# Lesson 1.2 - Entrepreneurial Environment Learning Objectives

*Having gone through this lesson, you may be able to:*

Understand the need for knowing about environment

Appreciate classification of prevailing business environment Analyse the factors influencing entrepreneurial environment

# Introduction

“Suitable Environment and intuition in grasping the essential facts promotes entrepreneurship”—Schumpter

Entrepreneurial venture of any sort/nature is being influenced by complex and varying mixture of financial, institutional, cultural and personality factors. Economic system and other conditions in the environment determine the success of commercial venture. Environment refers to the totality of all factors which are external and beyond the control of the business enterprise. It determines how entrepreneurship control and manage the unit. The entrepreneurial performance of an enterprise is influenced by the value system of the society, the rules and regulations made by the government, the monetary policies of the capital market, foreign investments etc. If environment changes there will be a change in the entrepreneurial performance also. Thus, the healthy environment promotes the entrepreneurship in a larger scale by facilitating the business operations thereby contributing to the growth of the unit.

# Classification of Environment

Environmental factors are mostly dynamic in nature except few factors which are of static nature. Mostly these factors can be conceptualized and quantified. Sometimes they could be mentioned only in qualitative terms.

On the basis of it’s variability character with reference to point of time, environment may be past, present and future.

On the basis of decision making situation it may be classified into Market and Non- Market environment. If the business decisions of a business unit are influenced by the market factors such as, demand, supply, competition, price etc. the environment is said to be market environment. On the other hand, when the Government, Law and Social customs and Conventions dominate entrepreneurial decisions it is said to be Non-market environment.

Environment may be grouped in to two, viz, Eco-nomic and Non-Economic environment. Environment formed by the economic fac-tors like fiscal policy, indus-trial policy, physical control of price-income, the eco-nomic system that operates, the stage of economic devel-opment refers to economic environment.

Then the non-eco-nomic environment refers to social, political, legal, edu-cational and cultural factors pertaining to business oper-ations.

Thus, the different facets of entrepreneurial en-vironment on the basis of factors which form that situ-ation is depicted in the fol-lowing telescopic view of the Facets of Entrepreneurial Environment.

# Environmental Factors

It is true that the entrepreneurs must have come from diverse economic, social and geographical backgrounds which interlace influence entrepreneurial spirits. This will enhance the entrepreneurial performance. The various factors which influences the entrepreneurship may be categorized into two, viz, Internal and External environment factors.

# Internal Factors

The internal environmental factors are mainly the environment in which entrepreneurs are born and brought up and work. Internal factors are those which will stimulate the entrepreneurs from within to take up entrepreneurial venture. Some of them are:

Strong desire of entrepreneurs to do something independently in life. Technical know-how or manufacturing experiences acquired by them. Business experience in the same or related line.

Family background including size, type and economic status of family.

Occupational origins of the entrepreneurs. .

Factors are the main springs of action in entrepreneurs. In order to satisfy their strong desire to do something independently in life, highly motivated persons take a plunge in to industrial activity’ regardless of any other considerations. But, many a time it is the: compulsion rather than the ambition that leads the man to success. The reasons that might have compelled the entrepreneurs in putting them on the road to industry are: The internal

Various other internal environmental factors that facilitate the emergence of entrepreneurship are:

Success stories of entrepreneurs Previous experience in manufacturing Previous employment in industry Property inherited

Property acquired

Encouragement of family members Encouragement of friends and relatives

Acquire or inherited technical and professional skill

# External Environment

The success of entrepreneurship in a region at any point of time depends on the very many external environmental factors. These factors influence the entrepreneurial operations and ultimately determine the effectiveness of entrepreneurial performance also. These environmental factors can be grouped into:

# Economic Environment

The different economic environmental factors which influence/ inhibit the entrepreneurship are: Structure of the economy, Industrial Policy, Agricultural” Policy, Growth pattern of National income, G.D.P., Savings and capital formation in the country. Besides that, Balance of trade and balance of payments, trade and tariff policy etc.

# Legal Environment

Entrepreneur should know what the prevailing legal environment is by knowing the latest position in legal enactments relating to various aspects of entrepreneurial venture. Such

as formation of the unit, collaboration, foreign exchange, industrial dispute, labour management, social security benefits, consumer protection etc.

# Political Environment

The working political system in a country influences the entrepreneurial growth by designing and implementing various policy matters pertaining to promotion of entrepreneurship. Hence entrepreneurs and industrialists should have representatives on various government bodies at all levels of policy formulation and planning.

# Socio-Cultural Environment

In the modem days a suitable entrepreneurial culture must be created by developing healthy work environment and modem attitudes towards work giving social recognition etc. These factors will give psychological stimulus which in turn promotes innovation, inspiration, ethics and values which are very essential for a successful entrepreneurs.

The external environmental factors are:

Financial assistance from institutional sources. Accommodation in industrial estates.

Provision of consultancy to services on technical Market and financial aspects.

Provision of subsides of different kinds.

Arranging the institutional support for marketing the products/ services. Attitude of the Government to help new units.

Encouraging the co-ordination between larger and smaller firms.

Providing necessary infrastructural facilities continuously.

External environment determine the entrepreneurship in many occasions. Hence presence of conducive business environmental climate is imperative for entrepreneurship growth. External environment facilitates various functional areas of business enterprise thereby promote entrepreneurship.

The various factors that impede the growth entrepreneurship arose mainly due to external environment. Some of them are:

Changes in governmental policy

Political instability or hostile government attitude

Improper co-ordination among different government agencies. Undue delay and corruption in giving concurrences for various purposes

Poor-infrastructural facilities such as supply of power, materials, finance etc. Rise in cost of inputs.

Unfavourable market fluctuations etc.

# Summary

Understanding the business environment and its components are very much essential for an entrepreneur. Environmental aspects are not of static in nature and hence watching the changes in the environment is immensely essential especially for the budding entrepreneurs. Thus, developing a healthy environment is a pre-requisite for growth of entrepreneurship.

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# Lesson 1.3 - Enterpreneurial Culture Learning Objectives

*Having gone through this lesson one could understand the following.*

the need for developing entrepreneurial culture the various aspects of entrepreneurial culture the process of nurturing culture

the counseling and follow up process Entrepreneurial education prevailing in India. Problems of entrepreneurship development in India. How to become successful entrepreneur?

# Introduction

Entrepreneurial culture implies a set of values, norms and traits that are conducive to the growth of entrepreneurship. It is the corporate culture that focuses on the emergence of new opportunities, the means of capitalizing of them, and the creation of the structure appropriate for pursuing them. Entrepreneurial culture should be differentiated from administrative culture. Administrative culture is the corporate culture which focuses on existing opportunities, organizational structures and control procedures. An ideal administrator would ask such questions as “what resources do I control? What structure determines our organisation’s relationship to its market? How can I minimize the impact of others on my ability to perform? What opportunity is appropriate?” On the contrary an ideal entrepreneur would ask very different questions such as ‘Where is the opportunity? How do I capitalize on It? What resources do I need? How do I gain control over them? What structure is best?”.

According to Stevenson and Gumpert companies must often contain both entrepreneurial and administrative cultures because they consist of both entrepreneurial and established units. There two dimension of conflicting cultures. In the first dimension entrepreneurial manager will be driven by ‘perception of opportunity’. They experience pressures such as diminishing opportunities, changes in consumer economics, political rules, social values and the technology they can not understand. On the other hand the administrative managers are driven by controlled resources. The pressures upon them include social contacts with colleagues and subordinates, performance measures, planning systems and cycles.

“Every generation needs a new revolution”, was Thomas Jefferson’s conclusion toward the end of his long life. His contemporary, Goethe, the great German poet, though an archconservative,• voiced the same sentiment. Institutions, systems, policies eventually outlive themselves, as do products, processes and services, “ Revolutions”, as we have learned since Jefferson’s days, are not the remedy. They cannot be predicted, directed, or controlled. They bring to power the wrong people. Worst of all their results - predictably - are the exl1ct opposite of their promises. The most lasting legacy of the French Revolution was the tightening of the very fetters of pre - Revolutionary France: the subjection of the whole country to an uncontrolled and uncontrollable bureaucracy, and the centralization in Parts of all political, intellectual, artistic, and economic life. The main consequences of the Russian

Revolution were new serfdom for the tillers of the land, an omnipotent secret police, and a rigid corrupt, stifling bureaucracy -the very features of the czarist regime against which Russian liberals and revolutionaries had protested most loudly and with most justification. And the same must be said of Mao’s macabre “Great Cultural Revolution”.

Indeed, we now know that “revolution” is a delusion, the pervasive delusion of the nineteenth country, but today perhaps the most discredited of its myths. We now know that “revolution” is not achievement and the new dawn. It results from senile decay, from the bankruptcy of ideas and institutions, from failure of self-renewal.

Innovation and entrepreneurship are thus needed in society as much as in the economy, in public-service institutions as much as in businesses. It is precisely because innovation and entrepreneurship are not “root and branch” but “one step at a tune, a product here, a policy there, a public service provider; because they are not planned but focused on this opportunity and that need; because they are tentative and will disappear if they do not produce the expected and needed results; because, in other words, they are pragmatic rather than dogmatic and modest rather than grandiose that• they promise to keep any society, economy, industry, public service, or business flexible and self-renewing. They achieve what Jefferson hoped to achieve through revolution in every generation, and they do so without bloodshed, civil war, or concentration camps, without economic catastrophe, but with purpose, with direction and under control.

What we need is an entrepreneurial society in which innovation and entrepreneurship are normal, steady, and continuous. Just as management has become the specific organ of all contemporary institutions. and the integrating organ of our society of organizations, so innovation and entrepreneurship have to become an integral life-sustaining activity in our organizations, our economy, our society.

# The New Tasks

The prerequisite for an entrepreneurial culture is a massive reorientation in policies and attitudes, and above all, in priorities. We need to encourage habits of flexibility, of continuous learning, and of acceptance of change as normal and as opportunity - for institutions as well as for individuals.

Tax policy is one area - important both for its impact on behaviour and as a symbol of society’s values and priorities. What is needed in an entrepreneurial society is a tax system that encourages moving capital from yesterday into tomorrow rather than one that, like our present one, prevents and penalizes it.

Just as important as tax and fiscal policies that encourage entrepreneurship - or at least do not penalize it - is protection of the new venture against the growing burden of governmental regulations, restrictions, reports, and paperwork.

# The Individual in Entrepreneurial Society

In an entrepreneurial society individuals face a tremendous challenge, a challenge they need to exploit as an opportunity, the need for continuous learning and relearning.

One implication of this is that individuals will increasingly have to take responsibility for their own continuous learning and relearning, for their own self - development and for their own careers. They can no longer assume that what they have learned as children and youngster. will be the “ foundation” for the rest of their lives. It will be the “launching pad” -

* the place to take off from rather than the place to build on and to rest on.

An entrepreneurial society challenges habits and assumptions of schooling and learning. Educations will have to accept that ~ schooling is not for the young only and that the greatest challenge but also the greatest opportunity - for the school is the continuing relearning of already highly schooled adults.

# Counseling Entrepreneurs and Follow -up

**Introduction**

Counseling is a’ process of initiating and reinforcing a helping relationship to enable planned growth of the client at his own. Sometimes help and counseling are used inter changeably. Though they are entirely different concepts.

# Management Counseling

Management counseling for entrepreneurial development may be understood as a ‘counseling process for the institutions to promote the entrepreneurs in the given locality’. It encompasses broad counseling activities, by the institutions focused on the counseling approach for the development of entrepreneurs.

Objectives of management counseling depend on the nature and level of client. Since the client is entrepreneur the objective may be examined as follows:

To understand the entrepreneurs’, nature of background, per­ sonality, knowledge and skills etc.

To understand the entrepreneurial environment in which he operates.

To diagnose the problems of the entrepreneurs in the pre-investment and post investment stage.

To diagnose the clients’ potentialities to initiate and handle the enterprise successfully.

To enable the client explore this commitment towards his own goal and action plan for enterprise building.

# Nature of Counseling

Counseling can be both of directive and non directive in nature. The non-directive counseling is largely client oriented where counselor listens and records what he listens and uses the information he gets to help dispel anxieties. He does not discipline client in order to control him. Instead the approach is non-paternalistic and counselee centered. As a matter of

act counseling for entrepreneurs has largely to be of non directive nature. This avoids over dependence of entrepreneurs on agencies.

In essence, the non directive approach in counseling is designed to provide opportunity for the counselee to work through his problems to his own satisfaction without being given advice or guidance.

Now the question arises as to what kind of counseling is required for the entrepreneurs.

The entrepreneur develops an understanding about himself.

The entrepreneur develops an understanding about the environment

The entrepreneur sets directions for his growth in the context of the above. The entrepreneur develops of a plan of action, and implements it at his “Own. The entrepreneur learns to review it periodically along with his counselor.

The entrepreneur sees his won strength and weakness and attributes. Failure or success to himself and reduces dependency on the institutions.

One of the pre-requisites of a good entrepreneur counseling is a good preparation for it.

Preparation on the part of the counselor and the counselee involves investment in terms of time and thinking. If either of them is not prepared to invest in preparation for helping each other and learning from feedback, the counseling is likely to be futile. The counselor should prepare himself well for making counseling effective. However, the agencies (especially the voluntary agencies which are engaged in entrepreneurship programme need to have a continuous counseling mechanism.

# Entrepreneurial Education

Entrepreneurial education for younger generation towards setting up small business concerns, their self development and the development of industrial economy assumes prime focus.

# Entrepreneur and Entrepreneurship

‘Entrepreneur’ – a French word means “to undertake”. This word in the early 16th century referred to men leading military expeditions. Entrepreneur as an English word has now come into usage denoting men who venture into any new field for economic gains. Entrepreneur is one who germinates a concept, takes initiative, seizes opportunity, bears risk,

promotes organisation and manages it to achieve set goals. Entrepreneurs are those who are optimistic, resourceful, and persistent with a work orientation, goal setters and achievers.

Entrepreneurship is the mental urge to take risk in face of uncertainties and intuition and capacity of forecasting things which prove true. It involves a break with the past, a wider perception of economic activities and a creative and innovative response to environment.

It is a well known fact that entrepreneurship is one of the prime factors of production. The development of the productivity of this factor of production is significant in improving productivity. Thus education for the development of this quality is an important requirement.

For a young entrepreneur to start with in his new venture, small business would augur a healthy beginning.

# Small Business

A small business can be defined as one that is independently owned and operated, is indominant in its field and meets a variety of size standards. This is mostly a localized business so as to satisfy the felt needs of the community.

Small business offers an opportunity to the youth to excel in their field. “Small is beautiful” goes a saying. The objective of small business is to utilize the available resources for balanced regional and local development. This requires interest and risk taking abilities. The raw materials are plenty and investment is negligible in a small business concern. The only hurdle is the lack of proper management.

Small industry is the nation’s leading employer and forms the backbone of the economy. There is, therefore, an urgent need to highlight the advantages of small industries and a need to develop the concept of entrepreneurship through education.

The small size of a business provides some unique competitive advantages over large size business. Small firms are often the ones to offer innovations, new concepts and new products in the market place. Innovative behaviour is also found in the marketing strategies of these firms. The provision of product or service at cheaper cost due to less overhead costs is another advantage. Due to small size of some of the economies economic and organizational factors dictate that an industry consists essentially of small firms.

# Defining MSME in India

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

***Manufacturing Enterprises***- The enterprises engaged in manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The manufacturing enterprise is *defined in terms of investment in Plant & Machinery***.**

***Service Enterprises***- The enterprises engaged in providing or rendering of services and are

*defined in terms of investment in equipment*.

# Definition of MSMEs in India

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are

|  |  |  |
| --- | --- | --- |
|  | **Manufacturing enterprises** | **Services enterprises** |
|  | (Investment in plant and | (Only investment in |
|  | machinery) | equipment) |
| **Micro** | Up to Rs 25 lakhs | Up to Rs 10 lakhs |
| **Small** | From Rs 25 lakhs to Rs 5 | From Rs 10 lakhs to Rs 2 |
|  | Crores | Crores |
| **Medium** | From Rs 5 Crores to Rs 10 | From Rs 2 Crores to Rs 5 |
|  | Crores | Crores |

Your case is likely to be a micro or small tourism service enterprise. Though, you could also develop a proposal for manufacturing goods and offering them directly to visitors (like curios, handicrafts, bottled water, etc.) or supplying goods to tourism businesses such as paper napkins, packaging material, furniture, etc. What ever be the case, you must be able to figure out which class of operations are you in.

# Indian Scenario for Entrepreneurs

An entrepreneur is fundamentally a conceiver, designer and innovator. It is he who thinks of a scheme or project. He thinks of the various factors of production and designs their proportions for the final shape and output of the organization. While doing so he is conscious of the risks that he is undertaking. He has to keep himself abreast of all the developments that are taking place in the world. An ill informed person can never be a successful entrepreneur. Knowledge and success are, in a sense, hand maids. A risk taking person is bound to be creative, for creativity and innovativeness are twins. It is a competitive world and even slight variations can impart newness to a product. Even packing a material is a matter of enterprise.

Modern thinkers have defined entrepreneurship differently, according to their own perceptions. Hoselitz defines ‘entrepreneur’ as person who brings labour and material at the certain price and sells the resultant product at a contracted price. Obviously, labour gets a prominent place in his definition and so does marketing.

# Entrepreneurial Functions

The main functions that an entrepreneur has to perform can be deduced from the various definitions of the of the word ‘entrepreneur’ that have been given. These can be summed up as below:

He takes the risks attendant on uncertain situations. He foresees opportunities and seizes them.

He collects and organizes the various factors of production.

He prepares the inventory for the unit and procures the same, with an eye on quality and economy.

He co-ordinates the various factors of production smoothly. He ensures maintenance of cordial relations with labour.

He is conscious of competition around and adjusts accordingly. He deals with external organizations and agencies.

He manages human resources within the unit. He manages the suppliers.

He manages the customers. He manages finance

He manages production, keeping an eye and demand and quality. He acquires, and oversees, the assemblage of the unit.

He ensures the quality of the product. He innovates production techniques.

He oversees that the good will of the units is enhanced.

# Problems Encountered by Entrepreneurs

There are a host of risks and problems that an entrepreneur has to encounter. It is impossible to think of any business enterprise which is not based with problems. An entrepreneur, while embarking on an economic venture, knows that his path is going to be strewn with the thorns of problems. He is bound to face a host of them. There are problems galore in all fields of his activity. There will be his personal problems. There will be managerial problems. There will be problems from the external world. Has to learn to enjoy those problems is the guarantee of success.

The changes might one too quick to withstand. A story might be worth narrating here. A person was rushing towards his home. Someone intervened and wanted to know the reason of the hurry. The person said, ‘I have purchased a saree for my wife and I want to hand it over to her before the fashion for this particular brand of saree changes’. Change and newness are in the air and pose their own variety of problems.

# Future Prospects for the Entrepreneurs

There is a shift in India from an agricultural to industrial economy even as India is moving from the state of a developing economy to attain the status of a developed economy. This state of transformation of the national economy has its own potentialities and challenges for the entrepreneurs. It is for them to seze the opportunity by both the horns. They have a crucial role to play in the present scenario. The government has initiated the process of liberalization of economy since 1991. In this changed economic environment all support and incentives are available to the entrepreneurs who care and are perceptive and dynamic.

The government has set up institutions for guiding and supporting the entrepreneurs. The infrastructure is being developed. Every state in the country is eager to have large scale industrialization. In fact, the chief ministers of states are vying with one another to attract industrial entrepreneurs. Their eeffort is global. There is a growing awareness of the need for industrialization and this itself should motivate the potential entrepreneurs into action. They have to convert their potential energy into a kinetic one now. Action and movement are the needs of the hour, and the hour won’t wait for those who are indifferent to it.

The government is providing all support to the entrepreneurs. The country’s future is tied up with its industrialization, for which modern techniques and technologies are needed. All that is outdated must be jettisoned overboard and the Indian entrepreneurs must work with theirnative genius to scale dizzy industrial heights. That is what the country needs and expects from its entrepreneurs.

# Entrepreneurs – True Heroes

Entrepreneur is a person who initiates an economic activity and manages the same successfully. The myth that entrepreneurs are born is no more valid because it has been proved that entrepreneurship can be developed through scientific methods and training. But most important of allis self-motivation on their part. Three buzzwords for entrepreneurship are: self- motivation, courage and self-marketing.

For developing skills for successful entrepreneurship, here are some tried steps:

Preparedness: Prepare yourself fully before meeting anyone or before embarking upon a project or a proposal, collect all relevant information, put it in a proper sequence, rehearse and then present yourself.

# Communication Skills

Practice makes a man (or a woman) perfect. Attend some professional course on personality development with focus on communication skills-both oral and written. Introspect and take steps to learn from each event. Continuous improvement should be your watchword.

# Positive Attitude

Success in one’s own enterprise, as in all areas of life, is 90 per cent attitude and 10 per cent aptitude. Positive attitude is bound to lead to success.

# Be Involved

Both in online communities and off-line in your local community, know what’s going on and what’s current in your field. Be a part of what’s going on and network with others in your field.

# Expect no’s

Realise no’s are no personal. In business, as per perhaps nowhere else, the law of average works. Every ‘no’ gets you closer to a ‘yes’.

# Be a Goal Setter

Set your goal, write it down, set a target for achieving the goal, and mobilize all your energies and resources to accomplish the same each day, each week and each month. Little is ever accomplished without definite goals.

# Be Organised

Each evening, list all the things you want to get done the following day. That gives you an organised approach to each day. As each task is finished, mark it off your list. It is amazing how much one gets done when one works with a ‘things’ to-do’ list in an organised way.

# Be Enthusiastic

Enthusiasm is the ‘fuel’ that entrepreneurs run on. Enthusiasm is the ‘fuel’ that entrepreneurs run on. Enthusiam generates its own energy. Energy and good health are synonymous with busy, happy people who are ‘achievers’—more so for successful entrepreneurs.

Get into entrepreneurship and see yourself growing up and up in life.

# Perspectives

Entrepreneurship promotion has to be more and more trade specific, or product / process-specific, based on its relevance in different regions. From the generalist approach, entrepreneurship development institutions have to switch over to a more specialized role for training individual entrepreneurs or for developing / equipping teams of entrepreneurs to take up ventures in groups in specialized product lines. The movement depends on the extent of technology obsorption and adaptation in small enterprises.

Non-governmental organizations (NGOs) should be involved in a massive way to supplement the efforts of the government in a sustained manner to improve the living conditions of the vast rural masses through income generating enterprises. NGOs associated with these programmes have distinct advantages of being close to people in the planning and implementation of programmes. Support from the apex development financing institutions such as SIDBI and NABARD, needs to be mobilized for this purpose. Developing professional talent in NGOs through sustained training and follow up efforts is necessary.

The tempo not only needs to be sustained and improved upon; it also needs to be reoriented to meet the challenges of the competitive environment in the small enterprise sector. Emerging opportunities need to be focused upon. Entrepreneurs have to keep in mind the growing complexities, and challenges of the future.

The motivation that makes a small enterprise to be competitive in its use of human and material resources needs to be brought out through the positive strategy of collective efforts of people, productivity and profits. The capability to rise above competition drives entrepreneurs to search for new ways of doing things, new markets to operate, and new products to offer. In the current day context, no entrepreneur can escape competition. In this context, successful entrepreneurial behaviour implies constant and continuous quest to be different, to perform better, and to exert more to ensure excellence. A successful entrepreneur must learn and strive to set his/her own standard of excellence. Entrepreneurs may be able to assess their strengths and weaknesses; become capable of maximising strengths and making their weaknesses redundant. Thus, the major thrust of motivation needs to undergo change from stimulatory to sustaining and growth orientation.

Entrepreneurship development efforts need to be focused on economically lower and less privileged population, who constitute a much wider population group. The spread of education, particularly vocational education, skill development, technological upgradation and managerial training and development of greater awareness of economic and social opportunities, apart from the creation of better infrastructural facilities in the environment in which they placed, will enable economically weaker sections utilize entrepreneurial opportunities, relevant to their environment, much faster.

Emphasis in future periods cannot be limited to manufacturing type of enterprises alone. Service sector, agro and other rural micro enterprises will demand considerable attention because of the vast potential for dispersed pattern of development. Promotion of entrepreneurship in rural areas, tribal areas and backward regions has to be stressed to a great extent.

Challenges Facing the MSME sector, Tests in Growth and Survival of Enterprises, and Future Directions

In the context of liberalization, privatization, and globalization, small scale entrepreneurs are facing challenges. They have also experienced wider opportunities created

by liberalization. Entrepreneurs have expressed appreciation for the opening up of the economy by creating a competitive, market friendly environment and facilitating the process of integration with the global trends. The emerging forces of globalization, deregulation and technology transfer as well as increasing and shifting demands of consumers are changing the contours of the MSME sector.

At the Entrepreneurship Development Institute of India (EDII), Ahemedabad, in a publication titled The Seven Business Crises, crisis stages of an enterprise in its life cycle are detailed as follows:

The Starting Crises The Cash Crisis

The Delegation Crisis The Leadership Crisis The Finance Crisis The Prosperity Crisis

The Management-succession Crisis

Another stage is planning for survival and growth

All the eight stages have been portrayed with live examples in the EDII publication and also released as video cassettes. These will be of great relevance for existing and prospective entrepreneurs.

The themes suggested for deliberation in seminars such as the following, speak of the dynamics of entrepreneurship strategies:

New venture creation / development Technology and entrepreneurship Business growth strategies

Entrepreneurship and economic development Entrepreneurship education, training and research

# Suggestions

The following suggestions may be considered for intensifying entrepreneurship development efforts in future:

It is important to impart a combination of skill orientation and entrepreneurial competency for group of persons with diverse backgrounds.

Promotion of industries, services and businesses in rural development programmes including specific programmes for women by adopting group approach.

Other self employment programmes including programmes for persons with science and technology background.

Involvement of NGOs, and professional and vocational training institutions.

Promoting interaction between academic / training institutions, and industry in the small scale, tiny and micro enterprise sectors.

Promoting group entrepreneurship or partnership compared to concentrating only on proprietary type of enterprises.

Promoting marketing entrepreneurship and development of marketing organizations at the state level.

Marketing support is to be extended to trained entrepreneurs in a sustained manner.

Entrepreneurship should be an integral part of school education at plus two level, and in various professional, vocational and other advanced courses at different levels.

A structured orientation programme on Entrepreneurship Development of two to three days duration can be the first step to orient final year engineering / technology students, and final year post graduate students in science and technology. This capsule could be followed up by a regular EDP of six weeks duration to those short listed students who show potential to be transformed as entrepreneurs.

Adequate and timely credit being a key factor in catelysing entrepreneurship, it is highly essential to involve bank managers

MSME specialists from banks at the pre-training, training and post-training phases of entrepreneurship development programmes. Interface with bankers and promotional officers will enthuse prospective as well as existing entrepreneurs. Similarly, use of live cases from banks of MSME units financed or is under consideration, and experiences of first generation entrepreneurs will make the training programme quite lively and instructive.

**Innovation and Entrepreneurship**

# Learning Objectives

*This lesson clearly explains to you the following:*

need for innovation and entrepreneurship principles of innovation process

types of innovations

factors inducing innovative skills.

# Introduction

Entrepreneurial innovation deals with the introduction of new concept, a new way of doing things, or a new approach. Innovation can also be in terms of new technology, new techniques of production, new sources and types of raw materials, novel machinery, new labour saving devices, new packaging techniques and packaging materials, new way of advertising, product development, new application of existing product and even developing a new market.

Innovation refers to the process of bringing new, problem solving ideas into use. The ideas may be related to reorganizing, cutting costs, establishing new budgeting system, improving communication etc., Comprehensively speaking, innovation involves generation, acceptance and implementation of new ideas, processes, products or services. It embodies the capacity to change or adapt. Innovations are new ways to achieve tasks. Innovations respond to the needs and constraints and conditions. Inventors and researchers put effort in solving burning problems; these efforts lead to innovations. For example, labour shortages led to mechanized equipment, Drought conditions led to improved irrigation, Energy crises led to higher efficiency cars, Farmers’ cooperatives were established during periods of excessive low farm prices, Environmental regulations trigger cleaner technologies, A tax on carbon will lead to improved stoves and power plants.

Innovation is the essential for entrepreneurial motivation. Innovation gives money. Innovation must be knowledge based. Scientific knowledge is the base for innovation. However, innovation is also due to the convergence of different kinds of innovation.

Sometimes, there is a need to combine the innovative works of similar other scientists. Though their works were different in intent and content, by combing their works together, there is a chance for developing new products.

An innovative entrepreneur becomes a market leader. His market share and profitability increase till the competitors catch that innovation and imitate it by bringing out “me-too” product in the market. The in-novative entrepreneur hits the market with another innovation to |retain his market leadership and high profit margin. The history of entre• preneurial development itself is a reflection of the innovativeness of entrepreneurs.

Peter Drucker saying that innovation is an important tool of an entrepreneur, as he perceives new opportunity; convert this opportunity into attractive projects and become market leader. Innovation is the conversion of new knowledge into new products and services. Innovation is about creating value and increasing productivity, and therefore, making your business grow.

Entrepreneurial strategy is neither hunch nor gamble. It is not service but judgment. “What we need is an entrepreneurial society in which innovation and entrepreneurship are normal, steady, and continuous. Just as management has become the specific organ of all contemporary institutions, and the integrating agent of our society of organisation, so innovation and entrepreneurship have to become an integral life-sustaining activity in our organisations, our economy, our society.

# Meaning of Innovations

According to Drucker, the principles of innovation require a few’ dos’ and a few’ don’ts’. He also enumerates what he calls “conditions”.

The ‘Dos’,

Purposeful, systematic innovation begins with an analysis of opportunities. It begins with thinking through what he has called the sources of innovative principles.

Innovation is both conceptional and perceptual. The second imperative of innovation is to go out to look, to ask, and to’ listen.

An innovation to be effective has to be simple and it has to be focused. It should do only one thing, otherwise it confuses. If it is not simple, it won’t work.

Effective innovations start small. They are not grandiose. They try to do one specific thing. A successful innovation aims at leadership.

The ‘Don’ts’.

The first is simply not to try to be clever. Innovations have to be handled by ordinary human beings. In other words, anything too clever, whether in design or in execution, is almost bound to fail.

Do not diversity. innovations ‘that stray from a core are likely to become diffuse. They remain ideas and do not become innovations.

Finally, do not try to innovate for the future. Innovate for the present.

According to Drucker, three conditions have to be fulfilled, All three are obvious, but often go disregarded:

Innovation is work. It requires knowledge. It often requires greatingnuity. When all is said, and done, innovation. becomes hard, focused on purposeful work, making very great demands on diligence, on persistence, and on commitment.

To succeed, innovation must build on their strengths.

Finally, innovation always has to be close to the market, focused on the market, indeed market-driven.

# Product Innovation

Product / service innovation is the result of bringing to life a new way to solve customer’s problem – through a new product of service development – that benefits both the customer and sponsoring company.

# Examples

Mechanical – tractors, cars;

Chemical and biological – pesticides seed variety; Managerial-IPM, extra pay for work, overtime;

Institutional-water users’ association, patents, banks, stock market, conservation districts, monks.

# Process Innovation

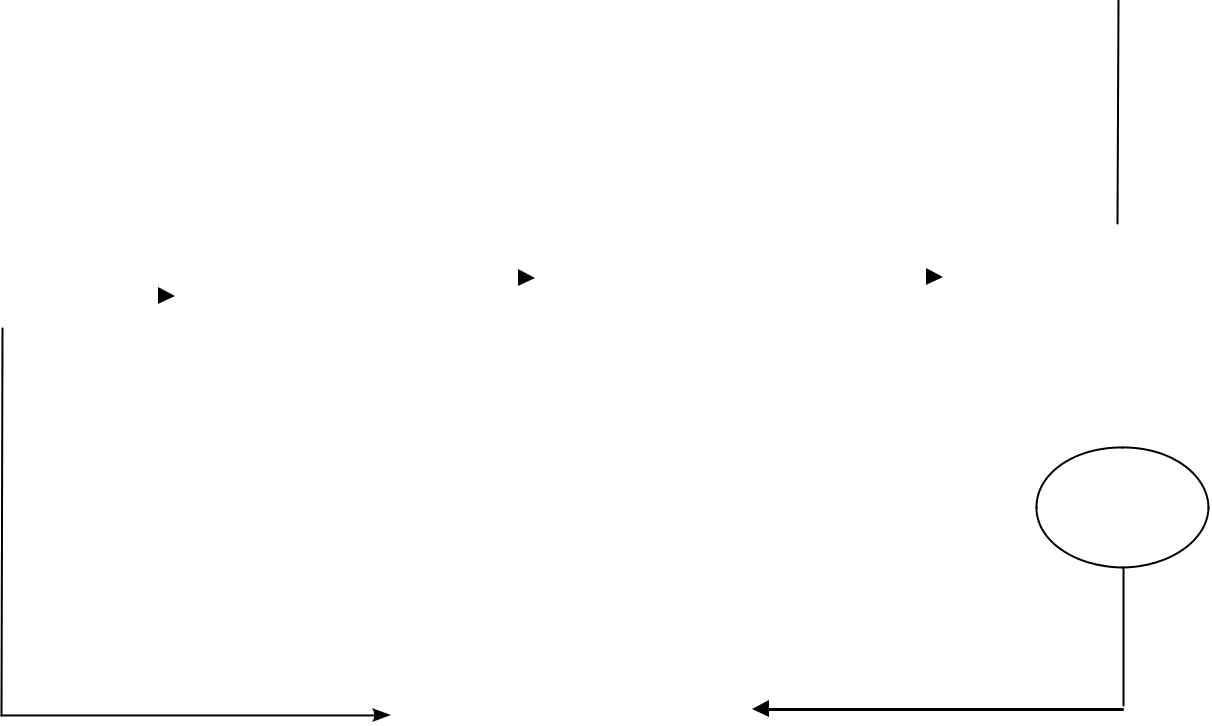
Process innovation increases bottom line profitability, reduces costs, improves efficiency and raises productivity, and increases employees’ job satisfaction. It also delivers enhanced value of the product or service to customers. For manufacturing companies, process innovation includes such things as integrating new production methods and technologies that lead to improved efficiency, quality, or time-to-market and services that are sold with those products. For service companies, process innovations enable them to introduce “front office” customer service improvement and add on services.

# Business Innovation

Business innovation involves a wide spectrum of original concepts, including development of new business models, organizational innovation, business application of technology and communications, new management techniques, environmental efficiency, new forms of stakeholder participation, transport and finance.

These consist of new business models, new management models, new approaches to value chain management, new approaches to information, idea and knowledge management, new forms of strategic partnerships, new forms fo selling and customer service.

**Entrepreneurship**



**Profit**

**Commercialization of ideas**

**Creativity**

Appraisal

* Is it marketable?
* Is it financially

viable?

* Is it technically possible?
* Is it socially

Idea Generation

* Customer
* Employer
* Supplier
* Competitor
* Investor
* Environment

**Innovation Process**

**Entrepreneurial Innovation Process**

# Organizational Innovation

More efficient innovation metric, associated with organizational innovation, reflects the recognition that new ways of organizing work in areas such as work force management through employee empowerment, new people partnership, or positive action to involve all employees in order to make organization of work a collective resource for innovation, knowledge management, value chain management, customer partnership, distribution, finance, manufacturing can improve competitiveness. Organizational innovation also includes business model innovation.

# Technology Innovation

Technological innovation covers innovation derived from research and development of technology, that is independent of product and service initiative.

# Marketing Innovation

Innovative distribution and customer service methods are an inseparable part. It helps a company to develop new value added services, enter new markets, and create new market segments / categories, new distribution methods, and new forms of customer service and customer partnership. Marketing Communication can also be more effective with Innovative Strategies.

# Strategy Innovation

It consists of reinvented strategy of the enterprise, innovative corporate growth strategies, improved competitive strategies. It is about challenging existing methods of industry of creating value for customer in order to meet newly emerging customer needs, add additional value, and create new markets and new customer groups for the sponsoring company.

Implementation of all these innovations can improves the utilization of human capital.

# Summary

Thus this lesson explains the need for entrepreneurial culture, the behaviour of the individual in the entrepreneurial society and how to develop culture? Besides it tells upon the significance of counseling and follow up process for developing an ideal entrepreneurial culture. Innovation is one of the significant attributes of entrepreneurship. But successful entrepreneurship involves other key elements like risk taking ability, values, ethics, organizational skill, operational excellence. To convert the creative ideas into profitable business, entrepreneurs use such quality as motivation, dynamism, adaptability, knowledge, tactfulness, dreaming, instinct, will-power, aptitude, pride, flexibility, self-confidence, and common sense. Besides this, entrepreneurship flourishes in innovative work culture,

competitive infrastructure, and entrepreneurial managers under the leadership of innovative environment.

# Self Assessment Questions

1.Who is an entrepreneur?

2. Distinguish between entrepreneur and enterprise.

3. Discuss the main functions of an entrepreneur

4. What are the characteristic of an entrepreneur?

5. What are the qualities of an entrepreneur?

6. Distinguish between entrepreneur and entrepreneurship.

7. Explain the main sources of innovation.

8. Describe the principles of innovation.

9 .What are the major steps to become an entrepreneur? Explain the different types of entrepreneurs

1. Explain the importance of environmental factors in influencing entrepreneurship.

11 Discuss the factors affecting entrepreneurial development.

12 Discuss the various factors influencing the entrepreneurs internally.

1. Define entrepreneurial culture and differentiate from administrative culture.
2. Explain the significance of entrepreneurial society.
3. What is entrepreneurial counselling? Explain its significance.
4. Discuss the role of entrepreneurial clinics.

17 Give a brief note about the need for entrepreneurial education

18. List out the problems of entrepreneurship development in Kenya.

19. How to become successful entrepreneur?

20. Discuss the future prospects for entrepreneurship in Kenya.

21. Define the term ‘innovation’. Explain its need.

22. Discuss the principles of innovation process

23. Explain the different types of innovation.