

Introduction To Entrepreneurship

LESSON 3

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Recap of Lesson 2

- 1. Types of Entrepreneurship**
- 2. Importance of Entrepreneurs in Our Society**
- 3. Case studies on Adidas, Bumble, and Canvas**

Lesson 3

Evolution/Growth of Entrepreneurship

- **Sociological Perspective**
 - **Political Perspective**
- **Psychological Perspective**
 - **Composite Perspective**

Sociological Perspective

Political Perspective

Psychological Perspective

Composite Perspective

Sociological Perspective

- **The sociological perspective deals with social and cultural factors responsible for the nature and growth of entrepreneurship development in a society.**
- **The sociological perspective attempts to understand as to why a social structure and culture facilitates or inhibits entrepreneurial development.**
- **The sociological perspective believes that laws of development lie in the social structure and culture of a region.**
- **Max Weber, Cocharan, Young, Hoselitz and Hagen** are prominent scholars of this field.

Sociological Perspective

Raises question like-

why one segment of social structure produces larger number of entrepreneurs than the other?

For example, it is mainly the **Samurai** community that could rise to entrepreneurship **during the Meiji regime in Japan.**

Indian entrepreneurship, from the very beginning, has **been dominated by- the Parsis, the Gujratis and the Marwaris.** In fact, they continue to dominate the business sector even today.

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Scholars believed that the Hindu religion of India did not have the potential to promote entrepreneurship.

The traditional social structures — the caste and the joint family have been detrimental to the process of entrepreneurial growth.

FIRST. The backward economies exhibit usually a lack of reliance on achievement as a norm for acquiring economic goods. Achievement-oriented behaviour is however not fully absent but exists only in limited cases.

Distribution of economic goods in our society has been ascriptive way of distribution pattern. The advanced societies exhibit the norms of achievement-oriented behaviour.

Second. There is the prevalence of **particularism in the distribution** of economically relevant tasks among performers. Particularistic pattern of distribution has been prevalent in the traditional Indian caste system.

The advanced societies have **universalistic approach** to the allocation of resources.

Third. In the backward societies, **economic activities are quite diffuse**. It is so because of the fact that there is a **low level of development of division of labour**. Partly it is the result and cause of the low level of productivity.

Scholars concluded that

Advanced economies-
exhibit predominantly universalistic norms
and **achievement-oriented behaviour** in
determining the selection process for the attainment of economically relevant roles.

WHILE

An underdeveloped society-
Exhibits **particularism, functional diffusion, and the principle of ascription.**

The orientation of people in economically or politically influential roles is **determined predominantly by considerations of their ego.**

Entrepreneurial characteristics—

the ability to make new combinations of factors of production,
managerial skill,
perception of opportunity,
risk-taking,
inventiveness,
achievement motivation

ARE NOT merely reflection of antecedent or conditions;
THEY EXIST because of structural factors and consequent economic development.

Sociological Perspective

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Psychological Perspective

Raises question like-

How the social structure affects the attitude of the people of a society.

For example-

Entrepreneur is not a common person.

He has a typical personality with creative, managerial and imaginative skill who can innovate and contribute positively to an industrial project.

The Psychological perspective attempts to understand what contributes to these skills?

Scholars- David McClelland, Collins, Moore

Psychological Perspective

Holds the view that the genesis and performance of entrepreneurs requires strong motivation for achievement. The achievement motivation is a function of child rearing practices in a society.

Study of innovating entrepreneurs revealed that many of their subjects had experienced childhood poverty and disrupted family lives which stimulated strong motivations for personal achievements.

Joseph Schumpeter, the first to offer a systematic interpretation of entrepreneurship, had said that the entrepreneur possesses energy of will and mind to overcome fixed habits of thought and the capacity to withstand social opposition.

Sociological Perspective
Psychological Perspective
Political Perspective
Composite Perspective

Political Perspective

Raises questions like-

What role do the political factors play in issues related to entrepreneurship?

Because, the role of the government is crucial in deciding the nature and rate of development.

Political perspective deals with:

the issues involved in relationships between entrepreneurship development and the state

the role of the state in the development of entrepreneurs.

Political Perspective

1. **Rapid growth of industries and good pace of economic development** largely depend on the **merit of economic policies of the government.**

2. **Democratic and relatively stable governments** are supposed to be conducive to **economic development.**

3. Entrepreneurial supply would be greater in a **state which believes in the ideology of capitalistic liberalism.**

Provides requisite credit facility, appropriate training opportunity, technological and scientific knowledge and adequate incentive.

*Capitalistic liberalism = minimum govt interference

Political Perspective

1980:

The Government of India **pursued the policy of mixed economy.**

It **could not contribute to growth rate** of 3- 4% for over 40 years of the economic regime Of the country.

Resulted in: Corruption, laziness, traditional power structure and weak governance, responsible for sluggish development.

Till 1990:

Entrepreneurial growth in India had been very slow till 1990.

A long span of colonial rule + the following strict and partially controlled economy + Red-tapism did not allow fast entrepreneurial growth

Political Perspective

1991 onwards:

Economic reforms initiated with an objective to liberalize Economic policies.

Promote individual investors and bring about structural Adjustments.

All these have undoubtedly **yielded significant results.**

By 1990, the number of small-scale units in the country was about 10 lakh which, due to economic reform movement, swelled up to about 35 lakh by 2005.

Political studies on entrepreneurship have revealed that the late growth of entrepreneurship in Russia and France had been due to the existing political conditions in the countries.

Japan's fast entrepreneurial growth can be attributed to the country's political system which peculiarly integrated the industrial and agricultural economy.

Sociological Perspective

Psychological Perspective

Political Perspective

Composite Perspective

The **entrepreneurship is a complex phenomenon**. None of the approaches discussed above has been able to explain the entrepreneurial dynamics fully.

It has been observed that **entrepreneurial behaviour is an outcome of the interplay of multiple social, cultural, economic, political and psychological factors**.

No single factor is entirely responsible for the supply of successful entrepreneurs.

Composite Perspective

Dwijendra Tripathi, in his **comparative study of historical roots of industrial entrepreneurship in India and Japan**, has observed that the **emergence, performance and perception of entrepreneurs can be understood by an integrated approach** which would **take into account all the possible sociological, psychological, economic and political factors** contributing to the increase in entrepreneurial behaviour.

Variables like **business acumen, motivation for achievement, modern and progressive value orientation, minimum necessary capital, technical knowledge, adequate market and favorable political conditions** **need to exist together** for the development and growth of entrepreneurship.