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SMALL SCALE
ENTREPRENEURSHIP DEVELOPMENT:
SOME MANAGEABLE FACTORS

Ph. D. Thesis

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The making & the making of an entrepreneur

SMALL SCALE ENTREPRENEURSHIP DEVELOPMENT:
SOME MANAGEABLE FACTORS

*The making
and the making
of the small entrepreneur*

by

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A C K N O W L E D G E M E N T S

When I was on the faculty of the Dahanukar Institute of Management for two years, I happened to mention to Professor M.D. Limaye that I made a study of thirty one first generation small scale entrepreneurs in 1966. Professor Limaye pointed out that entrepreneur resources management is one of the new frontiers of knowledge, and urged me to take up a study of the kind reported here. My grateful thanks to my guide Principal M.D. Limaye who readily encouraged me and ably guided me.

Over one hundred small businessmen, starting with Shri M.K. Kulkarni, cooperated with me in this study. My thanks are due to each one of them.

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CHAPTER 1

I N T R O D U C T I O N

"To study the entrepreneur is to study the central figure in modern economic history and, in fact, the central figure in economics." This is the considered view of Arthur Cole, long time director of the Research Center for Entrepreneurial History at Harvard University.¹

This study is a study of this 'central figure'.

The entrepreneurship phenomenon is so significant for a society, a developed and a developing society alike, that it deserves to be looked from a number of points of view. Over the years, the phenomenon has been looked at from an economic point of view, a historical point of view, a psychological point of view, and a sociological point of view. It deserves to be looked at from the managerial point of view as well. This study attempts to look at the entrepreneurship phenomenon from a managerial point of view.

Management has been described as the art and science of raising the standard of living through the creation of new wealth. This creation is done by converting natural resources into material results. The resource that does this creation is the human resource - the worker manpower resource, the technical manpower resource, the managerial manpower

1. Cole, Arthur H. "An approach to study of entrepreneurship". Journal of Economic History, 1946 Supplement Part 4 p.8.

20 2

resource and the entrepreneurial manpower resource. The recent attention given to the human resource has highlighted the fact that managerial manpower resource is scarce and the entrepreneurial manpower resource is even more so.

The managerial viewpoint is concerned with maximising ^{the} ~~this~~ ^{use of the} scarce human resource, the entrepreneurial resource.

Management in action is in good part concerned with controlling the controllable. To control the controllable in the area of the entrepreneurial resource, it becomes necessary to know more of the nature of this resource and to know more of the entrepreneur-in-action.

This study seeks to look at a crucial stage of the entrepreneurship phenomenon, the stage when the entrepreneur is 'born', when the entrepreneur 'gives birth to' an enterprise. The aim is to locate the many factors that are at work during this period; the aim is to identify the controllable factors at this stage.

Once the controllable factors are identified, we can strive to control the controllable and to that extent we can manage the situation better. We can help entrepreneurs emerge in an informed way and, therefore, in a more productive way.

We have had entrepreneurs in the country even before independence; and since independence we have had many more.

No country, much less a country like ours, can, however, have enough of them. In growth we will like to emulate a country like Japan and to spark the growth that has been taking place in Japan, according to Stepanek, it may be necessary to have atleast one such individual for every thousand in population or half a million for India.¹

The efforts to raise the quantity and quality of entrepreneurs should be constantly on.

In that search the managerial point of view does not compete with other points of view; it complements them. It complements them by availing of all the points of view and using whatever is relevant in a context to achieve the goal, namely, enhancing the quality and quantity of entrepreneurs.

THE PROBLEM

Managing a resource, especially a human resource, means finding answers to questions like these: What is the nature of the resource? To what extent it is inherent, imbibed, injected or developed? What aspect is so imbibed and developed?

*entrepreneurial
like the ~~best~~ resource*

Being a human resource, it can surface itself and sustain itself; and it does - but at an enormous cost. If we can identify entrepreneurial potential in good time, if

1. Stepanek, Joseph E. Industrial Development in the Third World. (Stanford: Institute of Research in Education and Development, 1972). p.

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we can provide the factors that will spark such potential, and if we can further provide for the healthy growth of the resource, our entrepreneurial resource management will be particularly effective.

It has been noted that people with diverse backgrounds start new enterprises. Teachers and preachers, inexperienced youngsters and retired government servants, traditional traders and sons of orthodox purbhits, illiterate women and university professors, company executives and common agriculturists have been found to start new enterprises. With varying success may be, but they start the ventures all the same.

What is common among all of them? A simple answer can be: the entrepreneurial spirit.

The essence of the entrepreneurial resource is the entrepreneurial spirit. The entrepreneurial spirit - the spirit that ventures and creates an enterprise - hopefully exists in every human being. In some individuals, this spirit exists in a higher degree than in others. It is these people who may be described as having high entrepreneurial potential.

The first question that arises is: What is the nature of the entrepreneurial spirit?

Even among those in whom this spirit exists in a high

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degree, some flower and many do not; some flower early and some much later. It is these people that flower that become actual entrepreneurs.

The second logical question is: What makes them flower? What sparks off the potential fire?

In understanding the nature of the entrepreneurial resource, with a view to managing it, consciously and systematically, a few more questions arise: Of the factors that are related to this twin aspect of the phenomenon, what are controllable? What factors are controllable by the individual himself, by others or both? What factors are controllable on a short term basis and what on a long term basis?

THE HYPOTHESIS

The entrepreneurial spirit is made up of a number of human elements.

In the case of a potential entrepreneur, these elements exist in a high degree and in ~~it~~ one or another kind of productive mix.

These mixes when sparked off "give birth" to an actual entrepreneur.

To know the elements that make the entrepreneurial potential mix, and to know the factors that spark such a mix will enable one to identify the controllable aspects of entrepreneur development.

THE OBJECTIVES OF THE STUDY

The objectives of this study are:

- i. To identify the elements of the entrepreneurial spirit;
- ii. To observe the mixes in which these elements are found in individual entrepreneurs;
- iii. To look for elements that are more frequently found in the entrepreneurial mix;
- iv. To identify the factors that spark off these mixes or surface the potential;
- v. To observe the mixes in which these factors are found in the case of individual entrepreneurs;
- vi. To isolate from among these entrepreneurial mix elements; and surfacing factors the ones that are controllable.

THE SIGNIFICANCE OF THE STUDY

This study makes a positive contribution to existing knowledge in the area of entrepreneur resource management.

In a country like India where the opportunities are endless and where the human material is rich, the agent that brings the two together is the entrepreneur in action. If we can identify entrepreneurial potential in good time, if we can provide the factors that will spark such potential and if we can further provide for the healthy growth of the resource, our entrepreneur development efforts can be conscious, organised, systematic, and therefore particularly effective.

Many of the studies abroad have traced the sociological backgrounds or the psychological characteristics of the successful entrepreneurs. Many of the studies here in India relate to the problems - especially economic and operational problems - of the entrepreneurs. The light they throw on entrepreneur development is considerable and valuable.

This study throws fresh light on what may be described as the seed and sprouting stage of the entrepreneur. It provides clues to identify the seed and even strengthen the seed. Sprouting of the entrepreneurial seed is painful and the pain is inevitable. The study further provides clues on how to facilitate the sprouting, how to keep off avoidable pain.

The resulting knowledge would make the qualitative and quantitative development of entrepreneurs more manageable. Such knowledge would also help in the development of multiplier models for both rural and urban areas.

THE METHODOLOGY

Since the purpose of the study is to focus on the human side of the entrepreneurship phenomenon, and since this phenomenon is seen more sharply among the small scale entrepreneurs, the research efforts involved studies of first generation small scale entrepreneurs who have started an enterprise in the past ten years or about.

The main effort was (a) to assess the personal characteristics of the entrepreneurial person vis-a-vis his enterprise, and (b) to ascertain the forces that (to quote one of the entrepreneurs studied) "pushed him into the waters".

The small scale entrepreneurs were found among the schooled, the unschooled, and even the illiterate and so the population studied was made non-restrictive, non-exclusive. This non-restrictive, non-homogeneous population imposed some constraints on the research methodology.

There was considerable reluctance on the part of many to put anything on paper or even to permit anything about them to be put on paper in their presence.

Interviews themselves were possible only when suitably introduced ^{to them} and were often held in the presence of the friends of the subjects.

Since the questionnaire approach and the questionnaire-cum-interview approach were tried and found unworkable because of the ~~an~~ situational constraints, the lengthened and multiple interview approach was adopted.

All of the interviews cited or used in this paper were conducted by the author either individually or with one other research associate.

To provide correctives to personal, bias, the

researcher's observations and assessments were checked, in a number of cases, with those (like Bankers) who were associated with the subjects for a few years. The corrective was also had by having the benefit of a second opinion provided for a few weeks by a research associate.

The choice of the subjects studied was largely influenced by the willingness of the entrepreneur to cooperate.

For meeting the limited objectives of this non-statistical study, this methodology was considered adequate.

RESEARCH DATA

The main sources of data were as follows:

- i. Interviews with the entrepreneur lasting from two to four hours each, and sometimes multiple interviews;
- ii. Discussions with the bankers and friends of the entrepreneurs studied;
- iii. Discussions with authorities on the subject both in India and the United States of America;
- iv. Published books, monographs and articles from India and abroad;
- v. Unpublished theses on related topics in India and the United States of America.

OUTLINE OF THE STUDY

The study has been divided into 13 chapters.

Chapters 2 to 5 provide a background to the study. In chapter 2, the place of the entrepreneur in the economic development of a country is highlighted. The key terms are traced and redefined. A non-inclusive definition of 'entrepreneur' is provided.

What entrepreneur development by design can do to the quantitative and qualitative growth of entrepreneurs in a country is described in chapter 3. The environmental constraints to such growth have been mentioned. Reference is made to the improving climate for entrepreneurship in India in the past few years. Reducing the frequency and severity of failures on the one hand and enhancing the chances of success on the other are the twin aims of entrepreneur development by design.

In chapter 4 is underscored the point that the near-pure form of entrepreneurship is seen in the first generation small scale entrepreneur or the primary entrepreneur. For the efforts to encourage entrepreneurship to be effective, the system that supports them should have a philosophical base. Without a philosophy to back a system, the system becomes mechanical and stifling. What would be the substance of such a system is discussed in this chapter.

It is observed in chapter 5 that of all the stages in the history of an enterprise, the critical ones are in the early periods of an enterprise. The birth of an enterprise is a major event; the phenomenon of an entrepreneur giving birth to an enterprise is a significant one. The entrepreneur as the key actor deserves a close study especially at this stage.

The background chapters (2 to 5) suggest that there is great scope for studies (a) that focus attention on the man (as against the money); (b) that emphasise venture (as against industry); (c) that give attention to the low capital entry level (as against the high capital entry level); and (d) that relate to the pre-entry stage (as against the post entry stage) of entrepreneurship.

The next three chapters are in the nature of a survey of literature. Chapter 6 outlines the major theories of entrepreneurial motivation. Chapter 7 briefly describes some of the related empirical studies made abroad on the characteristics of entrepreneurs. In chapter 8, some of the field studies made in respect of entrepreneurs in India are surveyed. The survey brings out some of the gap areas as well as the possibility areas. One such area is the area of looking at the entrepreneurial event in terms of the individual entrepreneur, in terms of the forces at work. It is to this area this study turns.

The study is described in chapter 9.

The findings of the study are described in two chapters - chapter 10 and chapter 11. In chapter 10, the personal factors of entrepreneurs are discussed. The surfacing factors are discussed in chapter 11.

The implications of the findings are detailed at length in chapter 12.

Chapter 13 gives the summary, conclusions, pointers for further research and recommendations.

The appendices give (i) a detailed note on the several steps the government agencies have taken to encourage small scale industrial entrepreneurs, (ii) a note on Junior Achievement, (iii) a note on Franchising, (iv) an Assessment Matrix for prospective entrepreneurs, (v) a note on relating the findings to their applicability to a very unlikely group and (vi) questionnaires used in the study.

The study concludes with a bibliography of source material.

CHAPTER 2ECONOMIC DEVELOPMENT AND THE ENTREPRENEUR

"The revolution of rising expectations" was a major byproduct of the Second World War. This resulted in economic development becoming a major concern of governments, politicians, economists and administrators all over the world. Governments in developed and developing countries began to actively look for ways and means for accelerated economic development.

This growing interest on the part of governments presumably encouraged a number of scholars and researchers to study the many factors of economic development, especially in the developing countries.

The researchers noted that many inputs go into the economic development of a country. Three of them, namely, capital, natural resources and human factor came to be singled out for attention. Of these three, the social scientists emphasised human factor as the most important. The human factor would refer to the capabilities, attitudes and education of the people. The capabilities would be technical, managerial and entrepreneurial. Of these three, the entrepreneurial capabilities are the ones that determine the direction and tempo of development of a community or country.

The importance of entrepreneurship in developing countries like India has been dramatically stated by Zinkin: "No entrepreneur, no development".¹ Papanek, another keen observer of the developing world observes that the entrepreneur is "the most important, if not the only, determinant of growth."²

Cole points out that "entrepreneurial initiative is one of the principal elements in the economic growth of a society. The entrepreneur, as the organiser of the factors of production, may be regarded as the central figure in economic development."³ Kilby adds: "Whether or not entrepreneurship is the missing element in the growth process of underdeveloped countries, it is an important component in the process of economic development."⁴

1 Zinkin, Maurice: "Entrepreneur: Key to Growth". Standord Research Institute Journal, second quarter 1961 pp. 43-48.

2 Papanek, Gustav F. "The Development of Entrepreneurship" in Peter Kilby (ed.): ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (New York: Free Press, 1971) p.317.

3 Cole, Arthus, Business Enterprise in its Social Setting (Cambridge, Mass., Harvard University Press, 1951) p.28.

4 Kilby, Peter (ed.), ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT, (New York: The Free Press, 1971).

Another writer goes so far as to say that

"the relationship between the stimulation of entrepreneurship and economic development is simply definitional. Economic development has been defined as a growth of communication and utilisation of the resources available today. Entrepreneurship has been defined as the activity of using resources in better ways. The increase in the amount of entrepreneurial activity in the community or an improvement in the quality of that activity is by definition 'Economic development'. The entrepreneur searches out hidden but available resources and he utilises the resources more advantageously satisfying present and future needs. Its impact is to bring more resources into play and to increase the productivity of resources already in use."¹

ECONOMIC GROWTH AND ENTERPRISE

For at least three reasons, an adequate and increasing supply of enterprise is the most important requisite for the growth of a modern society in any country. Firstly, whatever factors we may have and in whatever quantity, nothing happens until enterprise galvanises the other factors of

¹ Westfall, Steven Lawrence: INDUSTRIAL FRANCHISING IN NORTHEAST BRAZIL. (Unpublished doctoral thesis. University of California, Los Angeles, 1968,) p.68.

production into action. The enterprise factor cannot be made up by a large supply of other factors. On the other hand, and secondly, a supply of enterprise can upto a point make up for shortages of others. For example, if labour is scarce, enterprise will evolve labour saving devices. Thirdly, history reveals that intangible factors like initiative, imagination and determination make the difference between the rise and decline of nations. Enterprise is one such intangible factor. Countries poor in resources may be rich in economic achievement on account of the plentifulness of enterprise. Without enterprise, economic progress will be slow if not stagnant. The enterprising spirit is the least tangible of the productive factors. It is the most elastic resource of economic development in that it is subject to increase or decrease as a result of environmental influences such as cultural, material, social and political factors.¹

Abraham Maslow who has studied success in societies, ^{individuals} institutions and ~~industries~~ ^{individuals} observes:

"The difference between the great and good societies and the regressing and deteriorating societies is largely in terms of the entrepreneurial opportunity and the number of such people in the society. I think everyone would

¹ Narayana, D.L.: Entrepreneurship and Agricultural Development. (Bombay: Asian Studies Press, 1966.) p. 7

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agree that the most valuable hundred people to bring into a deteriorating society would be not hundred chemists, or politicians, or professors, or engineers, but rather hundred entrepreneurs."¹

"It is to be recognized that the entrepreneur is found to be the key figure of economic as well as social development."² The quality and the quantity of entrepreneurs in any area determine the economic growth of that area. Lebanon is a good example, though, unfortunately, recent political developments have given it a set-back. Of all the countries in the Middle East, Lebanon has done well for itself, and this is due to the active presence of several entrepreneurs.³ This is true of parts of Africa too. What has happened in Nigeria has not happened in other parts of Africa; and even in Nigeria, what has happened in the South of Nigeria has not happened in the North of Nigeria. In India again, wherever the entrepreneurial population is of a higher order, as for example in Punjab and Gujarat, the industrial economic growth has been faster than elsewhere. In other words, the economic growth of an area is very much influenced by the quantity and quality of entrepreneurs in that area.

1 Maslow, Abraham R., EUPSYCHIAN MANAGEMENT(Homewood: Richard D. Irwin, 1965) p.203.
2 Ito, Moriusemon: The Role of Entrepreneurship in Economic Development (Honolulu: The East-west Center, Year not stated), p.22.
3 Sayigh, Yusuf A. ENTREPRENEURS OF LEBANON(Cambridge: Harvard University Press, 1962).

To the entrepreneur himself, economic growth of the country may not be a conscious process. His goals may be only personal and immediate. As far as the results are concerned, his activities make a contribution to the economic growth of the country.

There are thus adequate economic and social reasons for studying entrepreneurship in depth.

What is entrepreneurship? Who is an entrepreneur? Is an entrepreneur born or can ^{he} be made? How can we identify him? How can we foster him? How can we grow him? /the

These and related questions have been asked only in recent years. Some answers to a few of these questions have been found. More answers, more relevant answers, to more of the questions would mean a more systematic and a more productive approach to entrepreneurial development ^{than hitherto pursued} especially in developing countries like India ~~than hitherto pursued~~.

A CLIMATE FOR ENTREPRENEURSHIP

If entrepreneurship is that significant for economic development, there should be a climate for entrepreneurship. This climate varies from country to country and from age to age. In our country, entrepreneurship has been undervalued and underplayed for years.

It may be understandable if others undervalue and underplay its importance for the society. What is not quite understandable is that the entrepreneurs themselves undervalue and underplay their own function. They are in the words of Maslow "apt to think of themselves in the older terms as exploiters, as superficial, as not really working, not really contributing. Therefore, as a group they are apt to feel a little guilty about their rewards."¹

Since this confusion (whether on the part of the entrepreneur or on the part of the public) is harmful to the common cause, and so that we may see things in the right perspective, it will be well to discuss these two - the function of the entrepreneur and the reward for the entrepreneur - separately.

SOME PERSISTING CONFUSIONS

The function is that of being an organizer, the spark plug, the active leader upon whom a lot depends for the creation of a new product or service for the community. The reward is what is permitted or given by the society. In good part of the western society, the reward is the economic gain. There are ancient societies like that of the Blackfoot Indians, where, "the leader organizer was paid off in public honours of various sorts, in the respect and the regard of everybody in the tribe, in his being welcomed wherever he went".

¹ Maslow, op. cit., p.202

Maslow observes that

"the point is that this worked in spite of the fact that this great leader frequently was penniless. That is part of the picture of the great leader - his total generosity. His wealth was defined in terms of how much he could afford to earn and give away."

"I think we might one day go so far as to single out the great entrepreneur or inventor or leader and honour him by giving him absolute simplicity as in the Catholic Church. Conferring a robe of gray monk's cloth, perhaps, would have the same meaning and the same psychological rewarding power as great sums of money, perhaps even more, depending upon the way in which the society looked at it. If such a man were greatly admired, respected, appreciated, approved, applauded, welcomed, then he would need no money."¹

Another aspect of the reward is what the reward is for. Should the reward be only for sweating and labouring? And not for innovation or invention? Even if it is so, who can say that inventions result from "a great flash of insight in which, in one instant, darkness becomes light and ignorance becomes knowledge."

¹ *ibid*, p.203-4.

That there is a history behind every invention - often, long, lone, painful and frustrating - is hardly realised perhaps because, while the invention itself is visible, the background behind it is not quite visible.

As Maslow points out, in any society, ancient or modern, in any economic system, capitalist, socialist, communist or fascist, a valuable member of the society is the entrepreneur.¹ Maslow does not say the entrepreneur is a noble member; he says that he is a valuable member; and that is what an entrepreneur is.

When we examine the many aspects of development, we find that the entrepreneur's contribution goes much beyond economic growth.

BEYOND ECONOMIC GROWTH

What is development? According to Schumpeter, "this concept covers the following five cases:
¶(1) The introduction of a new good^s - this is, one with which consumers are not yet familiar - or of a new quality of a good^s. ¶(2) The introduction of a new method of production, that

¹ Ibid. p. 202

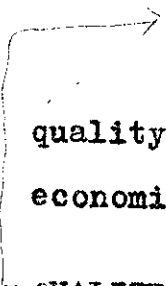
is, one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.

¶(3) The opening of a new market, that is, a market into which the particular branch of manufacture of a country in question has not previously entered, whether or not this market has existed before. ¶(4) The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created. ¶(5) The carrying out of the new organisation of any industry, like the creation of a monopoly position (for example, through trustification) or the breaking up of a monopoly position."¹

Schumpeter maintains that innovation is a key to development. From a practical point of view, 'innovation' can be taken to mean 'innovation in a context.' Thus, if a service existed in Singapore (e.g. telephone equipment cleaning service) and did not exist in Madras, and if someone has introduced it to the Madras market, it is a clear

¹ Schumpeter, J.A. "The Fundamental Phenomenon of Economic Development" in ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT ed. Peter Kilby, (New York: The Free Press, 1971) p.47.

case of innovation or creation. It may not be innovation or creation in the absolute sense; it is so in the entrepreneurial sense.



The entrepreneur's contribution is as much to the quality of living and the human potential development as to economic growth.

QUALITY OF LIVING

The quality of living is influenced by the quantity and quality of entrepreneurs. When we realise that the entrepreneurs bring forth products and services that were often not there before, we realise that we not merely get new products and services but, we get better products and services as well. This influences the quality of living. One of the reasons for the comparative higher quality of living in the West is the active presence of more entrepreneurs.

HUMAN POTENTIAL DEVELOPMENT

"The Emerging Nations", a recent inter-disciplinary study by the Massachusetts Institute of Technology, emphasizes three essential preconditions for achieving cumulative economic growth:

- 1) Expansion of human resources,
- 2) Development of the social overheads and
- 3) A radical transformation of agriculture to increase farm productivity.

"The expansion of human resources is perhaps the most fundamental, complex, the least understood of these pre-conditions. It can be viewed both as a psychological problem of generating in enough people the motivations, creativity, and purposeful innovation required for growth and as an economic problem of investing sufficient resources in human capital, of training members of people in literacy and in the new technical and administrative skills required to operate a modern economy."¹

~~HUMAN POTENTIAL DEVELOPMENT~~

Entrepreneurs are important from the human potential development point of view as well. The demands made on the entrepreneurs are very high. To start an enterprise and keep it going makes exacting demands on the resourcefulness, the dynamism, the talents and the energy of the entrepreneur. While the entrepreneur develops an enterprise, in the process he develops himself. He not merely develops himself, he develops others, because one of the resources he is mobilising would be the human resource.

Whether we look at economic growth, quality of living or human potential development, the place of entrepreneurs

¹ Milikan, Max F. THE EMERGING NATIONS. Cited in Narayana D.L. ENTREPRENEURSHIP AND AGRICULTURAL DEVELOPMENT (Bombay: Asian Studies Press, 1966) p. iii

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seems to be significant in any economy and especially a developing economy like India.

We not merely have the phenomenon of expectations: we have the phenomenon of rising expectations; and these expectations have to be met well and fast. This would become possible only if we understand the place of entrepreneurs and give them pride of place in society.

OBSTACLES TO ENTREPRENEURSHIP

To understand the entrepreneur's contribution to the country, one should have an appreciation of the problems and difficulties of entrepreneurship. Schumpeter describes the nature of the difficulties in three key areas thus:

IN THE ECONOMIC ENVIRONMENT

"First, outside the accustomed channels the individual is without those data for his decisions and those rules of conduct which are usually very accurately known to him within them. Of course he must still foresee and estimate on the basis of his experience. But many things must remain uncertain, still others are only ascertainable within wide limits, some can perhaps only be "guessed." In particular, this is true of those data which the individual

strives to alter and of those which he wants to create. Now he must really to some extent do what tradition does for him in everyday life, viz. consciously plan his conduct in every way. There will be much more conscious rationality in this than in customary action, which as such does not need to be reflected upon at all; but this plan must necessarily be open not only to errors greater in degree, but also to other kinds of errors than those occurring in customary action. What has been done already has the sharp-edged reality of all the things which we have seen and experienced; the new is only the figment of our imagination. Carrying out a new plan and acting according to a customary one are things as different as making a road and walking along it.

"How different a thing this is becomes clearer if one bears in mind the impossibility of surveying exhaustively all the effects and counter-effects of the projected enterprise. Even as many of them as could in theory be ascertained if one had unlimited time and means must practically remain in the dark. As military action must be taken in a given strategic position even if all the data potentially procurable are not available,

so also in economic life action must be taken without working out all the details of what is to be done. Here the success of everything depends upon intuition, the capacity of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, discarding the unessential, even though one can give no account of the principles by which this is done. Thorough preparatory work, and special knowledge, breadth of intellectual understanding, talent for logical analysis, may under certain circumstances be sources of failure.

IN THE MAN HIMSELF

"As this first point lies in the task, so the second lies in the psyche of the businessman himself. It is not only objectively more difficult to do something new than what is familiar and tested by experience, but the individual feels reluctance to it and would do so even if the objective difficulties did not exist. This is so in all fields. The history of science is one great confirmation of the fact that we find it exceedingly difficult to adopt a new scientific point of view or method. Thought turns again and again into the accustomed track even if it

has become unsuitable . . . The very nature of fixed habits of thinking, their energy-saving function, is founded upon the fact that they have become subconscious, that they yield their results automatically and are proof against criticism and even against contradiction by individual facts. But precisely because of this they become drag-chains when they have outlived their usefulness. So it is also in the economic world. In the breast of one who wishes to do something new, the forces of habit rise up to bear witness against the embryonic project. A new and another kind of effort of will is therefore necessary in order to wrest, amidst the work and care of the daily round, scope and time for conceiving and working out the new combination and to bring oneself to look upon it as a real possibility and not merely as a day-dream. This mental freedom presupposes a great surplus force over the everyday demand and is something peculiar and by nature rare.

IN THE SOCIAL ENVIRONMENT

"The third point consists in the reaction of the social environment against one who wishes to do

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something new. This reaction may manifest itself first of all in the existence of legal or political impediments. But neglecting this, any deviating conduct by a member of a social group is condemned, though in greatly varying degrees according as the social group is used to such conduct or not. Even a deviation from social custom in such things as dress or manner arouses opposition, and of course all the more so in the graver cases. This opposition is stronger in primitive stages of culture than in others, but it is never absent. Even mere astonishment at the deviation, even merely noticing it, exercises a pressure on the individual. The manifestation of condemnation may at once bring noticeable consequences in its train. It may even come to social ostracism and finally to physical prevention or to direct attack. Neither the fact that progressive differentiation weakens this opposition - especially as the most important cause of the weakening is the very development which we wish to explain - nor the further fact that the social opposition operates under certain circumstances and upon many individuals as a stimulus, changes anything in principle is

the significance of it. Surmounting this opposition is always a social kind of task which does not exist in the customary course of life, a task which also requires a special kind of conduct. In matters economic this resistance manifests itself first of all in the groups threatened by the innovation, then in the difficulty in finding the necessary cooperation, finally in the difficulty in winning over consumers . . . 1

IN THE INDIAN CONTEXT

In the Indian context, we can list a few more obstacles. The Indian entrepreneur's contribution to the society and the country is little understood and less conceded. It tends to get ignored and even ridiculed. Where it is conceded, it is often after some international recognition.

What is so often played up is the few rewards the entrepreneur enjoys, after years of struggle. He is almost accused of being a parasite on the society.

As a person, he is often treated as the "exploitative manipulator" (in the words of Eric Fromm) propelled by greed, avarice and a never-ending acquisitiveness. He is the ecological villain who denudes forests, pollutes rivers and befouls the air.

1 Schumpeter, op. cit. pp.62-64.

The entrepreneur is envied but not quite respected. One consequence of so being treated is that those who have displayed their entrepreneurial spirit, develop second thoughts. Should they continue their entrepreneurial activities? Or should they switch over to status-giving activities? Many do switch over to status-giving activities. The entrepreneur in India, once he has made himself a little economically well off, is keen to do things which will get him into respectable company - whether that of the civil servants or academics or Sadhus. Few choose to go from one venture to another. A venture is so often only a short cut to status.

Handwritten signature and scribbles

The low status of the entrepreneur is said to be a feature of many of the developed and developing countries. It is so not merely in India but in countries like France, Brazil and Argentina as well.¹ Whether it is a cause or an effect of the state of development one can keep debating. What effect it produces on the cream of the society is clear. The educated, the qualified, the trained, the 'decent' people shy away from entrepreneurial activities. They would prefer the government, the professions and the organized big industry and they would keep off from organising a new enterprise themselves.

Cash is not what a man values; it is what cash can only buy. The successful entrepreneur understands and welcomes the

¹ Cochran, T.C. "The Entrepreneur in Economic Change" in ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT ed. Peter (New York: The Free Press, 1971) p.97-98.

fact that many people look to him for his capacity to make money and more money. He feels, however, disappointed that the 'right' people do not quite extend to him the social respect he deserves from them.

He buys social respect upto a point but such buying leaves him with a hollow feeling. He overhears: "He is a mere businessman. He knows only buying and selling."

The result is a phenomenon of largely the decent not being enterprising and the enterprising not being decent. The 'decent' keep away from entrepreneurial activity; and others walk in. And those that walk in think they can do as they like, since they are not counted as much by the society anyhow.

The current situation is not as bad as it was some years earlier. Thanks to the fillip given by the government and upto a point the publicity media, the small entrepreneur has gained in recent times some status in the eyes of the public.

The big entrepreneur is the one that has been taken in recent times for target practice. Self serving politicians, political extremists and even the academics are reserving their attack for this class of entrepreneurs.

SOME HISTORICAL PROBLEMS

The prejudice against the entrepreneur is partly historical and partly definitional.

SOME HISTORICAL PROBLEMS

Traditionally, atleast in India, the noble callings are that of the Brahmins and the Kshatriyas, not that of the Vysyas and the Sudras. The Vysyas are the traditional businessmen, the entrepreneurs of the country in the economic field. Business was held in low esteem in India for centuries. "Kautilya's belief that a businessman was a thief but was not called so seemed to have become a commonly held view in later years."¹

The social mobility being what it is in an old, rigid society, those that belong to the 'higher' castes would not 'stoop' to do the callings of the 'lower' castes. Through qualification and training, the upward mobility is occurring, and along with it, the new elite are practising the prejudices of the higher castes.

At the same time, in more recent years, and especially after independence, the callings are more determined by the individuals' inclination and efforts towards opportunities and not as much by the accident called birth. Atleast this is so in urban India.

While the trend is welcome, there is no denying the fact that the prejudice exists against a venture, especially a business venture. The prejudice against

¹ Tripathi D. "Indian Entrepreneurship in Historical Perspective - A Re-interpretation." Economic and Political Weekly, 1971, 6(22), M-59 - M-66.

industry is gradually wearing off. Either because it is relatively new to the country or because much that goes with it is glamorous, prejudice against manufacturing industry is not that severe.

The same cannot be said about the service industry or non-manufacturing enterprise. Prejudice against them is severe. It is so severe that those in these enterprises discourage their children to continue in their calling. The son of a flourishing hotelier, for example, would rather take a low level position in government or a large factory than follow his father's business. The father ^{understands} approves. The entrepreneur-hotelier argues: "I had no option. I am in this business. Why should my children suffer the humiliation?"

He believes, probably rightly, that he and his kind are looked down upon.

SOME DEFINITIONAL PROBLEMS

There is then the definitional problem. And this definitional problem is more than academic. It influences actions at the personal level, and policies at the institutional levels.

Even students of economics find it difficult to keep up with the developments in economic thought. They tend to get limited by what they have heard and read while at college, about, for example, entrepreneurship and entrepreneur. They

have neither the necessity nor the inclination to know of the evolutionary status of the entrepreneurship concept or the entrepreneur phenomenon. When they are called upon to decide on policies, they have only dated knowledge and ^{often} current prejudices to bank on. If the entrepreneur movement is of value to economic development, it is essential that the definitional problems are minimum.

Since many have only the popular definitions to go by, and these range from 'pirate' to 'paragon', we can begin with the dictionary definition.

The Oxford English Dictionary in 1899 defined an entrepreneur as "the director or manager of a public musical institution; one who sets up entertainments, especially musical performances." In 1933, the same dictionary changed that definition to "one who undertakes an enterprise; especially a contractor acting as an intermediary between capital and labour." A further revision is still to be effected. The Dictionary of Commerce in 1923 defined the entrepreneur as "the individual who purchased goods or economic utilities for fixed prices when he did not know at what prices he could sell those items."¹

Richard Cantillon, an Irish economist living in France, was the first to use the term 'entrepreneur' (from *entrepredre*, meaning 'to undertake'). He used the term to

¹ Glough, G.W. THE RISE OF THE ENTREPRENEUR (New York: Schocken Press, 1969)

designate those dealers who "buy the wares of the country, give for them a fixed price, to sell them again wholesale and retail at an uncertain price." At the moment of the purchase, he is unaware of the eventual price which he would receive for his products. This definition emphasises the risk bearing characteristic of entrepreneurship.

It was Jean Batist Say, the French economist, who first accepted the entrepreneur as the fourth agent of production and provided us with an insightful analysis of his function. The entrepreneur is the organiser of the firm. Say explains the entrepreneur as "an economic agent who unites all means of production - the labour of the one, the capital or land of the other - and who finds in the value of the products which result from their employment the reconstitution of entire capital that he utilises, and the value of wages, the interest and the rent which he pays, as well as the profits belonging to himself."¹

A third definition, that given by Joseph Schumpeter, is favoured by many social and economic historians, perhaps because Schumpeter is the first major writer to put the human agent at the center of the process of economic development. Schumpeter's definition emphasises innovation.²

Knight who called the entrepreneur "the central figure

¹ Glough, G.W. THE RISE OF THE ENTREPRENEUR (New York: Schocken Press, 1969).

² Schumpeter, op. cit., p.47.

of the system" identified the entrepreneurs as a specialised group of people who bear risk and deal with uncertainty.¹

Dewing viewed the entrepreneur as a promoter, as one who transformed ideas into a profitable business. "No business ever started by itself." It requires the imagination, intuition, judgement and restraint of an unusual individual to get an enterprise started.²

In Dauhof's analysis, decision-making or judgement under alternate choices is the key to the entrepreneurial function. Dauhof divides the function of the entrepreneur into three major roles: obtaining relevant information, evaluating the information with regard to profit, and setting the operation in motion. Once the entrepreneur has determined what information should be gathered, the first two functions can be delegated.³

Since perhaps his canvas was the large manufacturing firm, Evans views entrepreneur as

"the person or group of persons who has(or assures) the task of determining the kind of business to be operated. The decisions germane to this function involve the nature of the goods and services to be

1 Knight, Frank H., RISK, UNCERTAINTY AND PROFIT (New York: Houghton Mifflin, 1921).
2 Dewing, Arthur D. THE FINANCIAL POLICY OF CORPORATIONS (New York: Ronald Press, 1919). Quoted by Michael Palmer in "The Applications of Psychological Testing to Entrepreneurial Potential", California Management Review, Spring 1971.
3 Dauhof, Clarence H. CHANGE AND THE ENTREPRENEUR (Cambridge: Harvard University Press, 1949).

offered, the size of the enterprise and the customers catered to. Once these decisions have been made by the entrepreneur, other decisions, that is decisions to achieve the previous goals set by the entrepreneur, become essentially management's."

Evans notes that once these decisions have been made, the role of the entrepreneur does not cease; instead he must be continually alert and ready to make new decisions in the light of changing market conditions and arising opportunities. In Evan's scheme, we find a distinction between the entrepreneur and the manager role. The manager's role can be delegated, but not the entrepreneur's.¹

Seeing the dynamic nature of entrepreneurship in time and place, Cole characterises the entrepreneur as the businessman throughout the ages. Cole defines entrepreneurship as "the purposeful activity (including an integrated sequence of decisions) of an individual or group of associated individuals, undertaken to initiate, maintain, or aggrandise a profit-oriented business unit for the production or distribution of economic goods and services."²

1 Evans, Herbertson G. THE ENTREPRENEUR (Cambridge: Harvard University Press, 1957)

2 Cole, op. cit., p.7

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Perhaps influenced by their extensive field study, Collins and Moore have defined entrepreneurship as "the act of creating a new business that prospers and grows, and is not an isolated event in the lives of men." A successful entrepreneur is defined as one who perceives an opportunity, undertakes the risk involved, and marshalls necessary resources and organises the creation of a new enterprise.¹

Jaime M. Cortes of Phillippines offers this definition. "Entrepreneur is someone who conceived the idea of business, designed the organization of the firm, accumulated capital, recruited labour, established relations with suppliers, customers and the government and converted the conception into a functioning organization."²

The quality of entrepreneurs is as important as the quantity of entrepreneurs. Defining the classes of entrepreneurs therefore has a point. Danhof groups entrepreneurs into four categories: (1) Innovating entrepreneurs; (b) Imitative entrepreneurs; (c) Fabian entrepreneurs; and (d) Drone entrepreneurs.

The innovating entrepreneur is characterized by "aggressive assemblage of information and the analysis of results deriving from novel combinations of factors."

1 Collins O.F. Moore, D.G.; and Unwalla, D.B. THE ENTERPRISING MAN (East Lansing: The Michigan State University Graduate School of Business Administration, 1964), p.36.

2 Cortes, Jaime H. In a paper presented at a seminar held on December 13, 1972 at the East West Technology and Development Institute, Honolulu.

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The imitative entrepreneur is characterized by "readiness to adopt successful innovations inaugurated by innovating entrepreneurs." The third type of Fabian entrepreneur is characterised by the behaviour of very great caution and skepticism. The final type of drone entrepreneur is characterised by the behaviour of refusing to adopt opportunities to make in production formula. He aims to keep the established prestigious position, rather than to expand or enter a new world under uncertain risky conditions.¹

To facilitate cross cultural study, other definitions have been worked out. Redlich observes:

"Entrepreneurship is not a matter of 'all or nothing'; it is a matter of 'more or less' ... The characteristics conventionally associated with entrepreneurship - leadership, innovation, risk bearing, and so on - are so associated precisely because, in a highly commercialised culture such as ours, they are essential features of effective business organization. By the same logic, in a differently-oriented culture, the typical characteristics of entrepreneurship differ."²

To gain methodological advantages, Secrest defines entrepreneurship as "the act of forming a new independent

1 Danhof, Clarence. "Observations on Entrepreneurship in Agriculture" CHANGE AND THE ENTREPRENEUR (Cambridge: Mass: Harvard University Press, 1949). pp 23-24

2 Cited. Agarwal, Vinod K. INITIATIVE ENTERPRISE AND ECONOMIC CHOICES IN INDIA (New Delhi: Munshiram Manoharlal Publishers, 1975) p.14.

company." "Defining entrepreneurship as company formation has distinct methodological advantages since it is fairly simple to identify a company formation."¹

These are only some of the definitions of entrepreneurship by leading thinkers on the subject. Other writers have given their definitions, and Dart has listed as many as 23 of them.²

What then is the definition of an entrepreneur? Is he a bearer of risk, a coordinating manager, a creative innovator, a profit seeker, an adventurer, a psychopath or a decision-maker? Or, is he all these and more? The entrepreneur is not a simple construct. A pioneer in the field of entrepreneurial research observes:

mal-adjusted person

"My own personal experience was that for ten years we ran a research center in entrepreneurial history at Harvard and for years we tried to define the entrepreneur. We never succeeded. Each of us had some notion of it - what he thought was for his purposes, a useful definition. And I don't think you're going to get any further than that."³

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- 1 Secrest, Larry: "Texas Entrepreneurship - An Analysis^o in ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT: A WORLDWIDE PERSPECTIVE Ed. by James W. Schreier et al. (Milwaukee: Centre for Venture Management, 1975) P.51
 - 2 Dart, John: The Development of a Classification System for Entrepreneurial types with a special investigation of the potential of achievement motivation and its correlates to discriminate between these types. (Unpublished doctoral dissertation. University of Colorado, 1971.) pp.240-243.
 - 3 Cole, Arthur H. FIRST ANNUAL KARL A BOSTROM SEMINAR IN THE STUDY OF AN ENTERPRISE PROCEEDINGS (Milwaukee: Center for Venture Management, 1970), p.17.

For purposes of this study, we would consider a definition which will ^{help to} keep in focus the needs of a developing economy and certain aspects of entrepreneur development, and which will also keep man as the central figure.

It is true that at a later stage in the life of an enterprise, the function of entrepreneurship means much more than the man, the entrepreneur. This is the reason why in countries like the U.S.A. they are increasingly thinking of corporate entrepreneurship.¹ When we consider large organizations like the public sector companies, we should think of what Collins calls the 'administrative entrepreneur'. This will be sometime hence. As we are now thinking of things that are needed but are not there, as we are thinking of these needs being met for small and large sections of the population in various parts of the country, the focus on the man, on the independent entrepreneur assumes relevance.

NEED FOR AN INCLUSIVE DEFINITION

An entrepreneur is one who creates an enterprise; and an enterprise is one that serves or meets the needs of the people, or creates the need for the goods produced.

The needs of the public may be for goods, may be for services. The goods or the services may be economic or non-economic. Thus, starting a K.G. School is as much an

¹ Copulsky, William and McNulty, Herbert W. ENTREPRENEURSHIP AND THE CORPORATION (New York: Amacon, 1974)

enterprise as starting a factory making bolts and nuts. Starting a recreation centre that is needed by the community is as much starting an enterprise as starting an engineering maintenance service.

Following the trend elsewhere, we in this country seem to associate an entrepreneur mostly with an industry. While we cannot deny the importance of manufacturing units in their capacity to create new wealth, we should not forget that the infrastructure facilities are required even for those very industries. To take a simple example, if we have an industrial estate and if we do not have proper facilities for those who are working in those units (as for example, a canteen) we are missing certain parts of the ^{totality}. The trend today is not merely to run canteens but, rest places, recreation centres and the like around industrial complexes and someone will have to provide them, preferably from outside the organisations needing them.

The term 'Enterprise' should, therefore, not merely cover product industry, but service industry as well. The services can be directly related to the manufacturing processes like maintenance services, repair services and distribution services. The services can also relate to the people who work in the manufacturing units. Living as they do, keeping the hours as they are doing, they would need a number of services near the working place like

transport or laundry. When someone starts an enterprise to provide one of the services that is needed by the community, that person should be treated as an entrepreneur. Without him and his enterprise, the quality of living will suffer and ~~in~~ for that matter, the quality of work. *the business is the business*

A third type of service would relate to living itself. One of the reasons why many people prefer to move to the larger cities is that the city provides certain living facilities which the small city, the small town and the small village does not provide. Examples are educational facilities and medical facilities on the one hand and entertainment and self developmental facilities on the other. If, therefore, somebody starts a small school, a small recreation centre or a small hospital in a rural setting, we should treat him as displaying the entrepreneurial spirit.

Entrepreneurial activity is a characteristic of a businessman but it is not exclusive to him. "It shows up in all walks of life from the theological innovators of the last century who opened up a great new 'market' with their recombinations of old ideas in Christianity to present day research or educational entrepreneurs who are actively finding or creating new publics."¹ "Economic activity may have any motive, even a spiritual one, but its meaning is always the satisfaction of wants."²

1 Young, F.W. "A Macrosociological Interpretation of Entrepreneurship" in Peter Kilby: ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (New York: The Free Press, 1971)
 2 Cited by Ronan Macdonald in "Schumpeter and Max Weber: Central Visions and Social Theories" in Peter Kilby: ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (New York: The Free Press, 1971), p.84.

"The economic activities, in a broader sense, should include profit-making as well as non-profit making undertakings which take the common form of organization. Every organization, thus, is initiated, managed, and developed by the individual or a group as the actors. Therefore, by accessing to the functions of roles of entrepreneurship, we can find out the common characteristics of the attitudes and capabilities of the persons to positively initiate an action, to innovatively organize resources, and to creatively achieve a goal."¹

It is essential then to broaden the definition of an enterprise and an enterpriser or entrepreneur² in a developmental context. We should concern ourselves with

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- 1 Ito, Moriuemon. THE ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT (Honolulu: The East West Center. Date not stated).
 - 2 Entrepreneurship is action. The action and the actor should be studied. Redlich proposed the use of terminology to clarify reference to ideal types or empirical figures. The term "entrepreneur" represents the ideal type, the "enterpriser", the real type, and the "businessman" refers to the empirical or historical figure. In this study, the real type is the focus, though the common term entrepreneur is used. Agrawal, op. cit., p.16.

the phenomenon of an entrepreneur giving birth to a venture.¹

Such a widening of the concept or entrepreneurial activity forces one to return to fundamentals. Need on the one hand and surplus on the other are two aspects of these fundamentals. An entrepreneur finds a need and fills it and makes a surplus for all concerned.

A DEFINITION

For purposes of this study, therefore, the entrepreneur is defined as one who recognises a need of the people or who creates a socially acceptable need for the people, and who organises its satisfaction in such a way that a surplus results, a surplus that will provide a reward for him and that will provide for the growth of the venture.

The creator of a venture, any socially acceptable venture-industrial, commercial, educational or other - is an entrepreneur.

The venture idea need not be brand new either. It is enough if it is new for the target audience. Thus, if there is

¹ In a footnote to his paper "Entrepreneurship and Economic Development" to Project ISEED, Summer 1975 (Milwaukee: Centre for Venture Management) p.652, Albert Shapero of University of Texas at Austin says: I have coined the expression "entrepreneurial event" as a means of identifying the many kinds of venturesome creations that most of us intuitively identify as being entrepreneurial even though they do not fit in with some distinct, individual entrepreneur. I define the entrepreneurial event as being the result of the initiative-taking action of an individual or a group in which resources are brought together or reorganized into some organizational entity that is relatively independent in disposing of its resources and returns and that has the opportunity to fail. Thus, a community theatre group, a whollyowned subsidiary, and a new, independent government organization can all be considered to be entrepreneurial events."

a book shop in a locality and the standard of service of the book shop is inadequate, and if one, observing this felt need, puts up another book shop to provide a better standard of service, he is an entrepreneur.

The definition then is an all-embracing one. A country like India needs entrepreneurs as much in education as in business, as much in religion as in industry, as much in entertainment as in self development. While the economic dimension of life is an important and a large dimension, it is so because of its relationship to other dimensions of life and work. The challenge need not be limited to create a new industry. The challenge is really to create a better community, a better nation, a better place to live and work. To limit entrepreneurial activities to business and industry is to limit man, to limit his potential.

CHAPTER 3

ENTREPRENEUR DEVELOPMENT BY DESIGN

If entrepreneurs are as important for economic and social development of a country as is made out in the earlier chapter, entrepreneur development should be a serious business for a society. It cannot be left to chance; it should be by design.

It is true that over the years, as much in our country as in others, entrepreneurs have come out on their own and, in fact, against great odds.

NEED FOR ENTREPRENEUR DEVELOPMENT

It is reasonable to ask: Why then talk of entrepreneur development? Why not leave it to the natural process?

We talk today of entrepreneur development for the same reason we talked of manager development a few years back. When managers are developed systematically and consciously, we are able to have them in quantity and quality, and in a short time.

If managers are important for the better utilisation of resources in the country, entrepreneurs are even more important for the creation of new wealth. They are the people who set in motion combinations that did not exist

till yesterday. They provide operational expression to new ideas, new structures, new products and new devices.

Also, while potential managers form a small percentage of the population, potential entrepreneurs form a still smaller percentage. They constitute a scarce human resource. As Papanek observes, "within any society only a limited number of individuals have entrepreneurial attributes in sufficient degree to be actual or potential entrepreneurs."¹ Estimates range from 1% to 10% of the population.² Greater and closer attention will have to be paid to the potential entrepreneurs therefore.

Developing entrepreneurs is developing the country, in the sense that entrepreneurs develop the country, and releasing more of the entrepreneurs into the community faster and more effectively, is developing the country to that extent better.

Entrepreneur development is a pay off proposition. When we invest in the development of an entrepreneur, we see the pay off even within a few months. The government gets enough money back through increased revenue from the many taxes the entrepreneurs pay.

1 Papanek G.F. "The Development of Entrepreneurship" in ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (ed. Peter Kilby) (New York: The Free Press, 1971) p.318.

2 ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT: A WORLDWIDE PERSPECTIVE Proceedings of Project ISEED (Milwaukee: Center for Venture Management, 1975) p.311, p.280.

An undercapitalised economy has to be compensated by high entrepreneurial assets. This is one reason why entrepreneur development is emphasised as against enterprise development. Also, otherwise, enterprise development is likely to be viewed as an end in itself. This emphasis will make clear that entrepreneur development is a means to the accomplishment of other very important objectives like rural productivity, community welfare and localised decision points.

In a more leisurely age, in a more prosperous stage of history, at a time when people took the state of things in a resigned, fatalistic way, things could have been left to chance, but not today, not in our country. Any development that affects a large number of people has to be by design.

THE ORGANIC GROWTH MODEL

This means we take the organic growth model in preference to the filter model. In the insightful words of *Udai Pareek*:

"According to the filter model the social development is caused by a few persons in the society, who have the capability of taking moderate risks and set up enterprises. These persons in turn stimulate

economic activity and help in wider participation of people in the development of the country. Thus, development filters down from the elite to the masses. This approach, which is essentially a Weberian approach, emphasizes the role of charismatic entrepreneurial elite in the development of a nation. These people, because of their social positions, economic standing and psychological orientation, take the opportunities available and also create new opportunities - and thereby help in the diffusion of entrepreneurial activity. On the other hand, organic growth model emphasizes a more purposive development of the society. If one part of the body, for some reason, is weak, physical development does not mean leaving that part weak and helping other parts to continue to develop. Balanced and organic development would mean helping the weaker parts of the body to develop with accelerated pace so that it may be possible to have an integrated development. The organic growth model would emphasize the national needs, particularly those of industrial development. Instead of leaving development as a free activity, in which those who have the potential to exploit the situation play a major role, organic growth model would emphasize the direction of development,

by stressing some aspects of industrial growth rather than others. For countries undergoing development, the problem of prioritisation is an important one. These countries lack industrial development in almost all fields, and it is necessary for them to decide which aspects of development will get the priorities. If filter model of development is used, entrepreneurship may thrive in easier areas of industrial activity, which is able to get more profits for the entrepreneurs. As a result, some other aspects get neglected. In India, for example, decision may have to be taken whether encouragement of entrepreneurship in luxury items like air-conditioning and cars is more important or in items which are able to help in the basic needs of the country and result in economies in various aspects. Secondly, organic growth model emphasizes the needs of socio-cultural development. Entrepreneurship cannot leave the question of socio-cultural development to policy planners, politicians and those who are concerned with larger social change only.

"Industrial development and socio-cultural development should be vitally linked. Many communities in the society have remained socially and culturally deprived for centuries and as a result, like atrophied limbs, they have been rendered incapable of taking initiative and action. Planned attention to the development of such communities is necessary. Entrepreneurship has to play an important role in this direction. Development has to be balanced and entrepreneurship can become an instrument of change. Similarly, communities mostly pursuing non-entrepreneurial professions may require encouragement to come into the entrepreneurial fields. Thirdly, total ecological development has to be considered for a balanced growth. Some parts of the country, particularly the metropolitan and large towns are developing at a very fast rate, while some other parts of the country remain neglected. It has been recognised that if such a pace continues, we will soon face the problem of managing the unmanageable monster cities and the large rural areas will be deprived of talents and resources. The role of entrepreneurship in

reversing the process of this onslaught of urbanisation is also important.

"If we accept the organic growth model of development, the role of entrepreneurship becomes quite different and purposive."¹

One question that will immediately arise is: Are entrepreneurs born or made? Along with that question goes the implication: You cannot do much about it, if they are just born. You cannot make them to order.

ENTREPRENEURS ARE DEVELOPED

A similar question was asked a few years back: Are managers born or made? By now the answer to that question has been found. Managers are born and made, and in large part they are 'made'. By 'born', we mean many have the potential to be effective managers. By 'made', we mean that the developmental efforts surface that potential. It may be said that the managers are not so much born or made; they are developed.

In a similar sense, there should be quite a few men and women who have the entrepreneurial potential; and they can be developed into good entrepreneurs.

¹ Pareek, Udai, "Entrepreneurial Selection and Social Objectives". Paper presented at the workshop on "Identification & Selection of Entrepreneurs" at the Indian Institute of Management, Ahmedabad, on 8-10 October, 1976.

Reporting on a number of worldwide programmes that were primarily begun to encourage economic development in developing countries including India and Brazil, Dr. Robert B. Buchele concluded that "entrepreneurs can be produced, and those new entrepreneurs will start new businesses that can survive. It is possible also to stimulate existing entrepreneurs to greater efforts, more rapid growth of their businesses."¹

It is true that the entrepreneurial material is different from the managerial material. Spotting the entrepreneur potential will be much different and more difficult than spotting the manager potential and fostering it, partly because of the nature of the entrepreneur and partly because of the current state of knowledge on entrepreneurship.

As Bostrom observes,

".... He (the entrepreneur) is neither neat nor orderly He is forever seeking to mess things up for those who want the security that comes from closure in well organized structures... Entrepreneurs violate many of the management rules, deliberately or otherwise. That is why they are entrepreneurs. And I have called them

¹ Buchele, Robert B. "The Development of Small Industrial Entrepreneurs as A Tool of Economic Growth." Working paper Series 31. (Honolulu: Technology and Development Institute, Honolulu East & West Center, 1972) p.63.

the guerilla figures of the economic world. When successful, they can live off the land and are exceedingly flexible and effective against much larger forces. They're specialists in ^{body} traps, ambush and infiltration, without going outside the law."¹

body

ENTREPRENEUR DEVELOPMENT AND MANAGER DEVELOPMENT

More recently, conditions have become more favourable to the manager population. The managerial world has become structured in recent years and the managerial career has assumed a high status. More and more bright young people opt for a career in management. The preparation steps are clear. The facilities for preparation are there.

Everybody is for a career in management, at home, in school and elsewhere. Parents and teachers encourage their sons and daughters to prepare for a career in management. Both industry and government encourage the management graduates by receiving them ^{well} and starting them off well. Both the immediate and long terms prospects are not merely bright but they are sort of assured for those graduates. The bottleneck, if any, exists only in terms of preparation facilities; there are not enough seats in the schools of management.

¹ Bostrom, Karl A. FIRST ANNUAL KARL A BOSTROM SEMINAR IN THE STUDY OF ENTERPRISE. (Milwaukee: Center for Venture Management, 1969), pp.4-8.

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OPPORTUNITIES AND HANDICAPS

For the entrepreneur population, the picture is altogether different.

On the one hand, there are unlimited opportunities in the country. So much is to be done in so many fields. So much that is done now can be done even better. And when these are done, it will bless the entrepreneur, the community and the country. In the category of ventures required by the community and currently not obtaining, we have several thousand opportunities in the country.

On the other hand, the country has a rich stock of potential entrepreneurs. Bauer quotes Professor Tax approvingly. "The Indian perhaps above all else is an entrepreneur, a businessman, always looking for new means of turning a penny. I know of boys of 8 and 10 years of age who have set themselves up in business, buying and selling, independently of their parents."¹

Says McCrory:

"The size of life I have seen is minute, but I cannot escape the conviction that in the hundreds of small machine shops scattered throughout North Indian towns, and I suspect, in the Southeast,

¹ Bauer, P.T. and Yamey B.S. THE ECONOMICS OF UNDERDEVELOPED COUNTRIES (Cambridge: Cambridge University Press, 1960) p. 105

South and West as well, there lies an enormous industrial potential waiting to be tapped ... The small craftsman-entrepreneur is not illiterate, backward or downtrodden. He does not need to be awakened. He has the enterprise, the energy, the industrial outlook and the skill now to make things efficiently and well..."¹

If there are endless opportunities and if there is a rich stock of potential entrepreneurs, why do they not come together? What are the barriers that come in the way of surfacing the potential we have?

We have not surfaced enough of the potential entrepreneurs because of several avoidable and unavoidable reasons. Some are historical, some sociological and some cultural.

A HISTORICAL BARRIER

So long India was under foreign domination, the rulers made it difficult for the entrepreneurs to come up. The colonial powers were primarily interested in supplies and profits, not in the development of the country, industrially or otherwise, and much less the key people. Indian entrepreneurs were at best relegated to trade.

¹ McCrory, James T. "Case Studies in latent Industrial Potential: Small Industry in a North Indian Town". (Delhi: Government of India, Ministry of Commerce and Industry, 1956). p. 41

Despite this atmosphere of discouragement, entrepreneurs, big and small, came up by dint of their own efforts, during the pre-independence days.

AN ATTITUDINAL BARRIER

Another big barrier has been the common belief that entrepreneurship and big size are synonymous. Big size means big money. Big money means big men or big government. There is so much talk of the economy of scale, capital and technological know-how that entrepreneurship is identified with big industry, set up in big cities, with big money and preferably with big collaborators.

A SOCIAL BARRIER

A third barrier has been the social barrier of a virulent prejudice against entrepreneurship. Entrepreneurship is not for the educated, the intelligent, the decent. This prejudice may be because the desperate and dashing type became enterprising and the decent ones did not do in good measure. Whatever is the historical reason, business is identified with blackmarket, lack of scruples and anti-social behaviour. To succeed, nay, even to survive in business, it is widely believed that one 'should' be sub-normal, socially speaking. The business section of the community has not done enough, so far, to correct these unhelpful impressions.

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AN EDUCATIONAL BARRIER

If atleast the educational system encourages entrepreneurship, there will be hope. Our educational system looks askance at vocation-orientation, leave alone enterprise-orientation. Without perhaps meaning it, the current education system tends to breed the fear of failure and an obsession to be always right. That risk is part of life and taking calculated risk is the hallmark of an educated man: not even a reference is made to this reality by the schools in the formative years of the young people. The result is that the educated would not take risks; only the uneducated would risk and venture. Fortunately for the country, in the eyes of the uneducated, a failure is not that much of a stigma. In the words of one of our interviewees, "So many have failed, tried again and succeeded. Failure is part of success." So much for the schools and colleges.

Handwritten notes:
 - Knowledge
 - by education
 - led to
 - failure to
 - fail
 - getting
 - average
 - it's not
 - success
 - successful
 - person or
 - success
 - subjective
 - of success
 - education part
 - by 11M boys

The institutes of management are no exception since they were set up in many parts of the country primarily to add to the pool of trained managers. The graduates may have been equipped to participate in the entrepreneurial function of established, large organisations in the public and private sector; but they have not been oriented to become entrepreneurs themselves.

The general economic conditions of the people also inhibit entrepreneurship since entrepreneurship means financial

risk. It is not merely taking a risk with one's future but with one's wherewithal. The large majority, even if they have the willingness to risk, do not have the ability to risk. Their savings are nominal and their staying power is low. The large majority, therefore, opt for security in government jobs or other, and not risk the little they can call their own.

While the government has in recent years lent good support to entrepreneurial efforts, the same cannot be said about the home, the school and the society in general. Consequently, the educated and the trained keep away from an entrepreneurial career. The opportunities being much more in such a career, the not-so-educated avail of them and do the best they can. *Perhaps it is as well.*

~~THE FORMATIVE YEARS~~ [THE FORMATIVE YEARS]

There is a common belief that the enterprising are not quite decent. If this belief has a basis in fact, it is not quite the fault of the enterprising. It is the fault of the society that tends to treat them as subnormal; it is partly the fault of the society that did not play a conscious part in the formative years of the entrepreneur. It is the price the society pays for not having entrepreneur development by design.

This is how entrepreneur Anand* explained the phenomenon:

"If I dare and succeed as an entrepreneur, and if at that stage I hear homilies from the platform and the pulpit, they do not quite make sense to me. I have made good and I am in no mood to listen. My attitudes and value systems are already formed.

"If on the other hand, at a time when I started, if you have been a little appreciative of my struggle, and if you have helped me in preparing myself as an effective and as a responsible entrepreneur, perhaps I may have imbibed the guidelines that make for decent business.

"As things stand, the society compels me fight hard for myself and I don't see much wrong in fighting against that harsh society. The society has not played a constructive, a positive, an understanding, a helpful role in my making and it has to thank itself for it."

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to

* The names of the entrepreneurs as well as their company affiliations have been disguised as per agreement with them, prior to the interview.

Perhaps this is how the average entrepreneur will argue in this country if he can vocalise his feelings and opinions. Perhaps this explains why the average entrepreneur does not extend his loyalty beyond his close kith and kin. The way he struggles and succeeds probably makes him develop an indifference, if not hostility, to the society.

It is not suggested that entrepreneurs are fallen angels: the 'popular' view is that they are anything but angels.

Entrepreneurs are not angels as managers, doctors, or other professionals are not angels. They share the virtues and vices of humanity. What is likely to make a difference is the constructive input they receive at the formative stages of their careers. And this point of constructive input deserves some elaboration.

THE CONSTRUCTIVE INPUT : A PHILOSOPHICAL FRAMEWORK

What will be the content of this constructive input? Firstly, the entrepreneur in the making will be provided with a philosophical framework, so that he can have a sense of purpose and direction. Such a framework would include a concern for proper enterprise objectives. The primary objective is the rendering of economic service to the community. It should be realised that the society that permits one do business expects one to serve the interests

of society.¹

Mere recognition of service goals does not, however, guarantee an intelligent choice. Errors in judgement about the nature of products or services desired by customers may lead to mediocrity or even failure. To make a proper choice, questions like the following should be asked: What type of business should we be in? Who are our customers? Which of our products is most useful to our customers? What other services or products would improve our position in the market? Which type of customer can we serve most successfully?

This is not a one-time questioning process either. As consumer tastes change and as competitive products and services are developed, the goals may have to be modified. Drucker suggests that a business should classify its products, markets, and distribution channels in such categories as: Today's breadwinners; tomorrow's breadwinners; productive specialities; development product; failures; yesterday's breadwinners; repair jobs; unnecessary specialities; unjustified specialities; investments in managerial ego; Cinderellas (or sleepers). By so doing the entrepreneur-manager can exercise the discipline of emphasising the firm's strengths (e.g. tomorrow's breadwinners) and underplaying its weaknesses (e.g. investments in managerial ego.)²

¹ Broom, H.N., and Longnecker, Austin G. SMALL BUSINESS MANAGEMENT (Cincinnati: Southwestern Publishing Co. 1971) pp. 19-34.

² Drucker, Peter F. MANAGING FOR RESULTS (New York: Harper & Row, 1964).

The philosophical framework with which the entrepreneur-in-the-making would be helped will include his moral code. His moral code must have a sound basis so that he instinctively plays fair and acts honestly in all relationships with workers, customers, and others. Legal conduct is just the bare minimum for ethical behaviour. He needs to develop a dynamic philosophy of ethical behaviour.

Such a philosophy of ethical behaviour has to be imbibed before one sets afloat an enterprise. Otherwise, business success feeds his sense of power and ego and infallibility in action. He starts with taking advantage of others in small cases and tends to end up in complete moral irresponsibility and improper exercise of administrative power.

Social responsibility will be another dimension of the philosophical framework that is sought to be given to him. His responsibility is to protect the interests of suppliers, employees, customers, and the general public, along with making a profit for his business.

When we realise that values influence decisions and certain values have better chances of being considered for adoption at certain stages of one's career growth, we can see the place of concepts like the following forming part

of the inputs. As Broom and Longnecker observe,

"Some sense of social responsibility may be perfectly consistent with the firm's long-run profit objective. A firm which consistently observes certain obligations makes itself a desirable member of the community and may attract patronage. Conversely, the concern which scorns social responsibilities may find itself the object of restrictive legislation and discover its employees to be completely lacking in loyalty....

Recognition of a social responsibility does not change a profit-seeking business into a charitable organisation. Earning a profit is absolutely essential. Without profits, the firm is in no position to recognize social responsibilities toward anyone. The point is that profits, although essential, are not necessarily the only factor of importance in the thinking of the businessman."¹

All this may sound a little idealistic until we get a few glimpses of entrepreneurship in Japan. Johannes Hirschmeier who studied in depth the origins of

¹ Broom and Longnecker, op. cit., p.32.

entrepreneurship in Japan talks of the philosophies of the pioneers of entrepreneur movement in Japan, namely, Fukuzawa and Shibusawa and the influence these philosophies had on modern Japan.¹

Fukuzawa insisted that private enterprise should be built "for profit and for the sake of Japan."

Shibusawa, to make the point, replaced the word shonin (merchant) by a word he coined, jitsugyoka (entrepreneur) - literally, "a man who undertakes a real task". He defined a jitsugyoka as "someone who works with honesty for the establishment of industry." "As one wishes to achieve one's own welfare and happiness, one has also the duty to exert oneself for the state and for society."

Observes Hirschmeier: "The Confucian version of Shibusawa stressed Society and I, the State and I, and thus demanded the subordination of the individual to the common good. This may account for a number of seeming contradictions in Japan's economic development."²

Men like Iwasaki and Okura who followed in the tradition were also "singularly obsessed with the thought of fighting for an idea and not just for private gains."

1 Hirschmeier, Johannes. "The Origins of Entrepreneurship in Meiji Japan" in Entrepreneurship and Economic Development (ed. Peter Kilby) (New York: The Free Press, 1971), pp. 241-286.

2 ibid., p.252.

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A common judgement passed about the Indian scene is that the decent are not enterprising and the enterprising are not decent. This clearly is an exaggeration indulged in to make a point. The need, however, is there that the potential entrepreneurs are given such a philosophical framework. The input will not influence all of them equally effectively but the impact will be there and this will tell on the quality of service they render to the society. The major significance of entrepreneur development by design lies in this area. If the philosophical framework is not given at the psychological moment, it has little change^c in the life of an entrepreneur. The approach commended here will give the entrepreneurial career the professional touch it needs sorely.

[scarce capital phenomenon] The commonly mentioned phenomenon of scarce capital is worth emphasising too, in connection with the need for entrepreneur development by design.

The availability of venture capital in the country is limited. When a resource is limited, two broad steps are called for. One is conservation of the resource; and the other is the ingenuity with which it is used.

"Come one, come all" approach may sound impressive.¹

Calling all educated unemployed to avail liberally of

¹ In a paper "A survey of selection techniques for entrepreneurs and perceptions of selected and rejected candidates" presented at the Workshop on Identification and Selection of Entrepreneurs held at the Indian Institute of Management, Ahmedabad on Oct 8-10, 1976. T.V. Rao and T.K. Moulik observe: "Realisation of the positive association between entrepreneurship and economic development has grown to such an extent that a few agencies in our country are in the process of financing all those who claim to be entrepreneurs indiscriminately."

venture funds may win a sympathetic press; but it will hardly help the cause of entrepreneur development. In the words of Kirloskar, "Entrepreneurship is something more than availability of finance." If the banks desired to encourage the growth of entrepreneurship, there was no reason why they should not help non-graduates or others who had the necessary capacity to start and operate their own enterprises."¹ Equating entrepreneurship development with unemployment relief is doing justice to neither. What we will be doing in the process is escalating the chances of entrepreneurial failure; and the implications of entrepreneurial failure are many and far reaching.

SOME IMPLICATIONS OF FAILURE

Managing a resource is managing for results, by objectives and by implications. In the Indian context, managing by implications is particularly significant since inadequate attention to implications of a move has a counterproductive influence on the future. Being in a hurry, the policy makers, administrators and key citizens in business are tempted to take a short term view and they do not seem to be quite conscious of the implications of such an approach on the future.²

1 Cited in Mahatme, D.B. "You can't Create Entrepreneurs". Commerce, October 26, 1975, p.15.

2 Atthreya, N.H. MANAGEMENT BY IMPLICATIONS (Bombay: MMC School of Management, 1969.)

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The first implication is in regard to the capital the government agencies invest in entrepreneurs. When capital is scarce, every failure of a venture is a lost opportunity, an irrevocably lost opportunity. The nation can ill afford loss of opportunities, especially at the current stage of development. While failures cannot be prevented, the frequency and severity of failures can be reduced. One way to do it is to reserve the scarce venture capital for high potential entrepreneurs.

The second implication is in regard to the individual. The savings for many individuals are small. The access to cash accommodation is almost non-existing. Very few people have the physical and emotional stamina to stand a failure. A failure can thus be a calamity in terms of money and morale to a person and his family.

The human dimensions of this calamity can to an extent be visualised when we know the number of failures.¹ Countries like the U.S.A. have kept fair and upto date records of such failures. It is reported that on an average 1100 failures commence operations and more than 1900 firms are discontinued every day of the year.²

"They simply close their doors, swallow their losses, pocket their pride and give up."³

1 According to a recent all-India census of small scale industries, 12151 units were sick in 1972.
2 Dible, Donald M. UP YOUR OWN ORGANISATION (Santa Clara, Ca.: The Entrepreneur Press, 1974), p.44.
3 White, L.T. MANAGEMENT SECRETS FOR THE SMALL BUSINESSMAN (New York: Drake Publishers, 1974) p.4.

One thousand businesses every day of the year: that means near 300,000 businesses every year. That means nearly one million people are in this picture of failure. And this is not for an occasional year. This is year after year. The accompanying table gives the failure record for a six year period.

TABLE 1
BUSINESS FAILURES IN U.S.A.

Year	% failure in business aged five years or less
1965	56.9
1966	57.4
1967	55.3
1968	53.9
1969	53.2
1970	54.9

Source: The Failure Record Through 1970 (New York: Dun & Bradstreet, 1971 p.10 ~~5-8~~¹ 5

The third and the most significant implication of entrepreneurial failure is in respect of the entrepreneur movement. Failures tend to be played up in our country, fortunately not yet by the mass media. A more powerful media, however, is the casually dropped word. "You know what happened to Mr. So and So." People become scared at the very idea of a venture. Every failure confirms the commonly held belief that to be an entrepreneur, you should

¹ Quoted in SMALL BUSINESS MANAGEMENT by Lawrence A. Klatt (Belmont, Ca.: Wadsworth Publishing Company, 1973) p.8

be rich, "so rich indeed that even ten failures cannot make a hole in your pocket" to use the words of Govinda, one of the ^{we met} entrepreneurs. The more the failures, the more is the damage to the entrepreneur movement in the country. This we cannot afford.

FAILURE ANALYSIS

One way to reduce the frequency and severity of failures is to know the causes of failures and take the needed steps. A few studies have been made in the country and their findings should be helpful. We can also learn from the experiences of other countries, particularly the United States of America where DUN & BRADSTREET have analysed more than a million business failures over a 100-year span.

The conclusions read somewhat as follows;

"Aside from economic conditions and the fact that certain lines of business are riskier than others, there are other basic causes that account for the high mortality rate of small businesses. Dun & Bradstreet, in their annual studies of business failure, consistently point out that aside from the relatively few failures caused by fraud, poor health, and disaster, the most important reasons for business failure (See Table 2) are incompetence, inadequate experience and ability.

TABLE 2
CAUSES OF U.S. BUSINESS FAILURES

Cause	Per cent
Neglect	2.3
Fraud	0.9
POOR MANAGEMENT	
Lack of experience in the line	10.2
Lack of managerial experience	13.5
Unbalanced experience	18.6
Incompetence	47.8
Disaster	90.1
Reasons unknown	5.5

(Source: The Failure Record Through 1970 (New York: Dun & Bradstreet, Inc; 1971) pp. 11-12)..... 1

Studies of small business failure all seem to arrive at the same general conclusions: the owner managers lack personal qualifications to run a business; and they lack training and experience as managers.

A study of 150 small scale units (120 sick units and 30 success units) by a State Bank of India team concluded that two of the basic shortcomings which make small scale units prone to sickness are (a) lack of appreciation of the requirements of a properly run industry, particularly in financial management and (b) lack of a planned and organised approach.² A similar conclusion was reached by a survey

1 Klatt, Lawrence A. SMALL BUSINESS MANAGEMENT (Belmont, Ca.: Wadsworth Publishing Co. 1973) p.9

2 FINANCING OF SMALL INDUSTRIES: Report of the Study Team of the State Bank of India, 1975.

team of the Maharashtra Small Scale Industries Development Corporation which studied 110 units in various parts of Maharashtra.¹ In a third study sponsored by the Industrial Development Bank of India, Pathak emphasised "systematic project planning at the inception stage to ensure better results and reduce the time lag between inception and operational periods. Sound project planning would also enable the entrepreneurs to examine many of the problems of their units at the inception and operational levels."²

Though technically entrepreneurship is distinct from management, in small units, these functions are combined in the same person. As would be seen from the foregoing, the failures are not entrepreneurial failures but managerial failures. Managerial effectiveness is a sequel to entrepreneurial effectiveness. Maintenance and growth are subsequent functions. The would-be entrepreneurs to capitalise on their strengths, should know this difference, should know what help to take in the managerial area, from where and how. And to know it in time, they would need competent guidance, training and help.

Entrepreneur development by design then is calculated to create a fair and favourable climate for the entrepreneurial movement on the one hand and to raise the quantity and quality of entrepreneurs on the other.

1 OPERATIONAL DIFFICULTIES OF SMALL SCALE INDUSTRIES. (Bombay: Indian Institute of Public Administration, Maharashtra Branch, 1970).

2 Pathak, H.N. PROBLEMS OF SMALL SCALE ENTREPRENEURS (Bombay: Industrial Development Bank of India, 1975) p.10.

We in this country are in one sense favourably placed. To start practically any venture, one needs governmental sanction and probably the help of banks and other financial institutions. This situation facilitates entrepreneur development by design. The concerned agencies can play a positive role in spotting high potential entrepreneurs and supporting them in a concerted fashion.

~~Can't exist
without
an organized
system like a
3rd world school~~

In the past decade or more, the government has developed policies and machineries to support the growth of the small scale industry sector in the country. The nationalised banks in particular and the small industry development organisations in general have used the publicity media well to create a favourable climate for entrepreneurship. Several thousand new industries have been set up in the small scale sector in various parts of India.

GAP BETWEEN PROMISE AND PERFORMANCE

Reportedly, there is some gap between policy pronouncements and day to day practices.

Mr. Aswin, one of the interviewees, observed: "The intentions of the government are good. The policy-makers want to really help the small scale entrepreneurs. Some of the small scale entrepreneurs are helped without doubt, but this is rather the exception. Timely help is more a happening, and the happening is either due to the unusual officer who takes it as his mission to implement the spirit of a policy; or due to political influence ^{power} the applicant has. There is also a third reason why you have such ~~para~~ happenings. Someone decides to make news and this is one way!

"In most of the published documents of the financial agencies you will find there is a big gap between the amount sanctioned and the amount disbursed. What helps the entrepreneur is not the amount sanctioned, it is the amount disbursed. When I use the word delay, I am not thinking in terms of weeks; it is months and at times years.

"I do not question the motives of the officers; they are good people. Only they are working under pressures from certain quarters. To please them, they have to play a number game and they have to indulge in statistical juggleries. The initiative cases can be numbered and are numbered; the finished cases can be numbered but they are diplomatically left out. The officers are aware of the implications of what you may call a political game but they are helpless.

initiated

"In addition, there is the administrative malaise. The chiefs of some of these institutions are passing birds. They want to look good and they take the short term approach.

* The names and organisations of the entrepreneurs interviewed have been disguised for reasons of confidentiality.

"For meeting a social purpose, a governmental organisation is set up. If the powers that be decide to jettison that purpose and implant another purpose that suits them for the time being, the machinery or the system cannot correct them. The men there may be unwilling but they are soldiers; they have to abide by the orders given orally or in writing *by the men honestly in the field.*

"On paper the dozens of schemes that have been announced look good - so good indeed that the rest of the world choose to come and learn from us. In real life, they are a disappointment, if not a delusion.

"You may ask: How come so many industries have come up? I do not deny industries have not come up at all. What I say is that these have come up inspite of the handicaps. They have come up because as much as 70 per cent of the enterprises, according to one noted authority, are really owned by financially well-off people who wanted to avail of the incentives extended to small scale manufacturing units.

"In my considered view, until and unless the decision-makers play down the popularity game

and until and unless the working officers stop the number game, the only beneficiaries of the many financial and related institutions will be the employees of those institutions and those who are already well off. The entrepreneur movement itself will not benefit."

This is the view of some of the observers of the Indian scene and ~~Shrokov~~ as well. For example, Shirokov 15 observes:

"The government's measures for stimulating small-scale factory production in the new industries (establishment of industrial estates, supply of equipment on an installment basis, bigger credits, expanding government purchases of commodities, and technical aid) benefited the upper strata of entrepreneurs in the non-organised industries rather than increased the general scope of the modern forms of small-scale production. This was because enterprises which wished to avail themselves of these privileges had to prove their solvency, the high and stable quality of their commodities, and their ability to utilise the new machines. So the government measures helped to expand the existing enterprises or to transfer capital into

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industry and transform former merchants, money-lenders, engineers and technicians into petty entrepreneurs. The measures were such that they accelerated the transformation of these enterprises into small and even medium-size units of organised industry."¹

In the absence of reliable, objective, upto-date, publicised information, one has to use data like the above but with caution. The affected individuals tend to generalise and exaggerate. Whatever happens may be due to genuine misunderstandings on either side. The new entrepreneur may have been unduly influenced by the speeches of the political leaders and pitched their expectations too high.

In the course of the study, whatever we saw and heard gave us the impression that whatever system has been developed is not sufficiently backed by a philosophy. In the absence of a philosophical basis, a system tends to take a mechanical, faltering and not-too-productive approach.

AN INFORMING PHILOSOPHY

The only way to move ahead is to have a disciplined & logical approach.

This has been true of management system generally. To take a case in point, the Management by Objectives (MbO) System has succeeded in some places and failed in other places. An analysis shows where a philosophy does not inform

¹ Shirokov, G.K.: THE INDUSTRIALISATION OF INDIA (Moscow: Progress Publishers, 1973) p.287.

the system and the practitioner, the system makes only a progress of sorts. The machinery may be impressive; but the spirit is missing; and the result is below par. The failure of many of the MbO installations, it has been pointed out, is accounted for by the missing philosophy.¹

The following discussion will primarily focus on the philosophical underpinnings of a system calculated to foster small scale entrepreneurs.

SMALL ENTERPRISE IN THE ECONOMY

Worldwide, the small scale enterprise sector has produced a number of economic, social and human benefits, just as the medium and large scale enterprise sectors have. Only, these have not been emphasised. Even where they have been emphasised, it is often only the economic benefits. The other benefits are as significant.

"We are conscious that our Report may at times appear to reflect inadequately our regard for the contribution of the small business to the vitality, variety and humanity of our society, because these things can hardly be measured in statistical terms. But that contribution is enormous; without small firms this country would be an infinitely duller, poorer and less happy place. Fortunately, the

¹ Dunnington, Gerald. "ESB's Unique Contribution".
MANAGEMENT BY OBJECTIVES, Vol. 3. No.4, 1974.

economic arguments alone are powerful enough to establish the need for an active small firm sector so that there has been no need to attempt to quantify this non-economic contribution."¹

Small business, it has been observed, is big business. In sheer number, in its employment capacity, and in its contribution to the GNP of a country, it is a vital limb of a nation's economy. The following tables (3 and 4) give certain aspects of small business in a few countries.

TABLE 3

x ROLE OF MANUFACTURING ESTABLISHMENTS HAVING LESS THAN 100 EMPLOYEES²

Country	Year	Percent of all manufacturing establishments	Percent of all manufacturing employees	Percent of all manufacturing output.
U.S.A.	1954	91	25	22
West Germany	1953	89	27	23
U.K.	1954	95	33	N.A.
Puerto Rico	1954	91	41	38
Australia	1955	97	50	N.A.
Japan	1952	99	59	37

¹ Small Firms: Report of the Committee of Enquiry on Small Firms often referred to as (Chairman) Bolton Report. (London: HMSO, 1972).

² Staley, Engene. SMALL INDUSTRIES PROGRAMME IN INDIA (New Delhi: Government of India, 1960) p.14.

of industrial output would vanish, and most of the larger firms would quickly and painfully grind to a halt."¹

In the United States of America, there are over 7,000,000 small firms, accounting for 99 per cent of the total number of firms - firms employing over 500 people account for only 0.1%. They make for 59 per cent of employment and contribute to 48 per cent of GNP.² No wonder, small business has been described as "the vital majority."³

In Japan, 99.6 per cent of the manufacturing enterprises are said to be in the small and medium scale sector, accounting for 70.91 per cent of employment and producing goods worth 56.2 per cent of the total value of the nation's output.⁴

SMALL ENTERPRISE SECTOR IN INDIA

As for India, according to a recent census of small scale industries, in 1972-73, there are 2,58,000 registered small units and an estimated 1,01,000 unregistered small units.⁵

1 CBI, Britain's Small Firms: their vital role in the economy, November 1970, p.3. Quoted in Stanworth and Currain's Motivation in the Smaller Business, Govt. Press 1973) p.11

2 SMALL ENTERPRISE IN THE ECONOMY. (Washington: U.S. Small Business Administration Office of Advocacy, Planning and Research, 1975)

3 THE VITAL MAJORITY: Essays marking the 20th Anniversary of the U.S. Small Business Administration. (Washington: U.S. Government Printing Office, 1973)

4 Singh, Nau Nihal SCIENTIFIC MANAGEMENT OF SMALL SCALE INDUSTRIES (Bombay: Lalvani Publishing House, 1970) p.29

5 Census of Small Scale Industries, Part I & II (New Delhi: Office of Development Commissioner, Small Scale Industries, Govt. of India, 1976)

The Annual Survey of industries for 1974-75 (published recently) shows that factories in the small scale sector (with capital base not exceeding Rs. 7.5 lakhs) accounted for 78 per cent of the total number of factories in the country, for 31 per cent of employment, 22 per cent of gross value of output and 15 per cent of the value added. The recent extensive survey of the role of small scale industries in the national economy by the Small Industries Development Organisation reveals that the share of small scale industries in total production has risen to more than 40 per cent and this trend is likely to become stronger in future.¹

The small scale sector has done well in exports too. As Table 5 shows, the exports of small scale industries increased from Rs. 118.39 crores in 1970-71 to Rs. 637.45 crores in 1975-76, while total exports increased from Rs. 1535 crores to Rs. 3942 crores. The growth rate for small industries' exports was higher at 440 per cent than the corresponding rate of 157 per cent recorded during the period under observation for total exports. As a consequence of this tremendous upsurge in exports of small scale industries, their share in total exports consequently increased from 7.71 per cent in 1970-71 to 16.16 per cent in 1975-76.

¹ ANNUAL SURVEY OF INDUSTRIES 1974-75 (Calcutta: Central Statistical Organisation, Ministry of Planning, Government of India).

What is more remarkable, is that the share of small scale industries in non-traditional exports has increased in a significant measure in recent years. To cite an illustration, the share of small scale industries in total exports of engineering goods increased from 11.4 per cent in 1972-73 to 30 per cent in 1974-75. Similarly, the share of small enterprises in exports of drugs and pharmaceuticals has recorded a magnificent rise from 15.6 per cent in 1972-73 to 35 per cent in 1974-75.¹

TABLE 5

SHARE OF SMALL INDUSTRIES IN INDIA'S EXPORTS

(Value in Rs.crores)

	Total exports from India	Exports of Small Industries	Percentage share of small industries in total exports.
1970-71	1535.20	118.39	7.71
1971-72	1608.20	153.84	9.57
1972-73	1970.83	305.79	15.50
1973-74	2523.40	393.16	15.60
1974-75	3304.14	550.75	16.40
1975-76	3941.60	637.45	16.16

(Source: Annual survey of Industries 1974-1975.
(Calcutta Central Statistical organisation, Ministry of Planning, Government of India).

¹ ANNUAL SURVEY OF INDUSTRIES 1974-75 (Calcutta: Central Statistical Organisation, Ministry of Planning, Government of India).

SMALL FIRM: ECONOMIC FUNCTIONS

To know more of the economic functions performed by small firm "which may be collectively termed their 'role' in the economy", one cannot do better than quoting a summary from the Bolton Report:

- i. The small firm provides a productive outlet for the energies of that large group of enterprising and independent people who set great store by economic independence and many of whom are anti-patetic or less-suited to employment in a large organisation but who have much to contribute to the vitality of the economy. (Chapter 2)
- ii. In industries where the optimum size of the production unit or the sales outlet is small, often the most efficient form of business organisation is a small firm. For this reason many important trades and industries consist mainly of small firms. (Chapter 3)
- iii. Small firms add greatly to the variety of products and services offered to the consumer because they can flourish in a limited or specialised market which it would not be worthwhile or economic for a large firm to enter. (Chapter 3)

- iv. Many small firms act as specialist suppliers to large companies of parts, sub-assemblies or components, produced at lower cost than the large companies could achieve. (Chapter 3)
- v. In an economy in which, ever larger multi-product firms are emerging, small firms provide competition, both actual and potential, and provide some check on monopoly profits and on the inefficiency which monopoly breeds. In this way they contribute to the efficient working of the economic system as a whole. (Chapter 3)
- vi. Small firms, inspite of relatively low expenditure, on research and development by the sector as a whole, are an important source of innovation in products, techniques and services. (Chapter 4)
- vii. The small firm sector is the traditional breeding ground for new industries. (Chapter 4)
- viii. Perhaps most important, small firms provide the means of entry into business for new entrepreneurial talent and the seedbed from which new large companies will grow to challenge and stimulate the established leaders of industry. (Chapter 3)...¹

¹ Bolton, op. cit., p.84-85.

These functions have been explained at length and quite convincingly in the chapters referred to. In terms of the Indian context, some of these functions deserve comments.

AN ALTERNATIVE AND UNLIMITED CAREER

As a career alternative, small scale enterprise has the highest significance in India today and for many years to come. India is a land of plentiful opportunities, though it is not yet a land of plentiful jobs. The opportunities are spread through out the length and breadth of the country. The only qualification needed to avail of them is to be enterprising. There are no ^{formal} qualification, age or other restrictions. One can almost name the place where he will operate from and the time when he will start working. This is not an easy alternative but a flexible alternative.

In our context, it is no small consolation that small enterprise continues to offer one of the few remaining career opportunities for the able and ambitious youngster who has not passed through the higher educational 'mill'.

A FEASIBLE ENTRY LEVEL

If savings are not much to speak of, if staying power is a problem for the many, if access to capital is often uncertain, the entry level into a venture has to be feasible

for the many. The practical form of a venture for most in the country is the small size, if not the ^{tiny} little size.

Except for a few types of enterprises, the level of entry is flexible. One can start small and keep growing. Growth of course will depend upon a number of factors - the seed itself, the soil, the person who plants the seed and several others.

When we trace the history of some of the large manufacturing companies in India, as elsewhere, we find they began very small and grew into large ones. Also, they started with trading and later graduated into manufacturing. In a study of the promoters of 317 non-government manufacturing companies incorporated after April 1, 1947 through March 31, 1972, and which came for public issue, Sharma found that "despite all-round change in environment, the manufacturing activity still remains an exclusive preserve of those families which are rooted in trading, import-export, financing and allied activities. For branching off into manufacturing, one has to tread along the familiar path of mercantile activity. The accumulation of surplus in a particular activity is the main determining factor, and that takes place in business more than any other activity. Among the large industrial houses which came to promote enterprises after Independence, 71% had originated in business, 12.5% in land and real estate, 8.3% in business employment and the remaining ones in sharebroking and teaching."¹

¹ Sharma, R.A. "Emerging Patterns of Industrial Enterprises in India", THE DEVELOPING ECONOMIES, March 73, pp.39-61.

INNOVATIVE PRODUCTS AND SERVICES

For survival and growth, the small firm often tends to innovate. It goes for a modified product, a new product, a new line altogether.

Studies of patent records show, it is reported, that the majority of major innovations originate with the individual or the small firm. There is ample evidence that small firm pioneer major new products to a very significant extent, even in areas of the most advanced technology. In a study of 61 major inventions of the twentieth century, it was concluded that more than one half can be ranked as individual inventions. Examples include air-conditioning, ball point pen, insulin, jet engine and zip fastener.¹

Of 149 inventions in aluminium welding, fabricating techniques, and aluminium finishing, major producers accounted for only one of seven important inventions.

Of 13 major innovations in the American steel industry - four came from inventions in European companies, seven from independent inventors, and none from inventions by the large American steel companies.

Of 7 major inventions in the refining and cracking of petroleums - all 7 were made by independent inventors. The contributions of large companies were largely in the area of improvement inventions.²

1 Broom, H.N. and Longenecker, Justin G, SMALL BUSINESS MANAGEMENT (Cincinnati: South Western Publishing Co.1971)p.11

2 Shapero, Albert. DO SMALL AND MEDIUM SIZED BUSINESSES HAVE A FUTURE IN A LARGE MARKET? Graduate School of Business, University of Texas at Austin. Occasional paper. Undated.

For valid reasons, the big firm prefers the status quo. There is often a fair sized investment in an existing product and a brand new product may mean not merely the discontinuance of an existing product but scrapping the manufacturing facilities associated with it. The best it would do is to effect an improvement in the existing product. New products for large firms may not be an economically attractive proposition.

~~to kill and
exist
for a while
expensive~~

THE SEEDBED FUNCTION

No published study is yet available. Impressionistically speaking, in the past thirty years, many small businesses in India have growth into big businesses, much beyond the dreams of the founder entrepreneurs. This is the case in U.K. and U.S.A. too. In other words, small firms have been and still are the natural seedbed of new industries, new talent and the large companies of the future. This is well for the economy. As the Bolton report puts it,

"the health of the economy requires the birth of new enterprises in substantial number and the growth of some to a position from which they are able to challenge and supplant the existing leaders of industry. An economy totally dominated by large firms could not for long avoid ossification and decay. The maintenance of a thriving small firm sector provides a long term

safeguard against this. The "seedbed" function is thus a vital contribution of the small firm sector to the long run health of the economy."¹

SMALL FIRM AND EMPLOYMENT

The small scale sector holds promise of helping tackle a major socio-economic problem of the country and that is the problem of unemployment and underemployment. More enterprises ^{would} means more jobs; and more small enterprises ^{would} means proportionately more jobs; proportionately more jobs because small enterprises tend to be labour-intensive.

THE UNEMPLOYMENT, UNDEREMPLOYMENT PROBLEM

Unemployment or underemployment has been, is, and will for a long time be one of our major socio-economic problems. The problem is of a colossal size. The estimated number of jobs India immediately needs is of the order of 40 to 50 millions.² It is better to take it as 50 million since in this area one can never err doing a little more, a little faster. And these fifty million jobs are required in the 2641 cities and towns and the 575721 villages.³

The requirement cannot be static; every year, this requirement will be more. With about 50 million pupils in

1 Bolton, op. cit., p.85

2 Schumacher, E.F. SMALL IS BEAUTIFUL (New York: Harper & Row, 1973) p. 209-210.

3 INDIA 1976. (New Delhi: Publications Division, Ministry of Information and Broadcasting).

primary schools; almost 15 million in secondary schools and roughly 1.50 million in centres of higher learning, we have to think of over 5 million new jobs every year. Schools apart, there are other agencies that make a contribution to the employment pool. Defence services for example, contribute nearly 100,000 men of ~~all~~ different ranks who are retired in their late forties or early fifties.

THE CAPITAL REQUIREMENTS

Jobs mean work and to do productive work, we need capital to procure the equipment, the tools and the like. And how much capital do we need and how much capital can we afford to establish a new job; this would be the next question.

To provide for one work place in small industry, it is estimated, that the average investment required is Rs. 5000.¹ This of course will vary from industry to industry.

Taking the average investment as a measure, to provide 50 million workplaces, the capital required will be Rs.250000 million. In enterprises other than industry, the per work place requirement will be much less.

How much can we afford for each workplace and how soon can we spare the amount? The total national income at current prices is of the order of 500000 millions of rupees.²

1 Rao, Venkata B.S. ROLE OF INDIGENOUS ENTREPRENEURSHIP IN SOUTH EAST ASIA'S TAKE OFF. (Hyderabad: Small Industry Extension Training Institute, 1976).

2 INDIA 1976. (New Delhi: Publications Division, Ministry of Information and Broadcasting).

If in 10 years, we can make available 5% of our national income, we have a total of Rs. 25000 crores for the establishment of workplaces. This means we can afford to spend an average of Rs. 5000 per workplace. At that level of capital investment per workplace, we could afford to set up five million workplaces a year.

THE SPREAD REQUIREMENTS

The "five million workplaces" have great significance for our country. If the central problem is how to bring health to economic life outside the few big cities, in the small towns and villages which still contain over 80 per cent of the population, the prevalent approach has to be reconsidered. To quote Schmacher again,

"as long as the development effort is concentrated mainly on the big cities, where it is easiest to establish new industries, to staff them with managers and men, and to find finance and markets to keep them going, the competition from these industries will further distrupt and destroy non-agricultural production in the rest of the country, will cause additional unemployment outside, and will further accelerate the migration of destitute people into towns that cannot absorb them. The "process of mutual poisoning" will not be halted."

*Process of mutual poisoning
in big cities*

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Positively speaking, the major developmental thrust should be in the creation of an

"agro-industrial structure in the rural and small town areas. The primary need, therefore, is workplaces, workplaces where people are living now, in rural areas and small towns. In their absence, the drift of people into the large cities with all its implications cannot be mitigated, let alone halted."¹

THE TIME REQUIREMENTS

And how soon do we need these fifty million jobs? The answer often is: Yesterday! To appreciate this urgency we have to realise the human dimensions of employment. It is more than a problem of bread and butter; it is a problem of human dignity. The greatest deprivation anyone can suffer is to have no chance of looking after himself and making a livelihood.

"All important insights are missed if we continue to think of development mainly in quantitative terms and in those vast abstractions - like GNP, investment, savings, etc. - which have their usefulness in the study of developed countries but have virtually no relevance to development problems as such."²

¹ Schumacher, op. cit., p.173.

² ~~uvudm~~ p.240.

ib. Ibid. p.193
2

Whether it is good for a country for fifty million people to be virtually idle is one thing. The other is whether they are in a mood to wait for an uncertain period. Sensing this mood, political leaders play the situation up and say that things can be done overnight. What have been rising expectations, since independence, have become accelerated expectations.

THE GESTATION TIME FACTOR

It is in this context we have to ask another question: How long does it take for an enterprise to take shape? In the past sixty years, things have changed.

"A vastly increased span of time now separates the beginning of an enterprise from the completion of the job." Schumacher observes that "the first Ford car, from the beginning of the work to its appearance on the market, took four months, while a mere change of model now takes four years. Second, a vast increase in capital committed to production. Investment per unit of output in the original Ford factory was infinitesimal; material and parts were there only briefly; no expensive specialists gave them attention; only elementary machines were used to assemble them into a car; it helped that the frame of the car could be lifted by only two men.

Third, in these sixty years, a vast increase of inflexibility. Galbraith comments: 'Had Ford and his associates (in 1903) decided at any point to shift from gasoline to steam power, the machine shop could have accommodated itself to the change in a few hours.'. If they now try to change even one screw, it takes that many months. Fourth, increasingly specialised manpower, not only on the machinery, but also on the planning, the foreseeing of the future in the uttermost detail. Fifth, a vastly different type of organisation to integrate all these numerous specialists, none of whom can do anything more than just one small task inside the complicated whole. 'So complex, indeed, will be the job for organising specialists that there will be specialists of organisation. More even than machinery, massive and complex business organisations are being tangible manifestations of advanced technology.' Finally, the necessity for long-range planning, which, I can assure you, is a highly sophisticated job, and also highly frustrating...!'¹

¹ Ibid., pp.211-212.

SMALL SCALE ENTERPRISE - ONE ANSWER

When promoting development is talked about, we have presumably in mind people, not goods. If goods, it is goods for people.

If it is people, which particular people? Where are they? What type of help do they need? Concern for people raises countless questions like these.

When a solution is found, it will be in good part through a system of small enterprise development, country-wide and community-wide.

EMPLOYMENT, A BY-PRODUCT

The relationship between enterprise and employment should, however, be seen in perspective. Enterprise can be a product but employment is often a byproduct. No industry, big or small, is set up to create employment. Employment gets created when an industry, big or small is set up. To increase the chances for this byproduct, the chances of the product (or enterprise) should be increased consciously. Even the government cannot afford to set up, except symbolically, organisations, just to provide employment for people in a geographical area.

If enterprisers employ people it is because they have to, not because they love it. In other words, for the

enterpriser, providing employment is not a personal goal but a situational necessity. One can go to the extent of saying that if he can set up and operate a plant with a push button, he would prefer to. ^{do so} To him the employee is a convenience and not a concern. This is a harsh reality, made harsher by militant unionism.

Idealogies apart, recognising its place in the economic development of the country, the government of India has proposed to encourage the establishment of small scale industries to the extent of 200,000 additional units during the Fifth Plan period.

QUALITY OF LIFE AND COMPETITION

Raising the quality of life for the people is the raison d'tre of freedom. And what can raise the quality of life?

Among others, improved goods and services can raise the quality of life. These become possible only where there is competent competition. Competition means hope for the customer. The customer has the freedom to choose.

In the absence of competition, the large firms can take cover under the plea, "Our overheads are high. Take it or leave it." When competent competition is offered by the small firms whose overheads are relatively low, the big

firms tend to reconsider their stand, rationalise the costs and revise their prices, resulting in the customer getting value.

Often, a giant of an enterprise tends to become distant, impersonal, and overbearing. This is as true of private sector as of public sector. To them, the customer is almost an inconvenience.

When a business is small, when it is almost community-based, when there is the near personal attention and concern of the owner-manager, transactions are more human and life is more pleasant. It is certainly possible for big companies to keep the small business touch but few seem to strive and fewer seem to succeed. The human touch comes naturally, almost situationally, to the small firm. From the quality of life point of view, the small sector offers much to the people.

QUALITY OF LIFE AND DECISION-MAKING

Economic development is primarily a question of getting more work done faster. What will get more work done faster? One is having more decision-makers, at more unit levels.

Where organisations are large, decision-making is centralized in top management who happen to be a small group.

The key decision-makers have so much time and no more. The result is that men and productive resources wait endlessly and helplessly. ^{at first} Opportunities for the creation of new wealth get irretrievably lost. The ~~reser~~ key resource in national development, namely, the time resource, gets neglected, ignored and shortchanged in such a situation.

On the other hand, when the units are small and many, the decision-makers are many; and decisions—both in quantity and quality—get a better deal. Resources tend to turn into results sooner and better. Sooner because there are more people who are more concerned. Better because there are more of human, non-computer, decisions. As Schumacher observes,

"the best decisions will still be based on the judgements of mature non-electronic brains possessed by men who have looked steadily and calmly at the situation and seen it whole."¹

Small scale entrepreneurship has a special role in regional development which is becoming a political and human compulsion. The local entrepreneur is more likely to bring to his efforts a special passion and devotion to local needs.

¹ Ibid, p.240.

"Each entrepreneurial event is an action experiment, testing some new combination of resources and processes, some new approach to the environment. In the aggregate, entrepreneurial events provide society with a relatively low risk, low cost, actuarial approach to the problem of dealing with an unknown, onrushing future. Entrepreneurship provides a society and a region with a multiplicity of independent decision points, each responding to events in some unique way; each working away a piece of the total problem."¹

HUMAN RESOURCES DEVELOPMENT

The most important, though not adequately appreciated or emphasised aspect of the small sector, is its significance on human resources development.

The potential entrepreneur is a human resource. If he is helped to become one, he becomes a results-producing entrepreneur. He makes goods and services for the community. He becomes an asset to himself and to the community. If well-trained and in time, he may even provide a leadership to the community in which he lives and prove a power for the good.

¹ Shapero, Albert. ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT Proceedings of Project ISEED, Summer 1975 (Milwaukee: Centre for Venture Management, 1975) pp. 649-650.

When this human resource is spread out the length and breadth of the country, it creates a number of enterprises. Enterprises bring income and jobs to the region. What is much more important, they help to enhance the quality of an area's human capital and its long term capability to deal with the unknown ^{future} nature.¹

A DEFINITIONAL PROBLEM

To understand and appreciate one other philosophical dimension, we have to look at the definition or description of the small scale enterprise.

Since independence our focus has been on industry, not enterprise per se. We have however, been alert in re-defining small scale industry. In 1955, we defined a small industry as "a unit employing less than 50 persons if using power, and less than 100 persons without use of power and with capital assets not exceeding Rs. 0.5 million." In the light of experience, this was revised thus; "Small scale industries will include all industrial units with a capital investment of not more than Rs. 0.75 million, irrespective of the number of persons employed. Capital investment for this purpose will mean investment in plant and machinery only." Since May 1976, the investment figure has been revised upwards to Rs. 1 million.

¹ Jacobs, Jane. THE ECONOMY OF CITIES (New York: Random House, 1969)

In countries where the emphasis has been on small firms as against small industries, the emphasis is on ownership and field of operation and not on capital investment. According to the Small Business Act of 1953 (of USA), a small business is "one which is independently owned and operated and not dominant in its field of operation." In the view of the Committee for Economic Development, any small business is characterized by at least two of the following key features:

1. Management is independent. Usually the managers are also owners.
2. Capital is supplied and ownership is held by an individual or a small group.
3. The area of operations is mainly local. Workers and owners are in one home community. Markets may or may not be local.
4. The size of the firm is small relative to the industry. The size of the top bracket varies greatly, so that what might seem large in one field would be definitely small in another.¹

In Smith's observation, a small firm has three characteristics. Firstly, in economic terms, a small firm is one that has a relatively small share of its market. Secondly, an essential characteristic of a small firm is that

¹ Klatt, Lawrence A. SMALL BUSINESS MANAGEMENT (Belmont: Wadworth Publishing Company, 1973) p.4

it is managed by its owners in a personalized way, and not through the medium of a formalized management structure. Thirdly, it is also independent in the sense that it does not form part of a larger enterprise, and that the owner-manager should be free from outside control in taking their principal decisions.¹

Idle manufacturing capacity is a national loss that cannot be retrieved. One of the major reasons for such idle capacity is the inadequate attention given to the marketing and distribution of products. More distributive enterprises are needed to sell what we grow or make. This probably explains why 70 per cent of small business in U.S.A. is in distribution. If we concede this reality, we will talk less of middlemen and more of total economic activity, the activity of making and distributing. Consequently, we will encourage as much distributive enterprise as we do manufacturing enterprise.

A PROPOSED DESCRIPTION OF SMALL ENTERPRISE

To get the many benefits of small scale enterprise for the country and the community, we should sort out the definitional problem. One way to do it is to avoid putting restrictions on the nature of the enterprise for meriting governmental support. We may, where required, extend more facilities to one kind of enterprise and less to another but

¹ Smith, N.R. THE ENTREPRENEUR AND HIS FIRM: THE RELATIONSHIP BETWEEN TYPE OF MAN AND TYPE OF COMPANY. MICHIGAN STATE UNIVERSITY, 1967.)

all enterprises should be treated as ventures meriting encouragement and support. The emphasis can then be just on small venture, on small enterprise. A small enterprise, thus, can mean a shop, a repair service, a school or an entertainment unit as much as an industry. The ownership can also be unrestricted and not limited to cooperative societies and the like, in view of the fact that so often an enterprise is the brain-brawn child of a single person. The one limitation that may be permissible under the circumstances (in view of the state support for the economically weak sector) will be the capital invested in the enterprise.

ENTREPRENEURIAL RESEARCH

Definitional problem is, however, only one of the problems. There can be several others relating to small scale entrepreneurship. Research can highlight these problems and provide guidelines for action.

In the years to come, entrepreneurial research may get needed attention. Till recently, however, entrepreneurial research, and more so entrepreneurial research in the small scale sector, has not received sufficient attention, for some good reasons.

One reason, according to Lokanathan, is the over-emphasis on quantitative models, on the part of researchers.

He approvingly quotes Fritz Redlich, "Figures have become the fetish of 'enlightenment,' the exponents of which tend to forget about the non-commensurable elements of the phenomena and in their analytical thinking typically dissolve qualities, so as to make quantities crystallize in the solution." "Moreover", says Lokanathan, "entrepreneurial research is a complex field. The economic researcher must draw on other disciplines - especially history, psychology, sociology and political science. This type of integrated approach requires either organized team work or an unusually comprehensive and far-reaching mind."¹

In our country there are additional reasons for the inadequacy of entrepreneurial research, besides the facts that our entrepreneurial history is a little over two decades and there is a paucity of base data. Before independence certainly and even after independence, the entrepreneur industrialist's part in the country's progress has remained in the background. It is the political and religious leaders that have received the attention of the researchers. Again, the social values have been more in favour of positions of power and authority than of entrepreneurship. The businessman may get the envy of the public but someone else gets the respect, for example, the administrator. The result is that, except in a very limited way, even biographies of well-known entrepreneurs have not been attempted yet.

¹ Lokanathan, P.S. SUPPLY OF ENTREPRENEURS AND TECHNOLOGISTS (with special reference to India). Paper presented at International Economic Association, 1960) p.1

SMALL ENTERPRISE RESEARCH

Even where business research is concerned, the small business sector has not been found attractive by social scientists.¹

The great diversity, individualism and number can mean that valid findings with wide application are not easily come by in the small scale sector. The small business owner-manager is unlikely to have had much formal education, much less management education. Therefore he is not likely to speak the jargon of the social scientists.

Researchers find it easier to communicate with managers in large businesses. Also, the latter are more likely to have the time and the inclination to answer the needed questionnaires.

Again, it is big business that has the resources to commission research into its problems. Atleast this is true in the more developed countries.

The bias of social researchers towards large businesses and their problems, has led to an overconcern with 'management' as opposed to 'entrepreneurship'.

It will be clear now why we should encourage more and more entrepreneurship studies in the small scale sector if

¹ Stanworth, MJK and Curran J: MANAGEMENT MOTIVATION IN THE SMALLER BUSINESS (Epping: Gower Press, 1973) p.14.

we should build a body of knowledge on entrepreneur resource management.

THE ENTREPRENEURIAL MAN AND THE ENTREPRENEURIAL FUNCTION

The small enterprise has been dealt with at length because the primary entrepreneur is almost identical with the small scale entrepreneur. The entrepreneurial function is performed without doubt in large corporations but by a team of men and women. The entrepreneur - the man that conceives and creates a venture - is a small enterprise phenomenon. To use an analogy, the entrepreneur does the inventing function; the executive team does the innovating function. The enterprise creates; the executive extends. In one, the emphasis is on man, the human aspect; in the other, it is on the function, the economic aspect. Though the human aspect and the economic aspect do not form water tight compartments, in this study, the focus is on the entrepreneurial human resource, and therefore, the man.

CHAPTER 5A CRUCIAL STAGE IN THE LIFE OF AN ENTERPRISE AND THE CAREER
OF AN ENTREPRENEUR

In the life of an enterprise, the three distinct stages are: commencement, maintenance and growth.

Without doubt, maintenance of an enterprise is important, once it is started. It should be managed and managed well. A loss making enterprise (or "a sick" one as we call it in India) is a liability not merely to the individual owner but to the community.

Equally important is the growth of an enterprise. If the enterprise remains static, it may suffer not only quantitatively but qualitatively. Occasionally, to preserve quality, we may have to contain quantity. Taken by and large, however, growth is in the very nature of an organism and an enterprise is an organism. Because of certain inadequacies on the part of the entrepreneur, an enterprise may not grow at all or grow only marginally.

*personhood
sense
R.B.*

Maintenance and growth of an enterprise are subsequent stages. The primary stage is the commencement stage of an enterprise. Commencement is not merely the primary stage but in countries like India, it is the significant stage.

A NON-COMPETITIVE ECONOMY

Where it is a case of competition, the able maintenance and orderly growth would be crucial for enterprises. In fact, where there is competent competition (as probably is the case in countries like the U.S.A.), the second two stages may be critical. Either one does a good job or goes under.

In countries like India, there is not much of competent competition. Even where it exists, it is not very severe. Once an enterprise gets going, therefore, by the sheer momentum of its birth, it is likely to go on for quite some period. A non-competitive environment will see to it that the enterprise keeps floating, if not growing. The enterprise may not stay quite healthy but it rarely discontinues.

THREE STAGES OF AN ENTERPRISE

If we examine the history of small enterprises in the country, we find many of them have grown large and fast. Some have grown not so much because of the entrepreneur but in spite of him. The growth is often because of the circumstances. Since many enterprises have a fair chance of growing and fast, the emphasis in our context should be on the creation of an enterprise. Elsewhere in the world the emphasis may have to be on other stages of the enterprise.

All the three stages in an enterprise are related but they are different sets.¹ They relate to different human attributes - one set leads a man into starting an enterprise; another to run it successfully; and a third to bring about dynamic growth. In terms of developmental assistance, again, we have to think of three problems - one is the problem of generating entrepreneurship and another is helping people who are already on this road but have problems; and a third is spotting and supporting the growth entrepreneurs.

In view of its place in entrepreneur development and in view also of the importance, to the individual entrepreneur, it will be well to focus attention on the startup stage of the enterprise.

THE INITIAL HANDICAPS

Starting an enterprise is by no means easy. It requires great deal of effort, personal commitment and energy. It means trading the familiar for the unfamiliar, accepting a large measure of uncertainty, undertaking long-term financial obligations, committing oneself to long hours and a good possibility of failure. An enterprise is the result of a supreme act of will. Such an act is unusual and such will is uncommon. To visualise the tangible results ten years from birth is not easy. To visualise what it means to conceive and bring forth an enterprise calls for a lot of imagination and goodwill.

¹ Schrage, Harry. FIRST ANNUAL KARL A. BOSTROM SEMINAR IN THE STUDY OF ENTERPRISE PROCEEDINGS. (Milwaukee: Center for Venture Management, 1970) p.10

Taken by and large, this imagination and goodwill and the resulting enthusiasm for the birth of an enterprise or its founder do not seem to be there in good measure.

The family members think that a venture is an unwarranted and avoidable risk. They dissuade the budding entrepreneur, openly or otherwise, from venturing. They keep back moral support.

The members outside the home, presumably appointed to assist such men and women, are not better at support. There are exceptions but, taken by and large, those in charge of nationalised banks and specified financial and other institutions do not live upto the spirit of these organisations. They turn a cold shoulder to the new-comer, more so if he is not properly introduced by economic or political power.

The would-be colleagues do not extend eager support either. Those who are already in the line do their best to keep him out.

The founder of a steel furniture company told us this.

"A blacksmith met me one day for a job. I asked him what he can make. He said he can make steel cupboards. We were making wood furniture then. I have been telling myself that one day I will manufacture steel cupboards. I said I will experiment with this man. To get a feel of the market,

I placed a small blind ad in a local daily. Whoever read it or no, the competitor read it. I learnt later that my ad created a sensation in the headquarters of the major steel furniture manufacturer in Bombay. The panic was such that to block competition (!) their management decided to reduce the price of the cupboard by a walloping thirty per cent and with instant effect! Jokingly I told a friend: If they had offered me 0.3% on their steel cupboard sales, I would have offered to permanently retire from the market!"

The supplier and the customer reserve their rough treatment for the new entrepreneur. The supplier wants ready cash and in advance; and the customers want a year's credit! Once the entrepreneur is on his feet, the story of course may be different.

The government's delay is almost reserved for the entrepreneur in the making. We have not come to a stage when papers move by themselves. We need pull; and we need to push. The small entrepreneur does not have 'the know-how' or the manpower to move the papers to their logical conclusion.

Then, of course, we have the laws governing the many activities of an entrepreneur. The implementation machinery works in such a way that one comes to know of an act only when he is "caught" for violating it. What the laws are and how to be on their right side one has to find out oneself.

The entrepreneur in the small scale on the other hand is like an orphaned child. People at best pity him - they don't help him. He has to do everything for himself. He can be exploited by the customer, the supplier and the rest of them. He does not have a platform or a mouthpiece. No one cares whether he lives or dies. If he survives the struggles and succeeds, everybody is for him - he gets the other treatment but until then lies many cold nights.

RECOMMENDATIONS FOR RELIEF

Several studies brought out the problems of the small scale entrepreneur; and government has been taking action on the findings and recommendations, with a view to providing relief and help to entrepreneurs.¹

A relief recommended or even announced, however, is not a relief given. Old habits die hard. According to some of the entrepreneurs in the making, the spirit of the announcements is still to pervade the implementation desks. The welcome aspect is the direction in which the policies are moving. One can hope that the implementation will not far lag behind.

Nearly forty agencies have been set up by the government to encourage small scale industries development;

¹ Two examples are:

Financing Small Industries. Report of the Study Team of the State Bank of India, 1975.

Operational Difficulties of Small Scale Industries. The Indian Indust Institute of Public Administration (Maharashtra Regional Branch), 1970.

and fulfillment. An organisation structure for achievement, appointment of concerned and competent personnel to key positions, a purposive review of projected and actual results - without these, the existing schemes face a great danger. The danger is that we project here and abroad the illusion created by pious intentions, 'proper' structures and publicity words, and ^{we} mistake it for reality. The reality is that there is an avoidable and widening gap between what is possible and what is available."

"Also, there is a belief that finance is everything. And even that belief is not in full measure. Otherwise, you won't find this wide gap between loans sanctioned and loans dispersed.

"As I said, we have progressed. Only we have not progressed as fast as we can. Our agencies have a long way to go to serve the common cause. They should measure themselves not alone by what they have done but by what they can well do but not have done. Otherwise, more and more agencies may impress others but only depress the concerned public."

This is not the view of all the people interviewed by us. Many are satisfied with the way the things are being done. It is, however, found that those who are so satisfied are entrepreneurs who are otherwise well-provided and who avail of governmental and bank assistance because

they are available. Stating it differently, these are the people who need at best 25% of financial assistance and who get 75%! Delays, however long, do not matter to them. Those who find difficulty are those that need 75% of financial assistance and who in effect get 25% and even that without a sense of certainty.

THE CRUCIAL PERIOD

As in the case of a human being, so in the case of an economic venture, the few months before and after the birth are the most crucial months.

If the rigours are to be less, if the results are to be satisfactory, the entrepreneur and the enterprise need some thoughtful attention.

In the case of the enterprise, the concerned public can do things in such a way that they do not add to the inevitable problems the entrepreneur has to face, the pains he has to endure. Positively speaking, they can extend moral, market, monetary and management support in the early years of the enterprise.

In the case of the entrepreneur, his place should be recognised and provided for. The entrepreneur is central to an enterprise. The strength of the entrepreneur is the strength of the enterprise.

SPOTTING THE HIGH POTENTIAL ENTREPRENEUR

This becomes clear when we see the elements that go into the formation of enterprises. Shapero has noted four of them, namely, (i) displacement of the nascent entrepreneur - a situational variable; (ii) an apparent disposition to act on the part of the nascent entrepreneur - an individual psychological propensity; (iii) examples or models of behaviour that impart credibility to the act of forming a company for the nascent - entrepreneurs - a social psychological or culturally contributed variable; and (iv) availability of resources to the nascent entrepreneur for starting a new company - an economic variable.¹

In many countries including ours, entrepreneur development has meant giving attention to the final ingredient, namely, making available financial and other resources. This leaves the other three steps to the self-chosen entrepreneur, and the entrepreneur is taken for granted. This probably explains why studies of entrepreneurs in other countries (like Sweden, Italy and Philippines) show that "despite the proliferation of various governmental development "banks" or 'funds' of one kind or another they play a small role in the startups studied to date."² Not giving sufficient attention to the central

¹ Shapero, Albert. THE ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT AT LESS THAN NATIONAL LEVEL. (Austin: University of Texas, 1977).

² Ibid., p.44.

figure, the entrepreneur, can keep the activities high but not the achievements.

There are a few exceptions. Gujarat Industrial Development Corporation (GIDC) is one. GIDC has made a bold attempt to select systematically high potential entrepreneurs for their sponsorship and support and has obtained above average results.¹

We have one great advantage in our country today. Few small scale entrepreneurs can start off without the active support of government and financial institutions. This gives us a unique opportunity to concentrate on men and women that are nascent entrepreneurs. This gives us an unusual opportunity to do entrepreneur development by design: we can select high potential entrepreneur material for our sponsorship and support; we can assure the nascent entrepreneur making the needed preparation so that he can increase the chances of success.

To do so, however, we need to have the advantage of relevant concepts and techniques developed here as well as elsewhere in the world. This valuable information though not yet considerable is becoming increasingly available. The relevant part of this literature is reviewed in the next few chapters.

¹ Gujarat Entrepreneurial Development Programme Mimeographed booklet published by Industrial Development Bank of India, Project Promotion and Consultancy Division. (Undated)

CHAPTER 6SURVEY OF LITERATURE:ENTREPRENEURIAL MOTIVATIONS: SOME THEORIES

"What makes a man give up a steady job and risk his livelihood for the sake of a business of his own? Even a casual glance at the hazards would seem to be enough to dampen most people's spirits:

- * You give up your security. For, if you do as most do, you plunge your savings into the venture and have nowhere to turn, if disaster strikes.
- * You take on a multitude of worries that far outweigh anything you have had to put up with before. You must pay rent, meet a payroll and deal with suppliers, tax authorities, slow-paying customers and any number of other sources of irritation.
- * You work harder and longer than you ever have. Evenings and week ends go down the drain - and see whether you can find a man who dared take a regular vacation in the first years of a new business.

Yet thousands brush those objections aside with a flick of the wrist."¹

¹ Should you go into Business for Yourself? CHANGING TIMES
The Keplinger Magazine, October 1959, p.7

WHAT ARE THE MOTIVATIONS OF PEOPLE WHO CREATE AN ENTERPRISE?

There has been an expanding exploration of the entrepreneurial event. There has been a continuing effort "to explicate and delienate the contextual, situational, social and psychological factors that combine in the generation of that extraordinary act, the formation of a company or its intraorganisational or civic equivalent."¹ The work, of necessity, has been multidisciplinary, drawing upon methods and materials from psychology, sociology, anthropology, economics and business.

Who starts new enterprises and under what conditions? Are there systematic patterns to be observed in the formation process? In what ways does the formation process vary by culture, country, and region?

Several theories have been developed - through insight, observation, and field studies. Some theories focus on the individual and others on the social context, since the entrepreneur is both an individual and a product of the social context.

In this chapter we will briefly summarise the many theories propounded.

¹ Shapero, Albert "ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT" in ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT: A WORLDWIDE PERSPECTIVE PROCEEDINGS OF PROJECT ISEED 1975 (Milwaukee: Project ISEED LTD., 1975) p.637

Taking the entrepreneur as an individual, each school of psychology - the psychoanalytical school the behavioristic school and the humanistic school - offers a theory of the entrepreneur.¹

THE PSYCHO-ANALYTICAL SCHOOL

The psychoanalytical school tends to classify the entrepreneur on a scale ranging from normal to psychotic.

In terms of Freudian psychology, the entrepreneur has unresolved fears of his father. He cannot, therefore, serve under a strong male figure or in an organization that is not his own. One way out for him is to create and totally possess a business of his own.

In terms of Adler's psychology, the entrepreneur takes to a venture as a compensating mechanism. The infant has power over adults which he enjoys; and, as an adult often spends time trying to recapture this joy. The power drive is particularly important in adults who consider themselves handicapped, whether or not they are handicapped in fact. The way they compensate for their inferiority complex is by trying to get power over people, One way is to have an enterprise of one's own.

1 Copulsky, William and McNulty, Herbert W. ENTREPRENEURSHIP AND THE CORPORATION (New York: Amacon, 1974), p.28-32.

From their depth interview study of a number of entrepreneurs, Collins and Moore conclude that guilt and resentment of authority (arising from the early childhood experience of the entrepreneur) is the force that drives him through life. They maintain that because the child was forced to usurp the father's role, and/or was forced to assume adult responsibilities early in life, a feeling of guilt arose within the child that he was unable to emotionally resolve. They depict entrepreneurship as an escape route. Into this model is fitted the resistance to authority, quick decision-making, innovation, and risk-taking. Collins and Moore maintain, that these characteristics have all evolved, to cope with this unresolved guilt. In terms of goal attainment, the entrepreneur spends his life running away from these emotional problems, rather than towards any specific situation or goal. Thereby the entrepreneur cannot stop working because idleness would free him to confront the problem he has spent his life trying to escape.¹

According to Eric Berne, the founder of Transactional Analysis, people tend to follow scripts written for them early in life by parents or parental figures in their early environment. Depending on this background, the achievement and power-oriented people have the seeds of becoming entrepreneurs. David C. McClelland observes: "The evidence

¹ Collins, Ortis and Moore, David G. THE ORGANIZATION MAKERS (New York: Appleton-Century-Crofts, 1970.

suggests it is not because they (high-need achievers) are born that way, but because of special training they get in the home from parents who set moderately high achievement goals but who are warm, encouraging and non-authoritarian in helping their children reach these goals."¹

THE BEHAVIORISTIC SCHOOL

The behavioristic school, founded by John B. Watson and led now by B.F. Skinner, maintains that man's motivations are primarily the result of external environmental influences. This school views the behaviour of the human organiser as a manifestation of stimulus - response bonds. When a certain stimulus is felt by the individual, he will react according to his learned responses.

This school favours a view of the entrepreneur that could be called "the stranger hypothesis", based on the observation that minorities and foreigners give rise to a disproportionate share of entrepreneurial talent. Jews in Europe, Chinese in the East and Indians in Africa are given as examples.

Kunkel² suggests that entrepreneurial behaviour, being a function of the surrounding social structure, can be readily influenced by manipulative, economic and social

1 MacClelland, D.C. "The urge to Achieve", New Society, 16 February, 1967, p.227.

2 Kunkel, John H. "Values and Behaviour in Economic Development " in ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (ed. Peter Kilby). (New York: The Free Press, 1971 pp.151-180

incentives. According to his behavioral model of the entrepreneur, "man's internal state is beyond the scope of presently available means of measurement and objective analysis, and knowledge of it is largely unnecessary for the explanation and prediction of behaviour."¹ The model is concerned, instead with the expressed activities of individuals and their relations to the previously and presently surrounding social structures and ~~psk~~ physical conditions. According to this model, "the psychological prerequisites of economic development are certain behaviour patterns, whereas the social prerequisites are the determinants of the reinforcing and discriminative stimuli by means of which desired behaviour patterns are shaped and maintained."²

THE HUMANISTIC SCHOOL

The humanistic school, started by the late Abraham Maslow, views man as a driving, seeking individual, attempting to reach the ultimate goal of self completion. It maintains that the real thrust of psychology should be to show how man can reach his full potential, and not merely adjust to being normal or average. Man is moving to achieve a state of self-fulfillment in which he can derive immense satisfaction from realising his capabilities.

1 *ibid*, p.153
 2 *ibid*, p.154

The humanist psychologists argue that man's behaviour is the result of internal drives and instincts as well as external determinants. He is motivated by hope, joy, and optimism. He is self-motivated and self-governed. In their view, therefore, "the entrepreneur is a prime self-actualizer who fulfills his destiny happily; he enjoys being a doer, and his reward comes from meeting his personal goals."

According to Schumpeter, the entrepreneurs are individuals, motivated by a will power. Their special characteristics are an intuitional capacity to see things in a way which afterwards proves correct, energy of will, and mind to overcome fixed habits of thought and the capacity to withstand social opposition.¹

David McClelland² expounds the theory that 'the need for achievement' (often shortened into n ~~ach~~ or n), "a strong 'inner concern' with achievement" is the characteristic of entrepreneurs. "We have found that entrepreneurial behaviour is exhibited by people who are high in n achievement in (1) their desire to take personal responsibility for decisions (2) their preference for decisions involving a moderate degree of risk and (3) their interest in concrete knowledge of the results of decisions."

1 Schumpeter, J.A. ~~The~~ THE THEORY OF ECONOMIC DEVELOPMENT (Cambridge, Mass.: 1934), pp. 151-180.

2 McClelland, David C. "The Achievement Motive in Economic Growth" in ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (ed. Peter Kilby) (New York: The Free Press, 1971), pp. 109-122.

Achievement-oriented ways of thinking can be fostered.

"Such training can provide an individual with the means that will allow him to change his own motivation if he wants to do so."¹

Hagen² identifies two exogenous variables as being instrumental, withdrawal of status respect and relative social blockage to the development of entrepreneurs. He sees the entrepreneur as a creative problem-solver interested in things in the practical and technological realm, and driven by a duty to achieve. His 'creative personality' is an individual characterized by a high need for achievement, order and autonomy. Hagen develops his theory in the context of the economics of Asia and Latin America. In such economics, economic development is seen almost exclusively as a process of technological change which is brought about by the technological creativity of individuals in the society.

Jack D. Winberg enunciates a psychological advantage theory. That is the idea of self assuredness and self-confidence, thinking rich instead of poor, even when the man has no money; thinking 'big' instead of 'small'; knowing within himself he is worthy; that he has a good and viable plan instead of one that might not be so good or might not work; believing that if he wanted something/

1 *ibid.*, p.116.
2 Hagen, Everett E. "How Economic Growth Begins: A Theory of Social Change" in *ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT* (ed. Peter Kilby) (New York: The Free Press, 1971) pp.123-137.

all he would have to do is to work for it; wanting to be in control of what happens to him in his life, instead of letting things be decided for him and so on.¹

SOME SOCIOLOGICAL THEORIES

Sociologists have developed theories of entrepreneurial motivation, arguing that "psychological theories postulating the very nature of mankind cannot substitute for empirical observations which offer meaningful explanations of behaviour in terms of sociological factors... it is more meaningful to look at individuals, their past experience, their interpretation of present situations and their expectations of the future in any exercise designed to understand or predict empirical behaviour."²

According to Weber, the entrepreneurial energies are generated by what is described as "the Protestant Ethic". The religious beliefs associated with it produce intensive exertion in occupational pursuits, the systematic ordering of means to ends, and the accumulation of productive assets. These characteristics are present in the very community he lives and works. Weber sees thus causal relation between ideological values of the society and entrepreneurial behaviour. It is the society which shapes the personality of the individual as an entrepreneur.³

¹ Winberg, Jack D. "We Call them Entrepreneurs: A behavioural viewpoint" A paper presented at a Center for Venture Management (Milwaukee) seminar April, 1973.

² Stanworth, MJK and Curran J. MANAGEMENT MOTIVATION IN THE SMALLER BUSINESS (Epping: Gower Press, 1973), p.28.

³ Kilby, Peter: ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (New York: The Free Press, 1971), p.7

Cochran's theory¹ of entrepreneurial supply stems out of his comparative studies of the U.S.A. and Latin America. The key elements in his system are cultural values, role expectations, and social sanctions.

Entrepreneurs are neither deviant nor supernormal individuals, but ones that represent society's modal personality.

"In the modal entrepreneur (and in general the modes seem broad) there is a channel through which diverse, and in themselves intangible, social forces translate their effects into economic action; a point where social factors can be observed and estimated for relative intensities... Entrepreneurial roles are defined by the ideas of those important to the success of the actor... This relatively simple framework of an entrepreneurial role defined by the personality of the actor, the expectations of groups with power to sanction deviations from expected behaviour, and the operational needs of the function to be performed, subsumes all the social or cultural factors."²

Another sociological theory that may be described as "the solidarity theory" is that of Frank Young.³ Young shares Cochran's position as to the importance of personality factors but not his focus on values and society-wide phenomena. Young is solely concerned with inter-group

¹ Cochran, Thomas C. "The Entrepreneur in Economic Change" in *ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT* (ed. Peter Kilby) (New York: The Free Press, 1971), pp. 95-108.

² Kilby, op. cit., p.13.

³ Young, Frank W. "A Macrosociological Interpretation of Entrepreneurship" in *ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT* (ed. Peter Kilby) (New York: The Free Press, 1971), pp.139-150.

relations. "A group will become reactive when two conditions coincide - a group is experiencing low status recognition and denial of access to important social networks, and it possesses a greater range of institutional resources than other groups in society at the same system level."¹ This leads to what may be called sub-group solidarity theory, or what Young calls "mediation model," mediating as this causal factor does between structural factors and consequent economic growth.

Cochran and Young, like Weber, emphasise the importance of society in shaping the entrepreneurial personality and consider that the key ingredients in the emergence of entrepreneurs are cultural values, role expectations, social sanctions and inter-group relations in society.

Stanworth and Curran² point out that the owner-manager of the small business is what may be called "a socially marginal person."

"By 'social marginality' we mean a situation in which there is a discontinuity between the individual's personal attributes - for example, physical characteristics, intellectual make-up, social behaviour patterns - and the role or roles which the individual holds in society."³

1 *ibid.*, p.

2 Stanworth MJK and Curran J. *MANAGEMENT MOTIVATION IN THE SMALLER BUSINESS* (Epping: Gower Press, 1973) pp.26-40.

3 *ibid.*, p.29

For example, a coloured doctor in U.K. is in a situation of social marginality because of an incongruence between his role as a professional doctor and his personal attributes. He is involved in two different social worlds but he is not fully a member of either. This may result in psychological discomfort.

Everybody, to some extent, maintains a discrepancy between himself and his social environment. It may reach higher levels in the case of some groups (eg. some individuals and some societies like urban) and some stages (eg. when there is higher rate of social change).

One response to such a problem situation is to recreate his social reality. This may be done positively by embracing a new religion - (eg. the Black Muslims of U.S.A.) or negatively by adopting an extreme ideology. This may also be done by adopting under certain conditions the role of an entrepreneur of a small business.

And what can those conditions be? One is that he is a member of a social group traditionally barred from many other activities by a remainder of the society. In the West, the Jews are an example. In the East, the Chinese are an example.

Secondly, a person with a high social marginality tends to choose the small enterprise as an alternative if he has been exposed to business culture - 'business culture' to mean beliefs and values associated with the ideas that operating one's own business is worthwhile and respectable. An example would be the not-so-qualified son of a businessman.

Thirdly, it can be a structural factor. A structural factor would be the state of economy. If the economy is buoyant, for example, the tendency will be more, since the opportunities will be more.

This theory emphasises the social context of motivation and complements the psychological theories. It does not discount the need for ability and the life. It only emphasises that the small scale entrepreneurs are "more likely to be found in certain areas of the social structure and at times when the economy displays certain characteristics."¹ /k

A SITUATIONAL THEORY

Liles presents a viewpoint which may perhaps be described as a situational theory.² Rather than personality or ego, Liles argues, certain kinds of experiences and situational conditions are the major determinants of whether or not an individual becomes an entrepreneur.

¹ *ibid.*, p.39

² Liles, Patrick R. "Who are the Entrepreneurs?" Business Topics Winter 1974, pp-5-14.

Given a degree of ambition and ability, and given a socially acceptable view of entrepreneurship, two things that prove critical are (1) how ready he sees himself for undertaking such a venture, and (2) how many distractions or obligations he sees holding him back.

Three additional kinds of conditions appear to be major influences on decisions to start ventures and they are (i) deterioration of job satisfaction; (ii) identification of a new venture opportunity and (iii) encouragement to start a company.

The individual's assessment of risk - financial, career, family and psychic - is what finally influences the decision.

ACHIEVEMENT MOTIVATION THEORY AND THE KAKINADA PROJECT

Some of the theories outlined above have been empirically tested. McClelland's Achievement Motivation theory has been tested out more than others.

Since the revised McClelland's hypothesis was given its first field test in India (1963), it would not be out of place to recount the 1963 project, popularly known as the 'Kakinada project'.¹

The study was carried out by David McClelland and his group from the Department of Social Relations at Harvard

¹ *ibid.*, p.29

University, in cooperation with SIET Institute at Hyderabad. The SIET economists identified a number of small cities in South India, all of which had approximately the same population and level of economic development. Of this group five were selected as being the best for their research. Two of the five cities, Kakinada and Vellore, were selected at random to take the research input, the others being used as control cities.

In simple terms, the strategy was one of inoculating a group of entrepreneurs in the two towns with a more virulent strain of the virus of entrepreneurship and then comparing the results of their activities over a period of time with similar businessmen in the control towns. For several reasons, it was decided to measure through close observation the individual activities of the businessmen who had received the 'inoculation' and those of the others who had not.

Training was conducted by Harvard psychologists in an intensive ten day residential course at SIET Institute. Four such courses were attended by a total of 52 businessmen from Kakinada. They paid their own travel costs and took time off from their activities. One ^{of} third of the group were running manufacturing companies, about half were in

commerce and the remainder were educators or lawyers. Their average year was 36 years, the annual gross income of a typical company was \$30,000 and the average net worth of the individuals was \$20,000. An additional 22 individuals in Kakinada plus 35 in Rajahmundry with similar characteristics were selected as controls. In 1965, 26 businessmen from Vellore were given similar training in two groups.

The design of the SIET course was based initially on experimental courses given previously to the managers of large scale industrial enterprises in the USA Mexico City and Bombay.

The participants, after their return to Kakinada and Vellore, were visited by staff members from Harvard and SIET who reinforced the training given and obtained information on changed economic performances. Similar meetings and interviews were held with the control businessmen. Data were recorded on changes in economic behaviour including number of hours worked, new firms or subsidiaries established, changes in the amount of capital invested, volume of employment provided and the increase in the gross income from the enterprise. All of these indicators showed a significant difference between those businessmen who had received the training and those who had not.

Those who participated in the project were already small businessmen. They had been reasonably successful in terms of making a living. "The (Achievement Motivation) course had the effect of making people more entrepreneurial. They expanded their businesses; they hired more people; they made more money; they invested more in their businesses."¹

THE NEED FOR MORE THEORIES

From the experiences in India, it is possible to substantiate or disprove many of the theories outlined above. For example, we may take the social marginality theory. The erstwhile rulers of states and owners of huge lands faced recently a social marginality phenomenon. With rapidly changing social environment, groups of persons which formerly enjoyed certain status because of the position they held in society found that their position was no longer there. To keep the same status and position as before, they positively faced the marginality phenomenon. They took to business, and industry.

Another example would be the solidarity theory. Subgroups that have a solidarity basis - whether a language or a place of origin - have provided a disproportionate share of entrepreneurs. Saraswat Brahmins (Konkinis) and Marwaris are some examples.

¹ Berlew, David E. First Annual Karl A. Bostrom Seminar in the Study of Enterprise Proceedings (Milwaukee: Center for Venture Management, 1970). p.27.

In the above case, we had support for a theory.

We can take another example which provides contrary evidence to atleast one of the theories. According to theories of Weber and Cochran, the Brahmins of South India are hardly entrepreneurial material. In the post-independence period, according to Barua's Study, Brahmins have turned out to be the leading entrepreneurial group in South India.

The propounders of the above theories have each isolated a single factor as a key factor in the emergence of the entrepreneur. Understandably, the originators of the theories and more so their followers, would tend to claim that their theory is about the last word on the subject. While we can appreciate their enthusiasm, we need not subscribe to their judgement. From a managerial point of view, we can only ask: What theory or combination of theories works in a particular context? Since each theory seems to work in one or another context, we can consider all of them as valid.

To go further and faster, we should certainly examine the applicability of these theories. If, for example, certain child-rearing practices will help entrepreneurial motivation, the society should certainly consider it seriously. Only, many of the causal variables mentioned above are not amenable to manipulation by administrative decisions. We need, therefore, theories that are less utopian and therefore more manageable.

eg. subgroup identity
disadvantages
cultural
unsuitability
insecurity

CHAPTER 7

SURVEY OF LITERATURE:

CHARACTERISTICS OF ENTREPRENEURS - SOME FIELD STUDIES

It was pointed out in the earlier chapter that some of the entrepreneurial theories have been empirically tested out. The aim of many of the field studies was to identify and (if possible) measure the personal characteristics of those persons who have successfully started a new business.

THE MICHIGAN STUDY

One of the earlier, better known, and broad-based studies on entrepreneurs was carried out by Michigan State University in 1964.¹

The team consisted of Moore who conceived the idea and developed the proposal, Unwalla who set up the sample design, directed the interviewing, and gathered data, and Collins who analysed the interviews.

To study the successful entrepreneur as a person and explore his personal life, the researchers took the founders of 110 manufacturing enterprises in Michigan, established between 1945 and 1958. They made no distinctions as to the nature of the business size or potential.

The study used interviews to explore entrepreneurial backgrounds. The interview concentrated on the respondent's

¹ Collins, Orvis; Moore, David G., and Unwalla, Darab B. THE ENTERPRISING MAN (East Lansing: Michigan State University, 1964)

entrepreneurial activity; his family background(especially his childhood); his firm's financial, sales, and employment figures; his firm's organization; and his future plans.

The information gained was supplemented by a thematic apperception test (TAT for short) which was given to forty of the entrepreneurs.

91% of the entrepreneurs studied were over the age 40, They were young children during World War I, teenagers during the depression, and soldiers in World War II.

The researchers characterized the early childhood of the entrepreneurs as an escape from insecurity, economic insecurity and coincidentally emotional insecurity. They were in one of four categories - "orphaned and alone", "poor but honest", "off the farm", and "in their father's footsteps".

They concluded that "the road to entrepreneurship is an escape route. The fleeing from an impossible situation, rather than striving for a desired end."¹

"Entrepreneurs are men who have failed in the traditional and highly structured roles available to them in the society. In this, the entrepreneurs are not unique. What is unique about them is that they found an outlet for their creativity by making out of an undifferentiated mass of circumstances a creation uniquely their own: a business firm."²

1 ibid p.52
2 ibid p.244

"The 'carriers' of the basic entrepreneurial values of our society tend, paradoxically enough, to be those who are marginal to the established social networks. They are those who for social, psychological, ethnic, or economic reasons, cannot make a go of it in existing social structure."

CRAFTSMAN ENTREPRENEUR AND OPPORTUNITY ENTREPRENEUR

In another Michigan study of 150 entrepreneurs from 100 enterprises, Smith¹ and his team interviewed the subjects for 2 to 7 x hours on their personal life history, on the history of their firms and their future plans. The firms selected were atleast five years old.

The purpose of the study was "to gain a better understanding of the individuals who are primarily concerned with initiating, maintaining, and aggrandizing a company, and to determine the type of firm that develops in association with the individual."

Smith concluded that there is a strong tendency for the character of the firm to reflect the type of entrepreneur - the craftsman entrepreneur (CE) and the opportunistic entrepreneur (OE).

Smith describes them thus:

a) Sub-Hypotheses

1) The Craftsman-Entrepreneur(C-E) perceives and reacts to

¹ Smith, Norman Haymond. THE ENTREPRENEUR AND HIS FIRM: THE RELATIONSHIP BETWEEN TYPE OF MAN AND TYPE OF COMPANY. Paper published in 1967 by Michigan State University's School of Business, Division of Business and Economic Research.

a limited range of culture when compared to the Opportunistic - Entrepreneur (O-E). Perceiving and reacting to a limited range of culture is defined operationally as follows:

- a) The C-E exhibits narrowness in education and training.
 - i) Formal education - technical only
 - ii) Work experience - technical only
 - iii) Reference group other than management
 - iv) No management sponsor or role-model
- b) The C-E exhibits low social awareness and low social involvement.
 - i) Belongs to professional associations only
 - ii) Limited effectiveness in communication ability.
- c) The C-E- exhibits a lack of flexibility and confidence in his ability to deal with the economic and social environments.
 - i) Does not delegate authority or responsibility in order to allow him to build a large organization.
 - ii) Hires on a particularistic basis.
 - iii) Does not utilize over two sources of capital for the initiation of his business.
 - iv) Organizational sales made mainly on the basis of personal contact and reciprocity.
 - v) Competitive strategy envisaged by the C-E limited to quality, price, and reputation of the company.

d) The C-E exhibits a time orientation circumscribed to the present and the past.

i) The C-E had no long-range plans for the initiation of his company

ii) Has no plans to change the basic character of the company or attempt to bring about an increase in growth rate

iii) The C-E is paternalistic in his employee relations.

2) The C-E perceives and reacts to a broad range of culture. Perceiving and reacting to a broad range of culture is defined operationally as follows:

a) The C-E exhibits breadth in education and training.

i) Formal education - technical plus.

ii) Work experience - technical plus.

iii) Reference group - management.

iv) Management sponsor or more than one role-model.

b) The C-E exhibits high social awareness and high special involvement.

i) Belongs to community associations as well as professional associations.

ii) Effective with many forms of communication.

c) The C-E exhibits flexibility and confidence in his ability to deal with the economic and social environment.

- i) Delegates authority or responsibility in order to allow himself to build a large organization.
- ii) Hires on a universalistic basis.
- iii) Utilizes over two sources of capital for the initiation of his business.
- iv) Uses a variety of marketing methods to gain customers.
- v) Various competitive strategies are employed in addition to price and quality.
- d) The O-E exhibits an awareness and orientation to the future.
 - i) The O-E makes long-range plans to initiate the company when the time is rip.
 - ii) The O-E makes plans for his company's growth.
 - iii) The O-E is not paternalistic in his employee relations.

THE FOUNDER AND THE FIRM

"Some businesses become large organizations; some just survive; and some fall by the way side with the demise of the founder. The essential fact is that an enterprise is not a natural outgrowth of technological chance or of happenstance. It is the willed result of human effort."

What is the relationship between the character of the entrepreneur and the character of the firm? Komives

explored this question in a study.¹

This study was "an outgrowth of the major study of business enterprises" referred to earlier namely, The Michigan Study.

The research was conducted by means of lengthy and generally unstructured interviews.

Komives concluded that if a business firm develops the characteristics of a bureaucracy, its founder imbued that firm with the necessary ingredients to become a bureaucracy and the entrepreneur reflects characteristics of the white-collar social classes of society. There is a close relationship between the white-collar values of the firm's founder and the subsequent development of a bureaucratic organization.

The non-bureaucratic firms get developed by founders who do not imbue the firm with ~~bureaucratic~~ ^{bureaucratic} values and the founders themselves have characteristics which are essentially blue collar in their source and expression. Such firms tend to become a form of self employment or extensions of a large-scale client company. They do not become a bureaucracy which in its essence is an independent and sovereign business firm.

¹ Komives, John L. "Some Characteristics of selected entrepreneurs". (Unpublished Ph.D dissertation. Michigan State University, 1965.)

"It is apparent that there are a number of firms and founders who do not neatly fit the above dichotomy. These firms are then somewhere on the continuum between these poles."¹

THREE TYPES OF ENTREPRENEURS

Stemming out of the study of Collins and Moore, and in view of the fact that "their findings require use of projective techniques and depth interviews", Saslow² investigated in detail the following hypothesis, namely, "the place of birth, social origins, educational level attained, military mobility, orientations toward work, job mobility and level of authoritarianism were significant differentiating factors among the three groups, namely, the true entrepreneur, the other owner and the business hierarch."

The true entrepreneur "is an individual who creates a business where none previously existed." The individual who purchases or inherits an existing business is called "other owner". The "business hierarch" "is an individual who seeks occupational success by climbing the hierarchical ladder of an existing organization."

A total of 303 useful questionnaire was received. The respondents included 139 true entrepreneurs, 80 other owners and 110 business hierarchs.

1 *ibid.*, p.28

2 Saslow, Neil Gerald. "A comparison of the Origins and Orientation of True Entrepreneurs, Other Owners, and Business Hierarchies". (Unpublished doctoral dissertation, Michigan State University, 1966.)

The composition of the three groups was examined to determine the similarities and differences in structure.

The groups were found to be homogeneous with respect to sex, age and marital status. The respondents were all male. They were on average of 50-52 years of age and the great majority were married.

- i) The investigation showed that the true entrepreneurs have a greater tendency than the other groups to be either foreign born or to have been born geographically near their present residence.
- ii) The true entrepreneurs tend to come from a lower socio-economic background as measured by father's education and father's occupation.
- iii) True entrepreneurs have a tendency to be less educated than the other respondents. The true entrepreneurs tended to choose technical training while the other owners seem to prefer business training.
- iv) Attitudes of the true entrepreneurs toward education tended to be somewhat more pragmatic than the attitudes of the other groups. There is a greater emphasis on learning through experience, training for a profession and learning the tool to communicate with others.
- v) True entrepreneurs tend to have experienced greater inter-firm movement during their occupational careers than the other respondents.
- vi) The true entrepreneurs tend to be more authoritarian than the other respondents.

vii) The true entrepreneurs and other owners tend to be more authoritative and more leadership-oriented than the business hierarchs.

THE R&D ENTREPRENEUR

Schrage chose for his study¹ 22 Research & Development companies, none of which was more than ten years old. He started with the hypothesis that the R&D company president can only be successful to the extent that he veridically perceives his environment. (R&D)

'Veridical perception' Scharage defines as "the act of recognizing people, things or situations as they truthfully are, rather than attributing them qualities which are the products of one's emotions or imagination."

Contrary to many common beliefs, he found that entrepreneurs of profitable R&D firms do not rank consistently high in achievement motivation or needs to dominate, and they do have much anxiety and self-awareness. Specifically, he found that the profitable R&D entrepreneur has a passion for knowing customer and employee situations first hand.

In summary, his research findings were:

¹ Schrage, Harry: "The R&D Entrepreneur: Profile of Success" Harvard Business Review, No. Dec. 1965, pp. 56-69.

" 1. Achievement motivation does increase the man's awareness of his customers and employee. Its effect on operations, however, is to increase profit or loss!

2. Power motivation, as predicted, fogs the individual's perception of customers and employees. But instead of simply hurting profits, it causes either profits or losses to decrease!

3. Awareness of impaired performance in tight or difficult situations-what I shall call awareness-goes hand in hand with awareness of customers and employees. Presidents high in one are generally high in both; those low in one are also low in the other.

4. Self-awareness, including a measure of what is often called "anxiety", is strongly related to profitability. Greater self-awareness leads to higher profits.

5. Power motivation has a negative effect on self-awareness. The highly power-oriented men report little, if any, impairment of performance in tight situations.

6. When self-awareness scores are added to market-and-employee awareness ratings, their sum - representing "total awareness" - exhibits a strong influence on profits. Total awareness increases profits significantly.¹

~~TECHNICAL ENTREPRENEURS~~

¹ *ibid.*, p.59

TECHNICAL ENTREPRENEUR

In a Massachusetts study¹ of 69 technical entrepreneurs, Roberts and Wainer examined several of their characteristics such as family background, education, and motivation and they found that entrepreneurial orientation is derived in good part from family background.

"Entrepreneurial fathers are more likely to produce entrepreneurial sons, both because of exposure in the home to a business-oriented atmosphere and because of the goal orientation that may be instilled in a son by an entrepreneur father.

"An individual's home environment and attitudes that seem to be embodied in the religious background are likely to have strong influences on his goal orientation that in turn will effect his level of education. Both directly and indirectly through the development of goal orientation and motivation, these environmental and attitudinal factors have effects on whether or not an individual becomes an entrepreneur."²

They, however, point out that this is a preliminary report.

SELF ACTUALIZATION MOTIVATION

In a study³ by Mengel, a 33 subjects sample was

¹ Roberts, Edward H. and Wainer, Herbert A. "Some characteristics of Technical entrepreneurs". IEEE Transactions on Engineering Management Vol.EM-18 No.3 August 1971,pp-100-109

² ibid., p.108.

³ Mengel II, Relph Hain Entrepreneurship in the Micro Electronics Industry, (Unpublished doctoral dissertation, University of Texas at Austin, 1972.)

developed from a universe of 349 companies founded in the Texas Electronics Industry between 1945 and 1971.

The study hypothesised that once the entrepreneur is motivated at the highest level of Maslow's Need Hierarchy, namely self-actualization, the entrepreneurs' self-actualization is related to (a) a high level of creativity, (b) a philosophical, unhostile sense of humour, and (c) personal characteristics of age, educational level, family backgrounds and personal values.

The psychological instruments used were Shostrom's Personal Orientation Inventory (POI) to assess self-actualization, Mednick's Remote Associates Test (RAT) to appraise creativity, and Levine's Mirth Response Test (MRT) to determine sense of humour.

Questionnaire and interview results were used to confirm the test findings.

The study concluded that there is a significant degree of probability that the entrepreneur is motivated at the highest level of Maslow's need hierarchy, self-actualisation; that his self-actualisation is the complex result of heredity, environment and opportunity; and that he is highly creative and possesses a philosophical sense of humour. "He is independent, self-reliant, active,

industrious, willing to risk, persistent, desirous of accomplishment and appreciates the value and use of money. At times, he may be impatient, uncooperative, not too much a humanitarian or deeply religious individual."¹

AN OKLAHAMA STUDY

Gilmore² took 47 successful entrepreneurs of the Oklahoma City who met certain defined criteria like volume of business (\$ 1,00,000 or more) and number of employees (75 or more). The subjects were all in manufacturing and they have built their firms themselves.

Using psychological tests and interviews, the study aimed to explore the possibility for utilizing instruments (that define the unique quality that is successful entrepreneurship) in identifying good entrepreneurs at an early stage.

Some of Gilmore's conclusions were the following:

The personal characteristics and influences found to be associated with the entrepreneurs of this group were:

A disproportionate number of entrepreneurs had one or both parents who were foreign-born.

1 *ibid.*, p.

2 Gilmore, John Barry. "An Investigation of Selected Entrepreneurial Models" Ability to predict successful entrepreneurial activity. (Unpublished Ph.D dissertation. University of Oklahoma, 1971.)

The members of this group has a "history" of owning business.

Self employed fathers tended to have a high incidence of entrepreneurial sons.

Certain early personal influences on this group of individuals do seem to increase their propensity to become an entrepreneur.

The successful entrepreneurs included both individuals motivated by a tendency to achieve success and individuals motivated by a tendency to avoid failure.

All individuals in this group of successful entrepreneurs did not score high in n Ach (need for achievement). However, the study group does not significantly differ from those people classified as achievement motivated.

AN IDENTIFYING STUDY

To identify and measure the personal characteristics of the successful entrepreneur, Hornaday and Bunker¹ did a pilot study of 20 small scale entrepreneurs. Following it up, Hornaday this time with Aboud² made a study of 40 entrepreneurs.

The first study was to determine the relative importance of the several characteristics which have been

¹ Hornaday, John A., and Bunker, Charles S. "The Nature of the Entrepreneur" Personnel Psychology, 1970, 23, 47-54.

² Hornaday, John A., and Aboud, John. "Characteristics of Successful Entrepreneurs" Personnel Psychology, 1971) 24, 141-153.

suggested by previous research findings and "to identify and investigate other characteristics which may be of considerable importance in identifying successful entrepreneur." An attempt was made to determine the possibility of pinpointing successful entrepreneurs in advance (italics this writer's) through development of a structured interview and use of selected objective tests.

According to McClelland, achievement motivation should be considered primary in importance as a characteristic of entrepreneur. The Michigan State University work of Collins et. al. indicates that power motivation and discomfort in a dependency situation are of major importance. Other investigators, in their own interpretations, have found other personality characteristics to be of even greater significance. For example, Schrage (1965) found that 'veridical perception' (i.e. accurate awareness of the environment) was more important than either achievement or power motivation in distinguishing the successful entrepreneur.

The group in the pilot study was made up of 20 entrepreneurs from both manufacturing concerns and service businesses in the Boston area. The organizations had 15 or more employees. There were whites and blacks.

In the second study, there were forty entrepreneurs, both male and female, black and white.

As in the pilot study, the "successful entrepreneur" was defined as a man or woman who started a business where there was none before, who had at least eight employees and who had been established for at least five years. The three tests applied to the entrepreneurs were: Kuder Occupational Interest Survey (OIS), Gordon's Survey of Interpersonal Values (SIV), and a questionnaire composed of three scales drawn from the Edwards Personal Preference Scale (EPPS).

The hypothesis tested was that entrepreneurs are significantly higher on scales that measure need for achievement, need for autonomy, and need for aggression; and they are expected to score higher on scales measuring the importance attached to recognition, independence and leadership.

In answering the questions covered by the interviews, entrepreneurs are expected to indicate that they work long hours, that the work interferes with their family relationships, that they rebel against regimentation, and it was felt that their family background might reflect a rebellion against an attitude in the father that they perceived with distaste.

On the basis of the 60 subjects in the two studies, the following conclusion was arrived at.

Compared to men in general, entrepreneurs are significantly higher on scales reflecting need for achievement, independence and effectiveness of their leadership and are low on scales reflecting emphasis on ~~an~~ need for support.

A COLORADO STUDY

Dart¹⁷ made a study to determine the usefulness of the entrepreneurial classification system by testing the ability of the suggested variables to define distinct entrepreneurial types and also to determine which of these types, if any, might be accurately described in terms of achievement motivation and its correlates.

64 presidents of manufacturing concerns located in Colorado formed the sample. Tests were administered to measure achievement motivation. Also collected were considerable biographical data and information relating to various criteria of success.

The following hypotheses were supported by the results of the study:

- i) First borns are more successful in business than later-borns.
- ii) Entrepreneurs who define their goals in terms of business success are more successful than

¹ Dart, John. "The Development of a classification system for entrepreneurial type with a special investigation of the potential of Achievement Motivation and its correlates to discriminate between these types. (Unpublished Ph.D. dissertation. University of Colorado, 1971.)

those who have non-business related goals.

- iii) There is an inverse relationship between success and an entrepreneur's self-rating of his success.
- iv) Power motivated entrepreneurs are less successful than achievement motivated entrepreneurs.

The following hypotheses were partially confirmed by the results of the study:

- i) The relationship between intelligence and business success is curvilinear, with entrepreneurs of comparatively moderate intelligence being the most successful.
- ii) When compared to their relatively less successful colleagues, successful entrepreneurs work longer hours, take shorter vacations, spend less of their time performing day to day tasks, and tend to work more sporadically. They also have a history of more morbidity as evidenced by the number of moves made in childhood, the number of jobs held, the relatively shorter tenure as President, and a smaller proportion of ownership in the operation they direct. *mobility*

The following hypotheses were not supported by the results of the study:

- i) First borns have higher achievement motivation than later borns.
- ii) When asked to recall the "strictness" of his father, the relatively unsuccessful businessman recalls his father as being less strict than does the more successful businessman.
- iii) When compared to his relatively less successful colleagues, the successful entrepreneur is more likely to have had an unhappy childhood.
- iv) Success-motivated businessmen prefer moderate risk situations:
failure-motivated businessmen prefer situations in which the odds of success are very high or very low.
- v) Success motivated businessmen are more successful than are failure-motivated businessmen.
- vi) When compared to their relatively less successful colleagues, successful entrepreneurs are more active, have greater leadership capabilities, are more sociable and more objective.

A U.K. STUDY

Lynn¹ writes of a few U.K. entrepreneurs in the form of case studies. The report consists of the accounts of ^{eight} men who have set up their own businesses "from nothing or from

¹ Lynn, Richard. THE ENTREPRENEUR: 8 CASE STUDIES (Ed.)
(London: George Allen, 1974)

very modest beginnings". The entrepreneurs reported represent a wide cross section of different types of business - transportation of goods, car hire, charter holiday, food, plastics and radios.

The characteristics he found in them, he reports thus. "Probably the most important is motivation or energy... A strong drive for success is essential to build up a business of ^{any} magnitude."¹

This motivation may "come from several sources". One is the desire to make money but "this is not the most important."

"For many entrepreneurs it is not the money as such that is particularly important. The making of money is important because it is a symbol of success."²

One of the chief motives for many entrepreneurs has been the desire for independence - "a dislike of being under the authority of others."

For many entrepreneurs the basic drive is creative, to build something out of nothing. The reward is the satisfaction of seeing the entity in existence, created by himself. He likes both to do a job well as an end in itself and also to do it well in competition with others - the scope for achievement.

¹ *ibid.*, p.10

² *ibid.*, p.12

The other characteristics Lynn noted in the eight entrepreneurs were:

"Reasonable intelligence, an ability to work with others, and general business competence."¹

In the next section, some of the studies made in India of entrepreneurs and where they come from are summarised.

¹ *ibid.*, p.13

CHAPTER 8

SURVEY OF LITERATURE: CHARACTERISTICS OF ENTREPRENEURS - SOME EMPIRICAL STUDIES IN INDIA

Entrepreneurship studies in India are not many whether of large or small scale sector.¹ Published empirical studies are fewer and many of these studies are by visiting researchers. The picture, however, is fast changing. Promising work has been initiated by researchers, notably at the Small Industries Extension Training (Hyderabad) and the Indian Institute of Management (Ahmedabad).

Field studies and research based literature on the characteristics of entrepreneurs are few and far between. A comprehensive, world-wide bibliography of researches of entrepreneurship compiled by the Technology Development Institute of the East-West Center (Honolulu) reports only about twenty studies on the characteristics of entrepreneurs. Many of these studies are hypothetical articles.

Since the entrepreneurial characteristics are more clearly seen in the case of the small scale entrepreneur, the studies summarised here will refer in good part to the small scale enterprise and its founder. The first seven

¹ Nafziger, E.W., "Indian Entrepreneurship: A Survey" in ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (ed. Peter Kilby) (New York: Free Press, 1971)

studies deal with the socio-economic background of the founders and or the problems they faced in setting their enterprises. The next four of the studies refer to the psychological or sociological characteristics of the entrepreneurs either in respect of start-up competence or growth competence. The last two studies outlined here are more in the form of entrepreneur development studies.

SOCIO-ECONOMIC STUDIES

AN EARLY STUDY

One of the earliest studies of small scale enterprises and their founders made in India was that by McCrory of 14 small industries in two towns in Punjab and Uttar Pradesh.¹

The purpose of this study was to discover whether or not there are typical patterns of growth in the small machine industries of a North Indian town and to isolate, by comparing the case histories of individual enterprises, the factors that seem most commonly associated with growth, decline or stagnation.

The study was mostly limited to industrial firms using power but employing no more than 20 workers.

1. McCrory, James F., "Case Studies in Latent Industrial Potential: Small Industry in a North Indian Town" (Delhi: Government of India, Ministry of Commerce and Industry, 1956)

McCrorry based his findings on case studies of these firms. The case histories were compiled through detailed interviews with the owners and, where possible, employees and ex-employees of the firms.

There were craftsmen entrepreneurs and non-craftsmen entrepreneurs.

The craftsmen entrepreneurs were all sons of craftsmen. They had little education. Their sole asset was their craft skill. Selfreliant, independent, practical, they were slow to place their difficulties at the door either of God or the social order.

They became entrepreneurs for two reasons - independence and security. They also hoped to make a lot of money some day. "if I thought there were limits to how far I could go, I would never have started off on my own, would I?" said one.

His (the craftsman - entrepreneur's) dream would appear to "get big" than "get rich". "None pay themselves as much as they received when employed. They expect to make more but it is a long-term expectation to materialize, five, ten, twenty years from now. For the present, everything over living expenses back into the factory."

The non-craftsman entrepreneurs, on the other hand, were better educated, had higher standards of living and tended to be less resilient in a crisis. They had set up their firms primarily as an investment.

On the basis of his findings McCrory made several recommendations to the government for improving the utilisation of resources in the small industry sector. His regard for the small scale entrepreneur in India was unequivocal.

"The size of life I have seen is minute, but I cannot escape the conviction that in the hundreds of small machine shops scattered throughout North India towns, and I suspect, in the Southeast, South and West as well, there lies an enormous industrial potential waiting to be tapped."

"The prospect of tapping it seems doubly attractive because the process would appear to be far simpler and to promise a more immediate result than many other of the tasks now being undertaken. To "release the energy" of the Chopur small industrialists "for constructive effort" would involve neither the wholesale reform of the entrepreneur, now being urged on the large industrialist, nor the massive programme of social uplift, education and reorganisation proposed for the agriculturist."

"The small craftsman-entrepreneur is not illiterate, backward or downtrodden. He does not need to be awakened. He has the enterprise, the energy, the industrial outlook and the skill now to make things efficiently and well. He would like more education, more technical know-how, and a better acquaintance with business and marketing practices of course. But right now he cannot even use what he has. For the present, he wants not to be fostered but to be listened to."¹

A TAMILNADU STUDY

If McCrory's is one of the early small scale industries' studies, Berna's is one of the early medium scale industries' studies.

The entrepreneurs of 52 medium-sized light engineering industries in two cities of Tamilnadu - Madras and Coimbatore - were taken up for an empirical study by James J. Berna /5
(U.S.A.) in 1957.²

Berna focused on the occupational and socioeconomic background of the entrepreneurs, the origin and growth of their firms, the operational problems of the entrepreneurs, and the mobility of the entrepreneurs.

For his study, Berna defined entrepreneur as "the person (or group of persons) responsible for the existence of

¹ *ibid.*, p.41

² Berna, James J., *INDUSTRIAL ENTREPRENEURSHIP IN MADRAS STATE* (Bombay: Asia Publishing House, 1960)

a new industrial enterprise." The discussion, however, included day to day management as a part of the entrepreneurial function.

The study was based on diligent field investigation into the history and present conditions of 52 manufacturing firms, engaged in various kinds of light engineering production.

One of Dr. Berna's most interesting findings was that the medium size manufacturing in his study firms had mostly grown from small beginnings, many even from very small repair and odd-job shops. "Nearly half the firms studied were established as small repair and odd-job shops, many of them with an investment of only a few thousand rupees and a couple of employees. 85 per cent of the enterprises were established as small scale units and now developed into medium sized ones."¹

Another interesting finding was that those responsible for the growth of these medium scale firms have come from a wide range of social and economic backgrounds - castes, communities, artisans, factory workmen, rural artisans, well-to-do merchants and land-owning families and engineers.

In fact, one of the major findings of this study was that traditional occupation and caste have very little impact

¹ ibid p. 212-3.

in determining entry into entrepreneurial endeavours. Entry into any particular industry is open to men of very different experience and technical background. Merchants, workmen, engineers, teachers and white collar workers were found side by side in several of the industries studied.¹

Another unexpected ~~finding~~ ^{finding} was the fact that only a minority of the entrepreneurs have had a trading background. The largest single group of entrepreneurs (24%) was comprised of foreign engineering degree holders of comparatively young age. More than 50% of the firms established were by engineers belonging to Brahmin community.

Fiscal power and business spirit have become influential factors in determining the course of the development of the entrepreneurs.

AN UTTAR PRADESH STUDY

Prompted presumably by Berna's study, light engineering industrial firms situated in two towns of Uttar Pradesh were taken up for investigation by Birendra Narain Singh.²

The enterprises taken for study were 82 in number and they were both of small and medium size.

Singh compared some of his conclusions with those of Berna's.

¹ *ibid.*, p.86
² Singh, B.N. INDUSTRIAL ENTREPRENEURSHIP IN UTTAR PRADESH. (Unpublished Ph.D. dissertation. Banaras Hindu University, 1966.)

The following were some of his findings:

1. All the 82 firms studied were established by male entrepreneurs.
2. The heaviest concentration (26%) of the entrepreneurial group was found in the 41-45 age group. Only 6 entrepreneurs were below 25 years of age and those 6 belonged to family partnerships.
3. The percentage of graduates in the entrepreneurial role was very high. Those who had university, college and technical education came upto as much as 65% of the population studied.
4. More of these people had a liberal education background, "because the skills that entrepreneur needs are more of human, correspondence and administration nature than technical skills. Ability to raise finance, gather together men of various skills and competence, gauge market potentialities and the like are more likely to be found in people with broad liberal education rather than in narrow technical specialists. It has also been observed that some technical knowledge of mechanics and machine operations, however, adds to the success of entrepreneur."
5. The largest number of entrepreneurs belonged to the traditional business community (37 out of 82). A high per centage of entrepreneurs came from the

trading community. The second largest group were the migrant sikh and khatri entrepreneurs half of whom had trading background and the other half had technical and industrial background. People with merchandising as family background were the most dominant group. Forming nearly 45 per cent of the total of the entrepreneurs.

MOTIVATIONAL FACTORS

6. Profit motive seemed the main driving force for the entrepreneurs studied. This motive was found stronger in the merchants and moneylenders than in the manufacturers and servicemen group. (Please see Table 6)

TABLE 6

MOTIVATIONAL FACTORS OF ENTREPRENEURIAL GROUPS

Entrepreneurial Group	Profits %	Power and Prestige %	Sense of Achievement \$	Acquaintance with process %	Absence of competition %	Others %	No answer %
Merchants	50.72	1.45	8.70	20.30	10.15	7.30	1.45
Mfrs.	44.44	2.22	13.33	33.33	-	4.44	2.22
Workers	40.00	-	20.00	23.32	10.00	6.66	-
Others	60.00	-	-	20.00	-	-	20.00
Total	195.16	3.67	42.03	96.96	20.15	18.40	23.67

7. Acquaintance with either the manufacturing process or marketing condition or both induced merchants to enter into industry, as also absence of competition. Power and prestige did not figure greatly. Some confessed it was set up as a source of livelihood or a source to provide employment to some of the members of the family.
8. Past experience, technical training, prospects of getting government aid were primarily responsible for starting an industry. The older entrepreneurs attributed the source of idea to their past experience. The younger ones, with a sense of some humility, gave importance to education and training.

LOCATIONAL FACTORS

9. The industry was started where the entrepreneurs resided or where other business existed. Social factors have played more dominant role than economic considerations.
 10. The most important source of initial finance was the earnings of the old business of the entrepreneurs. Finance from government and financial institutions was nominal (5.3%).
- By way of comparison with Dr. Berna's study, the following points emerge. In Berna's study of Madras entrepreneurs, only a minority of industrial

entrepreneurs have had a trading background. In Singh's study of U.P. Entrepreneurs, it is noted that a major part (37 out of 82) of firms was set up by traditionally merchandising community.

In Berna's study, it was found that more than 50% of the firms were established by engineer belonging to the Brahmin community. In Singh's study, while the number of graduates was as large as in Madras's study, the number of engineers (7 out of 82) was small. Also, out of 82 firms, only 11 (13.5% as against Madras 25%) were established by Brahmins and even these were in a sense migrants.

A HYDERABAD STUDY

With a view to "determine the influence of selected ^obiographical, sociological and technological factors on the adoption of the innovation of starting a small industry unit", a study¹ was initiated by the Small Industries Extension Training Institute in 1969. 61 out of 295 entrepreneurs in the Hyderabad-Secunderabad area co-operated in the study. The main tool of the study was a comprehensive questionnaire. /o

The emerging profile of the 'typical' entrepreneur who started his unit between 1964 and 1967 in Hyderabad and

1 "Socio-Psychological Factors Influencing the adoption of the innovation of starting a small industry unit." (Hyderabad: Small Industry Extension Training Institute, 1974).

Secunderabad has been presented thus:

"The 'typical' entrepreneur who successfully started a small industry manufacturing unit in the twin cities of Hyderabad and Secunderabad between 1964 and 1967 was 39 years of age. He had had formal college education but no technical or engineering education. He came from a family with 'middle' or 'low' income and if he himself were working, also drew no more than a 'middle' range income. He was a local resident and lived most of his life in a city. He was either the first born or the eldest male child in his father's family. He was married and lived in an 'independent' family. He had around nine years of experience working in an industry.

"With the typical entrepreneur, the factors of younger age rather than older age, formal education, urban background, experience in industry, high scores on adoption propensity, level of aspiration and risk taking were associated. On the other hand, technical education, contacts with the influentials, membership in organisations and high scores on interpersonal trust and need for achievement were not found to be associated with him.

"He started his small industry unit for 'economic gain' and to actualise his 'own ambition' and not because he or his fathers family had a lot of money nor because his father

or his wife wanted him to start one. Non-psychological factors such as his own income, level of education and employment and psychological factors such as risk-taking orientation and need for achievement, did not influence him in his reasons for starting his industrial unit, although if he happened to be a person with a high propensity for adopting innovations, his 'own ambition' played a more dominant role than economic gain.

" The most encouraging factor for him to start his industrial unit was 'high demand for the product,' backed by his 'own earlier experience' in manufacturing the product or a related product in some other unit. The most discouraging factors in starting the industrial unit were 'capital shortage' and 'government red tape', followed by non-availability of raw materials and labour shortage.

" Awareness of the idea of starting his unit came from working in an industrial unit or in business dealing with an industrial item or from a visit to an industry.

" In setting up the industrial unit, the typical entrepreneur received some form of assistance - financial or advisory - from family members, friends and relatives. Help from the family was mostly from the father, either in the form of advice or finance. From friends it was mostly technical know-how and encouragement.

The typical entrepreneur did not seem to have passed through all the stages of the adoption process that were identified in the study viz., awareness, interest preparation, trial, evaluation and adoption. After awareness, the stages that he went through were trial and evaluation, the trial stage mostly comprising working in an industrial unit or observing the manufacturing processes in other units and the evaluation stage being mostly a mental process of assessing the probability of success of the unit in term of profit.¹

A RURAL ENTREPRENEURSHIP STUDY

Observing the phenomenal growth of small industries in one of the rural pockets (Tanuku Taluk, West Godavari District) a study² was thought of by the government to understand the processes and problems so that the experience gained in one place can be successfully utilized elsewhere in the State. The empirical study to identify the factors that have played a decisive role in moulding the industrial entrepreneurship in Tanuku was undertaken by the researchers at National Institute of Community Development (NICD), Hyderabad.

It was a depth study of a small number (eleven) of entrepreneurs, Unstructured interview was the main tool of the study.

1 *ibid.*, p.11

2 Gaikwad, V.R., and Tripathy, R.N., SOCIO.PSYCHOLOGICAL FACTORS INFLUENCING INDUSTRIAL LEADERSHIP IN RURAL AREAS (Hyderabad: National Institute of Community Development, 1970)

" While the study covers the nature of enterprise, its organisation and growth and methods used by the department of industries for promotion of industries in rural areas, we propose to summarise here only the conclusions in respect of (a) personal profile of the key entrepreneur and his socio-economic background and (b) external factors that have played an important role in influencing the entrepreneur's decisions.

Since the focus of the study was on the founder entrepreneur of the fast expanding concern The Andhra Sugar Ltd. and since an unusual combination of socio-economic, psychological and situational factors accounted for the entrepreneur's singular success, it would be worth quoting it here in full:

"Factors and situations that have contributed to Harischandra Prasad's success could be isolated and broadly grouped in a logical and sequential order as follows:-

A. The Foundation

1. Historical and socio-economic factors:

- i) A dominant, influential position in the local community for generations.
- ii) A large well-knit kin group which could provide support at the time of crisis.
- iii) Marital ties with a number of rich, dominant families.

iv) Prosperity due to the construction of Godavari anicut in 1848.

v) Expansion of property due to hard work and simple living of the grand-father.

2. Socio-biological factors:

vi) Early marriage, but son born late at the prime of life; secure, peaceful life for the son under the authoritarian father of great vitality.

vii) Early marriage of the son and early birth of grandson who could get training under the grandfather.

3. Biological-Legal-Economic Factors:

viii) No division of property for the last three generations due to a single male heir each time, and consequent accumulation of wealth.

4. Socio-Psychological Factors:

ix) An ambitious, bold, dashing, hard-working personality developed under the training and guidance of the hard-working authoritarian, disciplinary, but aging grandfather.

x) Aptitude for and deep understanding of property matters, and pragmatic attitude towards life, developed under the training of hard-working and disciplined grandfather.

xi) Opportunity to take responsibility at an early stage mainly because of the non-dominating father who has lived a secure, peaceful life without ever being bothered much by property matters.

- xii) Motivation for maintaining the dominant socio-economic power position enjoyed for generations in the community.

B. The Crisis

5. Political Factors:

- xiii) National independence movement; active membership in political party; awareness of impending changes; fear of abolition of zamindari after independence, and consequent loss of socio-economic power.

6. Government Policies:

- xiv) Initial favourable climate for the development of industries after independence, due to encouraging policies of the government.

C. The Transition

7. Contacts at Political and Governmental levels:

- xv) Contact with a senior I.C.S. Officer, having practical experience of industries, belonging to the same caste, and also having personal relationship.

- xvi) Co-operation of various government departments due to high level social contacts, as well as due to contacts with high government officers.

8. Exposure to Modern Technology:

- xvii) Visit to Western countries; widening of vision.

9. Expert Technical Advice and Guidance:

- xviii) Availability of expert technical advice and guidance at each and every stage of development of the industry-

at the time of floating of company, planning, purchase of machinery, selection of site, erection of plant and, lastly, at the time of expansion and diversification of industry.

D. The Growth

10. Availability of Technical and Managerial Personnel:

xix) Availability of technical and managerial skills within the family circle at the time of expansion and diversification of industry.

11. Timely Availability of Capital:

xx) Due to initial success and the credibility of the person and the institution, availability of large capital for expansion programme from the state government and other sources.¹

In respect of the other ten entrepreneurs, the researchers point out that while they had the personal characteristics like ambition, boldness, hardwork, initiative and motivation, they could not grow fast enough because they lacked (a) technical know-how and advice; (b) contacts at higher levels; (c) exposure to modern technology and methods of production and, (d) in some cases, finance.

A GUJARAT STUDY

Pathak, in a study² made on behalf of the Industrial Development Bank of India, took 200 small scale manufacturing

1 *ibid.*, pp. 8-10

2 Pathak, H.N. PROBLEMS OF SMALL SCALE ENTREPRENEURS (Bombay: Industrial Development Bank of India, 1975)

units from Gujarat State. The units were from textiles, chemicals, metal-based, machinery manufacture and miscellaneous industries. The investment of these units was below Rs. 50,000. /m

As the title suggests, the purpose of the study was to examine the problems of the small scale units. The examination of the units related therefore to all the three stages, namely, (i) perception of an opportunity, (ii) organizing an industrial unit and (iii) running the industrial unit as a going concern.

The inception level factors (noted in the first two stages) were analysed in terms of family background, education, training and previous experience of the entrepreneurs.

The age group was noted to be 18 - 39. The background of family business, adverse economic conditions of the family and absence of alternative occupation accounted for many to set out on an entrepreneurial career.

Experience in the line more than educational background helped them perceive an opportunity.

The gestation period of the units was between one and two years and in a few cases three to five years.

The most important problems faced by entrepreneurs

during the initial period were in the field of raw material, market and production, not to speak of finance.

During the operational period also, the problems faced were in the area of raw materials, finance and market followed by government policies and procedures on the one hand and labour on the other.

Related experience, family background, community influence and business acumen: these went to make the small entrepreneur of Gujarat.

A PUNE STUDY

A team from S.P. College, Pune headed by Professor R.N. Gaidhani made in 1974-75 a survey of industries in Pune District to study the socio-economic background of young entrepreneurs and to ascertain their current problems.

Out of the 792 industries located in Pune postal district and 35 from the moffusil in the revenue district, the team was able to collect 204 questionnaires completed, mostly by a ^{personal} person visit. Out of the units covered, 142 were registered small industries.

One of the findings of the survey¹ was that there is no inherent relationship between family background and entrepreneurship.

¹ SOCIO ECONOMIC SURVEY OF INDUSTRIES IN POONA DISTRICT (Poona: Parasuramiya, 1975-76, S.P.College, Poona) pp 129-146.

Another was that academic qualifications have no marked bearing on industrial career.

A third finding was that 79% of the entrepreneurs had some previous experience before they started their own industry.

A MADURAI STUDY

Tamilnadu is one of the states where the small scale industries movement has been fastest. Madurai City is one of the larger cities in that state.

The Department of Research of the Gandhigram Rural Institute carried out a descriptive and statistical study of small entrepreneurs of small-scale industries in Madurai City and its environs in 1971-72.¹

The objectives of the study were:

- i) To identify the characteristics of entrepreneurs in small-scale industries in Madurai city and its environs.
- ii) To investigate the various factors that influence entrepreneurship;
- iii) To understand their economic structure and to find out the adequacy of the existing supporting facilities for these industries.

¹ ENTREPRENEURSHIP IN SMALL SCALE INDUSTRIES IN MADURAI CITY AND ITS ENVIRONS (Gandhigram, Tamilnadu: Gandhigram Institute of Rural Higher Education, 1975)

The study defined small scale industry as "one which has a present capital investment of Rs. 7,50,000 inclusive of plant and machinery."

The criteria the researchers used for the selection of the sample were:

- i) The industry can be a manufacturing or service industry unit;
- ii) The industry should be functioning as on March 31, 1971.
- iii) The industry should not be an inherited one;
- iv) The industry should not be run on lease.

In other words, the researchers sought for first generation, first time industrial entrepreneurs.

457 units constituted the population of the study. Out of them 175 were chosen by random sample method. 72 per cent of these units employed less than 10 persons and only 1-3 per cent employed more than 100 persons. 7.3 per cent of the units had invested less than 1000 rupees in capital and 0.7 per cent over Rs. 1,00,000. 56.7 per cent fell within the range of Rs. 1001 to 10,000.

The small entrepreneur, according to this study, has the following characteristics:

- i) He evolves plans well beforehand to realise his aspirations supported by credit;

- ii) He is more dependent than self reliant;
- iii) He is imitatively innovative with a need for achievement;
- iv) He is ~~moderately~~ moderately traditional with occasional risk shifting quality.

The factors that influence the small entrepreneur were found to be:

- i) He has a small family with a sound economic basis; ^e/_e
- ii) He can concentrate on production and sales; he feels less need for reinvesting his profit for further growth because of favourable economic background of the family;
- iii) He may not belong to an industrial family; he is migrant in Madurai; has occupational mobility, adequate educational qualifications, previous to personal training.

In terms of improved facilities, the study makes several suggestions in respect of raw material, finance, machinery, materials and taxation.

PSYCHOLOGICAL-SOCIOLOGICAL STUDIES

Unlike the socio-economic studies, the psychological-sociological studies are more recent. The social scientists whose population is increasing in the country test out theories expounded elsewhere, regarding their applicability to the Indian context; they strive to extend them further.

A GROWTH STUDY

Hundal made a study¹ of 184 small-scale industrial entrepreneurs of Ludhiana with a view to determining the level of achievement motivation and other motivational factors associated with the differential rate of industrial growth of the fast-and-slow-progressing entrepreneurs.

The subjects were administered tests of achievement motivation, attitude toward money, and attitude toward labour unions, and they were interviewed to assess job satisfaction, job prestige, value patterns, aspirations, and interests.

Hundal also noted ~~sk~~ that aspirations, achievement motivation, and investing tendency are associated with a fast rate of industrial growth - while hoarding tendency and optimistic tendency related to the slow rate of industrial growth.

Hundal found that fast progressing entrepreneurs had high need for achievement than slow progressing entrepreneurs.

AN AGRICULTURAL - BUSINESS COMPARISON STUDY

Research findings suggest that the need for achieve-

¹ Hundal, P.S., "A Study of entrepreneurial motivation: Comparing the fast and slow progressing small scale industrial entrepreneurs of Punjab" JOURNAL OF APPLIED PSYCHOLOGY, 1971, 55 (4), 317-333.

ment (often contracted as 'n Ach') is a critical non-economic variable affecting entrepreneurship. Those with high n Ach are sensitive to changes in economic opportunities and those with low n Ach are not.

Presumably by way of verifying these findings for the Indian context, a study¹ of rural and business entrepreneurs was conducted by Singh and Singh.

The area chosen for the study was Delhi. Business entrepreneurs were drawn from the Okhla industrial estate. The agricultural entrepreneurs were chosen from the 200 or more villages, in Greater Delhi. Persons making the sample had a common language, culture, tradition and way of life.

For the purpose of the study, agricultural entrepreneurs were those who owned between 5 and 15 acres of land, were engaged in self-managed farming and produced more than what they consumed. Progressive agricultural entrepreneurs were deemed to be those who practised the modern agriculture methods and engaged in agricultural activities throughout the year, raising three crops a year. Traditional agricultural entrepreneurs on the other hand restricted their activities to the raising of seasonal crops, under outmoded conditions of agricultural operations.

¹ Singh, N.P. and Singh, Kiran, "Motivational Components of Entrepreneur in India": Indian Journal of Industrial Relations, 1971) pp. 35-52.

Four progressive villages and four traditional villages were taken. From each, 5 successful and 5 unsuccessful agricultural entrepreneurs were selected for study.

10 medium-sized firms and 20 small firms were included in this study. The criterion for success or failure was their profit or loss.

The key findings were:

All the psychological tests measuring n Ach, risk taking, anxiety and attitude were administered individually to the subjects. The progressive successful group for agricultural entrepreneurs showed a high n Ach score as compared with other groups. The traditional successful group stood at the bottom of the scale.

Failure was associated with anxiety among agricultural entrepreneurs. Traditionalists who failed in their enterprises seemed more prone to anxiety as compared with progressive entrepreneur who suffered failures.

As against this, among the business entrepreneurs, senior owner directors recorded high n Ach scores whereas senior sleeper executives recorded the lowest scores.

Business entrepreneurs recorded higher n Ach score as compared with agriculturists.

With regard to risk taking, the highest scores were recorded by senior and junior owner directors, whereas the lowest were recorded by junior sleeper executives and successful small owners. Failure did, however, act as a deterrent on the risk taking behaviour of businessmen.

Anxiety scores of senior and junior directors were low whereas the anxiety scores of junior and senior sleeper executives were relatively higher.

A COMPARATIVE STUDY

Javillonar and Peters compared two approaches to small entrepreneurship in India - McClelland's need for achievement based approach and the extended family impact approach. They made a study¹ of 27 small scale manufacturers in an industrial estate in North India. 17 of those manufacturers had personally established their factories. The entrepreneurs came from varied occupational backgrounds (first occupation) eg. the professions, technical job, government civil service, landlording, politics, trading and manufacturing. 12 of them came from non-business occupations. They were all fairly educated - 19 of the 27 had been to college. The age range was 24 - 62.

The study led Javillonar and Peters tentatively conclude that "entrepreneurship among the Indian small-scale manufacturers studied may be more meaningfully viewed as a

¹ Javillonar, G.V., and Peters, G.R., "Sociological and psychological aspects of Indian entrepreneurship".
British Journal of Psychology, 1973, 24(3) pp. 313-328.

situational phenomenon tied to the type of ownership of the business enterprise than as an individual phenomenon, ~~this~~ ^{thus} / ~~has~~ related to an individual need for achievement. Family ownership and involvement in manufacturing may facilitate and sometimes necessitate the entrepreneur's entry into his occupational role. The extended family, for example, provides, the financial resources necessary in establishing a factory."¹

In a familistic-oriented society like India, it is probably more meaningful to view entrepreneurship as a family rather than as an individual phenomenon.

AN ANTHROPOLOGICAL STUDY

Hazelhurst's² is an anthropological study of entrepreneurs in a Punjabi city. Hazelhurst gives ~~it~~ ^{the city} the pseudonym Ram Nagar.

The study attempts to analyse the effect of caste, socio-economic class, kinship structure and social community on the social context in which entrepreneurial activity is undertaken.

Unlike many of the other studies that confine themselves to manufacturing units, this study includes entrepreneurship in all the major sectors of the city's economy - trade, manufacturing, and finance.

1 *ibid.*, p. 324.

2 Hazelhurst, Leighton W., "Entrepreneurship and the Merchant Castes in a Punjabi City" (Durham, N.C.: Duke University Commonwealth Studies Center, 1966).

The method employed by Hazelhurst to acquire data was personal observation and informal interview. In fact, he lived (with his wife and children) amidst the people he studied for near a year.

According to Hazelhurst's findings, refugee entrepreneurs tended to be more innovative in business than local entrepreneurs. One factor was the challenge of a new environment. Another observes Nafziger, was "that the geographical dispersion of friends, relatives and neighbours of the refugees may lead to a rejection of local values and sanctions, such as notions of caste propriety, which impede rational business practices."¹

A COMPETENCE STUDY

Arguing that "while the ability to certain motives to predict entry into entrepreneurial roles has been rather convincingly demonstrated, the relationship between these motives and the quality of entrepreneurial performance of individuals is not clear," Nandy made a study² of 67 small scale industrial entrepreneurs in Howrah. As entrepreneur was defined "as a man who had started an industrial unit himself and had survived in business for atleast five years." The subjects were drawn from two sub-cultures - 36 belonging to the economically dominant, less

1 *ibid.*, p. 299

2 Nandy, Ashish. "Motives, modernity and entrepreneurial competence. Journal of Social Psychology, 1973, 91, pp.127-136.

"modern", and ritually lower ranked Mahisyin caste, and 31 belonging to the more educated and urbanized, and ritually higher ranked Brahmin, Baidya, and Kayastha castes.

To identify the motivational correlates of entry as distinct from competence to enterprise, 48 nonentrepreneurs (25 Mahisyas and 23 upper caste) from the same community were also studied.

The measure of entrepreneurial competence was developed by factoring nine indicators of competence, belonging to three main domains; rated present dynamism, actual demonstrated performance, and prognosed future performance.

The assessments were based on a year's participant observation by, one and, in some cases, two researchers.

Nandy concluded that "within the constraints of the present study, ⁿAchievement (need for achievement) ^mpower (need for power), sense of efficacy and overall modernity are important for entry and survival in business while education and religious modernity bear no consistent relationship with entry and survival. On the other hand, the needs have to do little with business competence, while education and a less magical religious orientation to the environment are associated with better performance."¹ In other words, characteristics required for success in entrepreneurship are different from the characteristics required for entry into entrepreneurship.

¹ *ibid.*, p.134.

ENTREPRENEUR DEVELOPMENT STUDIES

More recently, the studies of the entrepreneur development kind are increasing. Thanks to the increasing interest of the government agencies in entrepreneur development, studies of entrepreneur development are becoming more and more available. Many studies are in progress. Two that have been reported upon are outlined below.

A GIIC STUDY

One of the more systematic and integrated experiment in entrepreneur development was taken up in April 1970 jointly by the Gujarat State Financial Corporation (GSFC), the Gujarat Industrial Investment Corporation (GIIC), and the Gujarat Industrial Development Corporation (GIDC).

Potential entrepreneurs were carefully selected through a three stage behavioural, psychological test and industry aptitude analysis. They were taken through a 4-month evening programme wherein training inputs were given in respect of (a) achievement motivation; (b) product guidance; (c) business management know-how; (d) field experience; and (e) project report preparation and guidance; and (f) They were given necessary financial and industrial infrastructure assistance. /t

At the time of reporting¹, 174 entrepreneurs have either set up or are in the process of setting up their factories.

On the basis of an analysis of these entrepreneurs, it was noted that (a) the majority of the entrepreneurs are in the age group of 26 - 40; (b) too young and too old participants do not complete their training and set up their units; (c) the fresh diploma or degree holders do not measure up either; a few years of experience (4-15) and maturity accompanied by clear goals seem to be ~~are~~ found associated with the successful ones; (d) education is not a major determinant of success or failure of an entrepreneur: "It may be said that trainees belonging to middle age group and having a reasonable practical experience have more than average chance of turning into a successful entrepreneur."

A TRIBAL ENTREPRENEUR STUDY

Another study² of entrepreneur development but in a tribal setting is reported by Bogaert of the Xavier Institute of Social Service (Ranchi).

The programme commenced early 1973 and concluded mid 1974. Two hundred tribals boys responded to the newspaper and word of mouth advertisements. Of the 75 that were called for interview, 30 were selected. Academic qualifications

¹ TRAINING PROGRAMME FOR THE ENTREPRENEURS BY THE GIIC/GSFC/GSIC INDUSTRIAL DEVELOPMENT BANK OF INDIA, Project Promotion and Consultancy Division, Bombay. Undated.

² Bogaert, Michael V.D., "Training Tribal Entrepreneurs: An Experiment in Social Change" SEDME, Vol. 2 No.1. June 1975 pp 43-57.

were not stressed. Questions at the interview sought to find out the candidate's "clarify of perceived objective and determination to reach it, awareness of difficulties to be encountered, past experience and support of guardians." Practically all the boys came from distant villages and were drawn "from the real grass roots."

Due to some domestic difficulties, ten dropped out. The remaining twenty were given practical training in different shops in the town. In the evening they attended classes at the Institute. They were given lessons in achievement motivation, leadership and communication; management know-how and organization techniques; financial accounting; legal requirements; market management and project preparation and evaluation. This was for a period of four months. During this period they were given a stipend of 50 rupees per month.

Before preparing a project report, they returned to their villages for making a market survey for the product or service they wanted to sell. The sponsors approved 18 project proposals for forwarding to banks in July 1974. At the end of January 1975, seven boys were actually in business. "The loans of others were still to be sanctioned."

WHERE DO ENTREPRENEURS COME FROM?

Where do the entrepreneurs come from? This is the common question asked. Depending upon the particular scholar's field, the emphasis of the answer shifts. The economist highlights economic factors like access to capital and business experience. The psychologist attempts to underscore personality traits and psychic concerns like need for achievement, need for power, independence, risk-bearing and leadership. Social scientists trace the causative factor in cultural values, family tradition, loss of social prestige and the resulting dissonance. From a managerial point of view, the emphasis will have to be on what is relevant in a context. This would mean we have to take all the views into account and apply the criterion of relevance.

EMPIRICAL STUDIES - THEIR USES AND LIMITATIONS

Empirical studies are valuable but they have some limitations as well.

One great value is that such studies help us get glimpses of truth; and every additional glimpse of the reality will enable us to see that ^{much} more of the truth, and thereby improve the quality of our decisions. We would be more tempted to consult reality than our pet notions. Thus, after coming to know of the above studies, we will not, for example, keep harping that only people coming from certain castes or communities will be entrepreneurial.

One limitation is that we may tend to forget that a study gives us only a sort of snapshot of the picture at the time of the study. There is a passing part and perennial part to such a picture; and we should take care to separate one from the other.

Another limitation is that such studies talk of what was and not what can be. If we happen to know of only one or the other of such empirical studies, we are likely to be unduly influenced. It is necessary therefore that we come to know of as many studies as are available and we look at them as correctives of our assumptions and as indicators of possibilities.

Also, in a fast changing world, we must confront the problem of generalities. Each man is unique; yet he possesses some traits, characteristics, mannerisms in common with other men; but not all other men. Thereby instead of trying to understand the entrepreneur by attempting to fit him into a mold, it will be far more functional if we develop an approach, a set of questions to ask that will yield an understanding of the men who set up their own business; but be flexible enough to respect the entrepreneur's uniqueness.

CHAPTER 9
THE STUDY

Entrepreneurs are found to emerge from widely varying backgrounds. We find them among all castes and communities. We find them among the literate and the illiterate, the highly educated and the not so educated. We find them among the trained and the untrained, the experienced and the inexperienced. We find them among the young college graduates and the retired government employees. The one thing common among them all is the entrepreneurial spirit-in-action.

Earlier, this writer made a study¹ of 31 entrepreneurs in Western India who have grown from small beginnings to sizeable proportions in a short time. In analysing the factors that led to their success and growth, the writer noted that the key factor was the individual or the individuals who brought about the unit. An extended study of the primary entrepreneurs it was felt would throw more light on the subject.

With a view to exploring the manageable or controllable factors in entrepreneur development, this study sought to find answers to questions like the following:

¹ Atthreya, N.H. BUSINESS GROWTH SINCE INDEPENDENCE (Bombay: MMC School of Management, 1966)

What are the elements, components or factors of the entrepreneurial spirit?

Do these components exist singly or as a mix in a high potential entrepreneur?

Are several mixes of the components equally fruitful?

Among those in whom this spirit exists in a high degree, some flower and many do not. What sparks off this spirit?

Do these sparking off factors also exist as a mix? Are several mixes equally fruitful here too?

Of the elements of the entrepreneurial spirit, how many seem inborn and how many developed?

Of these that are developed, how many are developed by the individual and how many by external agencies?

How many of these developable elements lend themselves for a systematic and conscious control? Of the factors that serve as sparking off agents, how many seem manageable, either by the entrepreneur himself or by others?

In the growth of the entrepreneur and his venture, what else seems manageable?

In attempting to find some answers to these many questions, this study confined itself to the start up stage of an enterprise.¹ The other stages are important and they do warrant a study. In view of the fact that the relatively difficult stage is the stage of an entrepreneur giving birth to an enterprise and in view also of the fact that this stage has not been studied adequately so far, this stage was chosen as the ~~an~~ focus of the study.

THE METHODOLOGY

For this study, one hundred (100) small scale entrepreneurs were chosen, mostly from Bombay and nearby areas. The criteria for selection were:

- i) They should have themselves started an enterprise.
The enterprise may be industry or other venture.
- ii) They should have started it within the living memory, preferably in the past ten years or less;
- iii) They should have started the enterprise with a small capital.

These criteria were chosen because for the study, first generation entrepreneurs were required, entrepreneurs whose memory of the starting days were fresh, entrepreneurs whose major strength was entrepreneurial ability, and not

¹ The words "enterprise" and "venture" have been interchangeably used. The word 'venture' is preferred since an enterprise is more often associated with an industry and business. Any society needs venture units as much in the rest of life of man as of his economic life.

financial strength. A study of men and women¹ meeting this criteria, it was argued, would give a clearer idea of the entrepreneurial-spirit-in-action.

Among the enterprises started in the recent past, industries figure in the picture more than other ventures. So a good part of the sample chosen for the study (71 out of 100) happened to be of the nature of industrial enterprises. In view of this, the small capital had come to mean a lakh of rupees or less. The lesser of course is the better, it was held.

Since the focus was the entrepreneurial-spirit-in-action, the population sought was non-exclusive, non-homogenous. Whoever started a venture in recent times was material for the study.

Coming as the subjects did from a not-so-organised sector, reaching them had to be by informal means - through introduction by mutual friends and friends in the banks and industrial estates.

METHODOLOGICAL CONSTRAINTS

Having for study such a non-exclusive population created a few methodological constraints. The questionnaire

¹ One of the hundred entrepreneurs studied happened to be a woman. She is the sole proprietor of a xerox copying service. She employs ten persons.

approach, the psychological tests approach and the questionnaire-cum-selective interviews approach were not found to be feasible.

Initially, a preliminary questionnaire (please see Appendix 6) was sent to selected small scale entrepreneurs who have been duly introduced.

When the questionnaires were not returned for weeks on end, a personal approach became necessary. A few of the entrepreneurs were, therefore, met and mostly in the presence of mutual friends.

Permission was sought to complete the questionnaires in their presence. Within seconds after the meeting, discomfort was noticed in the interviewees. The interviewees' answers became vague and evasive. Some said: "We would think over and let you have the answers." Others were frank enough to say either directly or through their friends that they would not participate in the study if their answers were recorded in any form.

It was pointed out that the small scale entrepreneurs are scared of surveys which are often conducted by government agencies. They are reluctant to fill a piece of paper that will be "used by somebody else". Also they are more used to oral culture. It became clear that ~~if~~ to do 'business' with them, they should be given the feeling that it is an informal chat.

The population ^{we} had ^{the} for study was non-homogenous. Reflecting perhaps the reality of the country, it had a higher per centage of the not-so-well-educated entrepreneurs. The situation did not permit the standard approach of collecting data. A non-standard approach had to be chosen.

It was argued that such an approach would not militate against the purpose of the study. If the purpose of the study were to statistically validate another researcher's finding for the Indian context, or if the purpose of the study were to draw correlations between the social background (for instance) of the entrepreneur and the growth rate of the enterprise, such an approach may not be helpful. In this study, the aim was to ascertain the nature of the entrepreneurial resource and to explore controllable aspects of the management of such a resource. While statistical data would certainly be a help in any study, they were not considered critical in this study, in view of its purpose.

A NON-STANDARD METHODOLOGY

The non-standard methodology chosen was one of having one or more interviews with the subjects at a place of the interviewee's choice. They were met at their workplaces, at their homes, at hotel lounges and at the bank agents' offices. The interviews lasted from one to five hours. The interviews were informal and free-flowing. They started with the time

they commenced business and as far back as they could be made to talk. The emphasis was on the assessment of the person and the situation rather than collection of facts and figures regarding their business.

THE DATA

To make this assessment, the following broad questions were kept constantly in mind:

1. This person being interviewed has had the entrepreneurial spirit. That are the elements of that spirit? Which of those elements seem to be particularly dominant in him?
2. The entrepreneurial spirit mix of this man has been triggered off by some internal and external forces. What are those forces?
3. This person may have arrived faster and smoother, had certain hurdles not been there? What are these?

Immediately the interviews were over, the answers that emerged to the first two questions were listed. The answers to the third question were just noted in the form of points, since they were of marginal importance as far as this study was concerned.

Pooled together, in respect of the first question, there were thirty two (32) elements:

- | | |
|-----------------------------|--------------------------------|
| 1. Self propulsion | 17. Health |
| 2. Presence of initiative | 18. Energy |
| 3. Diligence (Hard work) | 19. Aggression |
| 4. Perseverance | 20. Adventure |
| 5. Single-mindedness | 21. Curiosity |
| 6. Resilience | 22. Being experimentative |
| 7. Achievement need | 23. Being innovative |
| 8. Flexibility | 24. Being discontented /t |
| 9. Not being prestige bound | 25. Determination |
| 10. Ability to get along | 26. Power seeking |
| 11. Pleasing personality | 27. Need for recognition |
| 12. Leadership | 28. Aptitude |
| 14. Self-reliance | 29. Being opportunity-oriented |
| 15. Competitiveness | 30. Risk taking |
| 16. Versatility | 31. Helpful nature |
| | 32. Guts |

These are named as PERSONAL FACTORS or elements.¹

They are named 'personal' for the reason that they are found in a person, in the individual entrepreneur. They may be of the inherent, absorbed or acquired kind.

¹ The words 'factors' and 'elements' have been interchangeably used. Some times the words 'factor elements' and 'element factors' have been used. When it refers to a person, the word 'element' has been preferred. Neither 'factor' nor 'element' quite explains the concept and hence this approach.

PERSONAL ELEMENT FACTORS

For reasons of avoiding duplication and overlapping, as also of manageability, the list was grouped and condensed into eleven (Table 7) and described thus. (It may be noted that the simplest words have been preferred).

TABLE 7

PERSONAL FACTORS

1. Diligence (Hard work)	7. Opportunity sense
2. Perseverance	8. Frustration tolerance
3. Guts	9. People sense
4. Autonomy	10. Innovative sense
5. Energy	11. Versatility
6. Flexibility	

Diligence: or the capacity for hard work. This refers, in quantitative terms, to a minimum of 12 hours of daily work in the initial stages of the venture. 'Initial stages' would mean upto the point where the teething problems of the business have been overcome.

Perseverance or the capacity to see a thing through. The aspects of perseverance would be goal-orientation, single-mindedness, resilience, patience, doggedness and discipline. This refers to the ability to keep pushing on.

Guts or the itch to act, the capacity to stick one's neck out, the ability to deal with trouble, the ability to take calculated risks, adventure, determination, and belief one can influence the cause of events. This refers to the human quality that takes a plunge in not-quite-so-known waters.

Autonomy or the keen desire to be independent. This will include characteristics like responsibility taking, power-seeking, organizing, self-reliance, initiative, competitiveness, achievement need, and recognition need. Autonomy refers to the drive that urges one to work for oneself, work for what one stands for and seek support from inside.

Energy refers to drive, the will to work, stamina and health. This is complementary to hard work.

Flexibility refers to adaptability, adjustability and social intelligence, "the ability to adjust oneself to changing circumstances," and not being prestige-bound. Besides the negative quality of absence of rigidity, it refers to the positive one of reacting relevantly to reality, to learn from self assessment and feedback.

Opportunity sense refers to the ability to perceive, seek and cash in on an opportunity. It includes the knack or flair for forecasting.

Frustration tolerance refers to the ability to stand ambiguity, to bounce back at a frustration and never-say-die, the ability to take temporary facilities in one's stride, to take a reasonably long term view. Shocks and storms have only a passing, not a paralysing, effect on a person having this characteristic.

People sense refers to the ability to work with, work through, and work for people, variety of people. Purposeful activity based on human understanding is emphasised here.

Innovative sense refers to the ability to create, to develop a new product or service, or to improve upon an existing one, to solve problems. 'Divine discontent', self-competition, basic curiosity, and experimental nature are dimensions of this characteristic.

Versatility refers to the ability and the willingness to do a wide range of work for accomplishing a goal.

SURFACING FACTORS

When the same pooling of answers was done in respect of the second question, 37 items were had, namely:

1. Family pressures
2. Hereditary factors
3. Family
4. Sense of duty
5. Helplessness
6. A lack of education and hence lack of conventional opportunities
7. Financial support
8. Material support
9. Contacts
10. Competitiveness
11. Moral support
12. Knowledge of business
13. Experience
14. Confidence because of 12 & 13
15. Opportunities
16. Government incentives
17. Influence of others
18. Exposure to books and literature
19. Home environment
20. Freedom to fail
21. Leisure time activity
22. Qualifications
23. Training
24. Organising ability
25. Organising for achievement
26. Selling the goods
27. Ability to get along
28. Pleasing personality
29. Market sense
30. Not being prestige bound
31. Communication ability
32. Planning ability
33. Attitude to loss of cash/
name
34. Attitude to crisis
35. Attitude to h obstacles
36. Attitude to risks
37. Possessiveness

These are named SURFACING FACTORS for the reason that they surface, trigger, spark, or bring out into the open the potential entrepreneurial spirit in a person. The surfacing factors may be external, internal or both. For reasons of manageability and avoidance of duplication and overlapping, this list also was grouped and condensed. The condensed list turned out to be ^a ten factor list (Table 8).

TABLE 8

SURFACING FACTORS

-
- | | |
|---------------------|----------------------|
| 1. The home | 6. Helplessness |
| 2. Influences | 7. Market support |
| 3. Contacts | 8. Financial support |
| 4. Supplier support | 9. Reputation |
| 5. Incentives | 10. Exposure |
-

They are described as follows. Brief explanatory comments have been added.

1. The Home. Under this is included: Business family; Family business; Permissive home; Unconventional home; Family pressures. The family and home environment serves as a catalytic or contributing factor. It may be the environment in which the individual was brought up. Cases are also on record where a discouraging home environment has sparked off an entrepreneur: the individual wants to prove to 'them' he too can do well.

2. Influences: These may be that of parents, relatives, friends, teachers or even literature. (One pointed out that regular reading of Businessweek at a neighbour's as the influence). What they have seen and what they have heard influences them to ask

themselves, why not me too. Entrepreneurs are found to be inspired as much by the successes of people as by their failures. A few do get challenged to action by the failure stories.

3. Contacts: These can be of friends, well-wishers and even acquaintances who bring ~~out~~ about, for the concerned individual, productive business relationships.
4. Supplier support: There are ventures where the raw material is critical. A supplier that goes out of his way to help one start off by volunteering to supply scarce raw material or giving extended credit can surface an entrepreneur.
5. Incentives: There are in good part government incentives. ^{They} They may be in respect of raw material quotas, market, financial or other concessions and special considerations. /They
6. Helplessness:¹ Lack of education may block one from being considered by many employers. One option open in such cases is too become an employer oneself! When one is displaced from a place or a job, or when conditions of employment are hard, one's helplessness and may drive him to risk a venture, in sheer desperation.

¹ The historians give us a number of examples from the depression of the thirties when many unemployed people started a business desperately and involuntarily - and became successful. This still seems to hold true.

7. Market support: This may come from a kindly customer. This may also come from market sense, a skill developed and proved on a job.
8. Financial support: This refers to investment or loans from close family members, friends, banks and other financial institutions.
9. Reputation: This is the name one carves out for oneself in the market over a period. Personal integrity, respect for the word given, and quality of work - these intangibles do get publicly recognised and the resulting effect proves a surfacing factor.
10. Exposure: This refers to the technical and/or managerial experience in a business/industry an entrepreneur gets before he starts his own enterprise. This may also refer to the training or other exposures (like study tours) one has had to the operational know-how of business.

CAUTIONS TAKEN

In respect of each of the entrepreneur studied, it was asked what factors apply to them. Since traces of all the factors will be in all the individuals, it was asked what factors are there in an above average degree. No weightage was given to any of the factors. The (dominant) presence of

factors, both the PERSONAL FACTORS and the SURFACING FACTORS, was recorded.

Even a skill born of near 500 manager-selection assignments, involving near 5000 assessment interviews, extended over a period of over 15 years, can be subjective.

By way of providing a few correctives to this subjective element, the following supplemental efforts and precautions were taken.

One was to have extended discussions with the bankers of the entrepreneurs who know them over a period. Where the introduction to one entrepreneur was by another, notes were exchanged with the known entrepreneur about the less known. A third was to have, during part of the study, a management student of the university to sit in at the interviews and exchange notes after the interviews were over.

THE EMERGING PICTURES

The picture that emerged in respect of the personal factors is given in Table 9.

The picture that emerged in respect of the surfacing factors is given in Table 10.

TABLE 9

PERSONAL FACTORS DISPOSITION IN RESPECT OF
THE 100 ENTREPRENEURS

SERIAL NO.	F A C T O R S											N A M E S *
	DILIGENCE	PERSEVERANCE	G U T S	AUTONOMY	E N E R G Y	FLEXIBILITY	OPPORTUNITY SENSE	FRUSTRATION TOLERANCE	PEOPLE SENSE	INNOVATIVE SENSE	VERSATILITY	
	1	2	3	4	5	6	7	8	9	10	11	
1	x	x	-	-	x	-	-	x	x	-	-	A VIGNESWARA
2	x	x	x	x	x	-	-	x	x	-	-	VISHNU
3	x	x	-	x	x	-	-	x	x	-	-	NARAYAN
4	x	x	-	-	-	x	-	x	x	x	-	KESAV
5	x	-	-	-	-	x	x	-	x	-	x	SIVA
6	-	x	-	x	-	-	-	x	x	-	-	SAMBAVA
7	x	x	-	x	x	x	-	x	x	-	-	BEAVA
8	x	-	x	x	x	-	-	-	x	x	x	PRABHAVA
9	x	x	x	x	x	-	x	-	x	-	-	EASWARA
10	-	x	-	x	-	-	x	-	x	x	-	SWAYAMBU
11	x	x	-	x	x	-	-	x	x	-	-	ADITYA
12	x	-	-	-	x	-	-	x	x	x	-	PUSHKARAKSHA
13	x	x	x	x	-	-	x	-	x	x	-	ANADI
14	-	-	x	-	-	x	x	x	x	-	-	HRISHIKESA
15	x	x	-	x	x	-	-	x	x	x	-	PADMANABHA

*The names of all the interviewees have been disguised for reasons of confidentiality.

	1	2	3	4	5	6	7	8	9	10	11	NAMES
--	---	---	---	---	---	---	---	---	---	----	----	-------

B

16	x	x	-	x	x	-	-	x	-	-	-	VISWAKARMA
17	x	-	-	x	x	x	-	-	-	x	x	DMRUVA
18	x	x	x	-	-	-	-	-	x	-	x	KRISHNA
19	x	x	x	x	x	-	x	x	x	x	x	PRABHU
20	x	-	-	-	-	-	-	-	-	x	-	PAVITHRA
21	x	x	x	x	x	-	-	-	x	x	x	PRAJAPATHI
22	x	x	x	x	x	-	-	x	-	x	-	HIRANYA
23	x	x	x	x	x	-	x	-	-	x	x	MADHAVA
24	x	x	x	x	x	-	x	x	-	x	-	MADHUSUDANA
25	x	x	x	x	x	x	x	x	-	-	x	MEDHAVI
26	x	x	x	x	x	x	x	x	-	x	-	VIKRAMA
27	x	x	x	x	x	x	x	-	-	-	x	SARAVANA
28	x	-	-	-	x	x	-	-	-	x	x	SARMA
29	x	x	x	x	-	-	-	-	-	x	-	SUDARSA
30	x	x	-	-	x	-	-	-	-	x	-	ACHUTHA

C

31	x	x	x	x	x	x	-	x	x	-	-	VASU
32	x	x	x	x	x	x	x	x	-	-	-	SATYA
33	-	-	x	-	-	x	-	x	x	-	-	KRIPAKARA
34	-	-	-	-	-	x	-	x	-	-	x	RUDRA
35	x	x	x	-	x	-	x	x	-	-	x	VISWAM
36	x	x	x	-	x	-	x	-	1	-	-	VARAROHIA

	1	2	3	4	5	6	7	8	9	10	11	NAMES
37	-	-	x	x	-	!	-	x	x	x	x	JANARDANA
38	-	x	-	x	-	-	-	x	-	-	-	VEDAYA
39	-	x	-	x	-	-	x	-	x	x	-	DHARMA
40	x	-	x	x	x	-	x	x	-	x	x	BHOJANA
												D
41	x	x	-	-	x	x	-	x	x	x	-	ANANDA
42	x	x	x	x	-	x	-	x	x	x	x	VIJAYA
43	x	x	x	x	-	x	x	-	-	x	-	UPENDRA
44	x	x	-	x	-	x	-	-	x	-	-	VAMANA
45	-	-	-	x	x	x	-	-	-	x	x	VIRA
46	x	x	x	x	x	x	x	-	-	x	-	MAHABALA
47	-	x	x	x	x	x	x	x	x	-	x	SRINIVASA
48	x	x	x	x	x	x	-	x	-	-	-	SURANANDA
49	x	x	x	x	x	-	x	x	-	-	-	G OVINDA
50	x	x	-	x	x	x	-	-	x	-	-	MARICHA
51	-	x	x	x	-	-	x	-	x	-	-	PADAMAKSHA
52	x	x	-	-	x	-	x	x	-	-	-	SIVANANDA
53	x	x	-	x	-	-	-	x	x	x	-	G URUDAMA
54	x	x	x	-	-	x	x	x	-	x	x	AGRANYA
55	x	x	-	-	x	x	-	-	x	x	x	ANILA

	1	2	3	4	5	6	7	8	9	10	11	NAMES
56	x	x	x	x	-	xx	x	x	-	x	-	PRASANNA
57	x	x	x	-	-	x	x	x	-	x	-	NARI
58	x	x	x	x	x	x	x	x	x	-	-	SIDDARTEA
59	x	x	x	x	x	.	x	x	-	-	-	VARDAMANA
60	x	x	x	x	x	x	x	-	-	-	-	PRAKAS
												F
61	x	x	x	x	x	-	x	-	x	-	-	PRATAP
62	x	x	x	x	x	-	x	x	x	-	x	CHANDRA
63	x	x	x	x	x	x	x	x	x	x	x	BAASKARA
64	x	x	x	x	x	x	x	v	x	x	x	BHANU
65	x	x	x	x	x	x	x	v	x	-	x	KANTA
66	x	x	x	x	x	-	-	-	x	-	-	ANANDA
												G
67	x	x	x	x	-	-	x	-	x	x	x	VASUDEVA
68	x	x	x	x	x	x	x	-	x	x	x	ASOKA
69	x	x	x	x	x	-	x	x	x	x	-	SOCORA
70	x	x	x	x	x	x	x	x	-	x	x	HARI
71	x	-	x	x	-	-	x	x	x	x	x	BHIMA
												H
72	x	x	x	x	x	x	x	-	x	-	x	VARADA
73	x	x	x	x	x	x	-	-	x	-	-	ADIDEVA
74	x	x	x	-	-	x	x	-	x	x	x	ASOKAMITRA

	1	2	3	4	5	6	7	8	9	10	11	NAMES
75	x	x	x	x	x	x	x	-	x	-	-	DAMODARA
76	x	x	x	x	-	-	x	-	x	x	x	DEVA
77	-	-	-	x	-	-	-	x	x	x	x	PARAMESWARA
78	-	-	x	-	-	-	-	-	-	-	-	KARTA
79	x	x	x	x	x	-	x	x	x	-	-	SATRUGNYA
80	x	-	-	x	x	x	x	x	-	-	x	MANOHARA
81	x	x	x	x	x	x	x	x	x	x	x	NARASIMHA
82	x	x	x	x	x	x	x	x	x	x	-	MAHADEVA
83	x	x	x	x	x	x	-	-	-	-	-	ANAND
84	x	x	x	x	x	-	-	x	x	-	x	PRAMOD
85	-	-	-	x	x	-	x	-	x	-	-	NANDANA
86	x	x	x	x	x	-	x	x	x	-	x	TRIVIKRAMA
87	x	x	x	x	x	-	-	x	x	-	-	KAPILA
88	x	x	x	x	x	-	-	x	-	-	-	GOVINDA
89	x	x	x	x	x	-	x	x	x	x	-	GUPTAI
90	x	-	-	x	x	x	-	-	x	-	-	CHAKRAVARTI
91	x	x	x	x	x	x	x	-	x	x	-	VARUNA
92	x	x	x	x	x	-	-	-	x	-	-	VYASA
93	x	-	-	x	x	x	x	-	-	-	-	SADANANDA
94	x	x	x	x	x	x	x	-	x	-	-	TRILOKA
95	x	x	x	x	x	x	-	-	x	x	x	KAMADEVA
96	x	x	x	x	x	x	x	-	x	x	x	LOKANATH

	1	2	3	4	5	6	7	8	9	10	11	NAMES
97	x	x	x	x	x	x	x	-	-	x	x	MANYA
98	x	x	x	x	x	x	-	-	-	-	x	DHANYA
99	x	x	x	x	x	x	x	-	-	-	-	SUNDAR
100	x	-	x	x	x	x	-	-	-	x	x	KAPIL

TABLE 10
SURFACING FACTORS DISPOSITION IN RESPECT OF
THE 100 ENTREPRENEURS

ENTREPRENEUR SERIAL NO.	FACTORS										NAMES *
	HOME	INFLUENCES	CONTACTS	SUPPLIER SUPPORT	INCENTIVES	HELPLESSNESS	MARKET SUPPORT	FINANCE SUPPORT	REPUTATION	EXPOSURE	
	1	2	3	4	5	6	7	8	9	10	
											A
1	X	X	X	X	-	-	-	X	-	X	VIGNESWARA
2	-	X	X	X	X	X	X	X	X	X	VISHNU
3	-	X	X	X	-	-	X	-	X	X	NARAYANA
4	X	X	X	X	-	X	-	X	-	X	KESAVA
5	X	X	X	X	-	X	X	X	X	X	SIVA
6	-	-	X	-	-	X	X	X	-	X	SAMBAVA
7	X	X	X	-	X	-	X	X	-	-	BHAVA
8	X	X	-	-	-	-	X	X	X	X	PRABHAVA
9	X	-	-	-	-	X	X	X	X	X	EASWARA
10	-	-	X	-	-	-	X	-	-	X	SWAYAMBHU
11	-	-	X	-	-	-	X	-	-	X	ADITYA
12	X	-	X	-	-	X	-	X	X	X	PUSHKARAKSHA
13	-	X	-	-	-	-	-	X	X	X	ANADI

* The names of all the entrepreneurs have been digguised for reasons of confidentiality.

	1	2	3	4	5	6	7	8	9	10	NAMES
--	---	---	---	---	---	---	---	---	---	----	-------

14	x	x	x	-	-	-	-	x	x	x	HRISHIKESA
15	x	-	x	-	-	-	x	x	x	x	PADMANABHA

B

16	-	-	x	x	-	x	x	x	x	x	VISWAKARMA
17	x	-	x	x	-	-	x	x	-	x	DHRUVA
18	-	x	-	x	-	x	x	x	x	x	KRISHNA
19	-	x	x	-	x	-	-	x	x	x	PRABHU
20	x	x	x	x	x	x	x	x	-	-	PAVITHRA
21	-	x	x	-	-	-	x	x	x	x	PRAJAPATHI
22	-	x	x	x	-	-	x	x	-	x	HIRANYA
23	-	-	-	-	-	x	x	x	x	x	MADHAVA
24	x	x	x	x	x	x	x	x	x	x	MADHUSUDANA
25	x	x	-	x	-	-	x	x	x	x	MEDHAVI
26	x	x	x	x	-	-	-	x	-	x	VIKRAMA
27	x	-	x	-	x	x	x	x	x	x	SARAVANA
28	-	x	x	-	x	x	x	x	x	x	SARMA
29	x	x	-	-	-	x	x	x	x	x	SUDARSA
30	x	x	-	x	-	-	x	x	-	x	ACHUTHA

C

31	x	x	x	x	x	-	-	x	-	x	VASU
32	x	x	x	x	x	-	x	x	-	-	SATYA
33	x	x	-	-	-	-	x	x	x	x	KRIPAKARA
34	x	x	-	-	-	-	-	x	-	-	RUDRA

	1	2	3	4	5	6	7	8	9	10	NAMES
--	---	---	---	---	---	---	---	---	---	----	-------

35	x	x	-	-	-	-	-	-	-	x	VISWAM
36	x	x	-	-	-	-	-	-	-	x	VARAR OHA
37	x	x	x	x	-	-	-	-	x	x	JANARDANA
38	x	x	-	-	-	-	-	-	x	x	VEDAYA
39	x	-	-	-	-	-	x	x	x	x	DHARMA
40	-	-	-	-	-	x	x	x	x	x	BHOJANA
											D
41	x	x	x	-	x	-	x	x	x	x	ANANDA
42	x	x	x	-	x	-	x	x	x	x	VIJAYA
43	-	x	-	-	x	x	-	x	-	x	UPENDRA
44	x	x	x	-	x	-	x	x	-	x	VAMANA
45	-	-	-	-	x	x	-	x	-	-	VIRA
46	x	-	x	x	x	x	x	x	-	-	MAHABALA
47	-	x	x	-	-	-	x	x	x	-	SRINIVASA
48	-	x	x	-	-	-	x	x	-	-	SURANANDA
49	-	x	x	-	-	-	-	x	-	x	GOVINDA
50	x	-	x	-	-	x	x	-	-	x	MARICHA
51	-	x	x	-	-	-	x	x	x	x	PADMAKSHA
52	-	x	x	-	x	-	x	-	x	x	SIVANANDA
53	x	-	x	-	x	-	x	-	x	x	GURUDAMA
54	x	-	x	-	x	-	-	-	x	x	AGRANYA
55	x	-	-	-	-	-	-	-	x	x	ANILA

	1	2	3	4	5	6	7	8	9	10	NAMES
											E
56	X	X	X	-	-	X	X	X	-	X	PRASANNA
57	X	X	X	-	-	X	X	X	-	X	NARI
58	X	X	-	X	-	-	X	-	-	-	SIDDARTHA
59	X	-	-	-	-	X	X	-	X	-	WARDANA
60	-	-	X	-	-	-	X	-	X	X	PRAKASA
											F
61	X	-	X	-	-	-	X	X	X	X	PRATAP
62	-	X	X	-	-	-	X	X	X	-	CHANDRA
63	X	-	-	-	-	-	X	X	X	X	BHASKARA
64	X	X	X	-	-	-	X	X	X	X	BHANU
65	X	X	X	X	-	-	X	X	X	X	KANTA
66	X	X	-	X	-	-	X	X	X	X	ANANDA
											G
67	X	X	X	-	-	-	X	X	X	X	VASUDEVA
68	X	X	-	-	-	X	X	X	X	X	ASOKA
69	-	X	X	X	X	-	X	X	X	X	SOORA
70	X	-	-	-	-	X	X	X	X	X	HARI
71	X	-	-	-	-	X	X	X	X	X	BHIMA
											H
72	X	X	X	X	-	-	X	X	X	X	VARADA
73	-	X	-	-	X	X	-	X	-	X	ADI DEVA
74	X	-	X	X	-	-	X	X	X	X	ASOKAMITRA

	1	2	3	4	5	6	7	8	9	10	NAMES
75	X	X	X	X	-	-	X	X	-	X	DAMODARA
76	X	-	-	-	-	X	X	X	X	-	DEVA
77	-	X	X	-	-	X	X	X	X	X	PARAMESWARA
78	-	X	-	X	-	-	-	-	X	X	KARTA
79	X	X	-	X	-	-	X	-	-	X	SATRUGNYA
80	X	-	-	X	-	-	-	-	X	X	MANOHARA
81	X	-	-	X	-	-	X	X	-	X	NARASIMHA
82	X	X	-	X	-	-	X	-	X	X	MAHADEVA
83	X	-	-	X	-	-	X	-	X	X	ANAND
84	-	-	-	X	-	X	X	-	-	X	PRAMOD
85	-	-	-	X	-	-	X	-	X	-	NANDANA
86	-	-	-	-	-	-	X	X	X	-	TRIVIKRAMA
87	X	-	-	X	-	-	X	X	-	-	KAPILA
88	X	X	-	-	-	-	X	-	X	-	GOVIND
89	X	X	X	X	-	-	X	-	-	-	GUPTA
90	X	X	-	X	-	-	X	-	-	-	CHAKRAVARTI
91	X	-	-	X	-	-	X	-	X	-	VARUNA
92	-	X	-	-	-	-	X	X	-	-	VYASA
93	-	X	-	-	-	-	-	X	-	-	SADANAND
94	-	X	-	X	-	-	X	X	-	-	TRILOKA
95	X	X	-	X	-	-	X	X	-	-	KAMADEVA

	1	2	3	4	5	6	7	8	9	10	NAMES
96	X	-	X	X	-	-	X	X	-	-	LOKANATH
97	X	- R	X	X	-	-	X	X	X	X	MANYA
98	X	-	X	X	-	-	X	X	X	X	DHANYA
99	X	-	-	X	-	-	X	X	X	X	SUNDAR
100	X	X	X	X	-	-	X	-	X	X	KAPIL

CHAPTER 10

THE FINDINGS : THE PERSONAL FACTORS

The findings of the study may be considered under three headings, namely, the personal factors, the surfacing factors and the applications thereof. In this chapter, the personal elements factors of the entrepreneurs are analysed.

In the first instance, the entire one hundred entrepreneurs are taken into account. Later, those in the two major sectors - the manufacturing and non-manufacturing - are taken.

It just turns out that the entrepreneurs from the manufacturing sector come from a limited number of industries.

TABLE 11

INDUSTRIES AND ENTREPRENEURS

Section	Industry	Number of entrepreneurs
A	Printing	15
B	Engineering	15
C	Job workshop	10
D	Chemicals	15
E	Rubber	5
F	Plastic	6
G	Textiles & Hosiery	5
	Total	71

This is a chance event. The analysis of this chance event has led to another unexpected but welcome finding.

As we indicated in the earlier chapter, each entrepreneur was assessed in respect of each of the eleven factors or elements on the basis of the interviews and observations; and this assessment was checked by discussions with professional friends of the concerned entrepreneur. The person was given credit only for such factor or factors that existed in a dominant sense.

PERSONAL FACTORS - A MIX PHENOMENON

The picture that emerged for the entire sample is given in Table 9.

It will be observed from this table that -

- a. Certain personal factors elements figure in the case of each entrepreneur;
- b. All personal factor elements do not figure in all the cases;
- c. The mix of personal factor elements varies from one entrepreneur to another;
- d. Different mixes of the personal factor elements are, entrepreneurially speaking, work equally well.

One can draw a tentative conclusion that the entrepreneurial potential is a mix of many personal factor elements and several mixes can be equally effective. One mix is as good as another, as far as the entrepreneurial potential is concerned.

ENTERPRISE REQUIREMENTS

So far, we looked at the data, keeping in focus the entrepreneur. It may be worthwhile to look at the data, keeping the enterprise in focus as well. Entrepreneur and enterprise may be looked at as a creator and his creation; and a better understanding of the entrepreneurial phenomenon becomes possible, when we look at things as much from the entrepreneur point of view as from the enterprise point of view.

THE MORE COMMON FACTORS

In the Table 12, we are giving the personal factor elements that occur most frequently in the manufacturing sector, non-manufacturing sector and in the total sector.

The five personal factor elements that occur oftenest in all the three groupings are:

Diligence	86%
Perseverance	80%
Autonomy	80%
Energy	72%
Guts	70%

When we take the next three items in the rank order, there is only a minor difference. 'People sense' and 'opportunity sense' figure in both the manufacturing and non-manufacturing groups, while the third item is 'frustration tolerance' in the manufacturing group and 'flexibility' in the non-manufacturing group.

The sample is not large enough to draw any positive conclusions in this regard. The indication is that in any productive entrepreneurial spirit mix, the following seven factors will figure oftener than others.

The seven factors are:

Diligence

Perseverance

Guts

Autonomy

Energy

Opportunity sense

People sense

TABLE 12

PERSONAL FACTOR FREQUENCY & RANKING
FOR ONE HUNDRED ENTREPRENEURS

Factors	<u>Together</u>		<u>Mfg. Group</u>		<u>Non-Mfg. Group</u>	
	<u>Frequ</u> <u>ency</u>	<u>Rank-</u> <u>ing</u>	<u>Frequ</u> <u>ency</u>	<u>Rank-</u> <u>ing</u>	<u>Frequ</u> <u>ency</u>	<u>Rank-</u> <u>ing</u>
1 Diligence	86	1	60	1	26	2
2 Perseve- rance	80	2	58	2	22	5
3 Guts	70	4	46	5	24	4
4 Autonomy	80	2	53	3	27	1
5 Energy	72	3	47	4	25	3
6 Flexibi- lity	51	7	33	10	18	7
7 Opportu- nity sense	55	6	38	8	18	8
8 Frustration tolerance	50	8	40	7	10	11
9 People sense	61	5	41	6	20	6
10 Innovative sense	48	9	37	9	11	10
11 Versatility	40	10	27	11	13	9

As for the other elements of the mix, there seems to be differing requirements between the manufacturing sector and the non-manufacturing sector. For example, we find that 'frustration tolerance' seems crucial in the manufacturing sector while 'flexibility' seems crucial in the non-manufacturing sector.

SUBSECTOR MIX REQUIREMENTS

This suggests possibilities for further exploration. If there can be differing mix requirements of the manufacturing and non-manufacturing sector, within the manufacturing sector itself, there may be subsector mix requirements.

When an analysis is made sub-sectorwise, a further possibility does arise. The possibility is that different mixes matter for different types of enterprises. One combination seems needed by one industry and another by another. While the matching between the personal factor elements mix requirements of an industry enterprise and the personal factor elements mix availability will matter any time, it will particularly matter when one enters an entrepreneurial career.

This is called a possibility and not a conclusion because neither the sub-sectors are comprehensive nor the samples in each extensive. The sample in each subsector is much too small for any worthwhile generalisation.

Incidentally, this study also gave a clue to why the entrepreneurs faced some problems. Certain productive mix of the entrepreneurial elements they did have. They lacked, however, certain other elements the enterprise required, but which they did not have and which they did not care to acquire.

IN THE PRINTING INDUSTRY

In the Printing industry:

In the sample, 15 entrepreneurs were from the printing industry. From Sector Table 13, we find that the entrepreneurs in this industry tend to display the following personal factor elements to a high degree:

People sense	100%
Diligence (hard work)	80%
Perseverance	73%
Frustration tolerance	66%

In view of the size of the sample, the percentages have no special significance but they do show which way the wind blows.

As in several other business, the satisfied customer spells success in this business: he comes again; he brings others. The satisfied customer becomes the unpaid salesman of the business. And what satisfies him? A good job done, and a delivery date kept. The element of people sense ranks highest therefore.

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TABLE 13
PERSONAL FACTORS DISPOSITION -
SUB-SECTIONWISE

Industry	Entrepreneur serial number	Sub-section and %	Diligence	Perseverance	Guts	Autonomy	Energy	Flexibility	Opportunity sense	Frustration tolerance	People sense	Innovative sense	Versatility
Manufacturing													
Printing	1 - 15	A	12	11	5	10	9	4	5	10	15	6	2
		%	80	73	33	66	60	26	33	66	100	40	13
Engineering	16 - 30	B	15	12	10	11	12	5	6	5	3	11	8
		%	100	80	66	73	80	33	66	33	20	73	53
Fabrication Workshop	31 - 40	C	5	6	7	6	5	4	5	8	4	3	4
		%	50	60	70	60	50	40	50	80	40	30	40
Chemicals	41 - 55	D	12	14	8	11	9	11	7	8	8	8	5
		%	80	93	53	73	60	73	46	53	53	53	33
Rubber	56 - 60	E	5	5	5	4	3	4	5	4	1	0	0
		%	100	100	100	80	60	80	100	80	20	40	0
Plastics	61 - 66	F	6	6	6	6	6	3	5	2	6	2	4
		%	100	100	100	100	100	50	83	33	100	33	66
Textilest Hosiery	67 - 71	G	5	4	5	5	3	2	5	3	4	5	4
		%	100	80	100	100	60	40	100	60	80	100	80
<u>Total of A to G</u>			60	58	46	53	47	33	38	40	41	37	27
			%	84	81	64	74	66	46	53	56	57	38
<u>Non-Manu- facturing</u>	72-100	H	26	22	24	27	25	18	17	10	20	11	13
		%	90	76	83	93	86	82	58	34	69	37	44
Alltogether total	1 -100	A-H	86	80	70	80	72	51	55	50	61	48	40
		%	86	80	70	80	72	51	55	50	61	48	40
Ranking			(1)	(2)	(4)	(2)	(3)	(7)	(6)	(8)	(5)	(9)	(10)

Nearly 80% of the entrepreneurs reported that especially during the first few years and even later, they have worked for over 80 hours a week. This shows that they are willing and able to work long hours not merely in the early stages but even later. This is hard on the family. One printing technologist, who was earlier an employee and now an entrepreneur, said "This certainly creates family problems. My wife tells me, 'When you were working for someone, we had weekends and annual holidays, and now we have neither!' My nine year old son who sees me going to work at 7 and coming back home at 9 asks me at times; 'May I give up these studies and help you, Dad?'"

73 per cent of the entrepreneurs studied in this industry have displayed stamina and perseverance in facing the initial rough weather; and 66 per cent in displaying frustration tolerance in this uneven business.

They have, however, displayed low flexibility, opportunity sense, versatility and innovation. This low level is partly accounted for by the industry itself. It is a traditional industry. The market is small. The flow of business is uneven. The customer loyalty is uncertain. The margin of profit is low. The machinery cost is high and the import of equipment is difficult. The tendency, therefore, is to make do with whatever you have.

one has / *one has*

IN THE ENGINEERING INDUSTRY

In the engineering Industry: (Table 13 Section B)

In this sub-group too there were 15 entrepreneurs.

These entrepreneurs exhibited the following elements much more than others:

Diligence	100%
Energy	80%
Perseverance	80%
Autonomy	73%
Innovative sense	73%

Hard working by temperament and habit, they were found to have high physical stamina to stand the workload. The high energy phenomenon is also partly explained by the fact that most of these entrepreneurs were in the 25-40 age bracket, when they started their unit.

Perseverance was demanded by the situation. Not merely they were new to the line, they were new to the market; and the market did take time to accept them. To succeed, one has to stay and struggle for a fairly long time.

73 per cent of the entrepreneurs displayed a high sense of innovation and all that go with it. This is probably accounted for by the fact that they were all in fields of technology that are fast changing.

The enterprise requirements necessary but not quite displayed by the sample here would be 'people sense'. The low 'people sense' and the 'high sense' of 'autonomy' of the entrepreneurs seemed to have in part accounted for some of the problems like broken partnerships and rub with the government that they faced.

IN THE JOB WORKSHOP

We had only 10 entrepreneurs in the job workshop group (Please see Table ~~Sxx~~ 13 Section C) and these persons displayed the following elements more often:

Frustration tolerance	80%
Guts	70%
Autonomy	60%
Perseverance	60%

In many ways, job workshops are more like printing presses. The work flow is uneven; business comes in fits and starts. When one opens the shop, it takes months before orders start trickling in. To take things in one's stride, one in the line needs high 'frustration tolerance'. 8 out of the 10 entrepreneurs interviewed in this sub-group displayed this trait.

Another high ranking factor is 'guts'. Entrepreneurs in this sub-sector tend to say: We can do any job. At least two of the interviewers reported that they had undertaken

jobs much beyond their capabilities both in terms of quantity and quality.

In an industry where understanding between people inside and outside the enterprise is so crucial, 'people sense' should rate high. In this sample it did not. Nor did it in the case of the engineering sub-group.

Perhaps this phenomenon is accounted for by the background of the entrepreneur. They tend to get oriented to handling things, not people. They have not made it up by needed training.

IN THE CHEMICAL INDUSTRY

The 15 entrepreneurs in the Chemical industry sub-group (Table 13 Section D), exhibited the following elements more often than others:

Perseverance	93%
Diligence	80%
Flexibility	73%
Autonomy	73%

Often, there existed a seller's market for a chemical or two. Getting into the market for these chemicals was tough. Once one got in, one made rapid progress.

The seller's market phenomenon was however a short-lived phenomenon. One who wanted good money should keep up with this market. This meant switching over from product

to product, making newer and newer chemicals. Perseverance, hardwork and flexibility were demanded by the situation.

IN THE RUBBER INDUSTRY

The 5 entrepreneurs that were in this sub-group (Table 13 Section E) displayed the following personal characteristics more often:

Diligence	100%
Perseverance	100%
Guts	100%
Opportunity sense	100%

Banking on their acquired technological skill and capacity to work hard, and taking advantage of the opportunities the industry offered, these five men ventured in this area. They knew that the market would be hostile to the newcomer and that the rejection rate common in the industry could wipe out the little that they make. Their perseverance and guts took care of these handicaps.

Either because of their preoccupation with technology or because they did not have the opportunity to see the point in cultivating it, their 'people sense' and 'versatility' were found low in the list. And this created problems for the concerned entrepreneurs, once the enterprises were growing concerns.

IN THE PLASTIC INDUSTRY

In this industry sub-group (Table 13 Section F) again, we had only a small number of six entrepreneurs. Their profile showed the following as the more commonly occurring personal factors:

Diligence	100%
Perseverance	100%
Guts	100%
Autonomy	100%
Energy	100%
People Sense	100%

Plastic industry is a profitable industry but a highly competitive industry. May be, this is the reason why a combination of six factors is found to exist in every one of the entrepreneur studied.

IN THE TEXTILE & HOSIERY INDUSTRY

The five (Table 13 Section G) entrepreneurs who started an enterprise in this industry on a small scale displayed the following characteristic combinations:

Diligence	100%
Guts	100%
Autonomy	100%
Opportunity	
sense	100%
Innovative	
sense	100%

The industry is almost a fashion industry. The changes are rapid. There is keen competition from larger and long-standing units in the industry. To combat competition and make good, those who venture should display both 'guts' and 'hardwork'. 'Guts' and 'hardwork' are, however, not enough. Both 'ppportunity sense' and 'innovative sense' are necessary. Perhaps an enveloping factor is the 'autonomy' factor, a factor that energises the other factors.

IN THE NON-MANUFACTURING SECTOR

Table 13 Section H gives the personal factor elements mix displayed by the twenty nine entrepreneurs interviewed in this group.

The grouping has been done for convenience and one cannot call it a logical grouping. The only thing common among the entrepreneurs considered here is that they are not in the manufacturing industry sector.

In this mixed group of entrepreneurs, the more commonly occurring personal factors were:

Autonomy	93%
Diligence	90%
Energy	86%
Perseverance	76%
Guts	83%

Characteristics like 'authnomy' and 'guts' probably provided the initial impetus while factors of 'diligence' and 'energy' saw them through.

Most entrepreneurs in this area started small, after sort of apprenticeship with others in the line. They worked as salesmen or assistants for a few years; and they had the eye to observe what it takes to be in thatbusiness.

They started in a small way, gained further confidence as they went along, and grēw slowly. To fulfil their ambition to be independent, they waited patiently for the right break. Once the break came, they worked long and hard. Their rise could be described as slow and steady.

Of the two sets of factors that seem operative at a time when an enterprise is given birth to, one set was discussed in this section. In the next section, the other set of factors, namely, the surfacing factors, will be discussed.

CHAPTER 11

THE FINDINGS : SURFACING FACTORS

In this section, the surfacing factors in respect of the one hundred entrepreneurs are analysed. They are first analysed for the sample taken for study as a whole, for the two major groups and for the sub-groups in respect of the manufacturing group. To briefly recall, the surfacing factors are those factors that spark into action the potential entrepreneurial a person has.

As explained in chapter nine, the following ten surfacing factors were arrived at:

1. Home support
2. Influences
3. Contacts
4. Supplier support
5. Incentives
6. Helplessness
7. Market support
8. Financial support
9. Reputation
10. Exposure.

On the basis of personal interviews, observations, supplemented by discussions with informed people like the

concerned bankers, factors that played a major role in surfacing the entrepreneurial mix of the individual entrepreneur were noted. The factors that existed in a below average or even average degree were not noted. The exploration was not whether a factor existed or not; the exploration was whether a factor existed in a big way.

SURFACING FACTORS - A MIX PHENOMENON

We observe from Table 10 that differing surfacing factors are operative in different cases. We also observe that all the surfacing factors do not appear in all the cases. In a sense this set of factors like the personal element factors, also exists as a mix of a number of factors.

THE MORE COMMON FACTORS

When we look at the picture as a whole, we find some factors occurring more often than others. Table 14 gives the frequency of the factors occurring (a) in the total sample, (b) in the manufacturing group and (c) in the non-manufacturing group.

Taking the hundred entrepreneurs together, we find the more commonly occurring surfacing factors to be the following:

Market support	78%
Exposure	75%
Financial support	73%
Home support	66%

TABLE 14

SURFACE FACTORS FREQUENCY & RANKING
FOR ONE HUNDRED ENTREPRENEURS

Factors	<u>Together</u>		<u>Mfg. Group</u>		<u>Non-Mfg. Group</u>	
	<u>Frequ-</u> <u>ency</u>	<u>Ranking</u>	<u>Frequ-</u> <u>ency</u>	<u>Ranking</u>	<u>Frequ</u> <u>ency</u>	<u>Ranking</u>
1 Home Support	66	4	46	5	20	3
2 Influence	62	5	47	4	15	6
3 Contacts	55	7	56	5	9	7
4 Supplier Support	44	8	22	8	22	2
5 Incentives	20	10	19	9	1	9
6 Helplessness	29	9	25	7	4	8
7 Market Support	78	1	53	3	25	1
8 Financial support	73	3	56	2	17	4
9 Reputation	61	6	45	6	16	5
10 Exposure	75	2	59	1	16	5

If we take the seventy one entrepreneurs engaged in the manufacturing activity, we find the more commonly occurring surfacing factors to be as follows:

Exposure	59/71	83%
Financial support	56/71	78%
Market support	53/71	74%
Influences	47/71	66%
Home support	46/71	64%
Contacts	46/71	64%

There is a fair agreement between the overall picture and the manufacturing sector picture. This is partly accounted for by the fact that a large number, 71, out of the 100 entrepreneurs, are from the manufacturing sector.

In the case of the non-manufacturing sector, the more commonly occurring surfacing factors are:

Market support	25/29	86%
Supplier support	22/29	75%
Home support	20/29	68%
Financial support	17/29	58%
Exposure	16/29	55%
Reputation	16/29	55%

Compared to the overall group, the four commonest factors of 'market support', 'financial support,' 'home support' and 'exposure' figure here too, if not exactly in the same order of importance.

Whether the same order will obtain when the sample is larger, or whether the same order will obtain in another sample of one hundred, we are not able to say as of now.

SUB-SECTOR REQUIREMENTS

Nor can we say that this order will hold sub-sectorwise, as the following discussion will show.

This much can be said at this stage. Surfacing the potential is crucial. Several factors are found to surface such a potential. Becoming aware of them and giving them conscious, systematic and relevant attention would make entrepreneurial development efforts surer, faster and more productive.

As we saw in the case of the personal factors related to the enterprise, when we relate the surfacing factors to the enterprise, we are led to believe that certain surfacing factors have more significance in certain types of enterprise than in others.

To draw definite conclusions on this aspect, we do not have sufficient data in this study. We have, however, enough data to generate thought starters to work on.

In the rest of the discussion, we will review the surfacing factors in respect of the seven industry groups for which we have samples, however limited.

As we emphasised in the earlier chapter, the statistical per centages given here should not be given any weightage. The number of enterprises we have in our sample in respect of each industry is only a small fraction of the number of units in the industry.

IN THE PRINTING INDUSTRY

Table 15 Section A gives the surfacing factors that were present in respect of each of the 15 entrepreneurs studied in the printing industry.

In the case of some, the mix contained more factors than in the case of others. Also some factors figured in more cases than others. The ones that figured most were:

Exposure	86%
Contacts	80%
Financial support	80%

As against these 15, if we have had a hundred entrepreneurs in the printing industry, dominant surfacing factors may be found to be these three or others.

As far as these 15 entrepreneurs are concerned, only two did not have any prior experience in the industry. All others have had atleast two years experience in the line before they went on their own. Twelve out of the fifteen entrepreneurs got initial financial help from banks or other

sources of finance. Eleven out of the fifteen entrepreneurs have had business contacts before they started off. This gave them the initial market support.

IN THE ENGINEERING INDUSTRY

The surfacing factors that figured most often were (Table 15 Section B)

Financial support	100%
Exposure	93%
Market support	86%
Contacts	66%
Reputation	66%

All the fifteen small scale entrepreneurs in the engineering industry had received financial support from banks. The capital cost of machinery and equipment is a major cost in this sector and a small man finds it almost impossible to raise the needed resources from his personal savings.

TABLE 15

SURFACING FACTORS - DISPOSITION - SUB-SECTIONWISE

Industry	Entrepreneur serial number	Sub-section and %	Home	Influences	contacts	Suppliers support	Incentives	Helplessness	Market Support	Financial Support	Reputation	Exposure
Manufacturing:												
Printing	1 - 15	A	9	9	12	5	2	6	10	12	9	13
		%	60	60	80	33	13	40	66	80	60	86
Engineering	16 - 30	B	8	11	10	9	5	8	13	15	10	14
		%	53	73	66	60	33	53	86	100	66	93
Fabrication workshop	31 - 40	C	8	8	3	3	2	1	4	6	5	8
		%	80	80	30	30	20	10	40	60	50	80
Chemicals	41 - 55	D	8	9	12	1	9	4	10	10	8	11
		%	53	60	80	6	60	26	65	66	53	73
Rubber	56 - 60	E	4	3	3	1	-	3	5	2	2	3
		%	80	60	60	20	-	60	100	40	40	60
Plastics	61 - 66	F	5	4	4	2	-	-	6	6	6	5
		%	83	67	67	33	-	-	100	100	100	83
Textile & Hosiery	67 - 71	G	4	3	2	1	1	3	5	5	5	5
		%	80	60	40	20	20	60	100	100	100	100
		(A-G)	46	47	46	22	19	25	53	56	45	59
		%	64	66	64	30	26	35	74	78	63	83
Non-Manufacturing												
	72 -100	H	20	15	9	22	1	4	25	17	16	16
		%	69	51	31	76	3	13	86	58	55	55
All together Total	100	A-H	66	62	55	44	20	29	78	73	61	75
		%	66	62	55	44	20	29	78	73	61	75
Ranking			(4)	(5)	(7)	(8)	(10)	(9)	(1)	(3)	(6)	(2)

Banks are fortunately willing to extend loan facilities for capital finance. Fourteen out of the fifteen entrepreneurs studied have had past experience and the experience ranged from five to twenty three years. This enabled them to have the needed technical experience to manufacture the products. In many cases, the entrepreneurs had not merely technical experience but managerial experience as well.

The market support not merely brought people into ventures but kept them successful. Partly by temperament and partly by training, most of them had developed a sensitivity to the market; they had developed the skill of whom to sell, what to sell, where to sell, when to sell and how to sell.

The other important contributing factors were: Contacts, influences and reputation. Contacts and influences gave them the initial push, the head start to plunge and stabilize themselves.

The fact that 'reputation' figured high may be explained thus. 'Reputation' wins friends and influences people. If one is known for the quality of his work and if one is also known for his capacity to keep his word, whether in respect of delivery or payment, he gets accepted by customers.

IN THE JOB WORKSHOP (Table 15 Section C)

The most recurring factors in the ten cases studied were:

- Exposure 80%
- Home 80%
- Influences 80%

Job workshops being small units, those who work there not merely come to know the many aspects of the business; they also come to know that many who have started a job workshop started with a simple lathe. Job workshops give one not merely exposure to the customers and their work but the competitors and their work.

"If you work this long for somebody, why not work this long for ourselves, my wife used to tell me," one ~~found~~ ^{confided} ~~finided~~. Thus, in some cases, the home factor and the influences factor have been found in the same person or agency that encouraged the person concerned to take the plunge.

confided

IN THE CHEMICAL INDUSTRY

Table 15 Section D gives the surfacing factors that were predominantly present in respect of the fifteen entrepreneurs interviewed in the small scale chemical industry. Of these the ones that figured most were

Contacts	80%
Exposure	73%
Financial support	66%
Market support	66%

The factors were mutually supportive. Exposure to the industry not merely meant know-how but it also meant exposure to the customers, the distributors, and at times the financiers.

The chemical industry is a growth industry. For many chemicals, making itself is marketing. Once the financier - whether a bank or a moneyed friend or relative - knows that someone can make a product that is in good demand, he does not hesitate to support him or collaborate with him.

80% of the entrepreneurs met worked earlier for companies that were major suppliers to medium and large scale industries. They saw that what they produced was so critical that the customers geared their production schedule to suit the supply schedule! Direct or indirect contacts with these buyers made them start with confidence.

The confidence was also accounted for by the sound experience in the industry. Eleven out of the fifteen of the entrepreneurs had the advantage of extensive experience in solving problems in the process of making specific chemicals.

IN THE RUBBER INDUSTRY (Table 15 Section E)

The surfacing factors that figured most often in respect of the five entrepreneurs interviewed in this industry were:

Market support	100%
Home support	80%
Exposure	60%
Contacts	60%
Influences	60%

External market support and internal market sense played a major part in the case of the five entrepreneurs in this sector. All the five units were small units and most of them were ancillaries to auto or other industries. This provided them the market they needed to start with.

One phenomenon was noticed in all the cases. Even when the parent industries were in the doldrum, the small units were found to be doing well. This can be only attributed to their market sense. In good time and long before the crises came, they diversified their manufacture to products that were in the growth market.

All the five entrepreneurs had worked in the rubber industry for a number of years; only two reported they had worked less than five years.

A large percentage of this small sample reported that they got good encouragement from home. This may be because most of them came from traditional business families.

IN THE PLASTIC INDUSTRY

The following five factors figured most often in the case of the 6 entrepreneurs we interviewed in this study (Table 15 Section F)

Market support	100%
Financial support	100%
Reputation	100%
Exposure	83%
Home	83%

In five out of six cases, past experience had played an important role. The experience included trading, selling or manufacturing, but more often selling. All the five had an experience of not less than three years in one or more capacities in the plastic industry.

This is an industry where the rejection rate is high. Support from any section - customer or financier - depends on the experience the person has and the reputation he enjoys. May be this accounts for the high rating we get for the reputation factor.

IN THE TEXTILES & HOSIERY INDUSTRY (Table 15 Section 9)

In this sub-group, the entrepreneurs interviewed came

from three textile units and two hosiery units. In their cases, the surfacing factors that appeared more often were:

Market support	100%
Financial support	100%
Reputation	100%
Exposure	100%

'Market support' factor figures high. This is accounted for by the competitive nature of the textile industry, and the fashion nature of the products they were making.

The market sense and all that goes with it is acquired over several years in the industry. Few of them held formal qualifications. Most of them had not even completed their high school studies. Educational qualifications played little role in their entrepreneurial career. Long and perceptive years in the market and the resulting knowledge of the intricacies of the market played a crucial role in starting their own business.

Perhaps because of the high capital cost of the industry they chose, another factor that figured high was the financial factor. They got support both from the banks and their own family members.

IN THE NON-MANUFACTURING SECTOR

As was pointed out earlier, the 29 entrepreneurs in this group had only one thing in common, namely, they were all not in the manufacturing business.

From the Table 15, Section H, it will be noted that the commonest factors in the case of entrepreneurs in the service industry and trading are the following:

Market support	86%
Supplier support	76%
Home support	69%

One factor that appears in almost all the entrepreneurs is the 'market support' factor. Either their sense of the market or an assured market for them by customers (at least at the early stages of business) seemed to have mattered a great deal.

A related factor is the 'supplier support' factor. Either during their employee days or because of natural advantages, they had cultivated the right kind of people who gave them direct or indirect support when they went on their own.

Several of the entrepreneurs who are in trade today ultimately plan to be x manufacturers one day. "Once we know how to sell, we can hire someone to make", one said.

Another added, "Real prestige and money is in manufacturing. I am only building a base, both a market base and a monetary base." Thus, the market support, and 'supplier support' have not merely started them off, but are putting them on a healthy base.

Another factor of consequence is the home or the family support. This seems to be more common in joint families. "If for a few months my business is down, I need not starve", said one. Another said, "Though parents discount your abilities, your grand parents think an awful lot of you and back you up with moral and monetary support." A third pointed out, "You know you can never fail in a joint family. You go out to venture like hunting for a game. Either you come with the game or you come back yourself. The worst is no-game. There is nothing like loss." There was only one dissenting voice. He said, "The problem with the joint family is that everyone should bless your effort and this never happens. Even a couple of doubting Thomases can scuttle your enthusiasm." Many of them reported that they were both influenced and actually supported by relatives near and not so near.

The other factors like financial support, exposure and reputation do not figure that high. This may be explained by the relatively low requirement of finances compared to manufacturing industry. Also, neither trading nor service

industry does require the technical expertise manufacturing requires.

The findings suggest that at a time an enterprise is given birth to, a second set of factors namely the surfacing factors comes into play. It is the interaction of these two sets of factors - the personal factors and the surfacing factors - that is observed at a time an enterprise is given birth to. In the next chapter, we propose to look at these two sets of factors from the angle of controllability.

CHAPTER 12

THE APPLICATIONS:

SOME CONTROLLABLE FACTORS IN ENTREPRENEUR DEVELOPMENT

In this chapter the findings of this study are related to entrepreneur development and with particular reference to the manageable or controllable factors.

The findings, briefly, are that

- i. The entrepreneur potential is a mix from among several personal factors elements.
- ii. The factors that surface such a mix also obtain as a mix.
- iii. These mixes vary from person to person.
- iv. Several mixes are equally effective.
- v. Some factors - both personal and surfacing - are, however, more commonly found in the entrepreneurial population as a whole.
- vi. The entrepreneurs that succeed in certain enterprise types seem to display similar mixes. In other words, the mixes show up a pattern for each enterprise subgroup (e.g. Job workshop or chemical industry or trading).

One way to use these findings is for those whose concern is entrepreneur development to ask questions like these?

- a) What factors should the man bring himself and what can the environment provide?

b) What of the personal abilities the man brings are inborn and what can be cultivated?

c) ~~What-of-the~~ Of the items the environment provides, what can be controlled, to what extent and by whom?

END RESULT POINT OF VIEW

To get a clear perspective on the application aspects, we may have to examine the personal element factors and surfacing factors together, from the end result point of view.

The end-result is an entrepreneurial event. This is the result of action on the part of an individual. The individual takes action if he has the general confidence to act and the specific confidence to act in that area. If this action is to be productive, he should have the needed competence.

Several people who have high competence but who lack the confidence do not shine or shine only dimly. On the other hand, a few people who have the confidence but whose competence is not of a high order shine well. For success one needs confidence, commitment and enthusiasm but, above-all confidence.

From the application point of view, the broad set of factors that seem to count are: the competence factors and the confidence factors. The confidence factors themselves can be considered under two headings: the general confidence factors and the specific confidence factors.

Competence may be described as the capacity to do. General confidence can be described "as one's feeling of well-being and one's assurance that he can accomplish things." Specific confidence represents "an individual's feeling of mastery over the kinds of tasks and problems he would expect to encounter in starting a company and making it successful."¹ Because of the high degree of uncertainty in starting an enterprise for most people, a high level of general confidence is necessary for them to be willing to have a go at things.

The personal element factors and surfacing factors numbering 21 can be regrouped as in Table 16.

TABLE 16

Competence and Confidence Factors

Competence Factors	Specific confidence factors	General Confidence factors
Diligence	Reputation	Family support
Perseverance	Exposure	Influences
Energy	Contacts	Helplessness
Frustration tolerance	Market support	Guts
Innovative sense	Incentives	Versatility
People sense	Supply support	Opportunity sense
Autonomy	Financial support	
Flexibility		

¹ Liles, Patrick R. "Who are the Entrepreneurs?" BUSINESS TOPICS (Michigan State University), Winter 1974, p.8

Each set of these factors can be examined in terms of the questions earlier raised, namely, what a person brings with him, and what he can consciously acquire, and what can be given to him by an external agency. The picture that emerges is shown in Tables 17, 18 & 19.

TABLE 17

Competence factors: Inherent and Imbided

<u>Factors</u>	<u>Inherent/What one brings oneself</u>	<u>Imbided from or provided by external agency</u>
Diligence	X	-
Perseverance	X	-
Energy	X	-
Frustration tolerance	X	X
Innovative sense	-	X
People sense	-	X
Autonomy	X	X
Flexibility	X	-

TABLE 18

General confidence factors: Inherent and imbided

<u>Factors</u>	<u>Inherent/What one brings oneself</u>	<u>Imbided from or provided by external agency</u>
Home & Family support	X	X
Influences	X	X
Helplessness	X	-
Guts	X	-
Versatility	X	-
Opportunity sense	-	X

TABLE 19

Specific confidence factors: Inherent and Imbibed

Factors	Inherent/What one brings oneself	Inbibed from or provided by external agency
Reputation	X	-
Exposure	X	X
Contacts	X	X
Market support	-	X
Incentives	-	X
Supply support	-	X
Financial support	X	X

COMPETENCE FACTORS

It will be observed from Table 17 that in the case of competence factors many are what the individual brings with himself. The controllable factors are fewer, though they are significant from the entrepreneurial career point of view.

Birth is an accident. The place one is born, the time one is born is an accident. The person has no control over the way he is brought up, atleast in the early years of his life. The environment is just there.

Heredity apart, the early childhood, home, the school and the neighbourhood all make a mark on the person. He emerges

with behavioral qualities of a particular order in the areas of diligence, energy, perseverance, autonomy, flexibility and frustration tolerance.

Man's insistent search is in the direction of controlling as many factors as affect him. In that sense, all factors can be described as controllable.

From a long term point of view, policies should be developed and practices observed that would positively influence these competence factors. For example, parent education should include ways and means of preserving these all too human traits in children. And in the school, the individual himself may be made aware of these natural traits of his and may be given help to get back any that may have been diluted or disturbed when he was a helpless child.

From a mid-term practical point of view, however, the inherent type of factors, the ones that the individual brings with him, have to be taken as a starting point.

The worthwhile focus would be on the controllable factors, the factors that can be influenced in the individual's favour at an early age. Such factors are frustration tolerance, innovative sense, people sense and autonomy.

Mass communication helps to take care of the autonomy factor. Advertisements by government and financing institutions paint a glowing picture of what it is like to be one's own boss. This has certainly kindled the autonomy instinct of hundreds of people.

Education, training and field opportunities can equip people with the following competence factors, namely, frustration tolerance, innovative sense and people sense.

GENERAL CONFIDENCE FACTORS

Of the general confidence factors, it will be observed again from Table 18 that many of them are what the individual brings with himself. External agencies have certainly a say, as in the case of, 'home and family support' and 'influences'. In respect of the 'opportunity sense' factor, an external agency can have even a major say.

Confidence factors, as was noted earlier, are those that make one believe that one can do it. One may tell oneself: I too can do it. Or someone may tell him: YOU can do it. That person can do this telling, directly or indirectly. The net result is that one is sparked into action.

Listing the helplessness factor under this category requires some explanation. Helplessness does not give an individual general self-confidence directly; but it does

tend to give it indirectly. It dares him to act; and he obliges; and he wins. Desperation does not give one confidence but it seems to block out the opposite, namely, diffidence, and thereby lets one act. Helplessness is a confidence factor in the sense it proves with some men and women a spur to action.

Though generally 'helplessness' is not a controllable factor in the sense it cannot be voluntarily caused, it can be and is caused, though unwittingly. A political decision makes a group disadvantaged and desperate, almost overnight. Atleast a section of the affected group takes the resulting helplessness as a challenge and gets spurred into entrepreneurial action. The recent 'Gold Control' order is one such example. A few of the affected people moved into action and set up enterprises like picture houses, restaurants and the like.

Some individuals have the natural advantage of being in a family or a context where these factors exist in good measure and they are given a chance to absorb them. A large per centage of the population do not have such an advantage. It seems reasonable to argue that if young people are given in their impressionable and formative years sufficient and systematic training in creative thinking, perception of opportunity, learning by doing, adventurous living, they will be geared for entrepreneurship in due time.

The present educational system, taken by and large, does not have provision for such an input. It prepares one (and even that inadequately) to work for an ongoing organization and not to create one's own. The result is that talented and qualified people, when they do not find an organization in the country that can employ them, do not strive to create such an organization; they automatically turn to another part of the world where there are readymade organizations. The thought is not that every educated person should turn an organizer; the thought is that if one thousand people are challenged while they are studying, one of them may accept the challenge when he enters work life.

Our educational system is almost wholly knowing-oriented. Knowing certainly gives one competence. If one is to have confidence, one has to have a system which is doing-oriented as well. Leaving apart a career in entrepreneurship, even for a satisfactory work career, one needs confidence in great measure. This confidence is best developed when one is preparing for life; and this means our educational system should be heavily doing-oriented. One reason why our professionals like doctors do extremely well any part of the world is that their education is in good part doing-oriented.

"To assist the entrepreneur through education, however, it is vital to understand his learning characteristics, He is

active, not passive. He has an innate psychological need to control and direct. He has tremendous self confidence, but only when he is in control; in the classroom he is not in control. He has a never-ending sense of urgency. He is a generalist. He dabbles in learning a broad spectrum of things, but specializes in none. Trying to fill his head with all of the accumulated knowledge on any particular subject bores him and inhibits his natural tendency to conceive of relationships among seemingly unrelated things. He has superior conceptual abilities. He solves problems faster than many. He learns more quickly than most of us. He does not need all of the knowledge committed to prose between the covers of a textbook. He needs only the kernel of the theory. He needs only the acorns. He will grow the oak tree." 3

It is heart-warming to know that the Maharashtra government has made a beginning by introducing in over 2000 schools from eighth standard onwards a work-oriented education scheme. The coverage visualised in this scheme are (1) work experience projects; (2) occupational explorations; (3) work efficiency; (4) small scale sector management and (5) innovation.

EDUCATION FOR ENTREPRENEURSHIP

Developmental efforts can give substance to the statement that the entrepreneur is 'born' and 'made'. He is

3. ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT: A WORLDWIDE PERSPECTIVE. Proceedings of Project ISEED, Summer 1975 (Milwaukee: The Center for Venture Management, 1975) p.279

born in the sense he brings with him certain capacities like goal-oriented intelligence, project-directed energy, and a high need for innovation and achievement. He can be 'made' or educated or trained in elements that matter, for example, 'opportunity sense'.

Teaching entrepreneurship is a frontier of teaching where routes have not yet been worked out and demonstrated. Recent studies indicate that entrepreneurs are special people and that they learn differently from "normal" people.⁴

WHAT SOME AGENCIES CAN DO

Home or family support and influences can be considered together since home is an influence in itself and can bring about desirable and welcome influence, with a certain amount of seeking. Homes may have the willingness to support and not the ability, but even that is much. Primarily, what it does is ^{to} tell the person: I have faith and confidence in you. You will succeed. If you should have setbacks, we will be with you. /t.

Family can be a confidence factor and more so if one has a joint family. This aspect deserves to be emphasized in the interests of entrepreneur development. It was found that several of the entrepreneurs studied had the advantage of living as a member of a joint family. The joint family served as a buffer against the inevitable economic and emotional shocks of starting an enterprise.

⁴ Ibid., p.50

The influences factor is partly circumstantial and partly subject to control or influence. Especially at the formative age, if young people can be given attention to by entrepreneurs, it may make a difference.

A case in point is the Junior Achievement movement of U.S.A. In the past 50 years, the Junior Achievement organisation has systematically introduced over 100,000 people high school students to the realities of enterprise development through a planned nine months programme. We can well afford such a movement in our country. (Please see Appendix 2)

SPECIFIC CONFIDENCE FACTORS

Table 19 brings out the point that in the specific confidence factors area, most of the factors are controllable. Some can be controlled or influenced by the individual and the rest can be influenced by an external agency.

The individual can to some extent influence and in that sense control the following factors:

Reputation
Exposure
Contacts

These confidence factors are such that the individual will have to go half way and the powers that be have to come half way. Thus, 'reputation' one can build for oneself over a period. One can pursue excellence in whatever he is engaged in. One can make efforts, if not quite succeed, in having exposures, provided the end goal is clear and

interim sacrifice is not minded. While natural advantages of birth and position will certainly matter, one can over a period build up contacts.

External help, however, is necessary in many cases. Thus, Contact factor is the resultant of an interplay of effort and external opportunity. Deivam manushya roopena² is an old ^Ssanskrit saying but it has new significance in the context of entrepreneurial development.

Exposure is also the resultant of such an interplay. Atleast one section of the population in one trade - Gujaratis in the cloth trade - consciously seeks exposure with a view to set up their own shops in the future.

Franchising - very common in the West, especially the U.S.A. - is one organised form of exposure where both the parties will be willing and eager to have mutual association. Otherwise, the very thought of exposure as a factor in entrepreneurship may make existing people shrink further from engaging people and placing them in positions of responsibility. (A note on franchising is given in Appendix 3).

The following factors, however, are more under the control of forces outside the person -

- Market support
- Incentives
- Supply support
- Financial support

² God himself comes to one's help only in the form of a human being.

To organise these confidence factors, we need the understanding and active cooperation of a number of sections of the society - the business section, the finance section and the government section.

Some tend to think there is only so much market and no more and so why build a competitor. Unless they realise there is a growing market and there is a place for a number of people, they would not lend a hand. This much is possible. When people are taken for systematic development, the thought can be shared with them that putting people in business in a non-competitive area is sound business, is something that they owe to the society that has enabled them to flower.

MARKET SUPPORT

The market support is one factor that is crucial and that has received casual attention so far.

When an entrepreneur goes on his own, the initial basic support he needs is custom for his product or service. If someone can underwrite it for the first few months, if not the first few years, the new entrepreneur will get breathing time to fight on other fronts and stabilise himself in the manufacturing or service industry. Even when one starts a trading enterprise, initial market support can make a difference.

This market support can be provided by a wholesale distributor, a chain store, a consumer of industrial goods or assembler. One very effective distribution mechanism found in the west is the chain store. Apna Bazars can be considered as a nucleus of such a needed countrywise distribution machinery.

PAYMENT SUPPORT

The distribution outlet is provided even now. It is not, however, provided with understanding. There is an element of exploitation both in respect of price and in respect of payment. Small scale entrepreneurs complain that public sector units are "the worst sinners in this regard." Repeatedly, an idea has been mooted that customers should be statutorily required to settle the bills within one month of the delivery of the goods. The sooner this becomes a reality the better it is for the enterpreneural movement in the country.

This is partly a problem of social attitudes. The entrepreneur is looked at with envy and not enthusiasm. That he needs understanding support in the initial period is hardly understood by most agencies, whether governmental or non-governmental.

This exploitation and the resulting frustration is injuring the cause of the future. It is only the unwary and uninformed that stray into entrepreneurship; also, the desperate and the desperado. The decent and the informed

ask: Why invite exploitation? If the nation desires that the decent become enterprising, we should be more understanding to them.

The Japanese example has a pointer to us. When Japan decided to industrialise in a big way, the big industrial houses offered to give the technocrats the seed money and the marketing facility. They also helped them with the raw material. Processing was the technocrats' job and that was their expertise. The result was that the technological manpower got utilised in a big way. It did not waste itself on futilities. What Japan did we can do in this regard.

THE GOVERNMENTAL SUPPORT

The financial support, the supply support and the government incentives can all form a cluster; they are all related factors. In these related areas, much is progressively attempted by government and quasi-government agencies. (Please also see Appendix 1).

In respect of the advertised support, the classical logic seems to hold still. The classical logic is that unless a man brings his money and risks it, he will not evince sufficient enough interest. This logic applies only to the parasitical section of the population. Also, this logic ignores one reality in our country. The reality is that for several reasons most people have a hand-to-mouth existence.

Few can speak of savings. When we apply this conventional logic, it is almost an invitation to the economically well off. While the rich becoming richer is a fact of life, and it is meaningless to have a quarrel with this phenomenon, playing up this logic is almost blocking those who do not have the seed money, who do not have the staying power.

What the government agencies have done in the past decade or more has considerably helped economic development of the country, if not quite the entrepreneur development. The present criteria for assistance and the present approach to time in sanctioning loans and the like are such that the boasted support can be only for the well-to-do.

This study shows that what is needed is not more help but a little different way of helping. This will probably be done by the concerned agencies and individuals, if the realities of entrepreneurial process is appreciated by them a little more.

The entrepreneurial process has two major parts the get-off ground part and the keep-going part.

During the get-off ground part, the entrepreneur has to fight on many fronts - the market front, the making front, the procedural front, the home front and some more fronts. On some fronts, he alone can fight - for example, the home. There are fronts - for example procedural front - where others can fight on his behalf, just for a while.

One positive and practical way of helping the entrepreneur-in-the-making is not to open more fronts on which he has to fight. Every agency that has anything to do with the small scale entrepreneur can ask the question: Are we atleast not hindering, if we are not helping him?

Another positive way we can help is to let his energy be used on productive fronts, rather than on procedural fronts. Many of the procedures remind us of the colonial days. In a colonial situation, the occupier of the country wanted to put off local people from acting. One sure way to put off people, they found, was to make the procedures complex and long. Unwittingly, since independence, we have not jettisoned this counter-productive strategy. In fact, there is a common belief that for reasons of politics and patronage, we are not merely retaining this strategy but strengthening it. Wherever-else this strategy may be warranted, it is certainly not warranted in areas which are concerned with entrepreneur development.

THE FINANCIAL SUPPORT

A third way is to help the emerging entrepreneur (informationwise) on how to apply for financial assistance and to help him (if he is eligible for help) within weeks, if not days. One of the surest way to sap entrepreneurial spirit is to give him the money late. During this period, two things get strained and sapped - one is the little

staying power he has and the other (which is more crucial) the enthusiasm he has to make or sell things. It is not precious time alone that is lost; it is precious spirit. It is not merely justice that is denied, if delayed; it is financial support as well.

The leisurely approach to financial support will not hurt the man that has big money. It will hurt the man whose strength is not financial. If we continue that approach, it is clear that we are conducting business as usual and we are supporting not the enterprising but the entrenched. The nation's physical capital may be utilised; the nations scarce human capital will not be utilized.

When an aspiring entrepreneur is fighting and struggling, the world is watching; and that world keeps deciding in favour of personal entrepreneurship or against. The present well-meaning but non-understanding approach is not conducive to entrepreneurial movement. In fact, better results are likely to accrue if we openly say we do not extend financial support to intending entrepreneurs. That way, the entrepreneurs will face reality much more pragmatically and provide for the harsh realities. The current position is that he gets caught unwarily and starts with a bad taste in his mouth.

And finally, the hardest of all, for the first few months, the entrepreneur needs support on the market front.

If an agency or a number of agencies - governmental or non-governmental is not material - can lift the goods (of course of standard quality) and make prompt payment, he will be helped at a time when help is help.

AN ENTREPRENEUR ASSESSMENT MATRIX

While all the concerned agencies should do their best to extend a hand of help in serving this common cause, the individuals need not wait. The individuals can use these findings to know where they stand and take such help as is available and is necessary. Specifically, the individual^s can develop an entrepreneurial matrix for themselves. Such a matrix can give them an idea of their entrepreneurial potential. If the non-controllable factors are favourable, the controllable factors can be examined for possible gaps. These gaps can be filled by self-developmental efforts and availing of competent assistance from outside. (Please see Appendix 4).

WHEN EVERY LITTLE COUNTS

Our findings thus throw up distinct possibilities for self help and help from outside. Competence factors and general self confidence are mostly internal to a person; and they are in essence habits of work and habits of approaches to life. What the person needs and lacks in factors like people sense, opportunity sense and innovative sense can be easily given to him by external agencies.

Specific confidence factors, on the otherhand, are more of the kind where external help is required. What home, school and society can do in building confidence in an individual are of a long term nature. What those in charge of existing enterprises and governmental and quasi-governmental agencies can do by contributing to the several confidence factors are more immediate. For them to do what they can do, two realisations are necessary. One is that a concrete way of contributing to nation building is to spot and support high potential entrepreneurs. The other is that support has purpose and potency only when it is offered at a time when a man is starting a venture. At this hour, every little counts. It is received with gratitude and passed on with grace. A fair part of the competence factors and general confidence factors and a major part of the specific confidence factors we find are controllable and in that sense manageable factors. To the extent we control them, to that extent entrepreneurial resource management is a reality.

A VERIFICATION STUDY

If the competence and general confidence factors supported by specific confidence factors lead to an entrepreneurial event or enterprise, it should be as much true of those who are least expected to succeed in an entrepreneurial career as of those who have natural advantage. To check whether this is so, a handful of Brahmins from south India who have become entrepreneurs in Bombay were studied briefly, and the indication is that it is true. (Please see Appendix 5).

CHAPTER 13

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

1. Almost till recently, and all over the world, entrepreneurial manpower has been looked at as a phenomenon and not as a resource. Once we realise it is a key human resource, once we realise it is a resource that makes the possible real, we will concede entrepreneur resource management is an opportunity area.
2. Entrepreneurship plays such a key role in the economic development and growth of the country that it tempted Zinkin to say, "No entrepreneur, no development." The quality and quantity of entrepreneurs in any area determine the economic growth of that area. This is as true of countries as it is true of regions within the same country.
3. Where entrepreneurship suffers a set back, economic development suffers a set back. And, entrepreneurship suffers a set back for a number of reasons. Firstly, the entrepreneurs themselves do not think highly of their calling. Secondly, the rest of the society do not appreciate the great contributions the entrepreneurs make for a higher standard of living, for a higher quality of living and for a better development of human resource.

4. The sacrifices the entrepreneurs make are silent and not obvious; but the rewards they get are loud and obvious. Perhaps this accounts for the inadequate appreciation in most societies for the entrepreneurs' contribution. Added to it, in a country like India, there are historical prejudices against entrepreneurial pursuits. Enterprise (which is equated to business) does not enjoy a social status.
5. There are also definitional problems. Entrepreneur and entrepreneurship are terms that suffer from diverse definitions in both the popular and technical literature.
6. The term 'entrepreneur' has been used for example to designate "the economic agent who unites all means of production"; the individual whose function is "innovation, to carry out new combinations called enterprises"; the individual or group of individuals who undertake "to initiate, maintain, or aggrandize a profit-oriented business unit for the production, or distribution of economic goods and services"; "an organization builder" and the one "who develops an ongoing business activity where none existed before".
7. Depending upon his purpose, each scholar defined entrepreneurship and the entrepreneur. It is as well. Entrepreneurial resource is a dynamic resource and it is proper to keep the description flexible.

8. In a developing economy context like the Indian context, the definition of the entrepreneur and enterprise should be non-exclusive. Every conceivable type of entrepreneur is welcome. Any enterprise, any venture, any sector, any structure, any size, any capital is in order.
9. For purposes of this study, the entrepreneur is defined as one who recognises a need of the people or who creates a legitimate need for the people; and who organises its fulfilment in such a way that surplus results.
10. In a developing context like that of India, it is essential that (a) the will to create what is not and what can be is emphasised; (b) the man (who creates) is emphasised; and (c) the non-restrictive nature of the enterprise is emphasised.

ENTREPRENEUR DEVELOPMENT BY DESIGN

11. Developing countries like India need entrepreneurs in number; they need them in quality; they need them in time.
12. Entrepreneurs resource is a scarce resource. Only a small percentage of the population (1 to 10%, depending on times and places) would constitute such a resource. To manage this resource to optimum results, it becomes

essential that we make conscious, systematic and sustained efforts to identify such a resource and foster it.

It is true that even if no efforts are taken, the entrepreneurs will become entrepreneurs. The advantage of doing it consciously and systematically is that they can arrive a little faster and a little smoother. If they arrive a little faster, it is good for the economy. If they arrive a little smoother, the quality of entrepreneurship is likely to benefit all concerned.

13. Scarce as the entrepreneurial resource is, it is made scarcer still by historical, sociological, cultural and economic barriers.
14. The restrictive effects of customs and traditions, social and institutional values, low status of businessmen, high risks in establishing new ventures, limited and imperfect markets, weak administration and lack of adequate statistical information, and legal and institutional headaches are severe indeed.
15. In such a situation, in the absence of a conscious entrepreneur - development - by design effort, the quantitative growth will be less than what it can well be.
16. Entrepreneur development by design would help reduce the frequency and severity of failures.

17. Entrepreneurial failures have several immediate and far-reaching consequences. Immediately, the individuals and their families suffer a setback both in cash and morale. The loss of capital loaned to them is not merely a waste of scarce capital but one of lost opportunity. Thirdly, and most importantly, the entrepreneur movement gets a set back.
18. Studies made over the years indicate that entrepreneurial failures are mostly due to incompetence and poor management. This means that the right men and women should be encouraged. This also means that those who are encouraged should have systematically acquired the needed philosophy and skills before they set up a venture.
19. The nature and quality of input that an entrepreneur receives before he starts off a venture are critical to the way he will approach men and things. This input can notably influence the quality of entrepreneurs.
20. One reason why the decent are not enterprising and the enterprising are not decent is that efforts in the direction of entrepreneur development by design are not adequate. The emphasis is on the number of industries that come up and the emphasis is on the capital required for it. The emphasis is not on man and the emphasis is not on his preparation; the emphasis is not on the other supports needed.

21. Manager development by design which the country took to, a decade back, has paid dividends. We have an increasing pool of trained managers.
22. Managers are born and made. So also, entrepreneurs are born and can be made, 'made' in the sense they can be developed. Because manager material and entrepreneur material are not quite the same and because the end requirements of development are not quite the same, the developmental efforts will differ. The main point is that well-chosen material, if suitably trained, will gain that professional touch needed for their careers.
23. It was pointed out earlier on that the emphasis should be on the man who starts a venture. If entrepreneur development by design is to be a pay off proposition, it is also necessary that the emphasis is placed on the balanced and adequate preparation for venture management. Furthermore, the emphasis should be placed on giving the inputs well before he or she starts a venture.

ENTREPRENEUR DEVELOPMENT AND SMALL ENTERPRISE

24. When we think of entrepreneur development by design, we are thinking of the national needs. The national needs are many and critical.
25. Firstly, we need social and economic development throughout the country and not merely in a few pockets.

Development should be dispersed. Secondly, the standard of living should rise for many people. This means jobs, which means workplaces. We need workplaces, thousands of them, spread throughout the country especially in the rural areas. Mass migration, even if possible, is not desirable; Migration cannot be confused with mobility. Thirdly, the gestation time has to be shortest possible. The needs are urgent and the patience of people is running out. And fourthly, in a capital starved country like ours, the entry level should be appropriate to the context. Base of entry is a critical point. Entrepreneurship should be at a level where action is quite feasible, and where useful, local and national successes are more easily achieved.

- 26. A small scale enterprise is more accessible to more people in more places than even a medium sized enterprise. The investment per unit is less. The gestation period is less. The manageability is more. The chances for geographical spreadout are more. The opportunities for local jobs are more. The decision-makers are more and the chances of innovation are more. Also, the emphasis here is on the entrepreneur (the man) and not the function. And these and other reasons suggest that entrepreneur development by design would mean in good part small scale entrepreneur development.

27. For balanced growth of a country, all sectors should get appropriate attention - the large sector, the small sector, the public sector and the cooperative sector. From the entrepreneur (human potential) development point of view, however, the small sector offers the greatest scope and promise.
28. Any system that seeks to develop entrepreneurs, especially small scale entrepreneurs, by design should be informed by a philosophy. This philosophy would appreciate the multi-dimensional contributions entrepreneurs in this sector make to the country and community.
29. What is commended is not a place for the small enterprise at the expense of the general economy or at the expense of the customer.
30. The emphasis on the small sector is not ideological but pragmatic. It is in addition to large scale sector and not instead of. In fact, both the sectors complement each other; they are interdependent in many ways. From the entrepreneur development point of view, from the key human resource development point of view, the small sector assumes relatively higher significance.
31. As it happens, the small scale sector is an economically viable and socially useful sector. As Bolton report

puts it, "the economic arguments alone are powerful enough to establish the need for an active small firm sector so that there has been no need to attempt to quantify this non-economic contribution."

- 32. Economic contributions apart, a growing and dynamic small sector means (a) better quality of life because of better spreadout and personal service; (b) many more of decision-makers and the resulting tempo of action and innovation; and (c) a faster rate of human resources development.
- 33. The alternate and unlimited career the small scale sector provides for the academically disadvantaged is one of the major reasons why small enterprise should get the focus of any scheme of entrepreneur development by design.
- 34. The small scale sector entrepreneurship has been little researched. For that matter, even the large scale sector entrepreneurship has not been extensively researched. Only in recent years, entrepreneurship and entrepreneur have caught the attention of the researchers. One of the contributory causes is the definitional problem.
- 35. A small enterprise may be quantitatively defined in terms of its investment, volume of business, number of employees or its relationship to other units in the same

area. Or it may be said that a small business is relative to the industry, its area of operation is local, its capital is small and its management is independent. A small enterprise need not necessarily be an industry.

36. Because of its place in the scheme of things, since independence, what has been given conscious attention to is the small scale manufacturing unit. The whole-sale trade, the retail trade, the service industry and other types of enterprises have not been given sufficient attention.
37. In the Indian context, the desirable approach seems to be not to put restrictions on the nature of the enterprise, for governmental support. The emphasis can be just on venture, on small enterprise. A small enterprise can thus mean a shop, a repair service, a school or an entertainment unit as much as an industry. The ownership can also be unrestricted and not limited to cooperative societies and the like. The one limitation that may be permissible under the circumstances will be the capital invested in the enterprise; an upper limit can be stated.

THE CRUCIAL PERIOD IN AN ENTERPRISE

38. All the three stages in the life of an enterprise - commencement, maintenance and growth - are important

and should be given attention. At this stage of economic history of our country, the primary stage is the commencement stage.

39. In a developing economy, in a non-competitive economy, entrepreneur development efforts give the best pay off, if the focus is on the startup stage.

40. From the individual entrepreneur's point of view, the most crucial and rough stage is the startup stage. To him, a venture is a matter of moving from a world of relative certainty to a world of uncertainty. It is not merely losing one's peace of mind. It is one of losing one's shirt. It is probably losing one's place in society. It is not even a case of unknown angel. It is a case of unknown devil.

41. Rough as the startup stage is in any part of the world, at any stage in history, it is particularly rough in our country today. The family members hesitate to give support. Would-be competitors cannot be expected to be kind. Customers and suppliers do not see any particular need to cultivate the entrepreneur to be. All of them turn cold shoulder to him.

42. The financial institutions and the governmental agencies do not give him understanding support either. Their delays and their inconsiderateness make him fight on many fronts.

43. The entrepreneur is so often self-chosen and this creates its own problems. The entrepreneur often makes his decision on the basis of desires and ~~drama~~ rather than facts and evaluation. *(dreams means)*
44. The raw material input is an important consideration to quality control. The development of entrepreneurs starts with the recruitment and then selection of individuals who are to be developed and trained for entrepreneurial undertakings. *(The Gujarat experiment* has proved that if conscious attention is given to this stage, if systematic efforts are taken to select the individuals to be supported, and if integrated and understanding assistance is provided, it makes a difference in entrepreneurial results. *l. T*
45. One great advantage we have in India is that the government and financial institutions are playing a major role in enterprise development. In fact, without the blessings of one or more government agencies, very few enterprises can be started in the country. This makes the commencement stage more of a controllable point. These institutions can play a constructive role in the scientific screening of the potential entrepreneurs and the systematic preparation for effective entrepreneurship.

46. If venture assistance is being provided on the basis of the competence of the man himself and not his financial background, the task of assessing the entrepreneurial capacity to succeed becomes crucial. What data and tools are available for doing so? How reliable are they? What more can be done in this regard? Questions like these raise the need to know about entrepreneurial motivations and the characteristics of successful entrepreneurs.

ENTREPRENEURIAL MOTIVATIONS

47. What are the motivations of people who create an enterprise? Researchers have been trying for some years now to discover the conditions that "cause an individual to become an entrepreneur". Economists, psychologists and sociologists have developed a number of theories based on study, observation, insight and field work. Some theories focus on the individual and others on the social context.
48. Insecurity and deprivation may drive a man into an entrepreneurial career; or it may be the achievement motivation. The motivation may be a conditioned behaviour or it may be one of self-fulfillment. It may be because of the society's cultural values, role expectations, social sanctions or inter-group relations. Or, it may be because there is a discontinuity between

the individual's personal attributes and the role which the individual holds in society. It can also be a case of situational advantages and personal perceptions.

49. The propounders of theories have each isolated a single factor as a key factor in the emergence of the entrepreneur. Each factor is valid in a context and for those engaged in entrepreneur development by design the question largely is: What theory or combinations of theories works in a particular context?
50. Perhaps because of the size of the land or because of the differing states of development, we have situations in India that will support or disprove every theory. One can conclude that every theory may be relevant to a context and managerially speaking, one should know all the theories and use the ones appropriate to the situation.
51. Some of the theories have been empirically tested, notably McClelland's 'Achievement Motivation theory', Maslow's 'Self Actualization theory' and Stanworth's 'Social Marginality Theory.'

EMPIRICAL STUDIES

52. Where do the entrepreneurs come from? The origins of entrepreneurs have been examined and analysed; and the studies made especially in U.S.A. have led to a number

of findings - some statistical and some behavioral. In one study, for example, the successful entrepreneurs were in the age range of 19 to 40 and in another all of them were over 40. In a third study, the entrepreneurs were orphans, literally or psychologically.

Other studies went to test out some of the findings and theories of earlier researchers - notably McClelland's, Maslow's and Moore's. In respect of McClelland's need for achievement, more than others, field data has been assembled to show that it makes the entrepreneurs more entrepreneurial.

Still other studies conclude that there are several types of entrepreneurs; that one of the variables that affect the growth of the entrepreneur is the nature of the entrepreneur himself; and that different characteristics matter at different stages of an enterprise; and that certain psychological instruments may be able to measure the characteristics and thereby help predict the successful entrepreneur.

- 53. Similar studies have been made in India for the past two decades. The empirical data point to the fallacy of overemphasis on the religious and cultural values and social organisations. The studies show that increasingly, economic and technological factors are influencing the emergence of entrepreneurs. The social and cultural

factors have varying but decidedly decreasing influence. Studies confirm some of the psychological and sociological theories referred to earlier. Other findings include that for successful entrepreneurship, (a) profit is as much a motive as independence; (b) while work experience matters, education does not; (c) a joint family is a help.

54. The typical thing about the entrepreneur is that he is not typical. If each man is unique, more so is each entrepreneur. It is true ^{one} on entrepreneur may have a few things in common with other entrepreneurs. What makes him an entrepreneur is what is unique to him. If we are flexible enough to respect the entrepreneur's uniqueness and if we confront the problem of generalities, we are likely to be nearer reality.

55. From the foregoing it will be noted that there is a need for studying small scale entrepreneurs at the start-up stage with a view to establishing the factors that figure in at that stage and with a view to isolating the controllable factors. So doing may throw up findings that will make entrepreneur development by design a more manageable proposition.

THIS STUDY

56. This study noted that entrepreneurs come from varied backgrounds. They were till yesterday traders, financiers, technicians, managers, agriculturists,

lawyers, army officers or school teachers. The one thing common in them is what may be described as the entrepreneurial spirit and the entrepreneurial effort. What constitutes this spirit and what makes for this effort?

57. One hundred small scale entrepreneurs were chosen for the study. All of them first generation or primary entrepreneurs, they all started their own enterprises in or around Bombay in the past ten years or less and with a small capital. Most of them were in manufacturing industry. There was only one woman entrepreneur in the sample studied.

The entrepreneurs were interviewed for several hours and at times more than once. The answers sought were for two major questions: What are the elements of the entrepreneurial? What are the factors that make this spirit flower?

spirit

58. The answers were sought to be found in their behaviour. What did they do before they started their ventures? How did they generally go about? What was their approach to men and things? What help came their way? How did they seek help? What was the interplay of the internal and external forces like?

59. Their behavioral characteristics were named as personal elements factors and these numbered 32; and they were grouped into eleven, namely: Diligence (Hard-work) perseverance, guts, autonomy, energy, flexibility, opportunity sense, frustration tolerance, people sense, innovative sense and versatility.
60. In respect of each entrepreneur, it was asked: Which of these elements exist in him in a big way? It was noted that in respect of each of the entrepreneur's the elements exist in a mix and the mixes vary from one to another. Since all the entrepreneurs are fairly successful, it was argued that several mixes are equally effective from the entrepreneurship start-up point of view.
61. Entrepreneurial spirit or potential can therefore be described as a mix of several personal elements factors.
62. In earlier studies the characteristics of the entrepreneurs have been noted and listed. Our finding is that the potential entrepreneurial spirit in a person is a mix of a number of personal factor elements. Our further finding is that this is not a single mix but several mixes of the same elements. Several mixes are equally effective. Some personal factor elements (for example, diligence, perserverance, and guts),

however, are found in such entrepreneurial mixes more often than others.

63. There are intervening factors between entrepreneurial potential and entrepreneurial action. These are the factors that, so to say, surface the potential; these factors can therefore be described as 'the surfacing factors.'
64. On the basis of answers to the broad question, 'who or what brought you into the enterprise picture', *37 thirty seven* ~~several~~ factors were noted and these lent themselves to be grouped into ten factors, namely, the home, influences, supplier support, contacts, incentives, helplessness, market support, financial support, reputation and exposure.
65. In respect of each of the entrepreneurs studied, it was asked: Which of these factors apply to a high degree? It was found that some combination of factors applied in one case and some other combination in another.
66. Just as the entrepreneurial potential factors exist in a mix, so do the entrepreneurial surfacing factors. It is the interplay of these two mixes that takes one into entrepreneurial action.
67. When the mix profile of the one hundred entrepreneurs are reviewed as a whole, it is observed that the personal factor elements more often found are: diligence,

perseverance, guts, autonomy, energy, opportunity sense and people sense. The surfacing factors that occurred most often are: Market support, financial support, exposure and home support.

68. The picture of the commonest factors changes a little when the analysis is made in respect of the two groups the entrepreneurs constitute. It is one set for the manufacturing entrepreneurs and another set for non-manufacturing entrepreneurs, though many factors are in common.
69. When the manufacturing group is divided into subgroups, the picture changes a little more. The sample size is too small to generalize but it appears that the commonest for one subgroup of one industry may not be the commonest for another subgroup of another industry.
70. Looking at the picture from another angle, it appears that every type of enterprise has its personal elements factors requirements and surfacing factors requirements. For optimum success, the mix the individual brings should match with the mix the enterprise demands.
71. Thousands of men and women have situational advantages-economic, social and personal; but they do not start an enterprise. They do not start an enterprise not because they lack competence but because they suffer from diffidence. From an outsider's point of view,

they may have, besides competence, the specific confidence factors in venturing in a particular area. What an outsider is not likely to realise is that the individual concerned lacks in general self-confidence.

72. Entrepreneurial competence is a necessary condition but not a sufficient condition. The sufficient condition is provided by entrepreneurial confidence. Entrepreneurial confidence is not merely a sufficient condition but a crucial condition. Confidence can make the difference even in cases where the competence is not of high enough order; but it is not vice versa.
73. Even confidence has two components - the specific confidence and the general confidence. Of these two, the general confidence is basic. Without general confidence, the specific confidence may not take one very far.
74. Earlier studies not merely list the many characteristics found in the entrepreneurs but give the impression that all are equally controllable. This study deliberately sought to find out what factors are of a controllable nature.
75. The 21 factors that have been identified can be regrouped into (a) competence factors; (b) general confidence factors and (c) specific confidence factors; They can

then be examined under the two headings - controllable and not so controllable, whether by the individual himself or an external agency, whether fully or partially.

76. The picture that emerges is that the fully or partially controllable factors are (a) (in respect of competence), 'frustration tolerance', 'innovative sense', 'people sense' and 'autonomy'; (b) (in respect of general confidence); 'Home and family support', 'influences', and 'opportunity sense'; (c) (in respect of specific confidence), 'exposure', 'contacts', 'market support', 'incentives', 'supply support' and 'financial support'.
77. Once the factors affecting an entrepreneurial event are identified, once they have been classified into competence and confidence factors, once they have been further grouped into controllable and not so controllable factors, both the individual and an organised agency can act to have entrepreneur development by design.
78. At every stage of an enterprise, there is an entrepreneurial side and a managerial side. At some stages, it is more entrepreneurial and at other stages it is more managerial. At the start up stage, it is more entrepreneurial. The controllable factors suggest that just as executive effectiveness can be learned, entrepreneurial effectiveness can be learned.

79. The individual who is considering an entrepreneurial career can prepare an entrepreneurial matrix for himself and see where he stands at any particular moment. Either through self effort or with the help of external help, he can move to bridge the gaps, especially in the controllable areas.
80. By the same token, an agency engaged in entrepreneur development can examine the entrepreneurial assessment matrix of an individual and give him the necessary guidance or help so that the entrepreneurial event will be surer and smoother.
81. Entrepreneur development requires selective efforts. Identifying that small group that is entrepreneurial potential requires careful and flexible selection programmes. Secondly, training them requires an unusual sort of effort and few people are qualified to do it. The conventional training and teachers can hardly do that job. It calls for innovative efforts. Such efforts will be reality-oriented. Such efforts will use the experience and skill of other entrepreneurs.
82. Various agencies, governmental and non-governmental, can do much to contribute to the confidence factors. For example, the educational institutions at every level can be a positive influence. They can consistently and continuously get across the message: Creating a job

for yourself and others is as valuable as preparing for a job and taking a job with others. Again, the government agencies concerned with entrepreneur development can play a more understanding and more helpful part. If they just choose to telescope time, if they decide to do what they are doing in less and still less time, not for an occasional news item but on a consistent basis, it will make a difference. This may mean adjustment both on the part of the organisation and the individual but the directions are clear.

- 83. Whatever makes for confidence should be encouraged both at home and at school, in the larger interests of entrepreneur development. Doing makes for confidence more than just knowing. This explains the phenomenon of the entrepreneur population being drawn mostly from the 'street smart' as against the 'school smart'.

- 84. What the study shows is that while one may welcome the efforts taken by the society at large and the important components thereof, one need not endlessly wait for them. Whether one is an individual or a representative of an agency, one can go about the job systematically and improve the effectiveness of managing the entrepreneur-resource.

SOME POSSIBILITIES FOR FURTHER RESEARCH

85. This study suggests a number of possibilities for further research.

One study can be in respect of entrepreneurs drawn from two or three types of industries, businesses or enterprises. Such a study will not have the constraints of numbers as this study has; the sample can be substantial. The findings of such a study should facilitate efforts in entrepreneurial counselling and entrepreneurial development. What does the enterprise need, what does the person have, what is the gap, how can these be filled; some of these questions may be answered by the findings of such a study.

86. Another promising area for research will be a study of entrepreneurs who started small and grew to some size, or who started as retail traders, and moved over to create a service facility and later manufacturing industry. Such a study should throw light on the entry level problems and possibilities in entrepreneurship in a capital-starved economy.

87. For this study, the sample taken was mostly from urban and semi-urban areas. Though some of the findings will be applicable to the entrepreneur in the rural area,

their should be factors peculiar to rural entrepreneurs. ^{then}
A very worthwhile area will be a study of primary entrepreneurs in the rural areas.

88. Again, though reliable or upto date statistics are not available, the impression is gathered that the rate of failures of small firms is low in India. This may be because of the quality of entrepreneurial stamina in the country or it may be due to other reasons like the absence of competent competition. Studying this aspect may lead to consolidating consciously on our entrepreneurial strengths.

89. For a large number of firms in India, the basic unit of entrepreneurship is the extended family. India's industrialists, for example, are usually members of old trading families, which frequently exercise control of a number of firms till recently through the managing agency system.

Research is necessary to assess the relative significance of the positive and negative effects of the Indian extended family on entrepreneurial activity.

There are indications that the joint family or the extended family can provide a confidence factor in entrepreneurship development. Urbanisation, western education and mass communication are making such families out of fashion. Before they become things of

the past, it will be well to research to assess the relative significance of the positive and negative effects of the Indian extended family on entrepreneurial activity.

90. Since independence, entrepreneurship has been encouraged actively in the cooperative sector. Its relevance to primary entrepreneurship may be studied. So also may entrepreneurship in ancillary industries be studied. They can be as much worthwhile adventures in entrepreneurship as in patronage.

91. The place of general and specific confidence is high in an entrepreneurial career especially at the starting stage. A third area for research will therefore be the role higher education plays in building general confidence in a person. A study of well-educated entrepreneurs with particular reference to the influences of the student days may throw fresh light on the subject.

92. There are distinct types of entrepreneurs, for example, the entrepreneur who establishes his venture, who purchases a going concern, who inherits a firm and one who works in a large organisation. These types are likely to have distinct differences in personality, work habits and background. What are they? Which of those are controllable? This is another fertile field for study.

93. Women constitute over 49% of India's population, and especially in the rural areas and among the disadvantaged population, one finds a number of women entrepreneurs. A study of these entrepreneurs may suggest ways by which any help given to the economically disadvantaged can be made relevant.

94. The present entrepreneur development programmes in the country can be studied with a view to finding out to what extent the controllable competence and confidence factors are consciously provided for and the resulting consequences on entrepreneurial events.

95. Among others, general confidence seems to stem out of a background of doing as against knowing. Specific confidence can be one of knowing and doing. *IA* specific confidence enough? Or is general confidence basic? This is another large area for research.

11/18/78

96. Entrepreneurial behaviour appears to be largely a state of mind, rather than a set of economic conditions. This entrepreneurial state of mind results from the specific environment in which the individual entrepreneur operates.

Getting an enterprise started is a supreme act of will. One cannot create that will. What one can do from outside is to cease efforts of breaking that will. Among others what should be researched in depth is the

unconscious and conscious efforts that are current that seek to break this will at the time of entry into an entrepreneurial career.

97. Generally speaking, entrepreneur studies are resource studies and entrepreneur is an uncommon human resource. Every little additional light thrown on the nature of the resource and the productive and creative management thereof will redound to the credit of not merely developing nations like India but the developed ones as well. The world has not even touched the fringes of this great opportunity area.

CONCLUSIONS AND RECOMMENDATIONS

98. In the interests of qualitative and quantitative growth and development of entrepreneurs, it is desirable to keep the definition of entrepreneurs non-restrictive. Any one who ventures in any area and organises the meeting of socially acceptable needs for goods and services may be accorded the status of and support for an entrepreneur.

In particular, the current emphasis that the educated unemployed and the technically qualified should be given special encouragement may be played down. The concerned population certainly deserves sympathy, understanding and support. To urge them to take an entrepreneurial career as against a career that is suitable to them is

only to make the sick units sari statistics soar. The emphasis should be on giving support to those who have the entrepreneur potential, irrespective of their educational or other background.

- ii. Since for most people in this country, the entry point into entrepreneurship has to be at a low level of a capital, and since starting small need not be the same as staying small, and since further, one can move from trade to service industry, to manufacturing industry progressively, it is desirable to emphasise appropriate levels of entry into entrepreneurship, appropriate to the individual, consistent with its being appropriate to the enterprise.

In view of the situational need for failing safe, if entrepreneurial potential is found in the employed population, it should be unreservedly encouraged. What is commended is not a double loyalty; but a workable switchover. This means upto a point moonlighting entrepreneurship. This calls for a lot of adjustment on the part of the employers in particular. In fact, the recommended phenomenon is already existing; what we need to do is to regularise it with grace.

- iii. Once the venture is started, the entrepreneur^s has neither the time nor the inclination to go in for inputs which will enable him to manage his affairs effectively.

Atleast where government or quasi-government agencies are giving substantial financial assistance, it may be insisted that the aspiring entrepreneurs satisfactorily complete a programme which will expose them to the needed knowledges, skills, attitudes and values required for the subsequent stages. The purpose of this programme will be to help them fill in the gaps they may have in their making for successful entrepreneurship.

- iv. With whatever existing knowledge and techniques are available, the aspiring entrepreneur may be assessed for his entrepreneurial capacities. Atleast as much attention may be given to the man as to his proposition and the financial backing he has.
- v. The entrepreneurial person is not quite like other persons. He needs special understanding and he needs timely support. It is unrealistic to require the loan officer of a bank or a financial institution to use "double standards" in his work. The banks are organised to extend support to propositions that are viable but not people that are viable. Against great odds they are doing a job and they should be commended for it; they should not, however, be taxed any further. A national entrepreneurial bank is called for that will be manned by officers who have been specially trained in entrepreneurial support. The bank itself should be structured in such a way that it is man-focused and opportunity-oriented.

- vi. While we should certainly avail of the natural advantages aspiring entrepreneurs may have - e.g. being born in traditional business families, belonging to mutually supporting sub-groups - the entrepreneurial bank visualised should have a machinery to do talent hunting among all the likely sources of entrepreneurs, including unconventional groups like organizers of marches!
- vii. This study shows that the possibility of some of the controllable factors (e.g. innovative sense) being given as part of educational inputs to both adult groups and students in schools and colleges. These may be given in the name of self-development courses. Mass media - the press, the radio and the television - may be used liberally. The potential entrepreneurs in the darkest corner should be reached. 14
- viii. This study also shows educational efforts like learning - through - doing and social efforts like Operation Adventure should be taken up in a big way so that we help young people build general confidence in themselves. 10
- ix. To build specific self confidence, ongoing enterprises may be encouraged to sponsor a Junior Achievement programme in a neighbourhood school and thereby expose young people to the possibilities of enterprise in the community and the realities of starting and managing one. 0

- x. Ongoing enterprises which are essentially catering to local needs - example, travel agency, repair service and the like - may be encouraged to go in for a franchising system by which the know-how they have developed will be available to others who would like to start and manage a similar enterprise.
- xi. Large organisations - in the private and public sector - may be encouraged to lend initial moral and market support to up and coming entrepreneurs for a period of the first two years. This they can do by splitting the present orders between regular suppliers and new suppliers.
- xii. If possible by practice and if necessary by statute, customers of products and services provided by small scale sector units may be required to make the payment within 30 days of the delivery of the goods. This will provide the much needed relief the small company needs for the first two or three years.
- xiii. Making the businessman the whipping boy of the society may be played down. Efforts to regulate the way he does business is certainly in order. Making him look as if he is pursuing a dis-reputable career is not in the larger interests of the entrepreneur movement.
- xiv. Potential entrepreneurs may not know they know. Efforts to sort out their perception problems will be welcome.

xv. It should be brought home to everyone that a higher standard of living for everyone is possible only when the purchasing power is high and spread out on the one hand, and when the goods and services are available on a competitive basis on the other. Providing jobs and providing services are functions of enterprises. Enterprises are the creation of entrepreneurs. Entrepreneurs are the creation of the society. The individual, the home, the school, the government, the existing enterprises and all else and all others can play a positive or negative role in the emergency of competent and confident individuals who will venture and create what is needed. This realisation combined with the knowledge of what is controllable or manageable among the entrepreneurial development factors will make the difference for all concerned.

- xvi. Incorporating the findings in this study and related studies, multiplier models can be attempted for urban, semi-urban and rural settings. Some of the component steps of such a model development would be -
- a. A business-opportunity survey in a chosen area
 - b. An entrepreneur - potential survey
 - c. Assessment of competence, self confidence and specific confidence factors in the available and willing personnel
 - d. Matching of men to opportunities
 - e. Guidance and help in basic preparation for ventures
 - f. Guidance and help in governmental and other formalities

- g. Guidance and help in the initial market and monetary support
- h. Training, guidance and help in managing business, work, workers and oneself
- i. Personalised managerial guidance, using a voluntary executive team
- j. Monitoring the efforts for a period of a year or so when hopefully the venture is a going concern.

To build such a model, a non-official, action-research team will be needed. This team will be actively assisted by local educational, civic, financial and governmental institutions. Once the model is developed, it should lend itself for systematic and sustained extension efforts in India and abroad.

99. Thus, the hypothesis that knowing the elements that make the entrepreneurial potential mix and knowing the factors that spark off such a mix will enable identifying the controllable factors of entrepreneur development stands.

100. Also, the objectives of the study, namely identifying the elements of the entrepreneurial spirit, observing the mixes in which they are found in individual entrepreneurs, identifying factors that spark off these mixes or surface the potential and isolating from these entrepreneurial mix elements and surfacing factors the ones that are controllable have been fulfilled.

APPENDIX I

GOVERNMENTAL STEPS TO ENCOURAGE SMALL SCALE INDUSTRIES

Of the three major agencies that encourage entrepreneurs, namely, home, school and government, the government has done extremely well and the results are gratifying. There is and there will be gap between what can be and what is. May be, this gap be less than what it is. At the same time, it should be conceded we as a country have achieved much in the area of small industries development in the past decade or more.

This appendix is essentially descriptive and it summarises the many steps government and quasi government agencies have taken to encourage small scale industries. It is based on literature published by the concerned agencies.

The basic objectives for the development of small scale industries, as set out in the Industrial Policy Resolution (1956) and in the successive Five Year Plans are:

- i) To create immediate and substantial employment opportunities at a relatively small capital cost;
- ii) To meet a substantial part of the increased demand for consumer goods and simple producer goods;
- iii) To facilitate mobilisation of resources of capital and skill which might otherwise remain inadequately utilised;

- iv) To bring about integration of the development of small scale industries with the rural economy on the one hand and the large scale on the other;
- v) To improve the productivity of the worker and the quality of small industry products by placing greater emphasis on the adoption of improved methods of production and the use of better machinery and equipment;
- vi) To ensure more equitable distribution of the national income and a balanced industrial development in different regions, i.e. to lay down basis for an essentially decentralized society.

ORGANISATIONAL SET UP

To evolve action programmes to fulfil these objectives and to implement them, various agencies have been set up both at the Central and the State level. An All-India Board, known as the Small Scale Industries Board, was set up in November 1954, charged with the responsibility of overall planning, coordination and development of small scale industries in the country. The Board comprises of Central and State Government officials, representatives of various institutions, financing bodies, Federation of Small scale Industries Associations and a number of non-officials representing trade, industry and other interests. The Board discusses questions connected with credit facilities, supply

of raw materials, revision of the definition of the small scale industries for the purposes of the Assistance Programme, dispersal of industries, etc., reviews the programme of implementation and formulates new directives for further growth of the small industry sector. Although the Board functions in an advisory capacity, its decisions are given very great importance by the Government.

To carry out various programmes and policies of the Government of India relating to the development of small scale industries, an Organisation at the national level with the Development Commissioner, Small Scale Industries, (SSIDO) at its head, has been set up under the Ministry of Industrial Development, Internal Trade and Company Affairs, Government of India. It is both a coordinating and executive agency. It maintains close liaison with the State Government and different Organisations and Institutions at the Central and the State levels, concerned with the development of small scale industries. It functions through 17 Small Industries Service Institutes (one in each State, including the Union Territories of Delhi and Goa), 8 Branch Institutes, 54 Extension Centres, 2 Training Centres and 3 Production-cum-Training Centres.

The main functions of the Development Commissioner's Organisation (SSIDO) include (i) Coordination, (ii) Industrial development and (iii) industrial extension service.

State Small Scale Industries Boards have been set up parallel to the All India Small Scale Industries Board. The main function of these Boards is to advise the respective State Governments on measures to be taken at the State level to foster growth of small scale industries. The Boards have representatives from State and Central Government Departments, State Financial Institutions and the Associations of small scale industries in the states.

National Small Industries Corporation (NSIC): This is another central organisation set up in 1955, mainly with the objective of supplying machinery and equipment to small enterprises on hire-purchase basis and assisting them in procuring Government orders for supplying various items of stores. The main functions of the NSIC are as under:-

- i) Providing small scale industries with modern machines on hire purchases basis;
- ii) Assisting small enterprises to participate in the stores Purchase Programme of the Central Government;
- iii) Developing small scale industries as ancillary units to large scale industries.
- iv) Arranging marketing of small industries products by starting Emporia and Sales Depots and promoting their export;

- v) Distribution of basic raw materials through their raw material depots;
- vi) Import and distribution of components and parts to actual small scale users in specific industries;
- vii) Construction of industrial estates and the establishment and running of proto-type production-cum-training Centres.

Directorate of Industries: The small scale industry being a state subject under the Indian Constitution, the primary responsibility for executive actions in regard to the development of small industries and implementation of programme of assistance is that of the State Governments. This work is looked after by the Directorate of Industries. Each of these 22 Directorates is staffed with administrative and technical officers at the State Headquarters and District Industries Officer with appropriate supporting staff in each District. The state Directorates run various training schemes and common facilities schemes. They also provide facilities of developed industrial land and built-up factory sheds in industrial Estates, allocate quotas of scarce raw materials, certify import requirements and organise industrial co-operatives.

Financial Aid: Realising some of the financial realities of the small scale sector, namely, a weak capital structure, poor access to capital market, inability to offer

acceptable security to lending agencies, the Government of India, state governments and Reserve Bank of India took various measures, to direct institutional and Government credit to this sector of the industry.

A firm foundation was laid with the establishment of specialised institutions like the State Financial Corporations, the National Small Industries Corporation and the Refinance Corporation of India. The State Governments broadbased the programme of industrial estates and provided extended credit on liberalised terms under the State Aid to Industries Act. Another landmark has been the initiation of the Credit Guarantee Scheme of the Government of India.

Following are the various schemes and more are progressively introduced.

1. Long and Medium Term

- (a) Loans under State Aid to Industries Acts/
Rules by State Governments (Block Loans)
- (b) State Financial Corporations
- (c) Participation in equity capital
- (d) Supply of machinery on hire purchase basis
by the National Small Industries Corporation
- (e) State Bank of India
 - i) Medium-term loans and Institutional credit
 - ii) Scheme for financing Technician-Entrepreneurs.

2. Short-Term Loans

(a) State Bank of India

(b) Commercial Banks

3. Credit Guarantee Scheme of the Government of India.

The practice of advancing loans to industrial units by the State Governments has been in vogue since 1913 and almost all the States had their own State Aid to Industries Acts/Rules.

State Financial Corporations: (SFC)

These have been established in practically all the States. The Corporations advance loans to meet the long, medium and short-term requirements of small scale and medium scale industries though the short-term loans bear a fixed proportion to long term loans. The SFCs ordinarily charge interest at 8 1/2% to 9 1/2% with a rebate of 1/2% for prompt payment. Generally speaking, the advances are issued upto 50 to 70% of value of the assets offered as security including those created out of the loans. The SFCs advance loans for 10 to 12 years, the first instalment of repayment falling due one or two years after the disbursement.

Equity Participation

Under the scheme, the technicians and technologists have to float small private limited companies in which the Government will subscribe capital to the extent of 50%, the

entrepreneurs subscribing the balance. Except government control on accounts, in all other organisational and technical matters, the unit will be free to function as a normal company. To look after the interests of the government, there will be representatives from the government on the Board.

Supply of machinery on hire purchase basis

Since March 1956, the National Small Industries Corporation (NSIC) has been operating a scheme to supply machinery on hire purchase basis to small scale industries. This scheme is said to be popular since its inception.

Applications for hire purchase of machines are received in the State Directorates of Industries and after their recommendation, scrutinised at the headquarters of the Corporation by a Standing Committee. On acceptance, the applicant has to pay an earnest money of 20% of the value of the machine. The balance of the principal will be payable in half yearly instalments over a period of seven years.

The Corporation charges an interest of 7 per cent per annum on the balance due to it.

Liberalised credit scheme of the State Bank of India

As early as March 1956, the State Bank of India took the initiative to develop a scheme for coordinated credit supply to small enterprises. "Beginning with a modest clientele of 25 units and less than Rs. 10 lakhs in outstandings in 1956, the bank has presently on its books

over 70,000 units with outstandings amounting to approximately Rs. 280 crores."

The main features of the liberalised procedures adopted by the State Bank of India for granting loans to small scale industries are:-

- i) Small scale units engaged in manufacturing activities that have good prospects, are now accommodated for financial assistance by the State Bank of India and its subsidiaries even if they do not maintain a satisfactory debt-equity ratio or are unable to provide adequate margins or are unable to go in for the lock and key form of advances - the factory type of advances being made available to them in such cases.
- ii) Accommodation is now allowed against the hypothecation of stock-in-process on the retention of slightly higher margins, if this is genuinely needed by units. (This relaxation is applicable to units borrowing only from the State Bank of India).
- iii) Margin is now reduced in the case of controlled commodities in short supply and where wide price fluctuations are not apprehended, provided units genuinely require this concession.

- iv) Letters of credit, inland as well as foreign, are allowed to be established at concessional rates of margin, or even without margin where necessary and warranted.
- v) Advances against the pledge of machines (factory type advances) for meeting the working capital requirements of approved units, are now allowed where the units are genuinely unable to get adequate working capital limits against raw materials and finished products alone.

SBI and the NSIC Guarantee Scheme

The State Bank of India is also operating, in collaboration with the NSIC, a Guarantee Scheme whereby a small scale unit, obtaining an order to supply stores to Government is given the required financial assistance to buy raw material, process it into finished goods and deliver them to the Government. The State Bank of India will provide full finance required for the purpose. This scheme which is intended to facilitate speedy execution of Government orders, has recently come into operation and replaces an earlier scheme which was intended only to cover the purchase of raw materials to manufacture goods against Government orders.

Scheme for financing technician entrepreneurs

The scheme seeks to provide finance to qualified technicians and craftsmen who have worthwhile ideas for

setting up new industries but who have only limited capital resources. The total finance to an entrepreneur is limited to Rs. 100,000. Preference is given to projects in certain industries (eg. export-oriented). The project must be for setting up the industry in an industrial estate, where there is provision of suitable factory, accommodation, with requisite infrastructure facilities like water, power, transport and communication. For protection, the entrepreneurs will be required to charge to the Bank their assets acquired through the finance made available by the bank.

Other nationalised banks have followed the lead given by the State Bank of India.

The 'seed capital' scheme

The Industrial Development Bank of India has initiated a 'seed capital' scheme. Professionally qualified entrepreneurs such as technician entrepreneurs and persons qualified or experienced in industrial management would be eligible for assistance under the scheme. The minimum assistance is 2 lakhs of rupees and the maximum 10 lakhs.

Credit Guarantee Scheme of the Government of India

To enlarge the supply of institutional credit to small scale units and to lend protection to the lending institutions against possible losses in respect of their advances and thereby encourage them, the Government of India

introduced in July 1960, a Credit Guarantee Scheme being operated by the Reserve Bank of India on its behalf. It is drawn up in such a way that the financial institutions advancing short term or long term loans to small scale units will be able to recoup a substantial part of their loss, if any, under the scheme. It is not necessary under the scheme for the financial institutions to resort to legal remedies before invoking a guarantee.

It is admitted, however, that "despite the existence of the variety of credit agencies mentioned above, the flow of finance is impeded due to, among other reasons, the lack of coordination in the activities of these credit agencies."

Technical Assistance

To provide technical advisory service, the Small Industries Service Institutes (SISI) and Industrial Extension Centres located in different parts of the country have been set up. The SISIs render coordinated industrial extension service. The Extension Centres are there to assist entrepreneurs to solve common technical problems, suggest improved techniques of manufacture, train workers in various functions like marketing, besides serving as common service facilities centre.

Technical Assistance includes:

- (a) advice on improved technical processes and use of modern machines and equipment;
- (b) preparation of drawings of machines and machine parts, equipment, dies, tools and fixtures;
- (c) demonstration of the use of modern technical processes through workshops and mobile workshops mounted on trucks;
- (d) research on the question of use of proper equipment and technology, improved designs of machinery, etc.

SISIs also assist small scale units to register under the Government Purchase Programme and to produce goods as per the specifications of the Central Government Purchasing Organisation.

Managerial Service

To improve the technical and competitive status of small enterprises and to enable them to keep in touch with the developments in technology, country-wide management services have been organised by the Organisation of the Development Commissioner, Small Scale Industries. These services range from ad-hoc problem-solving to comprehensive inplant studies covering aspects like finance, production and sales by qualified technical staff in each field.

Economic Intelligence

The Small Industries Development organisations conduct economic surveys and investigations. They are aimed at guiding planners and administrators in the correct formulation and effective implementation of the Small Industries Development Programme, and on the other, they assist small entrepreneurs and potential investors in making right investment decisions.

The surveys undertaken by the Organisation of the Development Commissioner (Small Scale Industries) include the following:

- i) Industry Surveys
- ii) Area Industrial Potential Surveys
- iii) Market Surveys
- iv) Surveys undertaken in connection with the State Bank of India Scheme
- v) Evaluation Studies
- vi) Ad Hoc enquiries for supply of Economic Information.

Industrial Estates

The proposal for an industrial estate in Bombay was first mooted in 1947. Near 300 industrial estates are now functioning in urban, semi-urban and rural areas. The rural industrial estates have been set up as a deliberate policy of the Government for dispersal of industries in rural and backward areas.

These industrial estates seek

- i) to provide well-planned accommodation to small scale industries at suitable sites, with facilities of water, electricity, transport, banks, canteens, watch and ward, good approach roads, etc.
- ii) to bring a number of units together and thereby facilitate the establishment of Common Facility Centres, introduction of modern techniques, collective purchase of raw materials and sale of finished goods, joint publicity, etc. - in brief to enable the small enterprises to avail of external economies, thereby counter-acting to some extent the disadvantages flowing from their 'smallness'.

Training Facilities for Personnel & Workers

To give support in another key area for the small scale industries, the Small Industries Institutes have organised a number of courses, as outlined below:

(a) Industrial Management Appreciation Course:

The course is conducted conveniently in the evening over a period of 2½ months of 80 lecture hours, supported by plant visits.

The subjects covered include Principles and Practice of Management, Production Management including Productivity, Financial and Cost

Accounting, Cost Analysis and Budgetary Control, Purchasing, Store Keeping and Inventory Control, Distribution Management, Advertising and Publicity, Personnel Management and important Labour and Commercial Laws.

(b) Specialist Courses:

These are intended to give more intensive coverage of the three basic fields of management, namely, financial management and cost accounting, production management and marketing.

(c) Ad hoc courses:

These courses are on a short of non-request basis and they cover subjects like 'Quality Control' or product development.

SIET - Small Industry Extension Training Institute

The need for the training of trainers led to the setting up of the Small Industry Extension Training Institute at Hyderabad by the Government of India with the help of the Ford Foundation. One of the main objectives of the Institute is to enable the extension service personnel of this organisation to acquire necessary degree of skill in applying the tools and techniques of industrial management in changing plant situations and to develop the correct and proper outlook necessary for gaining the confidence of the entrepreneurs.

Technical Training Schemes of SSIDO

To meet the increasing requirements of skilled workers for small scale industries, a number of training courses are organised. The basic courses in various grades are run through Industrial Training Institutes (ITIs) set up by the government. The SSIDO and the proto-type training-cum-production centres, being run by the National Small Industries Corporation, provide advanced training facilities for semi-skilled and skilled workers already engaged in small scale industrial units and diploma holders of ITIs. The courses include

- (a) Shop practice courses eg. Tool room practice
- (b) Trade oriented courses eg. Fitters
- (c) Process oriented courses eg. Leather-finishing
- (d) Product oriented courses eg. Lens grinding
- (e) Job support courses like blue print reading.

Besides, the SSIDO conducts full-time all India courses in the manufacture of thermometers, hand tools, electric motors etc.

Proto-type production-cum-training centres (at Delhi, Rajkot and Howrah) set up with foreign assistance provide common facility services and also in-plant training facilities for skilled workers.

Preferred Treatment;

Since 1956, policies and decisions have been taken with a view to give the small sector a headstart. It was only in the fourth Five Year Plan period though, a clear approach was adopted to build a strong and decentralised sector. Large scale units were excluded from such fields or areas of production where a high degree of mechanisation did not confer any decisive advantage. So reserving products for the small scale sector is expected to ensure the emergence of wide-spread entrepreneurship and a greater dispersal in the location of these units.

Ancillary Industries

Partly to help the small scale sector and partly to let the big industries concentrate on areas of their strength, the idea of auxiliary units was mooted in the fifties. It was in April 1960, a Standing Committee on Ancillaries by the Small Industries Board was set up. The decision to help such units which want to function as ancillaries to large undertakings was confined to a few industries to start with.

The facilities extended to such units are:

- (a) Technical assistance by the Small Industries Service Institutes;
- (b) Supply of machinery under the hire purchase scheme of National Small Industries Corporation;
- (c) Allotment of factory sheds in Industrial Estates.

In addition to the above, the following facilities are also available to the small scale ancillary units having a capital investment upto Rs. 0.75 million only, like any other small scale unit:

- (a) Enlistment under Central Government Purchase Programme; exemption from payment of security deposit; 15% price preference over large undertakings for tenders invited by the Director-General of Supplies and Disposals;
- (b) Eligibility for allotment of steel, import quota, etc., from small scale industries quota of the States;
- (c) Credit facilities from the State Bank of India and other sources.

Thanks to a special drive on the part of the Ancillary Division of the SSIDO, a number of leading large scale enterprises, both in public and private sectors are extending support to this ancillary units idea. Their support efforts include the provision of factory accommodation, financial assistance, technical know-how, blue prints, drawings, designs etc. and regular supply of orders so that the ancillary small scale units that have come up have viable production programmes. Some of the public sector undertakings have gone to the extent of establishing ancillary industrial estates which are located along with their own factories.

Enlishment for Government Stores Purchase Programmes

The Central Government and the State Governments are big buyers. To assist the small scale units obtain a fair share of government contracts, a programme was initiated by the Government of India in 1956, The form it has taken now is that the Director General of Supplies and Disposals reserves certain items for procurements exclusively from small scale units; and also gives preferential treatment for certain items which both small scale as well as large scale firms can supply. Quality and delivery requirements remaining the same, small scale units will be given preference. In addition, a price preference of 15% over the lowest acceptable tenders received from the large scale units is considered by the DGS&D "on merits of individual cases". DGS&D buys sizeable quantities of over 350 items, including textiles, footwear, paper and paper products, leather, rubber and Chemical products, electric machines, transport equipment and transport equipment. The NSIC plays a facilitating and in places coordinating role in this whole scheme.

The Government of India has made efforts to bring in other Central Purchasing departments like the Defence, the Railways and Post & Telegraphs to extend support to the small scale sector.

Realising the payment delays of government agencies, and the consequent difficulties experienced by small scale units, the NSIC has evolved a scheme whereby credit required at all stages - from purchase of raw materials to the discounting of the supply bills - would be available to small scale units.

So that assistance may not get limited by words, the definition of small scale industries has been revised progressively to be in consonance with reality and the current definition is:

"Small scale industries will include all industrial units with a capital investment of not more than Rs. 1.00 million, irrespective of the number of persons employed. Capital investment for this purpose will mean investment in plant and machinery only."

These and many other efforts have contributed to the rapid growth of small scale industrial units in the country. At the end of 1961 the total number of small scale factories registered with the different State Directors of Industries was 35-728. This number rose to 131, 422 at the end of September, 1968 and to 258,000 in 1972-73. Of ~~xxx~~ these, 139577 units figures in a recent census of small scale industries, employing 16543178 people and accounting for an investment of Rs.1056843000 and a gross output of Rs.26027385000.*

*The data for this appendix item were drawn from the publications of the office of Development Commissioner, Small Scale Industries, Ministry of Industrial Development, Govt. of India.

APPENDIX 2A NOTE ON JUNIOR ACHIEVEMENT COMPANY

Junior Achievement is an organization that was founded in 1919 with a view to helping young people get a clear and fair view of how a business enterprise starts and works.

Typically, an ongoing organization adopts a school and assists the students to organise a JA company. Throughout the U.S.A., annually, an estimated 150,000 students are provided this opportunity.

TEEN-AGE BUSINESS PROGRAMME

Selected high school students meet for two hours, one night a week, from September to May, to conduct a Junior Achievement company or a JA Company for short.

Each JA company is composed of 15 to 25 teen-age members, called Achievers, who, under the guidance of adult advisers from business and industry, form their own board of directors, work force and sales staff. The young people elect officers and decide on a product or service to produce and sell.

Eighty-five percent of the companies are manufacturing firms, producing items ranging from boat lights to window wash

to jewellery. The remainder choose to offer services such as publishing, radio and television broadcasting, accounting, data processing or banking.

ORGANIZATION

JA members learn that business needs capital to finance operations. Achievers sell stock at \$1 a share to parents, teachers, friends and relatives.

Along with buying raw materials, leasing equipment and other necessities, the company pays rent for work space in the Junior Achievement business center, maintained and equipped by the sponsoring organisation to accommodate the JA company activity.

ELECTION OF OFFICERS

As with actual corporations, JA companies establish Board of Directors and conduct an election for officers, In this way, each member of JA becomes a member of his or her company's Board of Directors, with an option to management and labour levels. All Achievers also serve on the company sales force.

MANAGEMENT

The Achiever Board members adopt bye-laws and apply to JA for a company charter. They then determine wages, salaries and sales commissions. (In line with the company's miniature scale, wages start at 25 cents an hour).

PRODUCTION

After consulting with their advisers and conducting product research, Achievers choose a product to manufacture or a service to render based on marketability, ease of production, and costs.

SALES

The Board of Directors plans and executes the promotion and sale of the company product or service, which is marketed primarily through door-to-door sales, trade fairs and sales exhibits.

TAXES

JA companies pay all applicable local and state taxes, as would any small business. A profits tax on net profit over the first \$25 corresponding with actual corporate federal taxes, over the first \$25,000 provides a realistic picture of the effect of taxes on business. Since the miniature JA company is not a legal corporation, the tax is paid to a local JA fund for Achiever scholarships, awards and travelships.

RECORD KEEPING

Each JA company uses a standard record system prepared in cooperation with the American Institute of Certified Public Accountants. Service companies have additional manuals and record systems, developed in cooperation with the National Association of Broadcasters. The American

Bankers Association and the Computer and Business Equipment Manufacturers Association.

LIQUIDATION

In May, the companies liquidate. They pay all bills, close the books and pro-rate assets among the stockholder reports are issued. Approximately 75 per cent show a profit.

Experiencing a company's operation, from start to finish, gives students "real world" awareness of the business system. JA offers time to experiment and test aptitudes in working areas such as sales, management, purchasing, research and development.

BENEFITS

The students report the following career benefits:

"Helped me in college"

"Changed my mind about business"

"Learned new things"

"Helped in my development"

"Gave new insights on business"

"Learned about profits"

"Gave insight on profit and loss"

"Exp Experience in meeting people"

Achievers build self-confidence and develop leadership ability. They discover that a business career can be creative and exciting at a time when they are making preparation for

their futures.

Each year more than twice as many teenagers apply for J.A. membership as can be accommodated in existing facilities.

AN OPPORTUNITY AREA FOR INDIA

Over the years, the Junior Achievement Organization has perfected a system that with minor modifications can be implemented in India.

Business organizations are looking for concrete ways of expressing their social responsibilities. Extending Junior Achievement movement to India can be one such concrete step. Such a move will enable a few thousand young people to get a feel of venture management year after year.

APPENDIX 3A NOTE ON FRANCHISING

The term 'Franchising' is of French origin, used to mean "to be free from servitude". As it is understood today, 'franchising' holds as opportunity for one to own his own business even if inexperienced and lacking adequate capital.

Franchising is a form of licensing by which the owner (the franchisor) of a product, service or method obtains distribution at the retail level through affiliated dealers (the franchisees). The holder of the right is often given exclusive access to a defined geographical area.

The product, method or service being marketed is identified by a brand name and the franchisor maintains control over the marketing methods employed.

In many cases the operation resembles that of a large chain with trademarks, uniform symbols, equipment, store-fronts, and standardized services or products, and maintains uniform practices as outlined in the franchise agreement.

The International Franchise Association, the major trade association in the field, defines franchising as "a continuing relationship in which the franchisor provides a

licensed privilege to do business, plus assistance in organising, training, merchandising, and management in return for a consideration from the franchisee."

A former president of the International Franchise Association described franchising as "a convenient and economic means for the filling of a drive or desire (for independence) with a minimum of risk and investment and maximum opportunities for success through the utilization of a proven product or service and marketing method." However, the owner of a franchised business must give up some options and freedom of action in business decisions that would be open to the owner of a non-franchised business

In a way, the franchisee is not his own boss because in order to maintain the distinctiveness and uniformity of the service and to insure that the operations of each outlet will reflect favourably on the organization as a whole-to protect and build its good will - the franchisor usually exercises some degree of continuing control over the operations of franchisees, and requires them to meet stipulated standards of quality.

The extent of such control varies. In some cases franchisees are required to conduct every step of their operation in strict conformity with a manual furnished by the franchisor and this may not be desirable.

In return the individual franchisee can share in the goodwill built up by all other outlets which bear the same name.

A company which depends upon the successful operation of franchise outlets needs men who are willing to learn the business and have the energy for a considerable amount of effort; it can supply the other essentials for successful operation of the outlet. Among the services franchisors may provide to the franchise operators are the following:

- 1) Location analysis and counsel;
- 2) store development aid, including lease negotiation;
- 3) store design and equipment purchasing;
- 4) initial employee and management training, and continuing management counseling;
- 5) advertising and merchandising counsel and assistance;
- 6) standardized procedures and operations;
- 7) centralized purchasing with consequent savings; and
- 8) financial assistance in the establishment of business.

The franchisor charges the franchisee an initial fee and a per centage on gross turnover for services rendered on a continuing basis and for the use of the franchise.

Franchising, as a type of business operation, is a postwar phenomenon and it is believed that there is a virtual franchising boom in more recent years. In 1975, the

franchised business accounted for over \$177 billion in annual sales which is equal to 27 per cent of retail sales of the U.S.A.

The range of business includes automotive services, rentals, business aids, stores, educational products, hotels, restaurants, speciality food, home furnishings, security systems and camp grounds. A few of the better known names in the franchising world are Holiday Inn, Howard Johnson, Kentucky Fried Chicken, Kelly Services, Burger King, Dunhill Personnel and Health Clubs of America.

The phenomenon of franchising itself is not new to India. The soft drink industry (for example, Coca Cola and Parle) has been franchising its bottler in key cities of India for many years. Other examples are Tradewings (Travel service) and Kwality (Restaurants).

Regional development is emphasised more and more in the country and rightly so. Local and State loyalties are a fact of life; states would prefer to support products and sources made and provided in their own states. Many an Indian company will grow faster by sharing the know-how with others in selected parts of the country. In such a situation, franchising is one quick way for encouraging dispersed entrepreneurship in India and more especially in the service industry.

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APPENDIX 4AN ASSESSMENT MATRIX FOR PROSPECTIVE ENTREPRENEURS

The individual who considers entrepreneur career as an alternative career can list ten of his achievements in the last one third of his life.

Against each achievement, he can assess which of the 21 factors played a dominant part and mark them.

A total of the markings will give an idea of where he or she is strong and where he or she has to make up.

Once the areas for development are identified, an action plan will become feasible.

COMPETENCE FACTORS

ACHIEVEMENTS	COMPETENCE FACTORS		GENERAL CONFIDENCE FACTORS		SPECIFIC CONFIDENCE FACTORS																		
	I		II		I		II																
	D	P	E ₁	F ₁	A	F ₂	I ₁	P	H ₁	I ₂	H ₂	G	V	O	R	E ₂	C	F ₃	M	I ₃	S		
1																							
2																							
3																							
4																							
5																							
6																							
7																							
8																							
9																							
10																							
Total																							

1
2
3
4
5
6
7
8
9
10

Total

I stands for factors one brings with oneself from his background.

II stands for what others can provide.

The first letter of the word (denoting the factors) has been placed. Thus D stands for Diligence, P for Perseverance, E for energy, F₁ for Frustration tolerance, A for Autonomy, F₂ for Flexibility, I₁ for Innovative sense and P for People sense, H₁ for Home, I₂ for Influences, H₂ for Helplessness, G for Guts, V for Versatility, O for Opportunity sense, R for Reputation, E for Exposure, C for Contacts, F for Financial support M for Market support, I for Incentives and S for Supplier support.

APPENDIX 5SOUTH INDIAN BRAHMIN ENTREPRENEURS IN BOMBAY

The most unlikely place where entrepreneurial spirit can be found according to many, is the Brahmin from South India, settled in Bombay.

Firstly, he is a Brahmin. Traditionally, he should be concerned with gathering and sharing knowledge. He has been in the knowledge business for centuries, ethical knowledge for long and now temporal knowledge.

Secondly, the social pressures are heavy. The one buy-and-sell business some Brahmins have been engaged in is the restaurant business. The restaurant-owning Brahmin may have big money but he is looked down upon by even the poorest of the Brahmins. Those who start in desperation a restaurant business often do not pass it on to their children. The children become doctors, engineers, chartered accountants or MBAs, if possible or take to any service other than the father's.

Thirdly, the South Indian Brahmin who comes to Bombay, atleast till a decade or so back, comes because economically he is very ill off. He undersells himself in the Bombay market not because he is keen to put others at a disadvantage but because he is in a desperate state and he knows that much of economics!

Many of them who come to Bombay for service have been accused of living poorly and sending a good part of their salary home. It is not that they enjoy living poorly. It is not that the money goes home to be invested in land or other. It is because of a harsh reality. Many of them are born with a liability, atleast with a responsibility. The responsibility is to look after their brothers' early education and their sisters' marriage, not to talk of providing for the day to day living of their parents. An income-tax officer once told me that he keeps 100 rupees for himself and sends the balance home every month. "There are nineteen members of the family that depend upon this money for their daily living."

For these and other reasons he has been conditioned to seek a permanent service preferably in the government.

More can be added to justify the thinking that the least likely person to start an enterprise in Bombay is the South Indian Brahmin.

If some of these Brahmins have started a venture in Bombay, and if they can be studied, we may get a revealing comment or two on the findings of our study.

We took therefore eight South Indian Brahmin entrepreneurs who have started a venture in the last ten years or less and interviewed them. We showed the summary report of the interview to them for any misunderstandings we may have. They are attached.

In Table 20 we have picturised the presence or absence of competence and confidence factors of these eight entrepreneurs as we saw them at the interviews we had with them, glimpses of which are given above. It will be noted that given the competence and general confidence factors, what makes the difference is the specific confidence factors.

The specific confidence factors can be had by design or by chance. More often than not, it is by chance and by design. The circumstances and the situation give the individual the advantages of chance. The individual knowingly or unknowingly invests his time and talent, treats the boss' company as if it is his own, and becomes what may be called an "employee-owner". He is ready material for entrepreneurial action. At that stage, the invitation to entrepreneurship can come from many forces and quarters. It may be an encouraging customer, an unappreciative boss; it may be an about-to-retire father or an insightful wife; it may be tax considerations or family feuds.

Even providing for the researcher's bias, there are indications to show that even where people do not have natural advantages, if a potential entrepreneurial mix is present in a person, and if one or more surfacing factors get to ignite it, an entrepreneur is born and with him an enterprise.

TABLE 20

SOUTH INDIAN BRAHMIN ENTREPRENEURS : FACTORS PROFILE

	Confidence Factors				General Confidence Factors				Specific Confidence Factors				Remarks if any					
	D	P	A	F	F ₁	F ₂	H ₁	H ₂	G	V	O	R		E ₂	C	F ₃	M	I ₃
SBE -1	x	x	-	x	-	x	x	-	x	-	x	x	x	x	x	x	-	-
SBE -2	x	x	-	x	-	x	x	-	x	-	-	x	-	x	-	-	-	-
SBE -3	x	x	-	x	-	x	x	-	-	x	-	-	x	x	-	-	-	-
SBE -4	x	x	-	x	-	x	x	-	x	-	x	x	x	x	-	x	-	-
SBE -5	x	x	-	x	-	x	x	-	-	x	x	x	x	x	-	x	-	-
SBE -6	-	x	-	-	-	x	x	-	x	-	-	x	x	-	x	-	x	x
SBE -7	-	-	x	-	-	x	-	-	x	x	x	x	x	x	-	x	-	-
SBE -8	x	x	-	x	-	x	x	-	-	x	x	x	x	x	-	x	-	-

INTERVIEW WITH SBE* - 1

"For three years I worked for M & M and then I started my job workshop."

"I did not have any thought of business while at college. During the first year of work, the bug bit me and every year the itch grew until the third year (1961) when I offered to quit."

"The idea of a business of my own came to me during the very first year of service and it was then only a matter of time."

"I used to work for nearly 11 hours a day on my job. I asked: "Why not work 14 hours a day and be your own boss?"

"I was in production. I knew how to make things." "The vendor development people I used to meet often. I also read in the papers that the government is keen to support small scale enterprisers. I decided in 1959 and acted in 1961."

"I am the youngest of three sons. My brothers are also engineers. My father retired as a Director of a trading company."

"When I shared my idea with my brothers, they were sort of neutral. They said they will carry me for a few months

* SBE is short for South Indian Brahmin.

and they will loan me some money."

"I went to the employer and told him I want to be on my own." "The answer was: Why don't you work here and spend your spare time in developing your business?"

"I tried and found it does not work. I am one of those who believe in loyalty. Also, starting a venture is not a part-time affair.

"When I quit, I generally knew what I would be making but I did not have a specific customer.

"When I quit then, I did not have customers, or money or either facilities.

"I did avail of the loan facilities the government officers. It took me seven months to get the loans sanctioned. Meanwhile I acquired a place to work - you know what it means to get a place in Bombay.

"Though I am a degree holder from VJTI I learnt early in they day that unless you can work yourself, you cannot direct. When I started, I knew and my men knew I can do things.

"The first couple of years were rough. One change of schedule from the customer and I am gone. I stuck through."

"Also I adopted some policies.

"I placed more emphasis on the flow of work and longer run than margin.

"Secondly, I hold on to the price quoted though there were price fluctuations. This meant a loss to me sometimes. The market came to know that while I did work for money, I had offer values as well. When I negotiated the contract I'll certainly explain the position and get a revision of prices. For the contract undertaken, for the sake of money, or because I get a more lucrative business, I would not let down customers."

"Others who did not do that way have become much more prosperous than me. My approach gives me peace."

"When my boss found I had decided to quit, he kindly offered me the first business and I did ~~x~~ that work for the first few months and then I started working for others.

"I know my strength and I know my inadequacy. Cash is not my strength. A competent job is my strength."

"My brothers are happy with me. In fact, one of them has joined me in my business now."

INTERVIEW WITH SBE-2

"I was born in a lower middle class family in a small town.

"I got interested in the political movement even when I was in school. I started wearing khadi then and I wear it even now exclusively.

"I found the politicians and political workers so lost in politics that they could not maintain themselves. They will go "begging" to the rich men for their livelihood. I did not like it.

"I came to Bombay and became a teacher in a Municipal school. The fact that I was not well-equipped in English came in the way of my career as a teacher.

"I spent part of my leisure time in organising a cultural organisation. Under its auspices I used to organise festivals both cultural and other.

"I am goal-oriented. When I take up a thing, I ask myself a question: Is it fair to all concerned? I also ask: Is it feasible? Once these two questions are answered satisfactorily, I go about with pincer and tongs and get the job done. In its name, I do not mind going to anybody and asking for any legitimate help.

"I liked social work, I told you. I did not seek personal benefits of an economic or power nature. This helped me in getting more and more acceptance from a number of people.

"I also found I got into trouble from time to time because I was straight and strict. On principles and fundamentals I would not compromise. When I disapprove a thing, I will say so and in plain terms.

"Perhaps all this gave me confidence in myself. When I look back, the ingredients that have made me a reasonable success are: straight forwardness, strictness and goal-mindedness.

"When I started, I did not have much money. Even now I don't have much spare money. Only I am able to employ near 40 people: I am able to pay them more than what others pay in the industry. My personal needs are well met.

"Work comes to me. I have practically no sales force to get work. Work comes to me even during the dull season.

"People come to me because they have heard a good word about me.

"They know that my rates are not less than the industry's rates. If at all, it is on the higher side. Still they come to me.

"I have asked them occasionally why. They told me that I am living my faith. My faith is that so long as you are straight forward, so long as you keep your word, so long as you are dependable, so long as you don't need close watching, so long as your work is uniformly good to all the customers, whatever business you do, you will get custom, you will get support.

"Knowing the details of the business, of course, helps. The point I am emphasising is that know-how you can buy. Integrity and fair practices you should bring.

"And you should maintain that integrity even in bad times. This is not easy. "It is true that when you are straight you are harassed by some of the municipal and government servants. Others pay them to silence them, to make them connive at the violation of the law, So they come and ask for 'hafta'. When you tell them, you are observing the law, they annoy you by picking holes on inconsequential matters. This is one price you pay.

"Also, like some others who do not mind unfair practices, you don't make as much money. I don't say they are successful; I only say they make more money than I do.

"I make money plus but they make only money. I enjoy a good name. In the eyes of my customers, I am a decent man.

"In times of crisis, you see that. I have gone through rough times, financially. Many have volunteered to help me out. They did not want me to fail.

"I have also seen people who over did their craze for money and they are now in disgrace.

"I have further seen that when people see financial success, they get hooked. They forget friends and customers; they forget their earlier sense of right and wrong. I don't know at what cost.

"Some in business tell me that you should be cynical about other peoples' money and their welfare generally. This does not fit in with my value system. I will bet my last shirt and repay what I owe others. I will rather commit suicide than risk my honour. Some say this is a handicap; I do not agree. I believe such people are shortsighted.

"Since you have seen me, I am not emphasising this. I work long hours.

"I say this because some come to me and say they would like to start a printing press. When they see me working these many hours, when they see the working conditions, they quite stay away. They want 'regular' hours; they want a 'posh' office; they want all services provided to them: they want to be officers. Also, they lose heart at the slightest drizzle. They shy away from working with and working through people. They can only order; they cannot persuade. They are reluctant to go and ask for even legitimate things. Only thing they like about business is the name and the net surplus."

INTERVIEW WITH SBE-3

"When I was a child, I lived with my grandfather. Our neighbour was an engineer in the local electrical company. He did not have a child. He used to welcome me. Electricians used to come and wiremen. Playfully I learnt things - I was their willing helper.

"I came to Bombay after doing my SSC. I started working as a typist.

"I was staying in Goregaon. When people wanted help in wiring or related work, I used to go and help them. Just for the fun of it. I liked a 'thank you'.

"One day when I was in a shop, the shopkeeper was telling in passing that he has some bulbs which he cannot dispose of. I bought it at Rs. 1.20 per bulb - I bought 5 first and another 5 later. One of the later 5 I still keep as a memento: that is the first business I did. I sold it at Rs. 2.00 at the right place.

"From my little savings, I used to buy tube lights and sell them to homes. On an average I will sell 400 bulbs.

"One thing good about my parents. They did not prevent me from doing things. Perhaps if I were highly educated, I might have myself hesitated to do the odd jobs. I don't see any relationship between hand work and college degree but others seem to see a negative relationship. You become a 'gentleman' by getting a college degree and I suppose gentlemen 'should not' do this, that or the other.

"I thought I was helping people. While helping people, I did not consider anything a mean job. Once I took the cot and the little belongings of an elderly person and brought it all the way from Borivli to Goregaon.

"I sold advertisement space - about Rs. 15000 per year. Yes, during my week-end, I have to hold my job.

"I like meeting people and helping them. If they consider my ideas, fine. If they don't fine too.

"I am not a qualified person. I do a lot of experiments. Right now I find I am able to draw power from kerosene, but I don't know yet how to retain it.

"Last year I wrote about some of my experiments to a computer company in U.S.A. and Japan. They paid my way and invited me. I demonstrated it to their satisfaction - I may get a patent on it soon.

"You should come and see my laboratory. I work there every night atleast two hours and every morning atleast one hour. My belief is that we should apply our intelligence to make wealth from waste."

INTERVIEW WITH SBE-4

"I was born when my father was 50. I have a brother who is two years younger. 9 days after brother's birth, my mother died.

"My father, a school teacher, said: At this age, I do not wish to marry again. My elder sisters and my relatives helped to bring us up.

"Even in my childhood I felt that since my father is old, I have to start working and earning as early as I can.

"In fact, when I was in the matric class, my father said: I would like to see you working so that I know you will take care of yourself. I joined a mill and worked there.

"That work in the mill at that age did me good. I got rid of the fear for the machine, however big or complicated.

"Also, one of my hobbies has been working with my hand - I used to spend time in carpentry and others.

"The approach, however, was not whiling away the time but to fix something - a shelf, a stool or what have you.

"I was here to my uncle at Bombay for a holiday. He said: I will take care of your studies. Stay here.

"I did my B.Sc. in Chemistry.

"Soon after I passed out, my uncle took me into his chemical factory making dyes.

"My uncle used to loan money to a number of friends and relatives. Many were not able to return the money. One of them said, In return for the money, you may take my printing press

"This press we later learnt has been making losses for years.

"My uncle asked me to make a report on this press. When I made the report; He said: You implement it!

"I did not know anything about the printing press. I am a chemist. Almost fresh from college.

"I said I will do my best. I worked almost round the clock. My work consisted of market work as well as factory work.

"Luckily I got some mass orders; I was able to persuade people that we can handle it.

"In six months time, the press wiped out the losses and started making profits.

"My uncle was pleased. Though I got only 250 rupees as salary - that was 1952 - I was given a flat and a conveyance. I was also given powers to manage the factory.

"I got married. Almost three shift working I had to do.

"During such leisure time I had, I tried my hands on screen printing. I felt that my chemistry study should not go to waste.

"I can not merely work long hours but I can keep up habits. Since 1942, till today, I spin one hour a day.

"My uncle died and there was a property fight among his wife's brothers. My uncle did not have a son.

"The fight gave me the warning. It will not be long before they would come to this press too, I thought; and I said to myself I should do something for myself.

"With the help of my wife, I improved my capacity to handle screen printing work.

"I got the permission of my employer - in this case my aunt - and started a small factory in a shed. My wife agreed to be the manager. I offered to get the work.

"My round the clock work continued. My wife fortunately took interest and we were able to deliver the goods. She treated the employees so humanely that things went on smoothly.

"Incidentally, to start the factory I took a loan from my aunt. I did not have any savings.

"One who is my partner now used to get the work and I used to get it done for him.

"One day he told me: Why don't we come together and do it in a big way? This is almost two years after I started my little factory.

"I offered partnership to my employer's wife who happens to be my aunt too. She declined.

"The family fight spread to the printing press too and I quit.

"The person who used to give me work visited me in my factory. He said: Why don't we join hands and take big orders?

"I told him I have no money. I can do work but I have no big money to buy the needed machines etc. and expand.

"Like a God-send, an uncle who had been to Germany and other places, a bachelor, a freedom-fighter with Subhash Chandra Bose, visited us at Bombay. He came to our factory. In the course of his visit, he asked me: You are doing a good job. Why don't you expand?

"I explained the position.

"He promptly offered me a loan with the assurance of more if I can use it to good purpose in a year's time.

"Since that day, I had not to look back.

"The hours of work have been long but as far as orders are concerned, we had no problem.

"Essentially pressed by my customers, I put up another unit in Jogeshwari. They said that would cut down their transportation cost.

"More recently, again encouraged by customers in Gujarat, and in partnership with a Gujerati gentleman, I have put another unit in Baroda.

"I do not come from a business family. I came into business almost because of fear. What else would I do if I am thrown out of the press? I cannot ask even for the money that people owe me.

"Once we got a big order from Caltex. I asked my partner: How can we take it - where is the money for the raw material? He said: Don't worry. I'll find it.

"He took the small lot we made and went to the purchase manager. Please take this and pay us, he said. The manager of the company said, our contract specified that the entire order should be fulfilled. He told the manager: We can do quality work but we have no money for the raw material. So give us advance. That evening he brought a cheque for Rs. 25,000.

"This I could not do, I see more of what is fair to the other person. My partner is different. He does not mind telling them: Trust me once. Help me first. Though I am sincere and will never betray trust, I hesitate to make such requests.

INTERVIEW WITH SBE-5

"My father is a share-broker. He has retired from active business now.

"I am the first child in the family. We are ten. All are practically settled now.

"Only in recent times I have to support my parents.

"At college I used to enjoy spending hours on end on design and related work. That I got the prizes year after year is secondary; that I enjoyed doing it is primary.

"I used to enjoy and I still enjoy meeting people - friends, relatives, in the city and in the villages. My engineering interest did not keep me away from people.

"In 1962 when I was working for a German collaborated firm in Madras I got the idea for the business I am in.

"I found two things in all these collaborations. The collaborators do not give us their latest. They do not let us improve on what we get without their explicit consent. Technologically, we can do as well as they do, if not better.

"In 1964 the company I was working got into bad times and a takeover was imminent. A party called me and told me: If you will take over as the chief of the technical side, we are confident of making this company a profitable and

successful one. I said: No.

"As I look back, if I have said 'yes' I would probably be the MD of that transformer company now. I said 'no' because the idea of being a party to throwing away my employer did not appeal to me. Also, I was not prepared to take the risk.

"The Madras atmosphere is different from the Bombay atmosphere. Risk-taking, self-confidence comes more naturally here. May be also, I was telling myself that I have only worked as an engineer for six years, how can I take over as the chief.

"I came to Bombay in 1964 and joined a company on a five years contract. I eventually became the chief engineer of the company.

"One thing I noticed. Less and less of my time was spent on technical work and I did not like it. I said to myself that so long as I work for others this is inevitable.

"While at Madras, the German who came to help us did not know English. So I learnt German. I can speak German fluently, though I am not in daily touch.

"My friends in Germany were surprised how I am able to speak German so fluently though I have not been keeping myself in daily touch. I think that if you learn a language well enough, it works like swimming or cycling.

"In 1971, a little thing happened. My boss said that if I apply and get a telephone at home, he will pay for it. I did get and I told him. He said he would not pay as he promised. I said I don't work for you any more.

"I announced myself as a technical consultant. One of the competitors who came to know of it invited me to join him as a chief engineer. I said I am available only in a consulting capacity. He said: Yes.

"My employer tried to persuade me to stay on. I said I have decided. He invited me to be his consultant too.

"Almost on the day I started I had two contracts for a year's period and giving me about 4000 rupees per month.

"One friend in the business - an erstwhile supplier - offered to help me with a small place in Sion.

"Business grew and I wanted a larger place. A friend helped me to find a place. By that time the rent act has come and I have to put all my savings, borrow money and buy a galla.

"Soon after I started on my own, the Pakistani war came. Then the recession and the credit squeeze.

"My customers do not pay in time. They have their problems and I feel for them but I find myself rough going.

"I go to the bank. They say: Bring new machinery and we will give you money on it. Bring security and we will give you money on it. Mine is a service business and how can I bring things. Working capital support, they say, is not their business.

"My wife helps me. She belongs to the neither - a lender-nor-a-borrower school. Others may owe us money but we should not owe others.

"To get out of the situation is to grow. I am working on many ideas. One of them should work out soon. I am happy I am accepted technologically. I want to remain a consultant and not a manufacturer. I want to remain in my speciality and not say I am all-knowing. This people appreciate. Mine is a recognised technical consulting company.

INTERVIEW WITH SBE-6

"I passed out of the ~~XXXX~~ Engineering College in 1952.
I joined the IAIR.

"I got an opportunity to be in charges of development.
This means project work - planning to execution. This means
coordinating with people at various levels in various centres.

"Apparently I did a piece of work satisfactory to my
seniors. I got good promotions.

"I was asked to go on promotion but away from Delhi.
I said I would forego the promotion. My wife was working in
a college there. Her working was important to her and to us.
Transfer would disturb us.

"My boss would not understand.

"I got posted to Poona.

"My mind started working in terms of joining industry.
I was however told that I don't have industrial experience.

"While at Poona I came to meet some of my old college
mates. They have started an industry. One asked me whether
I could do the selling for him. I borrowed a few thousands
from my father and set up a selling agency. Another friend
in the electronics field also asked me whether I would market
his products too. That was in 1969.

"I said I would. Not because I knew marketing but because plunge became necessary. If I work in the government, my wife could not work.

"This necessity of the situation made me sell and well. So well indeed that my friends thought I make more money than they do and that I should not.

"I said to myself: Why don't I become a manufacturer myself? I borrowed Rs. 50,000 from my father and started my own.

"In my anxiety I took an young man as a 50:50 partner. I had a going concern. I bought in the money. He said he has the know-how. I had many problems with him. More than anything else he was suspicious all the time with all the people. With a one lakh compensation for the mistake of making the partnership deed without proper consultation, I started off.

"My father was in business, not because of his choice. His brother died and there was no one to run the business. My father left his job as a teacher and started running the shop.

"I am told I have no businesslike ways. I am doing well now and even with my straight ways I will do even better in the coming years.

INTERVIEW WITH SBE-7

"I was the vice president of the company for 8 years or more. I rose to that position in 16 years or more. I was getting 6000 p.m. plus perks.

"I was loved. I did not have work for more than two hours a day. I said that if I continue I will become stale.

"Unless I work for myself I won't be using myself I thought. As you know, my strength is not manufacturing, it is engineering.

"I give and expect loyalty. So I could not plan my venture while on the job. I offered to quit.

"I say it now easily. It was agonising - the decision I mean. Our friend here is one of those with whom I discussed my tentative decision.

"My wife gently pleaded: Why give up all these? I told her: What am I giving up? Security. Where is security? The boss can call me anyday and say: Thank you. It is seeming security. Security is inside us and not outside us.

"Had my hands been full, perhaps I would have continued. Early in my career I learnt to delegate. I assign work, guide people and review performance. That way I grew and my boys grew. None of them have been abroad but they can make machines comparable to the best in the world.

"I studied in Germany. When I was putting my terms for Ph.D. I got a lucrative offer and I took up a job.

"One I quit, I phoned a few friends (in the industry) who know me at work. Three of them gave a years contract - one day a week, three thousand rupees a month.

"I said manufacturing facilities are plenty. I need not build them. Where many organisations are currently weak in is in engineering coordination. That is where I come in. I have a few M. Techs working for me.

"I ask for advance whenever I take up any work and I get it. I don't go to any bank for any loans.

"More people want my services and I am limited by time. Discussion and direction take time and there are only twelve hours a day. Besides building machines I should spend time in building people. That is where I am planning to give more attention.

INTERVIEW WITH SBE-8

"I came to Bombay in 1944. I held several jobs including that of a reporter to the Bombay Legislative Assembly. In 1959 I joined Burmah Shell.

"Whatever the job, I did with zest and this brought me friends. One day an acquaintance told me that he has a friend in Ahmedabad who is doing some engineering fabrication work and that he needs some help in getting orders and servicing the customers.

"Every Friday night I used to go to Ahmedabad - we had five days working at Shell - and work for my company: yes, we had some sort of partnership arrangement. In the sense, I used to get a share in the business I bring the company.

"I did not know the business but I learnt the business.

"Long hours and long weeks but so what? I do not enjoy sitting idle. I like to use myself fully.

"Because of governmental policies, the company offered a golden handshake. I welcomed it.

"I did not know the bus business but I learnt there is money in it. I requested the TVS people to give me training for a few months. You know I gave them business and they did not mind training me. I worked again fourteen hours and I learnt it well.

"My buses are so well maintained that there will never be a breakdown.

"Another thing I do. Once I get a clue I don't stop until I take things to the logical end. You may call it obsession but I don't mind. I should see it through.

"Sometimes this lands me into trouble. For example, when a land deal came, I moved fast. It was taken a good decision. Perhaps if I had consulted the trends, I would not have the land ceiling problem to face.

"All the same, that is my nature. When I take it, I am at it until it is done.

"I keep things uptodate and I keep things clean. This means more taxes to the government. This also means good sleep. Hanky panky does not appeal to me. Some business friends tell me this is not the way to do business. I tell myself: Let them do the business their way and I will do my way.

"I won't say I have not made mistakes of judgement. I have spend a lot of time and money in getting out of things. On the whole, I am glad I did what I did. I don't know if my sons will take to business but that is their business. I will do what I can for them.

APPENDIX 6-A

QUESTIONNAIRE (PART I)

1. Could you please describe the nature of business you are handling these days?

2. Did you do any preplanning before starting your own business? YES / NO

If YES, please answer Q.3 onwards otherwise omit Questions 3 & 4 and go to Q. 5.

3. What type of preparation did you do before moving in on your own?

4. How long did you take to prepare yourself for this new venture?

5. How did you work out the chances of your success?

6. Is there any one member/associate who influenced you most in starting this business? YES / NO

If YES, who? _____

Describe the nature of his advice or influence:

7. Could you please tell us the specific reasons that made you to start your own business?

8. How did you choose the type of business you are in?

9. What course in life your father/guardian most insistently wanted you to follow?

10. What would you like your own son to do? (Referred to eldest son, if there was one or to the nearest relative regarded as heir or heiress)

11. Were there any factors that inhibited/discouraged/slowed you in the process of starting your new business?

12. Do you have any regrets after having gone in of your own?

13. Most people in general are reluctant to leave security for challenge and chance. How did you overcome this difficulty?

14. I would like you to visualize in your own mind the type of people who start their own business - the so called entrepreneurs. Based on your own personal experience, could you please describe the type(s) of people (in terms of Ability/Background/Environment/Ambition) who set up their own business?

15. Why do people, in your opinion, go in for business of their own?

CLASSIFICATION DATA

<u>1. Age Group</u>		<u>2. Marital Status</u>	
Below 30 years	_____	Bachelor	_____
30 to 40 years	_____	Married	_____
40 +	_____	No. of Dependents	_____

3. Education Level

- None _____
- Primary _____
- Middle _____
- High _____
- Degree _____
- Post Graduate _____
- Others(Specify) _____

4. Family Particulars

- Joint Family _____
- Independent Family _____
- No. of Earning Members _____

5. Position in the Family

- Among All Members _____
- Among Male Members _____

6. Approximate Size of Business/Year

- Less than one lakh _____
- 1 to 5 lakhs _____
- 5 lakhs + _____

7. Period of Stay in the Place of Work

- Less than 5 years _____
- 5 to 10 years _____
- 10 years + _____

8. Past Jobs held with Monthly Salaries

- 1. _____
- 2. _____
- 3. _____

APPENDIX - 6-BQUESTIONNAIRE (PART II)

1. We are going to give you a list of various reasons which people have said for starting a business of their own. Could you please tell me which of the following reasons are applicable to you?

R E A S O N S	TICK MARK ()
	REASONS APPLICABLE TO YOU

A. ABILITY

- | | | |
|----------------------------|----|-------|
| 1. Personal Confidence | .. | _____ |
| 2. Strong Determination | .. | _____ |
| 3. Desire for Independence | .. | _____ |
| 4. Initial Preparation | .. | _____ |
| 5. Market Sense/Judgement | .. | _____ |

B. BACKGROUND/ENVIRONMENT

- | | | |
|--------------------------------------|----|-------|
| 1. Family Pressures | .. | _____ |
| 2. Helplessness (Matter of Survival) | .. | _____ |
| 3. Discontentment | .. | _____ |
| 4. Lack of Education | .. | _____ |
| 5. Hereditary | .. | _____ |

C. SECURITY/ENVIRONMENT

- | | | |
|--|----|-------|
| 1. Family Tradition | .. | _____ |
| 2. Financial Support | .. | _____ |
| 3. Professional Support (in the form of initial preparation) | .. | _____ |
| 4. Plenty of Money in the Family | .. | _____ |
| 5. Experience in the Line | .. | _____ |
| 6. High Demand for the Product | .. | _____ |

- 7. Little Competition .. _____
- 8. Good Contacts .. _____
- 9. Support from Wife .. _____
- 10. Incentive in the form of Land/Machinery .. _____

D. AMBITION

- 1. To Help Provide Employment .. _____
- 2. To Earn More Money .. _____
- 3. To be Independent .. _____
- 4. To Secure Social Prestige .. _____
- 5. To be able to Give My Children a Good Life .. _____
- 6. To get job satisfaction .. _____

2. Which in your opinion are the three most important reasons in order for becoming an entrepreneur? (Choose out of the reasons as listed in Q.1 above).

3. Given below are the number of Statements which people have said about Entrepreneurs. We would like to know how much you agree or disagree with each of them. There are five phrases varying from Agree Strongly to Disagree Strongly (see columns). All that you have to do is to read out each Statement and put a tick mark () against the phrase in the appropriate column that applies to you must.

STATEMENT	AGREE STRO- NGLY	AGREE A LITTLE	NEITHER DIS- AGREE NOR AGREE	DISAGREE A LITTLE	DISAGREE STRONGLY
	(1)	(2)	(3)	(4)	(5)

1. Mental make up is of utmost importance for becoming entrepreneur.

STATEMENT	(1)	(2)	(3)	(4)	(5)
2. Entrepreneurs are those who in some way have been brought up in a business environment/or Family environment is important.					
3. People who like to achieve independence of their own.					
4. People with strong determination.					
5. People full of confidence.					
6. Income is generally the major criteria for becoming an entrepreneur.					
7. People with a strong desire of getting recognition for managerial excellence.					
8. People who like to work for long hours.					
9. People who do not mind pinch of hard labour.					
10. Those who do not believe in false prestige/comforts.					
11. People who like to achieve social prestige.					
12. Desire to pass on something worthwhile to his children.					
13. Education is not of prime importance for becoming an entrepreneur.					

STATEMENT	(1)	(2)	(3)	(4)	(5)
14. Higher education is probably a disqualification for becoming a successful entrepreneur.					
15. The entrepreneur is the factor that gets the most handsome reward or the most ruthless punishment in the enterprise system, depending on whether he succeeds or falls in business.					

APPENDIX 6-C

Part II Reasons for starting Business Reference No. _____

Here are some reasons given by people who have started a business of their own. Some of these will apply to you. Will you please mark them by a tick ()?

Reasons for starting a business of my own	Applicable to me
---	------------------

- | | |
|---|-------|
| A. 1. Personal confidence (I can do it) | _____ |
| 2. Strong determination (I will) | _____ |
| 3. Desire for independence (Why not work for myself?) | _____ |
| 4. Initial preparation (I've prepared) | _____ |
| 5. Market sense (This will sell) | _____ |
| 6. Judgement (This is the time) | _____ |
| 7. Daring (I'll dare and see) | _____ |
| 8. | _____ |
| 9. | _____ |

- | | |
|--|-------|
| B. 1. Hereditary (Like daddy) | _____ |
| 2. Lack of education (can't get a job) | _____ |
| 3. Family pressures (Why work for others) | _____ |
| 4. Progress not fast enough (Let me get out) | _____ |
| 5. Boss harrassment/jealousy (Let me go out) | _____ |
| 6. Quarrel with Management (I'll teach a lesson) | _____ |
| 7. Helplessness (Sink or swim) | _____ |
| 8. Inadequate income (Unless I try my hand) | _____ |
| 9. | _____ |

Reasons for starting
a business of my own

Applicable
to me

- C. 1. Family tradition _____
- 2. Financial support _____
- 3. Market contacts _____
- 4. Know-how and experience _____
- 5. Traditional craftsmanship _____
- 6. Support from wife _____
- 7. Invitation from friends _____
- 8. Inviting market/low competition _____
- 9. _____
- 0. _____

- D. 1. To achieve something _____
- 2. To try out my idea/invention _____
- 3. To show I can do one better _____
- 4. To have my own factory _____
- 5. To have people work for me _____
- 6. To enjoy social prestige _____
- 7. To give a good life for children _____
- 8. To create employment for others _____
- 9. To earn more money _____
- 0. _____

If you wish to list any further reasons applicable to you.
Please list here:

- B. 1. _____ 4. _____
- 2. _____ 5. _____
- 3. _____ 6. _____

From what you have seen and known, which are the three most
important reasons for one anyone to become an entrepreneur.
And please rank the three.

_____	_____
_____	_____
_____	_____

Part IV

Reference No. _____

PROFILE OF THE MAN: NAME

ADDRESS

SOCIO CULTURAL

1. Regional - West - East - North - South
2. Linguistic - Gujarati - Marwari - Punjabi - Sindhi
3. Religious - Hindu - Muslim - Christian - Parsee - Jew - Jain - Others
4. Caste - Brahmin - Kashatriya - Vaisya - Sudra - Others
5. Sub-caste (e.g. Panchal)
6. Upbringing - Metropolitan - Urban - Rural
7. Location (e.g. Traditional towns like Kolhapur)
- 8.
- 9.

FAMILY BACKGROUND

1. Traditional occupation: Business - Agriculture - Profession Service - Other
2. Income : Fixed regular - Irregular - Erratic - Problematic
3. Structure ! Joint Family - independent family
4. If joint : Size of 'family' - Number of earning members
5. Number of brothers and sisters:
6. Rank in birth:
- 7.
- 8.

CHILDHOOD AND HOME

1. Influential member in the family circle: Father - Uncle - Other(s)
2. His occupation: Service - Profession - Business - Other
3. Father : Domineering - Indifferent - Encouraging - Permissive - Other
4. Atmosphere: Conformist - Strict - perfectionist - supportive - experimental

5. Script: How do key people, you recall, described you as a child?
-

(Quote the phrase)

6.
7.
8.
9.
-

EDUCATION AND SCHOOL DAYS

1. Schooling : Illiterate - Premetric - Matric - Undergraduate
Graduate - Post graduate - Other (s)
 2. Academic achievement: Low-Medium-High-Studious-Indifferent-
Drop out - Disinterested - Other (s)
 3. Extracurricular: Outdoor-Indoor-Group-Individual-Participant-
Captain-Organiser -
 4. Acquired adventure : Mountain climbing - Skiing - Boxing -
Other (s)
 5. Group activities : Boy Scout - Other (s)
 6. Fees paid by : Parents - Others () - Scholarship -
Part Time Work.
 7. As a student, you were noted for : Studies - games -
Organisation - trouble -
 8. As a student, how do you recall, others describing you
-

(Quote the phrase)

- 9.
-

TRAINING/EXPERIENCE/PREPARATION

1. Training: None - informal - formal
 2. Experience : As _____ and for how long
 3. Nature of experience: Commercial - Technical-Managerial-Other
 4. As an employee you can be described as
-

5. Preparation: (Describe), if any, for self employment
or better future

6. Period of stay at place you started business: 5 - 5 - 10 - 10+

7.

8.

9.

**ATTITUDES TO MEN AND THINGS
(IMPRESSIONS)**

N.B. Whatever is given in
brackets should be only taken
as suggestive, not exhaustive

a. Attitude to other people:
(Concerned - helpful -
indifferent - cynical)

b. Attitude to resources
(Possessing - using -
capitalising)

c. Attitude to things
(Owning - hiring)

d. Attitude to opportunities
(seeking - noting - ignoring)

e. Attitude to ~~opportunities~~
experimentation
(Welcome - aversion)

f. Attitude to change
(initiate - welcome - resist)

g. Attitude to ideas
(jump - receive - kill)

h. Attitude to problems
(tackle - try - succumb)

i. Attitude to obstacles, anxieties,
uncertainties and misfortunes
(Horror - fatalistic -
challenge)

j. Attitude to failures:
(Get up and run - sit and weep)

- k. Attitude to long hours of work
(Habit - occasional - no please) -----
- l. Attitude to loss of cash
(Make up - how come - break down) -----
- m. Attitude to loss of reputation
(Mend - don't care - take as doom) -----
- n. Attitude to experience
(Often - occasional - not at all) -----
- o. Attitude to crisis
(fight - collapse - paralysed) -----
- p. Attitude to right and wrong
(Traditional - situational - cynical) -----
- q. Attitude to industry - business
(positive - natural - negative) -----
- r. -----
- s. -----
- t. -----

AT THE TIME YOU STARTED BUSINESS

1. Your age
 2. Your marital status
 3. Number of dependents
 4. Your employment status
 5. Your annual income
 - 6.
 - 7.
 - 8.
 - 9.
-

ABILITIES AS OBSERVED BY OTHERS (IMPRESSIONS)

1. Human Relations ability (to include emotional stability, sociability, personal relations, consideration, cheerfulness, cooperation and tactfulness)
2. Thinking ability (analytical and creative and planning)
3. Communications ability (giving and receiving information)
4. Judgement about deals
5. Judgement about timing
6. Judgement about people

7. Integrity rated as

8. Risk taking rated as

9. Approach to business: Self-oriented - product - procedure -
customer - lopsided - fair to all
concerned - good citizen

MADAM LUCK - Illustrate

Part V

Reference No: _____

POSITION WHEN BUSINESS STARTED

- x.
- a. When started No. of years now Age of founder:
- b. Ownership: Proprietary - partnership - private limited - cooperative - Other
- c. Nature of business: Major classification
- d. Nature of business: Minor
- e. Products manufactured/services rendered:
- f. Type of business: Existing - innovative - improved - capital intensive - labour intensive - local need - regional - one customer - many customers - other(s)
- g. Nature of market: Industrial - consumer - ancillary - competitive.
- h. Nature of raw material: Indigenous - imported - easy - scarce
- i. Initial capital: 10000 - 50000 - 200000 +
- j. Personal capital: 1000 - 10000 - 50000 +
- k. Source of seed money: Personal savings - family - friends loans - total bank support - other
- l. Initial advantage: Market contacts - knowledge - know-how - craft - traditional - cash - other.
- m. Initial support and encouragement: Customer - friend - elder - banker - other.
- n. Moral support from - self - wife - parents - friends - others
- o. Material support from - self - parents - in-laws - friends - bankers - others
- p. Technical support from - self - specialists - govt. - others
- q. Market support from - relatives - customers - distributors - others

- r. Other support from
- s. How you got the idea of being on your own and when
-
- t. Idea for business from suggestion - market - familiarity - experience - desperation - impulsive - chancy - deliberate
- u. Motivation for starting: acquisition - achievement - power - necessity - leadership - autonomy - honour - recognition - other
- v. Nature of business environment: Credit easy - incentives - competitive
- w. Who influenced you directly or indirectly: Relative - teacher - friend - literature - employer - ad - banker - other
- x. Your exposure to business is through: Books - visits - hearsays - observation - experience - talks - programmes
- y. Who or what lit the fuse, the plunge:
- z.

SINCE STARTING PROFITABILITY GROWTH AND REPUTATION

1. Profit before tax during first year _____ turnover _____ No. of men _____
 third year _____
 fifth year _____
 tenth year _____
 (current) year _____
2. Product mix since starting: Change - no change
 if change, qualitative or quantitative change
3. Customer mix since starting: Change - no change
 If change, what type
4. Hours of work per week: First year _____
 This year _____
5. High level employment as managers or higher:
 From relatives Non-relatives

6. Image in the eyes of the public _____

Image in the eyes of the Government

Image in the eyes of the customer

Image in the eyes of the supplier

Image in the eyes of the self

Image in the eyes of the banker

Image in the eyes of other (s)

7.

8.

9.

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STATEMENT UNDER THE UNIVERSITY OF BOMBAY ORDINANCES
NOS. O.770 and O.771

I hereby declare

1. that the work embodied in my thesis on SMALL SCALE ENTREPRENEURSHIP DEVELOPMENT: SOME MANAGEABLE FACTORS presented for the Ph.D. degree of the University of Bombay has not been submitted for any other degree, diploma or academic award in any University, on any previous occasion;
2. that to the best of my knowledge, no work has been reported on the above subject;
3. that I have discovered new relations of facts relating to the area of entrepreneur development; and this work can be considered to be contributory to the advancement of knowledge because in this study an effort has been made to locate a fresh and workable approach to identify not merely high potential entrepreneurs but their likely areas of success as also to establish a feasible entry level for the majority of entrepreneurs in India.
4. that the work presented in this thesis is original and wherever references have been made to the work of others, it has been clearly indicated as such and the sources of information included in the bibliography.

N. H. Atthreya
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Countersigned by the guiding teacher.

M. D. Limaye
(Principal M.D. Limaye)