

**[Academic Script]**

**Entrepreneur and Economic Development-I**

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## **Academic Script**

### **1. Introduction**

In this session, we are going to talk on the relationship between entrepreneur and economic development, entrepreneurial culture and nature of entrepreneur mind-set.

#### **Introduction**

Global Economies are entering into a phase, where entrepreneurs are playing key role in the economic development.

**According to Khanka (1999),** "An Entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals. An entrepreneur identifies opportunities and seizes opportunities for economic benefits. Entrepreneurship is a dynamic activity which helps the entrepreneur to bring changes in the process of production, innovation in production, new usage of materials, creator of market etc. It is a mental attitude to foresee risk and uncertainty with a view to achieve certain strong motive. It also means doing something in a new and effective manner." As we have discussed earlier that an Entrepreneur is an individual, who takes the initiative, has required skills and is self-motivated to begin a new venture of his ownership. They make profit through innovations and capture opportunities by taking risk.

#### **Let us begin with the role of entrepreneur in Indian economy and developing economies with reference to Self-Employment Development**

Economic Development defines a process of increase in real per capita income of an economy for long period of time.

Entrepreneurs have an important role to give input in the development of an economy, whether it is developed or developing or less developed one. The level of skills or competencies of entrepreneurs directly affect the economic development of the country.

In the growth and development theories of Adam Smith (1776) and David Ricardo (1817), there is no place for entrepreneurship and economic development seems to be automatic and self-regulated. Thus, the attitude of classical economists was very cold towards the role of entrepreneurship in economic development. According to Khanka (1999), "The economic history of the presently developed countries like America, Russia, Japan tends to support the fact that the economy is an effect for which entrepreneurship is a cause. The crucial role played by the entrepreneurs in the development of the western countries has made the people of the underdeveloped countries too much conscious of significance of entrepreneurship for economic development. Now, people have begun to realize that for achieving goal of economic development, it is necessary to increase entrepreneurship both qualitatively and quantitatively in the country. It is only active and enthusiastic entrepreneurs who fully explore the potentialities of the country's available resources –labour, technology and capital." Thus, Schumpeter (1934) visualized entrepreneur as the key figure in economic development because of his role in introducing innovations.

Though, Khanka (1999) had said about India, which is an underdeveloped or developing country that aims at decentralized industrial structure to mitigate the regional imbalances in levels of economic development. Small-scale entrepreneurship in such industrial structure plays an important role to achieve balanced

regional development. It is unequivocally believed that small-scale industries provide immediate large-scale employment, ensure a more equitable distribution of national income and also facilitates an effective resources mobilization of local capital and skill which might otherwise remain unutilized. He has further said that the establishment of Entrepreneurship Development Institutes and alike by the Indian Government during the last decades is a good testimony to the fact that the Government realizes the premium role of entrepreneurship in economic development of the country.

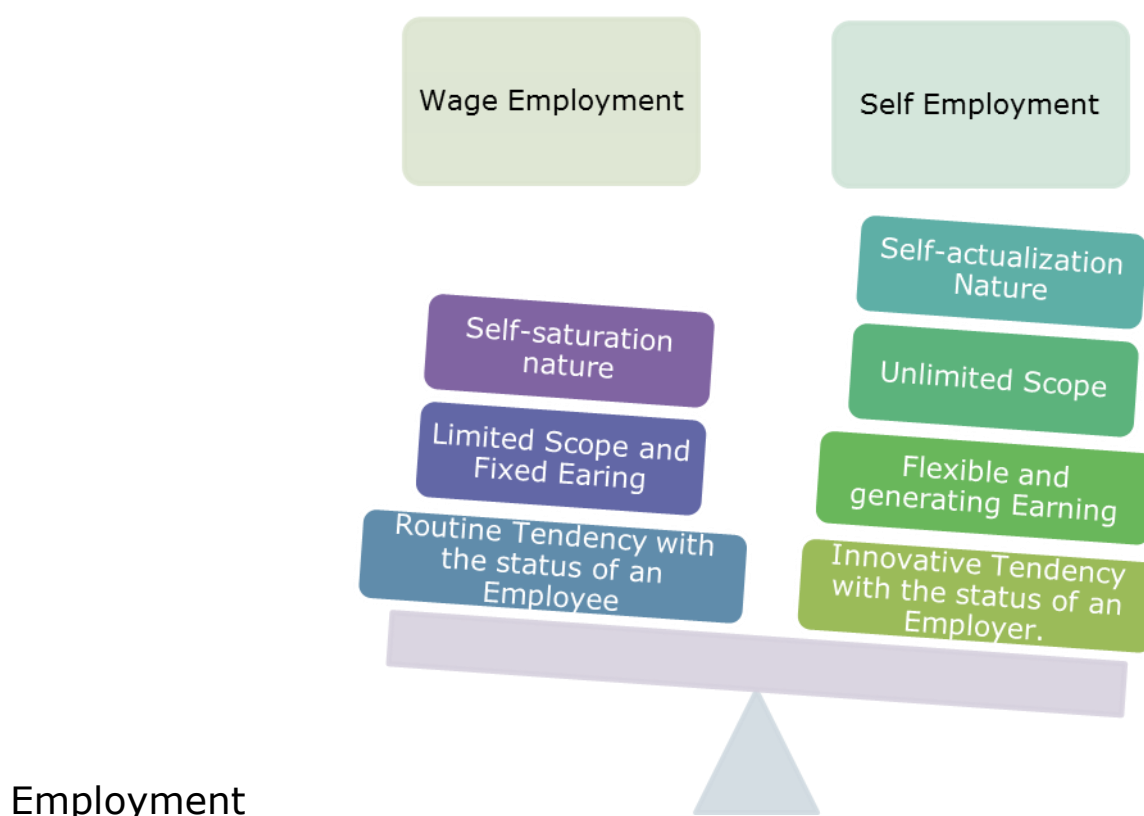
Thus, now we shall discuss the role of entrepreneur in developing economies such as India. There are different functions of entrepreneur to be played in process of economic development:

- **Capital Formation:** Entrepreneurs by placing profitable business proposition attract investment to ensure private participation in the industrialization process. Entrepreneurs promote capital formation by mobilizing the idle savings of public.
- **Improve Standard of living:** Entrepreneurial initiative through employment generation leads to increase in income as well as purchasing power, which is spent on consumption expenditure. It means that with increase in demand and consumption of the goods and services, the standard of living of people also increases.
- **Wealth Creation and Distribution:** It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographical areas, thus giving benefit to larger sections of the society.

- **Development of SSIs:** Entrepreneur begins his new start up business at small scale level, which provides employment to the poor and backward lower class population of the country. Ultimately, with the increase in employment, National income and per capita income would rise.
- **Increasing Gross National Product and Per Capita Income:** Entrepreneurs convert the latent and idle resources like land, labour and capital into goods and services resulting in increase in the national income and wealth of a nation. The increase in the national income is the indication of increase in net national product and per capita income of the country.
- **Facilitates Overall Development:** Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This firm would generate demand for various types of goods required by it and there will be so many other units which require the output of this firm. There will be forward and backward effect. This leads to overall development of an area due to increase in demand and setting up of more and more firms.
- **Self-Employment:** India has the second largest population in the world. With the rise in population, the employment opportunities are not increasing in comparison with it. According to Renjith (2009), growing unemployment particularly educated unemployment is the problem of the nation. Entrepreneurs generate employment both directly and indirectly. Directly, self employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions. Thus, the direct way, entrepreneurship is the best and effective way to fight the evil of unemployment. Self-

employment is an effective way to reduce unemployment with reference to India. Thus, by generating self-employment through entrepreneurship, this gap of unemployed population can be filled up. Self employment grows with entrepreneurship development, the real per capita income of people by leading development of Indian economy. The below given table will show that having differentiated the two employment kinds- wage employment and self-employment, Khanka (1999) has appreciated the charm of being an entrepreneur:

Figure No.1: Differences between Wage and Self



Source: Khanka (1999)

## 2. Let us understand now Entrepreneurial Culture

An entrepreneurial culture is an environment where someone is being optimistic to innovate, produce and take risks. In a venture, an entrepreneurial culture means that workers are motivated to dream up and suggest new ideas or products. As it

is rightly remarked that entrepreneurial culture can be made to enable democratization of the capacity to create and manage business towards wealth creation. Culture refers to attitudes and values, which in the case of entrepreneurship may be linked with autonomy, creativity and sense of responsibility and so on. It also refers to entrepreneurial knowledge and skills and management competencies which have to be acquired.

Gupta and Shrinivasan (2009) have rightly mentioned and explained the Entrepreneurial Culture in his book "Entrepreneurship Development in India", that 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 on them and the creation of the structure appropriate for purchasing 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." Stevenson and Gumpert (1985) have differentiated these two cultures as presented in the below table:

**Table No. 1: Comparison between Entrepreneurial Culture and Administrative Culture**

<b>Comparison Differences</b>	<b>Entrepreneurial Culture Focus</b>	<b>Administrative Culture Focus</b>
Strategic orientation	Driven by perception of opportunity.	Driven by controlled resources.
Commitment to seize opportunities	Revolutionary, with short duration.	Evolutionary, with long duration.
Commitment of resources	Many stages, with minimal exposure at each stage.	A single stage, with complete commitment out of decision.

Control of resources	Episodic use or rent of required resources.	Ownership or employment of required resources.
Management structure	Flat, with multiple informal networks.	Hierarchy

Source: Stevenson and Gumpert (1985)

To create or maintain entrepreneurial culture such things must be considered- treat people with respect, help employees to stay happy, open doors for communication and build team spirit.

### **Our next topic is the entrepreneurial mind-set in individuals**

Now, we will discuss the entrepreneurial mindset in individuals. What should be the mindset of an individual for being an entrepreneur? Entrepreneurial mindset is a status of mind, which leads an individual with entrepreneurial attributes to set up new venture. Financial Times (2016), London has defined it as- entrepreneurial mindset refers to a specific state of mind which orientates human conduct towards entrepreneurial activities and outcomes. Individuals with entrepreneurial mindsets are often drawn to opportunities, innovations and new value creation. Characteristics include the ability to take calculated risks and accept the realities of change and uncertainty.

It is very tough task to start his own-new and idle venture, for any worker or an employee. But, it gives them opportunity to present their passion being their own boss. It is not necessary that an employee has to take a move his recent mindset to an entrepreneurial mindset for a success. But, if an employee is setting his or her mindset as an entrepreneur and transfers him or herself in entrepreneurial journey, then he or she must have to be ready for a hard-hitting ride. However, due to lack of entrepreneurial skills and efficiency, high rate of industrial sickness is prevailing in small scale enterprises. If the new



venture fails, a person's credit and confidence will be crushed; and his or her family will be in pressure; so, its not easy task to handle own business.

In context of developing an entrepreneurial mindset in individual, Allon Raiz (2008) states that, the academic research on the psychology of entrepreneurs has shown that there is no single psychological typology (set of characteristics) that suggests an entrepreneur's success is guaranteed. He has highlighted the six characteristics out of the many shared by successful entrepreneurs:

- **Perseverance:** The ability to withstand repeated rejection and disappointment is an essential part of an entrepreneur's makeup. Successful entrepreneurs are able to draw lessons from rejection, as well as prevent it from damaging their self-esteem. Essentially, you must be able to deflect the rejection away from yourself and use it as a spur to fix flaws in your business ideas.
- **Flexibility:** Entrepreneurship is a tough space to play in. Unexpected challenges and problems appear constantly. You must be flexible enough in your thinking to roll with the punches, solve problems as soon as they crop up, and recover quickly from setbacks.
- **High internal locus of control:** Successful entrepreneurs have faith in their ability to determine their own success. They see that their own actions, decisions, and responses are what will make or break them – not what the outside world throws at them. This means that you need to take responsibility for doing the things that need to be done.
- **Learning and iteration:** When a problem occurs, a successful entrepreneur sees it as a learning opportunity. The

lessons an entrepreneur takes from any given situation are then used in successive iterations of the entrepreneur's ideas to develop and refine them.

- **Curiosity:** A wide-ranging curiosity about how the world works and where things tie together is extremely common among successful entrepreneurs. Always keep your mind active – this will strengthen your ability to see things from different angles and think laterally.
- **Optimism:** Despite all the difficulties inherent in the entrepreneurial lifestyle, successful entrepreneurs maintain an optimistic view of life and the world. Being optimistic about a situation could mean the difference between seeing it as an unsolvable problem or an opportunity to be explored. Entrepreneurs need support. Entrepreneurs are always told that they need to be passionate about their business. This is true, but the glamour of passion often masks another element that is essential to an entrepreneur's success: commitment. While passion may lead you to start your own business, it is your commitment that will keep you going and allow you to persevere through the difficult times ahead. With this in mind, as a prospective entrepreneur, you need to be able and willing to reach out to those around you for emotional support and financial backing when you need to. Entrepreneurs have a drive to succeed, and their high internal locus of control often makes it difficult for them to admit errors or that they need help. To nurture your thinking and support your ideas, you need to be sure that you have the space you need to work out solutions on your own.

### **3. The entrepreneurial mind-set in organizations and corporate entrepreneurship**

In an organization, it is very necessary to setup the mind of an entrepreneur in such a way that a firm or an organization can make profit by introducing innovations and effective strategy. The entrepreneurial mindset in organization is very important because of:

- The continuous change of knowledge and technology.
- New developing ventures.
- Venture capital becoming effective for funding mechanism.
- To set specific goals
- To create a system of feedback and positive reinforcement.
- To emphasize on individual responsibility.
- To give rewards based on results.
- Promote any adoption of innovations.
- Provide more employment opportunities.

Stevenson et.al (1999) defined that Corporate Entrepreneurship is the process by which individuals inside organizations pursue opportunities without regard to the resources they currently control. Corporate entrepreneurial efforts that lead to the creation of new business organizations within the corporate organization are called corporate venturing. They may follow from or lead to innovations that exploit new markets, or new product offerings, or both. If corporate venturing activities result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain, it is called External Corporate Venturing. If corporate venturing activities result in the creation of organizational entities that reside within an existing

organizational domain it is called Internal Corporate Venturing. Strategic Renewal refers to the corporate entrepreneurial efforts that result in significant changes in an organization's business or corporate level strategy or structure. These changes alter pre-existing relationships within the organization or between the organization and its external environment and in most cases will involve some sort of innovation. Renewal activities reside within an existing organization and are not treated as new businesses by the organization (Ramchandran, 2005). Now, we will discuss that corporate entrepreneurship mindset stresses on such important matters as:

- Strategic Renewal.
- Innovation and new technology initiatives.
- Corporate venturing.
- Developing long lasting vision.
- Multiple approaches.
- Strong communication.
- Structuring for an intrapreneurial climate.
- Developing individual managers for corporate entrepreneurship
- Motivate champions.
- To shape the scope of activity and opportunity.
- To stay close with customers.
- To share the wealth.
- Interactive learning.

#### **4. Summary**

In Global Economies, entrepreneurs are playing key role in the economic development. India aims at decentralized industrial

structure to mitigate the regional imbalances in levels of economic development. Small-scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development. As small-scale industries provide immediate large-scale employment, ensure a more equitable distribution of national income and also facilitates an effective resources mobilization of local capital and skill. While, entrepreneurial culture implies a set of values, norms and traits that are conducive to the growth of entrepreneurship. Entrepreneurial mindset is a status of mind, which leads an individual towards a development. Individuals with entrepreneurial mindsets are often drawn to opportunities, innovation and new value creation. The Entrepreneurial mind-set in organizations and corporate entrepreneurship should express the innovation strategy, renewal activities, etc.