society. Society provides necessary field to the entrepreneur for the development of entrepreneurial qualities, such as, self-confidence, initiative, freedom, desire to earn prestige, use of opportunities, desire for achievements and capacity to face challenges and risks etc. History also supports this view. For example, Marwaris, Gujaratis, Banias, Mahajan etc. are found in trade, business and business in every concern of the world. Entrepreneurial talent is found in the blood of certain castes, families and communities.

For example, Birla, Tata, Dalmia, Modi, Kirloskar, J.K. etc. all have family traditions of being engaged in trade, commerce and industry. Further, Gujaratis, Marwaris, Sikhs etc. have high migratory character as they can be seen almost in every corner of the world in search of economic activities and have become most successful entrepreneurs.

Economic Environment in Entrepreneurial Development — Economic environment occupies an important place in the entrepreneurial development. Economic environment refers to all those factors which provide necessary resources to the entrepreneur, such as, capital, land, equipment, material, manpower, machinery, building, technical-know-how, market, investment opportunities and other needed inputs. The dependence of trade, business and industry on the economic environment is total. For example, the more is the technical know-how of the entrepreneur, the more and better shall be production as to quantity, quality and economical. Reduction in the cost of production will lead to wider market and increase in profits.

Moreover, economic stability, healthy, competition, sound working conditions, availability of trained labour force, healthy investment and saving environment, stability of prices, availability of cheap finance, high level of income etc. also affects the entrepreneurial development.

Economic System and its Impact on Entrepreneurship:

We can broadly classify the economic systems into: (a) Capitalist, (b) Socialist and (c) Mixed economy.

Capitalistic Economy : In a capitalistic economy the means of production are privately owned; there is free competition, free access to any industry. Any individual can enter into any field where he perceives a business opportunity. Competition and survival of the fittest is the rule. There is very little intervention by the State. In such an environment, a manufacturer who produces what the society wants at prices which the members of the society are willing to pay, will be able to gain a foothold, and survive. An entrepreneur who is not able to pass this crucial test will be left behind. However, under this kind of system, it is not normal for the bigger units in an industry to dominate over the smaller ones. In the process, the smaller units often get crushed and go out of business. Failure of small business units is a real problem in the U.S.A. Therefore, a number of specialised agencies have been set up in the U.S.A. to help the small units to stand the competition from the larger ones in the market place. Of course, there is no direct state intervention in the matter of regulating the formation and running of these businesses.

The essence of the capitalist system is freedom. Entrepreneurs who survive in such a system acquire recognition and social status. It is not unusual for one-time small businesses to grow at a very fast pace and to eventually dominate the market place. IBM, for example, had to face competition from an unknown unit, Apple Computers. May be system arouses the entrepreneurial spirit latent in the individual and spurs him to work hard. Many large U.S. Corporation were started by single individuals who now hold the reigns of the empire they were responsible to establish.

Socialist Economy : In a Socialist economy, the means of production are owned and controlled by the State. The allocation of the means of production is done by the State by some centrally administered machinery which monitors the social needs and ensures that resources flow where the needs be properly met. Very little of private enterprise or entrepreneurship is seen in such economies.

Mixed Economy: In a **mixed economy** we have a dominant public sector through which the State controls the economic

activity, e.g., steel, heavy industry, aviation, banking, insurance etc. There is also a large private sector as in agriculture, services, industries etc. Even in the private sector, the state could play a positive role by :

- (a) reserving certain areas for the small scale units
- (b) providing incentives and concessions so essential, particularly in the initial stages of a business venture
- (c) providing markets for their finished products and assisting these units in obtaining scarce raw materials
- (d) ensuring that the larger units do not dominate over the smaller ones.

The mixed economy, such as we have in India, provides a very favourable climate where entrepreneurship can be nourished very well. There is an umbrella of protection available until the small scale unit that is launched is able to take off and stand on its own.

SUMMARY

Entrepreneur is a person who perceives an idea of establishing a 'new business enterprise and then bring together manpower, land, equipment, material and arranges necessary capital needed for business. He is a person with vision, original idea, decision making ability and courage to undertake risky projects. The entrepreneur is an innovator who brings in new ideas, new processes and encourages his team in new activities.

Entrepreneurship is "a creative and innovative response to the environment". Entrepreneurship is a process of doing something new, and innovative. We can find entrepreneurship in all such occupations as: service, trading, industry, academics, agriculture, or professions. Entrepreneurs are around us in our offices, our factories, our educational institutions. Entrepreneurs are known for doing new things or doing things in a new way. Entrepreneurs have "the ability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them and to initiate appropriate action to ensure success". They are found in all professions like banking, education, medicine, engineering, architecture, information technology, supply chain management and even in outsourcing business.

Entrepreneurship development passes through the following stages in the process of growth and development :

- (i) The entrepreneur perceives an opportunity and wishes to strive to make the most of it : in the process he desires to meet his personal goals.

- (ii) He translates the opportunity into a product idea or a service idea, which he could offer to the society.
- (iii) He analyses the various things required to be done to concretise the concept or idea, outlines the steps required and makes a tentative plan of action.
- (iv) He collects a team and along with his teammates, he puts up a project or venture.
- (v) He markets the project to the government agencies, financial institutions and others to get their response and also support and assistance.
- (vi) He goes about collecting the resources men, money, machine and materials necessary to commence the venture.
- (vii) He designs and creates the organisation structure that will implement his idea. He has to sell this structure to the first set of key personnel that will assist him in running the venture.
- (viii) He will make “trial runs” and “experiments” till he feels confident that the enterprise has been successfully launched and will take off.

All the above stages have to be gone through within the entrepreneurial environment that we have just discussed. And remember also that the environment is not static; the entrepreneur has to grapple with an extremely dynamic environment. The environmental factors that are favorable at one stage of the development might suddenly become hostile, causing tension and even frustration in the mind of the entrepreneur. Reacting quickly to environmental changes is one of the attributes of a successful entrepreneur.

The wheel of economic growth is propelled by entrepreneurs of the country. He can change the face of the country and the economy by contributing through his resources and efforts as an innovator. He also channelises the natural, economic and technical resources of the country towards the right direction, the direction of growth, development, and high productivity.

QUESTIONS:

1. Define Entrepreneurship. Discuss its characteristics.
2. "An entrepreneur is a person who creates an ongoing business enterprise from nothing." Explain. Describe the main functions of an entrepreneur.
3. Which functions does an entrepreneur perform? Explain in detail.

ENTREPRENEURSHIP DEVELOPMENT

INTRODUCTION

Entrepreneurship is the process of starting a new businesses generally in response to identified opportunities. Entrepreneurial activities depend on the type of organization that is being started. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high-profile" entrepreneurial ventures seek venture capital to build the business. Investors generally seek returns of 20-30% and more extensive involvement in the business. Many kinds of organizations now exist to support would-be entrepreneurs, including specialized government agencies, and even NGOs.

Evolution and Growth of Entrepreneurship:

The understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter. In Schumpeter (1950), an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship forces "creative destruction" across markets and industries, simultaneously creating new products and business models. In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. Despite Schumpeter's early 20th-century contributions, the traditional microeconomic theory of economics has had little room for entrepreneurs in its theoretical frameworks (instead assuming that resources would find each other through a price system.)

For Frank H. Knight (1967) and Peter Drucker (1970) entrepreneurship is about taking risk. The behaviour of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture.

Stage of Entrepreneurship Development:

The various stages of development in entrepreneurship are as follows:

(1) Earliest Period : In the earliest period, the entrepreneurship was in its infant stage. The entrepreneur was responsible to establish trade routes. During this time, a common contract provided a loan to the merchant-adventurer at a high rate, including insurance. The capitalist was a passive risk bearer. The merchant-

adventurer took the active role in the trading and bore all the physical and emotional risks. When the merchant-adventurer successfully sold the goods and completed the trip, the profits were divided between the merchant-adventurer and the capitalist—the former setting only 25 per cent of the profit.

(2) Middle Ages: In the Middle Ages (from 1,000 A.D. to 15th century), the entrepreneurship developed to a level where an entrepreneur performed the roles of both an actor and a manager of large production projects. In such projects, he did not take any risk but merely managed the project using the resources usually supplied by the government of the country. A typical entrepreneur in the Middle Ages was the cleric—the person in charge of great architectural works such as castles and fortifications, public buildings, abbeys (buildings inhabited by monks or nuns), and cathedrals (churches).

(3) 17th Century: The connection of risk with entrepreneurship developed in the 17th century with the government to perform a service or to supply stipulated products on a fixed price, and bore the risk of profit or loss resulting out of such contract.

(4) 18th Century: The entrepreneurship was first recognised in the 18th century, when Richard Cantillon coined the term 'entrepreneur' in 1725 and identified him as a person assuming the risk-bearing function—a person who purchased goods at 'certain' prices with a view to selling them at 'uncertain' prices in future and thereby took a non-insurable risk. In this century, the entrepreneur (risk taker) was distinguished from the capital provider (today's venture capitalist). One reason for this differentiation was the industrialisation occurring throughout the world. Many of the inventions were developed during this period which were the reactions to the changing world. The inventors developed new technologies but were unable to finance their inventions themselves. For example, Thomas Edison raised capital from private sources to develop and experiment in the field of electricity and chemistry. He was therefore a capital user (entrepreneur), not a provider (venture capitalist). A venture capitalist is a professional money provider who makes risk investments from a pool of equity capital to obtain a high rate of return on the investments.

(5) 19th Century: During 19th century, entrepreneurship became a broader concept and **J.B. Say** (1803) emphasised the entrepreneurial functions of bringing together of the factors of production, providing continuing management, and taking risks. He separated profits of entrepreneurship from profits of capital. Similarly, Francis Walker (1876) distinguished between those who supplied funds and received interest thereon and those

(entrepreneur) who received from managerial capabilities. Thus entrepreneurs were not usually distinguished from managers. Entrepreneurs were viewed mostly from an economic perspective and were thought to be those persons who bring resources together in unusual combinations to generate profits. They were viewed as organisers and operators of an enterprise for personal gain. They also assume the chance of loss and gains consequent to unforeseen and uncontrollable circumstances. It was not necessary for them to invent something. Rather, they adapted and developed new technology in the creation of products to achieve economic vitality.

(6) 20th Century: In this century, entrepreneurship was recognised essentially a creative activity consisting in doing innovative things—new products new technology or method of production, new raw materials, and new business models using computers, etc. Hence, it was associated with risks financial, psychological, and social such risks are taken to get rewards. According to **Joseph Schumpeter** (1952), “The function of the entrepreneur is to reform or revolutionise the pattern of production by exploiting an innovation or, more generally, an untried technological method of producing a new commodity or producing an old one in a new way, opening a new source of supply of raw materials or a new outlet for products, by organising a new industry.” Thus, the concept of innovation and newness is an integral part of entrepreneurship.

(7) 21st Century: In this century the concept of entrepreneurship is related to innovative endeavors. It is concerned with introducing something new in the environment of tough competition. It is the most difficult task of the entrepreneur in today's complex environment. It may be noted that the range of innovation starts from creating a new product and may cover up to the development of a new distribution system or up to the development of a new organisation structure or up to developing a new business model like computerised office equipments.

The acts of entrepreneurship is often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. Before the Internet, nobody knew the market for Internet related businesses such as Amazon, Google, YouTube, Yahoo etc. Only after the Internet emerged did people begin to see opportunities and market in that technology. The Net trading has created market for outsourcing and service sources.

Factors influencing entrepreneurship : The following factors influence the growth of entrepreneurship.

1. Traditional Ideology : Traditions prevalent in the society affects the personal life of the people as well as the businesses. Traditional societies does not allow ventures, entrepreneurship creativity or innovation. These societies crushes the progressive and development aptitude in people and so the entrepreneurial spirit.

2. Lack of Entrepreneurial Spirit : The country whose youth lacks business aptitude, poor Capacity to take risks, absence of creative thinking, and a sentiment to establish businesses, would never be able to develop entrepreneurship. Even the countries or societies have inclination towards jobs or fine arts can not create wealth or form capital.

3. Uneconomic Culture : Countries have immaterialistic and uneconomic culture doing not have interest in collection of wealth, asset and capital formation, personal profits, economic activities and production functions. Immaterialistic societies emphasizes upon having limited wants and leading simple lifestyle. Therefore, entrepreneurship remains undeveloped these countries.

4. Education System : The education system prevalent in the country leaves great impact on the development and mobility of the entrepreneurs. Countries in which science, technology and engineering are ignored and literature, religion, philosophy, painting, music and fine arts are emphasized upon, are not fortunate enough to get a fair number of entrepreneurs. Development of entrepreneurship faces hurdles in these types of countries.

5. Social System : Entrepreneurship tendencies get crushed in the societies in which conservatism, religious superstition or casteism are prevalent. The societies having the people interested in their ancestral jobs do not have much of the entrepreneurs since new enterprises are seldom established because people do not get freedom to choose job or work according to their interests and talents. They only follow and continue the family businesses.

6. Resistance Against Innovations and Changes : The development of entrepreneurship is curtailed in the societies in which innovation is ignored, research and investigation is lacking behind and changes are protested. The lack of scientific and logical approach towards problems does also discourage entrepreneurial tendencies.

7. Unproductive Investment : The business are starved of capital in the societies in which investment are made mainly in jewellery, leisure buildings or other unproductive assets. Unnecessary show

off, extravagance and speeding on status symbols regresses the prospects of entrepreneurial development.

8. Bureaucracy : A prospective entrepreneur had to contact several government agencies and authorities and get their nod for the commencement of the business. This is a proven fact that 'Red Tapsim' exists in our bureaucratic system. Dull and lazy bureaucracy's ignorant behaviour towards these entrepreneurs, projects discourage them. Hard and fast rules, corruption, unnecessary formalities and inefficiency etc. also disappoints entrepreneurs.

9. Lack of favourable Environment : The development of entrepreneurship is a social process. The development depends on the cooperation of various element or the components of society such as customers, labourers, investors, local community and local authority etc. The development of entrepreneurship is checked due to lack of adequate capital, disinterest o customer towards the product of the enterprise, unskilled labour, lack of government coopeation or modern techniques etc. suppliers also plays an important part in th edevelopment of entrepreneurship.

10. Lack of Motivation and Training : Those entrepreneurs who lacks motivation, inspiration and courage in them to commence or operate a business venture or are indifferent towards their training needs can't do justice with their enterprise and with their entrepreneurial capabilities. Without proper internal motivation and training, the knowledge of the entrepreneur remains at low level, discouraging development of entrepreneur, enterprise and the entrepreneurship.

11. Inadequate Government Facilities : Entrepreneurship can't flex its wings in the countries in which basic facilities provided by the government are inadequate. Entrepreneurship flourishes in the countries in which government provides adequate basic facilities or incentives to entrepreneurs so that they can nwork freely. Government policies and programmes do play on important role in this regard also. Adverse Government policy checks developments of entrepreneurship in the country.

12. Monopolistic Tendency : Big industrialists growth is also a hurdle the development of entrepreneurship. The expansion of their business umpire is like burial of the small entrepreneurs. These big entrepreneurs uses modern techniques, latest machines and production methods for mass production, so, they enjoys all the benefits of mass production. They produce goods at lower costs in comparison to small entrepreneurs who are deprived of expert services and other facilities which big entrepreneurs are fortunate enough to get. Small entrepreneurs faces a fierce competition from

big entrepreneurs which they are not able to win in, since big entrepreneurs uses all tactics to let them behind.

Entrepreneur and Innovation:

Innovation is the process of doing new things. Creativity is the pre-requisite of innovation. It is the innovation which transfer creative ideas into useful applications. Innovations may be in the areas of new product, new methods of production, opening of new markets, adoption of new technology; creation of new ideas, new source of raw-materials and creation of new type of industry and enterprises. Innovation is the process of putting new ideas into action. Innovation includes the following :

- (i) Adoption of new methods and new technology in the field of production.
- (ii) Presenting new product in the market,
- (iii) To find out new source of raw-material which has not yet been exploited,
- (iv) Doing things that are not generally done in the ordinary course of business.
- (v) New combination of new sources of production,
- (vi) Creation of new type of industry and enterprises,
- (vii) Creation and development of new ideas,
- (viii) Integrating several uses into our product, (ix) Opening of new markets,
- (x) Optimum utilisation of resources.

Relationship between Entrepreneur and Innovation

There is close relationship between entrepreneur and innovation. Entrepreneurship essentially means innovation. Without innovation entrepreneurship is worthless and similarly without entrepreneurship innovation has no value.

According to *Peter F. Drucker*, “An entrepreneur is one who always search for change, responds to it and exploits it as an opportunity. Entrepreneur innovate and innovation is a specific instrument of entrepreneurship. It creates resource because there is no such thing as a resource until man (entrepreneur) finds a use for something and endows it with economic value. *J.B. Say* defined entrepreneurship as improving the yield of resources. *Peter F. Drucker* further defines entrepreneurship as increasing value and satisfaction obtained from resources. Successful entrepreneurs create new values or increase the values of what already exists. They convert a material into a resource or combine existing resources into a new or more productive configuration.

According to *Joseph A. Schumpeter*, “Entrepreneurship is an innovative function. Schumpeter’s concept of entrepreneurship is totally based on innovation. He further added that in a developed

economy entrepreneur is that person who produces something new in the economy. Entrepreneurship is doing things that are generally not done in the ordinary course of business. An entrepreneur, through, innovation (i) gives birth to new ideas, (ii) new manufacturing process (iii) new product, (iv) locate new source of raw material, (v) develop new combination of means production, (vi) open new market, which has not yet been exploited etc.

According to *Howard W. Johnson*, “Entrepreneurship is a composition of three basic elements : (i) Invention, (ii) Innovation, and (iii) adaptation.” Among these three, innovation plays a dominating role. The existence of entrepreneur is on account of innovation.

An entrepreneur does things in a new and better way by means of innovation. A traditional businessman working in a routine manner is not entrepreneurship. Entrepreneurship is based on purposeful and systematic innovation. Systematic innovation consists in the purposeful and organised search and in the systematic analysis of the opportunities and such changes might offer for social and economic innovation.

From the above discussions, it is evident that there is a close relationship between entrepreneur and innovation. It is not possible to separate them from one-another as one is neither complete nor useful without the other.

Psychological Theories of Entrepreneurship

Entrepreneurship is a psychological process. According to psychological concept, psychological factors are the primary source of entrepreneurship development. When there is sufficient number of persons having psychological characteristics in the society, then there are bright chances of development of entrepreneurship. Entrepreneur behaviour is governed by psychological factors, such as, mental outlook, predisposition, emotions etc. The activities of the entrepreneur are the result of his mental background. The personality of the entrepreneur affects his behaviour, decisions, plans, thinking and activities. The personality of the entrepreneur plays a dominating role in the development of his activities. Psychological part of personality of an entrepreneur motivates, controls and directs his perception, thinking, outlook, style, nature, learning, attitude, ethics, belief, opinion, expectation, action, disposition and internal needs etc.

Main Psychological Theories

Leading authors like Schumpeter, McClelland, Hagen and John Kunel have expressed their views about psychological factors affecting entrepreneurship. They have developed their theories in

which they have explained the different psychological aspects of entrepreneur's personality.

According to the advocates of these theories, entrepreneurship is most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics. The main psychological theories are as follows :

(1) Joseph A. Schumpeter's Theory : According to Schumpeter's entrepreneur psychological theory, the entrepreneurs are primarily motivated by an atavistic will to power, will of a private kingdom, or will to conquer. According to Schumpeter, the following characteristics appear in the behaviour of an entrepreneur :

- (i) An institutional capacity to see things in a way which afterwards proves to be true.
- (ii) Energy of will and mind to overcome static habits, desires and emotions.
- (iii) The capacity to withstand social opposition.

According to Schumpeter, an entrepreneur is an innovator who desires to earn profit through innovation. An entrepreneur is neither a technical man nor a capitalist, but simply an innovator. He introduces something new in an economy. He is motivated by his psychological powers. An entrepreneurship is formed for establishing his industrial empire. He has a burning desire for creative activities. Schumpeter makes a distinction between innovator and an inventor. An inventor discovers new methods and new material. On the contrary, an innovator is one who utilises or applies inventions and discoveries to produce newer and better quality of goods that give greater satisfaction to consumers and higher profits to entrepreneurs. In this way, an entrepreneur is an innovator.

(2) David C. McClelland's Theory : According to McClelland theory, "Burning desire of need for achievement attracts an entrepreneur for activities." The primary basis of the development of entrepreneurship is the achievement orientation. The capacity of becoming an entrepreneur develops due to desire of reaching heights of excellence and specific performances. For achieving heights of excellence, an entrepreneur needs rational thinking, new combinations, deep thinking power etc. The achievement motive is inculcated through child rearing practices, which stress standards of excellence, maternal warmth, self-reliance training and a low father dominance. Individuals with high achievement motive tend to take keen interest in situations of high risk, desire for responsibility and a desire for a concrete measure of task performance. McClelland's views can be expressed by means of the following lines:

Ideological Values Family Socialisation

Need for Achievement Entrepreneurial Behaviour

McClelland has suggested 'Motivation Training Programme' for the development of entrepreneurship. Further, he has conducted a number of experiments in the field of 'achievement orientation.'

(3) Everett E. Hagen's Theory : Hagen has developed the *Theory of withdrawal of Status*. Hagen considers *Withdrawal of status* respect as the trigger mechanisms for changes in personality formation. Status withdrawal is the perception on the part of some social groups. According to Hagen, the creativity of disadvantaged minority group is the main source of entrepreneurship. The origin of his concept of his psychological theory of entrepreneurship is based on 'Samurai Community' of Japan. Traditionally, this community of Japan had occupied a very high position in the society. Later on, the high position and prestige was lost. In order to regain his lost position and prestige, this community became highly active, creative and powerful. This community gave birth to a number of entrepreneurs.

In this way, according to Hagen's concept, status withdrawal or fall of status of a social group is the primary cause of personality formation and entrepreneurship development. Hagen identifies the following four types of events that can produce status withdrawal and prestige fall:

- (i) Displacement by force;
- (ii) Denigration of valued symbols;
- (iii) Inconsistency of status symbols with a changing distribution of economic power;
- (iv) Non acceptance of expected status on migration to a new society.

In case of withdrawal or reduction in status and prestige that manner the group will indulge in creative activities which will develop entrepreneurial. The society will give birth to status dissonance entrepreneurs.

(4) John H. Kunzel's Theory : John H. Kunzel has presented a behavioural theory in connection to the development of entrepreneurship. Kunzel's behavioural theory is concerned with the overtly expressed activities of individuals and their relations to the previously and presently surroundings social structures and physical conditions. Behavioural patterns are determined by reinforcing and aversive stimuli present in the context. Hence entrepreneurial behaviour is a function of the surrounding and social structures, both past and present and can be readily influenced by the manipulative economic and social incentives. For

the development of entrepreneurship, he has given stress on the following four types of structure :

(i) Limitation Structure : Entrepreneur is a person who walks on different path in the process of economic development. But the main determinant factor of path deviant is the social surrounding which limits the behaviour of individuals. This limitation structure affects the development of entrepreneurs.

(ii) Demand Structure : Primarily, limitation structure is social and cultural, whereas demand structure is of economic nature. Demand structure is changing according to economic progress and government policies. The behaviour of individual can be made enterprising by affecting the main elements of demand structure.

(iii) Opportunity Structure : Opportunity structure is formed by combination of supply of capital, managerial and technical skill, production methods, labour and market, training opportunities, establishment of an enterprising and conduct of different activities.

(iv) Labour Structure : Labour structure is directed by several factors, such as, source of livelihood, traditional outlook and life ambitions.

According to Kunbel the supply and development of entrepreneur depends on the existence and comprehensiveness of the above four structure. Entrepreneurship depends on the specific combination of circumstances whose creation is difficult but destruction is easy. In short, according to Kunbel, entrepreneurship is the result of social, political and economic structure of a country.

Theories of Entrepreneurship: The various theories of entrepreneurship may be discussed as follows:

1. Trait Theory of Entrepreneurship: This theory holds that entrepreneurship developed because the individuals called entrepreneurs possessed certain specific traits or characteristics or competencies which made them capable of generating new ideas and creating a new venture. The major traits responsible for the emergence of entrepreneurship are said to be : creative and innovative skills, propensity to take risks, ability of building an organisation and managing it effectively, perseverance, and foreseeability. Different studies have emphasised different traits. However, it may be noted that there are opponents of the trait approach. They ask a logical question as to whether those among us who do not choose to be entrepreneurs, have similar traits.

2. Economic Theory: According to this theory, entrepreneurship and economic growth will take in those situations when particular

economic conditions and opportunities are most favourable for them. G.E. Pataneck and J.R. Harris are the main advocates of this theory. According to them, economic incentives are the main drive for entrepreneurial activities. Entrepreneurs emerge due to incentives and economic gain. When an entrepreneur realises that he can make gain by purchasing or producing goods at a particular time and selling them at higher prices at a later stage, he will tend to act. In essence, he is a seeker of profitable opportunities as and when they arise. In some cases, it is not so evident, but his inner drives have always been associated with economic gains. Therefore, these incentives and gains are regarded as the sufficient condition for the emergence of business and industrial entrepreneurship. When an entrepreneur recognises that the market for a product or service is out of equilibrium, he may purchase or produce them at the prevailing price and sell to those who are prepared to buy at the highest price.

3. Sociological Theory : According to sociologists, the emergence of entrepreneurship is under specific social culture. According to sociological concept, social sanctions, cultural values, traditions, group dynamics and role expectations are responsible for the emergence of entrepreneurship. For example, according to Thomas Cochran's Theory, "Cultural values, role expectations, ambitious and social sanctions occupy important place in the entrepreneurship development." In India, Marwaris and Parsees are considered to be the dominant social classes as source of entrepreneurship. According to Everett Hagen, the driving force in an entrepreneur is the withdrawal of status or respect *i.e.*, social change. When a person feels that his status or respect has been withdrawn, he feels hurt and reacts to regain his lost status or respect by creatively solving the problems of his social group. This feeling of deprivation and will to regain drives him to entrepreneurial activities.

4. Psychological Theory : According to McClelland, the characteristics of entrepreneur has two features – first doing things in a new and better way and second decision making under uncertainty. McClelland emphasises achievement orientation as most important factor for entrepreneurs. Individuals with high achievement orientation are not influenced by considerations of money or any other external incentives. Profit and incentives are merely yardsticks of measurement of success of entrepreneurs with high achievement orientation. The achievement orientation can be taught and increased by deliberate efforts. The struggle to achieve more and more is taught to children by their parents. The individuals with high achievement orientation take calculated risks and can make decisions where there is incomplete information or have tolerances for ambiguity. Psychologists call this behaviour as Type-A behaviour.

In this theory, psychological factors are the primary source of entrepreneurship development. Entrepreneurship is most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics, such as high need for achievement, will to conquer etc.

Schumpeter believed that entrepreneurs are primarily motivated by an atavistic will to power, will to found a private kingdom or will to conquer. According to McLlland need for high achievement drives individuals towards entrepreneurial activities. High achievement need can be developed through child rearing and schooling practices. People with high achievement need are not motivated by monetary rewards only such people regard profit as a yardstick (measure) of success. On the contrary people with low achievement need are motivated by monetary rewards.

5. Integrated Theory : Integrated theory of development of entrepreneurship is based on several economic, social, cultural, political and psychological factors. The main contributors of integrated theories are:

According to T.V. Rao, entrepreneurial disposition plays an important role in the development of entrepreneurship. The fundamental of entrepreneurship is entrepreneurial disposition. If entrepreneurial disposition is withdrawn from the entrepreneur then his whole existence will come to an end. It is the entrepreneurial disposition which motivates an entrepreneur to take risk, to move forward and establish new enterprises. According to Mr. Rao, the following factors are included in entrepreneurial disposition : (a) Dynamic Incentive, (b) Long-term Devotion, (c) Individual, Social and Physical Resources, (d) Social and Political System.

6. Innovative Theory : Innovative theory of entrepreneurship was advocated by Joseph Schumpeter. According to him entrepreneurship is essentially a creative activity. It consists in doing such things which are not generally done in the ordinary course of business. An entrepreneur is one who innovates, *i.e.*, carries out new combinations. He takes the economy to new height of development. They foresee the potentially profitable opportunity and try to exploit it. Innovations involve problem solving and entrepreneur is a problem solver. Innovation may occur in the following forms :

- (i) Introduction of a new product with which consumers are not familiar or introduction of a new quality of an existing product.
- (ii) Introduction of a new method of production.

- (iii) Opening of a new market.
- (iv) Discovery of a new source of raw materials.
- (v) Carrying out a new organisation of any industry, like the creation of a monopoly position or the breaking up of a monopoly position.

SUMMARY

The development of entrepreneurship depends on several factors. Various factors are responsible for the development or origination of the entrepreneurship. The theories which have been given by some prominent scholars as regards the development of entrepreneurs can be divided into following categories:

(a) Psychological Theory : The theory is based on the hypothesis that the development of entrepreneurship is affected by psychological, internal and immaterialistic powers. The internal desires and inspiration leaves a great impact on development of entrepreneurs.

(b) Economic Theory : The economic theory emphasise that the development of entrepreneurship is the result of several economic functions. The assumption is that the psychological motivation for monetary gains exists in all the societies. This motivation gives birth to economic development. It further says that the most important quality of an entrepreneur out of four qualities is his imaginative thinking capabilities. Efforts can be made to develop this quality.

QUESTIONS

1. What is meant by innovation? Discuss the relationship between innovation and entrepreneur.
2. Describe in brief the main psychological theories.
3. Discuss the main theories of entrepreneurship.
4. Discuss in detail the theories of development of entrepreneurship.
5. What are different theories of entrepreneurship development? Examine critically.

