SRINIVASAN COLLEGE OF ARTS AND SCIENCE

(Affiliated to Bharathidasan University )

**International Business Environment**

**Subject Code :**

**BBA -VI Semester**

# ENTREPRENEURIAL DEVELOPMENT – UNIT - I

**Entrepreneur – Meaning:**

Someone who exercises initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides what, how, and how much of a good or service will be produced.

An entrepreneur supplies risk capital as a risk taker, and monitors and controls the business activities. The entrepreneur is usually a sole proprietor, a partner, or the one who owns the majority of shares in an incorporated venture. According to economist Joseph Alois Schumpeter (1883-1950), entrepreneurs are not necessarily motivated by profit but regard it as a standard for measuring achievement or success. Schumpeter discovered that they (1) greatly value self-reliance, (2) strive for distinction through excellence, (3) are highly optimistic (otherwise nothing would be undertaken), and (4) always favor challenges of medium risk (neither too easy, nor ruinous).

# Entrepreneur – Definition:

According to Knight, “is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured, nor capitalized nor salaried too”.

# Entrepreneurship – Meaning:

It is the act and art of being an entrepreneur or one who undertakes innovations **or** introducing new things, finance and business acumen, in an effort to transform innovations into economic goods. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses (referred as Startup Company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity.

# Characteristics of a Successful entrepreneur:

Latest figures show that more and more people are becoming entrepreneurs. Some do it out of choice; others are forced into it through downsizing and a tough job market. Whatever the circumstances, these are the key competencies and characteristics required for entrepreneurship.

# Curiosity - the desire to learn new things

Do you want to understand how things work? Do you enjoy learning new skills? Entrepreneurs like to find out about their subject, they read all the information they can get their hands on, they keep up to date, and they search their environment to find opportunities. Their antennae are always alert to new markets, new needs, new products and services.

# Optimism - view reality in a positive way

To succeed with your own business you need to be a positive optimist. How do you react to problems? Are they opportunities to improve or do they bring you to a grinding halt? Do you believe in yourself and your environment? Realism is essential but so is the conviction that you are able to deal with it and succeed. This all impacts on how you handle failure. Entrepreneurs are able to manage and learn from failure. They are able to view it positively - an opportunity to learn and grow and then move on.

# Risk taker - there are no guarantees

Are you prepared to risk your time and effort, your money and your reputation in the entrepreneurial venture? Risk takers are willing to trust their instincts and act on them. The risk can be significantly reduced by careful research, planning and implementation of your idea but you have to be able and willing to step out of your comfort and safety zone to get going.

# High energy - willing to work long and hard

The only place that success comes before work is in the dictionary! Are you willing to put all your energy into this venture? Are you excited by the thought of working hard at your own business? If you don't have true passion for what you are doing you will find it difficult to gather the energy to work at it. Are you able to adapt to changing circumstances? Do you have stamina? Persistence is essential to entrepreneurial success.

# Innovative - bring creative ideas to life

Do you think outside the box? Are you responsive to change? Do new ideas excite you? Innovation is not just about coming up with creative ideas and solutions it is about the ability to create value from them. Can you create business value from your idea? Innovation is the process of using available resources to bring your ideas successfully to life.

# Self Discipline - self motivated and accepts responsibility

Are you accountable for your actions? Do you motivate yourself from within to perform or do you rely on outside motivators? An entrepreneur firmly believes that success or failure is within their personal control and take full responsibility. They don't allow themselves to be distracted by external influences and they set goals for themselves.

# Different types of entrepreneurs:

On the basis of nature **Clarence Danhof** classified entrepreneurs into four categories. These are

1. **Innovative entrepreneurs:** An innovative entrepreneur in one, who introduces new goods, inaugurates new method of production, discovers new market and recognizes the enterprise. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved and people look forward to change and improvement.
2. **Imitative entrepreneurs:** These types of entrepreneurs creatively imitate the innovative technical achievement made by another firm. Imitative entrepreneurs are suitable for underdeveloped countries as it is hard for them to bear the high cost of innovation.
3. **Fabian entrepreneurs:** Fabian entrepreneurs are characterized by very great caution and skepticism to experiment any change in their enterprises. They usually do not take any new challenge. They imitate only when it becomes perfectly clear that failure to do not so would result in a loss of the relative position in the enterprise.
4. **Drone entrepreneurs:** They are characterized by a refusal to adopt any change even at cost of severely reduction of profit.

# Some other types of entrepreneurs:

* + **Solo operators:** These are the entrepreneurs who essentially work alone and if needed at all employ a few employees. In the beginning most of the entrepreneurs start their enterprises like them.
  + **Active partners:** Active partners are those entrepreneurs who start or carry on an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business.
  + **Innovators:** Such entrepreneurs with their competence and creativity innovate new products. Their basic interest lies in research and innovative activities.
  + **Buyers’ entrepreneurs:** These are the entrepreneurs who do not like to bear much risk. They do not take the risk of production but take the risk of marketing a product i.e. wholesaler and retailer.
  + **Life timers:** These entrepreneurs believe business as an integral part of their life. These entrepreneurs actually inherit their family business i.e. goldsmith, potter etc.
  + **Challengers:** These are the entrepreneurs who initiate business because of the challenges it presents. They believe that ‘No risk, No gain’. When one challenge seems to be met, they begin to look for new challenges.

# Difference between Entrepreneur and Manager:

|  |  |  |
| --- | --- | --- |
| Point of difference | Entrepreneur | Manager |
| Motive | The main motive of an entrepreneur in to start a venture by setting up an enterprise. He understands the venture  for his personal gratification | The main motive of a manager is to render his services in an enterprise already set up by  someone else |
| Status | An entrepreneur is the owner of the enterprise | A manager is the servant in the enterprise owned by the entrepreneur |
| Risk – bearing | An entrepreneur being the owner of the enterprise assumes all risks and  uncertainty involved in running the enterprise | A manager as a servant does not bear any risk involved in the  enterprise |
| Reward | The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain | A manager gets salary as reward for the services rendered by him in the enterprise. salary  of a manager is certain and fixed |
| Innovation | Entrepreneur himself thinks over what and how to produce goods to meet the  changing demands of the customers. Hence, he acts as an innovator also called as change – agent | What a manager does is simply to execute the plans prepared by  the entrepreneur. Thus, a manager simply translates the entrepreneur’s ideas in to practice |
| Qualification | Entrepreneurs need topossess qualities and qualifications like high achievement motive, originality in  thinking, fore-sight, risk bearing ability and so on… | A manager needs to possess distinct qualifications in terms of sound knowledge in  management theory and practice |

**Intrapreneur – Meaning:**

A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation. Intrapreneur’s are usually employees within a company who are assigned a special idea or project, and are

instructed to develop the project like an entrepreneur would. Intrapreneur does usually have the resources and capabilities of the firm at their disposal. The Intrapreneur’s main job is to turn that special idea or project in to a profitable venture for the company.

# Difference between Intrapreneur and Entrepreneur:

|  |  |  |
| --- | --- | --- |
| Point of difference | Intrapreneur | Entrepreneur |
| Dependency | An Intrapreneur is dependent on the entrepreneur | An entrepreneur is independent |
| Raising of funds | Funds are not raised by the intrapreneur | An entrepreneur himself raises funds required for the enterprise |
| Risk | An Intrapreneur does not bear the risk involved in the enterprise | Entrepreneur bears the risk involved in the business |
| Operation | Intrapreneur operates from within the organization itself | An entrepreneur operates from outside the organization |

**QUESTIONS**

1. **Define Entrepreneur.**
2. **State the characteristics of entrepreneur.**
3. **Describe the types of Entrepreneurs.**
4. **Differentiate Entrepreneur with Manager.**
5. **Bring out the differences between entrepreneur and intrapreneur.**

**EXERCISE**

1. **Collect and read success stories of Great Entrepreneurs In India**
2. **How do you motivate yourself to being an successful entrepreneur.**

**UNIT – II**

**Concept of Entrepreneurship:**

Entrepreneurship has been a subject of much debate and discussion. It is an elusive concept.

Hence, it is defined different by different authors. While some call entrepreneurship as ‘Risk- Bearing’, other views it innovating and yet other considers it ‘thrilling-seeking’.

In the opinion of A.H.Cole,” Entrepreneurship is the purposeful activity of an individual of group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services”

Entrepreneurship is a process involving various actions to be undertaken to establish an enterprise. It is thus, process of giving birth to New Enterprise.

Innovation and Risk Bearing are regarded as the two basic element involved in entrepreneurship.

# Innovation:

Innovation, i.e., doing something new or something different is a necessary condition to be called a person as an entrepreneur. The Entrepreneurship are constantly on the look out to do

something different unique to meet the changing requirements of the customers. They may or may not be inventors of new products or new methods of production, but they possess the ability to foresee the possibility of making use of the inventions for their enterprise.

In order to satisfy the changing preference of customers, now-a –days fruit juice is sold in small cartons (mango Fruity) instead of bottles so that customers can carry it and throw away the container after drinking the juice.

# Risk-Bearing:

Starting a New Enterprise always involves risk and trying for doing something new and different is also risky. The reason is not difficult to seek. The enterprise may earn profits or incur losses because of various factor like increasing competition, changes in customers preference, shortage of raw material and so on. An entrepreneur, therefore, needs to be bold enough to assume the risk involved in the enterprise. In fact, he needs to be a risk-taker, not risk avoider. His risk-bearing ability enables him even if he fails in one time or one venture to persist on and on which ultimately helps him succeed.

# Growth of entrepreneurship in India:

The Growth of Entrepreneurship in India is, therefore, presented into two sections, viz. Entrepreneurship during Pre-Independence and Post- Independence.

# Entrepreneurship during Pre-Independence:

The Evolution of the Indian Entrepreneurship can be traced back to even as early as Rig-Veda, when metal handicraft existed in the society. This would bring the point home the handicraft entrepreneurship in India was as old as the human civilization itself, and was nurtured by the craftsmen as a part of their duty towards the society.

Evidently, organized industrial activity was observable among the Indian artician in a few recognizable products in the cities of Banaras, Allahabad, Gaya, Puri and Mirzapur which were established on their river basins.

Prestigious Indian Handicraft Industry, which was basically a cottage and small sector, declined at the end of eighteenth century for various reasons. These may be listed as:

1. Disappearance of the Indian Royal Courts, who patronized the craft earlier
2. The lukewarm attitude of the British Colonial Government towards the Indian Crafts;
3. Imposition of Heavy duties on the imports of Indian goods in England.
4. Low-Priced British-made goods produced on large scale which reduced the competing capacity of the products of Indian handicraft;
5. Development of transport in India facilitating the easy access of British products even to far-flung remote parts of the country
6. Changes in the tastes and habits of the Indian, developing craziness of foreign products, and
7. Unwillingness of the Indian Craftsman to adapt to the changing tastes and needs of the people.

# Entrepreneurship during Pre-Independence:

After taking a long sign of political relief in 1947, the government of India tried to spell out the priorities to devise a scheme for achieving balanced growth. For this purpose, the government came forward with the first Industrial policy, 1948 which was revised from time to time. The Government took three important measures in the industrial resolutions:

* 1. To maintain a proper distribution of economic power between public and private sector
  2. To encourage the tempo of industrialization by spreading entrepreneurship from the existing centers to other cities, towns and villages and
  3. To disseminate the entrepreneurship acumen concentrated in a few dominant

communities to large number of industrially potential people of varied socialatrata.

To achieve these adumbrated objectives, the government accorded emphasis on the development of small-scale industries in the country. Several corporations and small industries service Institute were also established by the Government to facilitate the new entrepreneurs in sitting up their enterprise. Expectedly, the small scales unites emerged very number from 121,619 in 1966 to 190,727 in 1970 registering an increase of 17000 units per year during the period under reference.

The East India Company, the managing Agency houses and various socio-political movements like Swadeshi campaign provided, one way or the other, proper seedbed for the emergence of manufacturing entrepreneurship from 1850 onwards. The wave of entrepreneurial growth gained sufficient momentum after the Second World War. Since then the entrepreneurs have increased rapidly in numbers in the country. Particularly, since the Third Five Year plan, small entrepreneurs have experience tremendous increase in their numbers.

# Role of Entrepreneurship in Economic Development :

The world development is used in so many ways that its presides connotation is often baffling. Nevertheless, economic development essentially means a process of upward change whereby the real per capita income of a country increases over a long period of time.

Adam smith, the foremost classical economist, assigned no significance to entrepreneurial role in economic development in his monumental work ‘An Enquiry into the nature and causes of the wealth of the nations’, publishes in 1776, smith extolled the rate of capital formation as an important determinant of economic development

.According to him ability to save is governed by improvement in productivity to increase in dexterity of every worker due to the division of labor. Smith regarded every person as the best judge of his own interest who should be left to pursue it to his own advantage. According to him, each individual is led by an ‘invisible hand’ in pursuing his/her interest. He always advocated the policy of *Laissez-faire* in economic affairs.

In his theory of Economic Development, David Ricardo identified only three factors of production, namely, machinery, capital, labor, among whom the entire produce is distributed as rent, profit and wages respectively. Ricardo appreciated the virtues of profit in capital accumulation. According to him, profit leads to saving of wealth which ultimately goes to capital formation.

Thus, in both the classical theories of economic development, there is no room for entrepreneurship. And, economic development seems to be automatic and self-regulated. Thus, the attitude of classical economists was very cold towards the role of entrepreneurship in economic development. They took the attitude: “the firm is shadowy entity, and entrepreneur even shadower-or at least is shady when he is not shadowy “.

The economic history of the presently developed countries, for example, America, Russia and Japan tends to support the fact that the economy is an effect for which entrepreneurship is the cause. The crucial role played by entrepreneurs in the development of western countries has made the people of under-developed countries too much conscious of the significance of entrepreneurship for economic development. Schumpeter visualized the entrepreneurship as the key figure in economic development because of his role in introducing innovations.

The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favorable opportunity conditions than in the economies than in the economies with relatively less favorable opportunities conditions.

The Important role that entrepreneurship plays in the economic development of an economy can now be put in a more systematic and order manner as follows:

1. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public
2. It provides immediate large-scale employment. Thus, it helps reduce the unemployment problem in the country i.e., the root of all socio-economic problems.
3. It promotes balance regional development.
4. It helps reduce the concentration of economic power.
5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.
6. IT encourages effective resource mobilization of capital and skill which might otherwise remain unutilized and idle.
7. It also induces backward and forward linkages which stimulate the process of economic development in the country.
8. Last but not means the least; It also promotes country’s export trade i.e., an important ingredient to economic development.

Thus, it is clear that entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as “an economy is the effect for which entrepreneurship is the cause”.

# FACTORS AFFECTING ENTREPRENEURIAL GROWTH

The emergence and development of entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political, psychological factor often nomenclature as supporting conditions to entrepreneurship development.

# Economic Factors:

From a strictly economic viewpoint, it can be said that the same factor which promote economic development account for the emergence of entrepreneurship also. Some of these factors are discussed in below:

# Capital:

Capital is one of the most important prerequisites to establish an enterprise. Availability of capital facilities the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce them to produce goods. Capital is therefore, regarded as lubricant to the process of production.

# Labour:

The Quality rather of labour is another factor which influences the emergence of entrepreneurship. It is noticed that cheap labour is often less mobile or even immobile. And, the potential advantages of low-cost labour are negated by the deleterious effects labour immobility.

# Raw Material:

The Necessity of raw material hardly needs any emphasis for establishing any industrial activity and, therefore, its influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged. Of course, in some cases, technological innovations can compensate for raw material inadequacies.

# Market:

The fact remains that the potential of the market constitutes the major determinant of probable rewards from entrepreneurial functions. Frankly speaking, if the proof of pudding lies in eating, the proof of all production lies in consumption, i.e., marketing. The size and composition of market both influence entrepreneurship function.

# Non-Economic Factor:

Sociologists and psychologists advocate that economic factors may be necessary conditions, but they are not sufficient conditions for the appearance of entrepreneurship. They view that the influence of economic factors on entrepreneurial emergence largely depends upon the existence of non-economic i.e., social and psychological factors in the society. Some major non-economic factors alleged to influence the emergence of entrepreneurship can be listed as below:

# Social Conditions

**Legitimacy of Entrepreneurship:**

The proponents of non-economic factors give emphasis to the relevance of a system of norms and values within a socio-cultural setting for the emergence of entrepreneurship. In professional vocabulary such system is referred to as the ‘legitimacy of entrepreneurship’ in which the degree of approval or disapproval granted entrepreneurial behavior influences its emergence and characteristics if it does emerge.

# Social Mobility:

Social mobility involves the degree of mobility, both social and geographical, and the nature of mobility channels within a system. The opinion that the social mobility is crucial for entrepreneurial emergence is not unanimous. it is also pointed out that the degree and the nature of social mobility alone is not likely to influence entrepreneurship. But its influence is largely determined by other Non-economic Factor.

# Marginality:

A group of scholars hold a strong view that social marginality also promotes entrepreneurship. They believe that individuals or groups on perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial roles. They may be drawn

religious, culture, ethnic or migrant minority groups, and their marginal society position is generally believed to have psychological effects which makes entrepreneurship particularly attractive for them.

The Two Preceding factors the legitimacy of entrepreneurship and social-mobility largely determines the influence of marginality on entrepreneurship.

# Security:

Several scholars have advocated entrepreneurial security as an important facilitator of entrepreneurial behaviors. Yet, scholars are not consensus on the amount of security that is needed. While Cole suggests ‘minimal’ security, McClelland speaks of ‘moderate’ certainly for example. However, Peterson and Berger maintain that entrepreneurship is more likely to emerge under tribulent conditions than under conditions of equilibrium. Redlich provides the middle position in this regard when he suggests that insecurity does not hinder entrepreneurship, but rather that different kinds of insecurity will result in different kinds of entrepreneurship.

# Psychological Factors:

Many entrepreneurial theorists have propounded theories of entrepreneurship that concentrates specifically upon psychological factors. We consider these theories separately for that reason.

# Need Achievement:

To the Best of our knowledge, the best known of primarily psychological theories id David

McClelland’s theory of need achievement. According to McClelland, a constellation of personality characteristics which are indicative of high need achievement is the major determinant of entrepreneurship development. Therefore if the average level of need in a society is relatively high, one would expect a relatively high amount of entrepreneurship development in that society. In his endeavor to answer a simple question as to why it is that groups respond differently to similar conditions, McClelland’s gives the psychological concept of achievement motivation, or ‘n’ achievement to account for the differences in response to similar conditions.

Referring to encouraging impact of achievement motivation training programmes organized by

Small Industries Extension Training Institute “(SIET), Hyderabad McClelland argues that need achievement can be developed through the intensive training programmes.

# Withdrawal of Status Respect:

Hagan attributes the withdrawal status of respect of a group of genesis of entrepreneurship. Giving a brief sketch of history of Japan, he concludes that she developed sooner than any non- western society except Russia due to two historical differences. First, Japan had been free from

‘colonial disruption’ and secondly, (Samurai) in her society drove them to retreatism which caused them to emerge alienated from traditional values with increased creativity. This fact leads them to the technological progress entrepreneurial roles.

Hagan believes that the initial condition leading to eventual entrepreneurial behavior is the loss of status by a group. He postulates that four types of events can produce status withdrawal:

1. The group may be displaced by force;
2. It may have its valued symbols denigrated;
3. It may drift into a situation of status inconsistency; and
4. It may not accept the expected status of migration in a new society.

He further postulates that withdrawal of status respect would give rise to four possible reactions and create four different personality types:

1. **Retreatist:** He who continues to work in the society but remains different to his work and position.
2. **Ritualist:** He who adopts a kind of defensive behavior and acts in the way accepted and approved his society but no hopes of improving his position;
3. **Reformist:** He is a person who foments a rebellion and attempts to establish new society; and
4. **Innovator:** He is a creative individual and is likely to be an entrepreneur.

Hagan maintains that once status withdrawals have occurred, the sequence of change in personality formation is set in motion. He refers that status withdrawal takes a long period of time-as much as five or more generations- to result in emergence of entrepreneurship.

# ENTREPRENEURIAL MOTIVATION

**What is Motivation?**

The term ‘motivation’ has been derived from the word ‘motive’. Motive may be defined as an inner state of our mind that moves or actives or energies and directs our behavior towards our goal.

According to Dalton E. McFarland, “Motivation refers to the way in which urges, drives, desires, striving, and aspirations or need direct, control or explain the behavior of human being.

# Motivation Theories:

The importance of motivation explains human motivation through human needs and human nature. Prominent among these theories and particularly relevant to entrepreneurship are Maslow’s need Hierarchy Theory and McClelland’s Acquired Need Theory.

# Maslow’s Need Hierarchy Theory:

Maslow’s theory is based on the human needs. These needs are classified into a sequential priority from the lower to higher.

# Maslow’s Need Hierarchy

Physiological Needs

Safety and security Needs

Social Needs

Esteem and Status Needs

Self- Actualization Needs

These Five need-clusters are now discussed one by one.

* 1. **Physiological Needs:** These needs are basic to human life and include food, clothing, shelter, air, water and other necessities of life. They exert tremendous influence on human behavior. Entrepreneur also bring a man needs to meet his physiological needs for survival. Hence, he/she is motivated to work in enterprise to have economic rewards to meet the basic needs.
  2. **Safety and security Needs:** After Satisfying the physiological needs, the next needs felt are called safety and security needs. These needs find expression in such desires as economic security and protection from physical dangers. Meeting these needs requires more money and hence the entrepreneur is prompted to work more in his/ her enterprise. Like physiological needs, these become inactive once they are satisfied.
  3. **Social Needs:** Man is a social animal. These needs therefore refer to belongingness. All individuals want to be recognized and accepted by others. Likewise, an entrepreneur is motivated to interact with fellow entrepreneurs, his employees and others.
  4. **Esteem Needs:** These needs refer to self-esteem and self respect. They include such needs which Indicate self-confidence, achievement, competence, knowledge and independence. In case of entrepreneurs, the ownership and self control over enterprise satisfies their esteem needs by providing them status, respect, reputation and independence.
  5. **Self-Actualization:** The final step under the need hierarchy model is the need for self- actualization. This refers self-fulfillment. The term ‘Self-Actualization’ was coined by

Kurt Goldstein and means to become actualized in what one is potentially good at. An entrepreneur may achieve self-actualization in being a successful entrepreneur.

# McClelland’s acquired needs Theory.

According to David McClelland, a person acquires three types of needs as a result of one’s life experience. These three needs are:

**Need for Affiliation:** These refer to need to establish and maintain friendly and warm relations with others.

**Need for Power:** These mean the one’s desire to dominate the influence others by using physical objects and actions.

**Need for Achievement:** This refers to one’s desire to accomplish something with own efforts. This implies one’s will to excel in his/her efforts.

McClelland also suggests that these three needs may simultaneously be acting on an individual. But, In case of an entrepreneur, the high need for achievement is found dominating one. In his view, the people with high need for achievement are characterized by the following

They set moderate, realistic and attainable goals for them.

Prefer to situations in which they can find solutions for solving personal responsibility, They need concrete feedback on how well they are doing.

They Have need for achievement for attaining personal accomplishment. They look for challenging tasks.

# Motivating Factors:

Now let us address the larger question what factors motivate entrepreneurs to start enterprises. Several researches have tried to answer this question by conduction research studies to identify the factors that motivate people to start business enterprise. Here, we are presenting the findings of some of these studies.

In his study, Sharma classified all the factors motivating the entrepreneur into two types as follows:

**Internal Factor:** These included the following factors:

* + 1. Desire to do something new
    2. Educational Background
    3. Occupational background or experience

**External Factor:** These Included:

1. Government assistance and support
2. Availability of labor and raw material
3. Encouragement from big business houses.
4. Promising demand for the product

# QUESTIONS

1. Explain the concept of entrepreneurship.
2. Describe the growth of entrepreneurship in India.
3. Discuss the role of entrepreneurship in economic development.
4. What are the factors affecting entrepreneurship development.
5. Explain the motivational theories.

**Unit - III**

**Entrepreneurship development and training – Meaning:**

EDP may be defined as a programme designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. An EDP stresses on entrepreneurial motivation and behaviour. Programme which aims at providing informational or managerial inputs or focus on preparation of project without a touch of entrepreneurial motivation and behaviour is not considered as an EDP. EDP helps in inculcating entrepreneurial traits into a person, imparting the required knowledge, developing technical, financial, marketing and managerial skills and building the entrepreneurial attitude. EDP has been recognised as an effective human resource development tool. It is primarily for developing the first-generation entrepreneurs who on their own cannot become successful entrepreneurs. EDP through its continuous process of training and motivation help them to set up their own profitable enterprise and become successful entrepreneurs in their own right.

It is not merely a training programme; rather it is a comprehensive programme involving the following process:

* It is a process which enhances the knowledge, skill and motivation of the potential entrepreneur. It is a process which installs entrepreneurial behaviour in the minds of entrepreneur in their day-to-day activities, and
* It is a process through which the potential entrepreneurs can develop and set up their own enterprise.

EDP by itself therefore, aims at achieving the specific objectives of the programmes through continuous training and motivation.

Entrepreneurship Development Program is especially designed to train people in entrepreneurial skills. Though it is held that people should possess certain entrepreneurial traits in order to become successful entrepreneurs, it has also been proved that people can be motivated to become entrepreneurs through suitable training programmes. Though risk taking is behavior which comes to a person by birth and by circumstances in which he/she is brought up, the ability and willingness to take calculated risk can be induced into a person by way of appropriate training. The behavioral scientist David McClelland concluded after his experiments that suitable training can provide the required motivation for people to become entrepreneurs by making them undergo suitable training program.

# Objective of the Entrepreneurship Development Program (EDP):

The main objective is help individuals with entrepreneurial spirit to turn their dreams into reality. Apart from strengthening the entrepreneurial traits of people, EDP also aim to infuse entrepreneurial spirit in people who are not otherwise motivated to pursue entrepreneurial path. So, the program is focusing to:

1. Motivate people to take up entrepreneurial ventures
2. Develop, strength and sharpen entrepreneurial skills
3. Understand the market trends of different products and to identify the demand-supply gap
4. Impart among the participants, the required managerial skills necessary to run the venture successfully
5. Expose the participants to the techniques of carrying out project feasibility studies and to prepare project feasibility report
6. Expose the participants to the various processes and procedures involved in setting up an enterprise.
7. Expose the participants about the various schemes available such as Tanzania Investment Center and other financial Institutions.
8. Make the participants aware of the legal/statutory requirements to be complied with in starting and running an enterprise.
9. Help the participants know about the various incentives offered by government or Government agencies or institutions to entrepreneurs.

# Need / phases of EDPs :

EDP is primarily designed to induce motivation and competence among young prospective entrepreneurs. So the cause and curriculum of Entrepreneurship Development programme will be so designed that it will induce motivation and competency. The course curriculum of EDP should be designed to cover the following aspects:

* + It will give general introduction to entrepreneurship.
  + It will afford motivational training.
  + It will increase managerial skill of the entrepreneur,
  + It makes entrepreneur to have expert knowledge on various support systems and procedure.
  + It will give fundamental idea on project feasibility study.
  + It will encourage plant visit to afford practical knowledge to entrepreneurs.

After deciding on course contents and curriculum on EDP, the next important task is to decide various phases of EDP. There are three different phases of EDP like:

* + Pre-training phase
  + Training phase
  + Follow-up phase

# Pre-training phase:

Pre-training phase consists of all activities and preparation to launch training programme. Pre- training phase of EDP consists of the following activities:

* + Selection of entrepreneurs for the training programme.
  + Arrangements of infrastructure are for the programme like selection of place of training.
  + Deciding guest faculty for the programme from education industry and banks.
  + Taking necessary steps for inauguration of programme.
  + Formation of selection committee to select trainees from the programme.
  + Making provision with regard to publicity and campaigning for the programme.

# Training Phase:

The primary objective of training programme is to develop motivation and skill or competency amongst the potential entrepreneurs. Care should be taken to impart both theoretical and practical knowledge to various trainees. The training phase of EDP will be so designed that it will answer the following questions:

1. Whether the attitude of the entrepreneur has been turned towards the proposed project or no.
2. Whether the trainee has been motivated to accept entrepreneurship as a career.
3. How the trainee behaves like an entrepreneur.
4. Whether the trainee has sufficient knowledge on resources and technology or not.
5. What kind of entrepreneurial traits he lacks and what steps should be taken to set it.

# Follow-up Phase:

Follow up phase of EDP has been termed as post-training phase. The ultimate objective is to develop competent entrepreneurs, so that they can start their project. Post-training phase is a review phase of training programme. It consists of reviewing of work in the following manner:

* + Review of pre-training work
  + Review of actual training programme
  + Review of post training programme so that cost effectiveness of the present programme can be evaluated.

# Course Contents And Curriculum of Entrepreneurship Development Programmes:

Once the selection procedure for entrepreneur is over, the selected persons have to be equipped with managerial and technical skills to start their enterprises. In such entrepreneurship development programmes, there are participants with a variety of back grounds and qualities. Therefore, a package of training inputs is provided during the programme which is usually of six week’s duration. It consists of the following six inputs.

* **General Introduction to Entrepreneurship:** The participants are exposed to a general knowledge of entrepreneurship such as factors affecting small-scale industries, the role of entrepreneurs in economic development, entrepreneurial behavior and the facilities available for establishing small-scale enterprises.
* **Achievement Motivation Training (AMT):** The purpose of AMT is to develop the attitude towards risk-taking, initiative and other such behavioral or psychological traits. A motivation development programme creates self-awareness and self-confidence among the participants and enables them to think positively and realistically. Without achievement motivation training, an EDP becomes an ordinary executive development programme. Motivation training initiates to strive for excellence, to take calculated risk, to use feedback for improvement, sense of efficiency etc.
* **Support System and Procedures:** The participants have to be exposed to agencies like the local banks and other financial institutions, industrial service corporations and other institutions dealing with supply of raw-materials, equipments etc. The programme on support system needs to include the procedures for approaching them, applying and obtaining assistance from them and availing of the services provided by them. A linkage between the training institute and support system agencies can be established by participation of these agencies in sponsoring and financing EDPs.
* **Market Survey and Plant Visit:** In order to familiarize the participants with real life situations in small business, plant visits are also arranged. Such visits help the participants to know more about an entrepreneur’s behavior, personality, thoughts and aspirations. Moreover, the participants should be given opportunity to conduct market surveys for their respective projects. This would help to expose the participant to the market avenues available and could be followed by sessions on methods of dealing in the markets.
* **Managerial Skill:** Since a small entrepreneur cannot employ management experts to manage his enterprise, he needs to be imparted basic and essential managerial skills in the functional areas like finance, production and marketing knowledge of managerial skills enables an entrepreneur to run his enterprise smoothly and successfully.
* **Project Preparation and Feasibility Study:** A good period of time needs to be devoted to the actual preparation of projects. The active involvement in this task would provide them necessary understanding and also ensure their personal commitment. During the course of EDP, various guidance sessions are helpful for enabling the trainees to identify appropriate business opportunities. Information and counseling on various business opportunities is provided though the team experts and by spot survey. Necessary experience is provided in market survey, project preparation, sources of finance etc. Undue emphasis on any dimension should be avoided as it may lead to distortion in both the process and content of the programme

# Institutions Providing Training to the Entrepreneurs:

In the North Eastern region, the concept of developing entrepreneurship was first introduced in Assam in the year 1971. The Government of Assam under the Chief Minister ship of late Sarat Chandra Sinha introduced a scheme called “Half a million job” and a separate organization was created for this purpose, called “Entrepreneurial Motivation Training Centre” (EMTC). Nine EMTCs were set up in different places of Assam.

In 1973 NEITCO was created and one of the functions of it was organizing training programmes on entrepreneurship development. In 1979 Small Industries Extension Training Institute (SIET), Hyderabad set up its NER centre at Guwahati. It became NISIET in 1984 and Indian Institute of Entrepreneurship Development (IIE) in 1994. Training, Research and Consultancy for the development of small and medium enterprises in the north-east is the primary function of IIE.

In 1987 NECON was established with its headquarter at Imphal, Manipur. In addition, organizations like SISI, NSIC, NPC, NIRD, number of NGOs, industry associations, forums etc have been operating in the region and one of the functions of such organizations is developing entrepreneurship through training, research and consultancy. Similarly, some state level organizations and government departments like Directorate of Industries and Commerce, SIRD, ASIDC, DRDA etc. and other organizations/institutions in the NE Region like Tripura Industrial Development Corporation (TIDC), Meghalaya Industrial Development Corporation (MIDC), MANIDCO (Manipur), APSFDC (Arunachal Pradesh), ZIDCO (Mizoram), NIDC (Nagaland), SIDC (Sikkim) etc. have been involved for developing entrepreneurship programmes like General EDP, Sector Specific EDP, Area Specific EDP, Rural EDP, Urban EDP etc.

# Benefits of EDPs:

EDP can be beneficial in the following ways:

* **Economic Growth:** EDP is a tool of industrialization and path to economic growth through entrepreneurship.
* **Balanced Regional Development:** EDP helps in dispersal of economic activities in different regions by providing training and other support to local people.
* **Eliminates Poverty and Unemployment:** EDPs provide opportunities for self- employment and entrepreneurial careers.
* **Optimum use of Local Resources:** The optimum use of natural, financial and human resources can be made in a country by training and educating the entrepreneurs.
* **Successful Launching of New Unit:** EDP develops motivation, competence and skills necessary for successful launching, management and growth of the enterprise.
* **Empowers New Generation Entrepreneurs :** EDP, by inculcating entrepreneurial capabilities and skill in the trainees, create new generation entrepreneur who hitherto was not an entrepreneur

# Problems faced by EDPs:

EDPs in India are affected with a number of problems which are responsible for low level of success of the programmes. The problems come from the trainers, trainees, the various organisations imparting training programmes, the supporting organisation and even sometimes the government. Some of the important problems faced by EDPs are narrated as follows:

# No clear-cut policy at the national level:

India does not have a clear-cut national policy on entrepreneurship. Therefore, the growth and development of entrepreneurship put to a halt due to the antithetic attitude of the supporting agencies like banks, financial institutions and other supporting agencies in the absence of a policy at the national level.

# No clear-cut objectives:

Majority of institutions engaged in EDP are themselves not convinced and certain about the task they are supposed to perform and objectives to achieve. They are conducting EDP because they have to conduct the same.

# No clear cut course of action:

The course contents are not standardized and the agencies engaged in EDPs are themselves not very clear about the course of action they are supposed to follow. There is no accountability and feedback system for further improvement.

# Poor follow-up:

Institutions providing EDPs do not show much concern for objective identification and selection of entrepreneurs. No follow-up actions follow EDPs after training.

# Non-availability of Infrastructural facilities:

EDPs are not successful due to non-availability of adequate infrastructural facilities required for the conduct of EDPs. Rural and backward areas are lacking in proper class rooms, guest speakers, boarding and lodging etc. for successful conduct of EDPs.

# Lack of commitment and involvement by the Corporate Sector:

Corporate sector shows less concern for the successful conduct of EDPs. They lack of commitment and involvement in EDPs. There seems to be low institutional support entrepreneurs.

# Non-availability of competent faculty:

The faculties selected for giving training are not sometimes competent enough to give proper training to prospective entrepreneur. Even if competent and qualified teachers available, they are reluctant to serve in rural and backward areas. This creates problem smooth conduct of EDPs.

# Non conducive environment:

Non-conducive environment and constraints in the backward regions has become a major problem for the conduct of EDPs. It makes the trainer-motivator's role ineffective.

# Selection of wrong trainees:

There is no uniform procedure adopted by various agencies and institutions conducting EDPs for the selection of trainees. This results in the selection of wrong trainees which leads to low success rate of EDPs.

# Defining Commercial Bank:

A **commercial bank** is a financial institution that is authorized by law to receive money from businesses and individuals and lend money to them. Commercial banks are open to the public and serve individuals, institutions, and businesses. A commercial bank is almost certainly the type of bank you think of when you think about a bank because it is the type of bank that most people regularly use.

Banks are regulated by federal and state laws depending on how they are organized and the services they provide. Commercial banks are also monitored through the Federal Reserve System.

# Functions:

A commercial bank is authorized to serve the following functions:

* + Receive deposits - take money in from individuals and businesses (called depositors)
  + Disburse payments - make payments upon the direction of its depositors, such as honoring a check
  + Collections - a bank will act as your agent to collect funds from another bank payable to you, such as when someone pays you by check drawn on an account from a different bank
  + Invest funds in securities for a return
  + Safeguard money - banks are considered a safe place to store your wealth
  + Maintain and service savings and checking accounts of its depositors
  + Maintain custodial accounts - accounts controlled by one person but for the benefit of another person, such as a trust account
  + Lend money

# Role and Importance of Commercial Banks:

The functions of commercial banks explain their importance in the economic development of a country. Banks help in accelerating the economic growth of a country in the following ways:

# Accelerating the Rate of Capital Formation:

Commercial banks encourage the habit of thrift and mobilize the savings of people. These savings are effectively allocated among the ultimate users of funds, i.e., investors for productive investment. So, savings of people result in capital formation which forms the basis of economic development.

# Provision of Finance and Credit:

Commercial banks are a very important source of finance and credit for trade and industry. The activities of commercial banks are not only confined to domestic trade and commerce, but extend to foreign trade also.

# Developing Entrepreneurship:

Banks promote entrepreneurship by underwriting the shares of new and existing companies and granting assistance in promoting new ventures or financing promotional activities. Banks finance sick (loss-making) industries for making them viable units.

# Promoting Balanced Regional Development:

Commercial banks provide credit facilities to rural people by opening branches in the backward areas. The funds collected in developed regions may be channelized for investments in the under developed regions of the country. In this way, they bring about more balanced regional development.

# Help to Consumers:

Commercial banks advance credit for purchase of durable consumer items like Vehicles, T.V., refrigerator etc., which are out of reach for some consumers due to their limited paying capacity. In this way, banks help in creating demand for such consumer goods.

# Entrepreneurship Development Institute in India - EDII:

Origin:

After the Second World War, concern for economic development became all-pervasive. There was a growing concern for economic development and this strengthened interest in entrepreneurship with primary focus on exploring practical measures to augment the supply of entrepreneurs, i.e. persons with competence and aptitude to initiate, nurture and expand industrial enterprises. This resulted in the belief in education and training to inculcate and develop entrepreneurial capabilities in people so that they could set up their own enterprises. Subsequently programmes directed towards this goal were conceptualized.

The birth of training efforts for the promotion of entrepreneurship in the country was purely an indigenous initiative, i.e. the 'Technician Scheme' launched in the year 1969 by two state-level agencies of Gujarat. The scheme visualized 100% finance without collaterals. A large number of people took advantage of this scheme. The real gain of the scheme was the realization that there is vast entrepreneurial potential available in the country that could be tapped and developed through appropriate training intervention.

This led the Gujarat Industrial Investment Corporation (GIIC), along with other state-level agencies to conceptualize, mount and develop, in 1970, a 3-month long training programme known as Entrepreneurship Development Programme (EDP). However, with the number of programmes increasing, the need for having a separate state-level organization to look into selection, training and development of first-generation entrepreneurs was strongly felt. Thus, the Gujarat Centre for Entrepreneurship (CED), the first of its kind in the country, came into existence in 1979 with the support of Government of Gujarat and the industrial promotion and assistance agencies in the state.

By this time, the success story of Gujarat experiment spread far and wide and the Ford Foundation encouraged the Gujarat team to test out EDP strategy in a few less developed states like Rajasthan, Assam, etc. Several development agencies in other parts of the country mounted their own EDPs and Gujarat CED provided professional support to a few of these. With increasing number of organizations seeking such support from Gujarat CED, it was felt necessary to set up a **National Resource Organization** committed to entrepreneurship education, training and research.

The idea took a concrete shape when the Industrial Development Bank of India, the apex financial institution which had evinced keen interest in the Gujarat experiment joined hands with Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI), State Bank of India (SBI) and sponsored this national-level institution. The Government of Gujarat also expressed its willingness to support it. Thus the Entrepreneurship Development Institute of India (EDI) came into existence in the year 1983.

# Entrepreneurship Development Institute of India was set up as an autonomous body under the Societies Registration Act on April 20, 1983.

**Mission Statement:**

To become a catalyst in facilitating emergence of competent first generation entrepreneurs and transition of existing SMEs into growth-oriented enterprises through entrepreneurship education, training, research & institution building

EDI has been spearheading entrepreneurship movement throughout the nation with a belief that entrepreneurs need not necessarily be born, but can be developed through well-conceived and well-directed activities.

# In consonance with this belief, EDI aims at:

creating a multiplier effect on opportunities for self-employment, augmenting the supply of competent entrepreneurs through training, augmenting the supply of entrepreneur trainer-motivators, participating in institution building efforts,

inculcating the spirit of 'Entrepreneurship' in youth, promoting micro enterprises at rural level,

developing and disseminating new knowledge and insights in entrepreneurial theory and practice through research,

facilitating corporate excellence through creating intrapreneurs (entrepreneurial managers),

improving managerial capabilities of small scale industries,

sensitizing the support system to facilitate potential and existing entrepreneurs establish and manage their enterprises,

Collaborating with similar organizations in India and other developing countries to accomplish the above objectives.

The institute's basic strategy to realize its mission has been to concentrate on some broad areas to achieve its objectives. The areas so selected have to satisfy the twin criteria of social relevance and the institute's capability.

# Micro small and medium enterprises (MSME) – Development Institute:

The Office of Development Commissioner (MSME) also known as Small Industries Development Organization (MSME) functions as the Nodal Development Agency for small industries. MSME functions under the Ministry of Micro, Small & Medium Enterprises.

Consequent to the increased globalization of the Indian economy and changed industrial environment, MSME is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to MSMEs. Global trends and national developments have accentuated MSME’s role as a catalyst of growth of small enterprises in the country.

# The main services rendered by MSME office are:

* 1. Advising the Government in policy formulation for the promotion and development of small scale industries.
  2. Providing techno-economic and managerial consultancy, common facilities and extension services to small scale units.
  3. Providing facilities for technology up gradation, modernization, quality improvement and infrastructure.
  4. Developing Human Resources through training and skill up gradation.
  5. Providing economic information services.
  6. Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other Organizations concerned with

development of Small Scale Industries.

* 1. Evolving and coordinating Policies and Programmes for development of Small Scale Industries as ancillaries to large and medium scale industries.
  2. Monitoring of PMRY Scheme.

The process of liberalization and market reforms has created wide-ranging opportunities of the development of small scale industries. Changing world scenario has thrown up new challenges to the very existence of the sector. In order to focus on the issues facing the sector, the Ministry of Small Scale Industries & Agro and rural Industries was created on the 14th October 1999 for overseeing the formulation and implementation of the policies and programmes for the development of the small scale industries through support agencies and specialized services.

The Ministry of Small Scale Industries designs and implements the polices through its field organizations for promotion and growth of small and tiny enterprises. The Ministry also coordinates with other Ministers/Departments on behalf of the Small Scale Industries (SSI) sector.

# MSME Board:

The Micro, Small & Medium Enterprises Board is the apex advisory body constituted to render advice to the Government on all issues pertaining to the small scale sector. The Board is reconstituted every two years and is headed by the Minister In charge of Small Scale Industries in the Government of India. The Board comprises among others State Industry Ministers, some Members of Parliament, Secretaries of various Departments of Government of India, financial institutions, public sector undertakings, industry associations and eminent experts in the field. The Additional Secretary and Development Commissioner (MSME) is the Member Secretary of the Board. The Board is serviced by the Board and Policy Division in the office of the MSME - DI.

# National bank for agriculture and rural development (NABARD):

NABARD is designated as an apex development bank in the country. This national bank was established in 1982 by a Special Act of the Parliament, with a mandate to uplift rural India by facilitating credit flow in agriculture, cottage and village industries, handicrafts and small-scale industries. It is also required to support non-farm sector while promoting other allied economic activities in rural areas. NABARD functions to promote sustainable rural development for attaining prosperity of rural areas in India.

It is basically concerned with “matters concerning policy, as well as planning and operations in the field of credit for agriculture and other economic activities in rural areas in India”. It is worth noting with reference to NABARD that RBI has sold its own stake to the Government of India. Therefore, Government of India holds 99% stake in NABARD.

# Role of NABARD:

* It is an apex institution which has power to deal with all matters concerning policy, planning as well as operations in giving credit for agriculture and other economic activities in the rural areas.
* It is a refinancing agency for those institutions that provide investment and production credit for promoting the several developmental programs for rural development.
* It is improving the absorptive capacity of the credit delivery system in India, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, and training of personnel.
* It co-ordinates the rural credit financing activities of all sorts of institutions engaged in developmental work at the field level while maintaining liaison with Government of India, and State Governments, and also RBI and other national level institutions that are concerned with policy formulation.
* It prepares rural credit plans, annually, for all districts in the country.
* It also promotes research in rural banking, and the field of agriculture and rural development.

# Functions of NABARD:

* NABARD gives high priority to projects formed under IRDP.
* It provides refinance for IRDP accounts in order to give highest share for the support for poverty alleviation programs run by IRDP.
* Other than the activities included under IRDP, it also makes the service area plan, to provide backward and forward linkages and also infrastructural support.
* NABARD also prepares guidelines for promotion of group activities under its programs and provides 100% refinance support for them.
* It is making efforts to establish linkages between Self-help Group (SHG) that are organized by voluntary agencies for poor and needy in rural areas and other official credit agencies.
* It refinances to the complete extent for those projects that are taken under the ‘Nati onal Watershed Development Programme‘and the ‘National Mission of Wasteland Development‘.
* It also has a system of District Oriented Monitoring Studies, under which, study is conducted for a cross section of schemes that are sanctioned in a district to various banks, to ascertain their performance and to identify the constraints in their implementation, It also initiates appropriate action to remedy them.
* It also supports Vikas volunteer Vahini programs which offer credit and development activities to poor farmers.
* It also inspects and supervises the cooperative banks and RRBs to periodically ensure the development of the rural financing and farmers’ welfare.
* NABARAD also recommends about licensing for RRBs and Cooperative banks to RBI.
* NABARD also provides assistance and support for the training and development of the staff of various other credit institutions that are engaged in credit distributions.
* It also runs programs for agriculture and rural development.
* It is engaged in regulations of the cooperative banks and the RRB’s, and manages their talent acquisition through IBPS CWE conducted across the country.

Questions: Part – A

1. Explain EDP.
2. Why there is a need for EDP?
3. Write about the objectives of EDP?
4. Write a note on phases of EDP?
5. Define a commercial bank?
6. List out the benefits of EDPs?
7. Highlight the major functions of commercial banks?
8. Write about the major roles played by MSME?
9. List out the major objectives of EDI?
10. Write a short note on NABARD?

Questions: Part – B

1. Explain in detail the course content and curriculum of EDP?
2. Explain in detail the problems faced and benefits provided by EDP?
3. Explain commercial bank? And its importance?
4. Enumerate the origin of EDII in detail.
5. Explain and highlight the services rendered by MSME?
6. Explain the functions of NABARD in detail?

Case studies:

1. It is not often acknowledged that Rai Bahadur Mohan Singh Oberoi,100,chairman of an empire of 29 hotels spanning most of the world’s landmass is also the man who pioneered India as a brand, way back when it was only a bazaar of begging bowls and exotica. At 90, he looked back in something close to awe and said, “I often wonder how I did it.”

Certainly he did not give much of the credit to luck. True, he stood at the right time at the right place to confront his destiny, but this was just physical happenstance. What he did with the situation was amazing for a man from the boondocks of bhaun, with little education, and really not to the manner born.

Indeed, if anything the Rai Bahadur made his fortune out of calamity. If his father hadn’t died of cholera when he was only an infant, his mother would not have returned to the ancestral home which gave Oberoi the connections and contacts that helped him raise money later to buy his first hotel, the Clarke’s at Simla. If he hadn’t flunked the interview for his first job has clerk with the Government of India, he would never have made his way to the Simla Mall, gazed in wonderment at the glitter of the Cecil and made up his mind that he would work there. If a fatal bug in the water supply, hadn’t laid low Calcutta’s mighty Grand Hotel. It would never have been up for grabs. Again Oberoi just chanced to hear about it at the Delhi railway station when he was leaving to return to base in Simla. He simply changed his ticket and his direction and went to mint millions out of war-time Calcutta – another catastrophe. Life served his lemons regularly but with even greater regularity did the Rai Bahadur made lemonade.

The story of the Rai Bahadur is all the more impressions because there was nothing in his background to suggest that he would be able to create the world-class ambience and sophistication for which the group is now celebrated, that he would be able to foresee India’s current positioning in the global market, while doffing a deferential hat to history when it was demanded.

For instance, when other hotels were cramming their lobbies with brassbound chests and colonial nostalgia, Oberoi created the first international business hotel, the Oberoi Intercontinental in Delhi. However, in the Mena House, Egypt, and the Windsor, Australia, he went to extraordinary lengths and expense to produce authenticity to the last detail, including countrywide searches for memories and memorabilia. In order to replicate the flooring in the Windsor, he tracked down the original supplier of the tiles in distant stoke-on-Trent England. Celebrating his 100th birthday last week with his mind almost as clear as it was 50 years ago, perhaps the one philosophy responsible might be his dictum.” I never worry. It clutters the brain. The problem may not happen, and even if it does, worrying will only come in the way of a clear-headed solution.”

Questions:

* 1. “Nature and nurture play a key role in entrepreneurship development.” Explain with reference to above case study.
  2. In your opinion, what are the significant determinants in the making of Shri Oberoi’s entrepreneurial career?

1. TYCOONS Industries is a 5yr old manufacturing company with line and staff organization structure. Mr. Tony, a young Entrepreneur is the man behind the idea of starting this company. The company deals with innovative products in security management systems for corporate and domestic use. The sales of the company though in the beginning was doing well was declining during the last two financial years.

The company faced stiff competition from established players in terms of technology and value for money. Mr. Tony had got a loan to fund his project. He had also lost quality people to his competitors. The company is faced with frequent labor unrest. There has been frequent power failure and that has affected the production. The company is nearing shutdown.

Mr. Tony is confused whether to continue business or to wind up operations. Questions:

* 1. Suggest some EDP ways and means of coming out of the problem.
  2. Should the company be closed? Or it can be developed through some entrepreneurial institutes?
  3. Suggest ways of improving HR policies.

**Unit – IV&V**

**Industrial Development Bank of India (IDBI):**

**History:**

Industrial Development bank of India (IDBI) was constituted under Industrial Development bank of India Act, 1964 as a Development Financial Institution and came into being as on July 01, 1964 with government of India notification dated June 22, 1964. It was regarded as a Public Financial Institution in terms of the provisions of Section 4A of the Companies Act, 1956. It continued to serve as a DFI for 40 years till the year 2004 when it was transformed into a Bank.

In response to the felt need and on commercial prudence, it was decided to transform IDBI into a Bank. For the purpose, Industrial Development bank (transfer of undertaking and Repeal) Act, 2003 [Repeal Act] was passed repealing the Industrial Development Bank of India Act, 1964. In terms of the provisions of the Repeal Act, a new company under the name of Industrial Development Bank of India Limited (IDBI Ltd.) was incorporated as a Govt. Company under the Companies Act, 1956 on September 27, 2004. Thereafter, the undertaking of IDBI was transferred to and vested in IDBI Ltd. with effect from the effective date of October 01, 2004. In terms of the provisions of the Repeal Act, IDBI Ltd. has been functioning as a Bank in addition to its earlier role of a Financial Institution.

# Merger of IDBI bank ltd. With IDBI Ltd:

Towards achieving the faster inorganic growth of the Bank, IDBI Bank Ltd., a wholly owned subsidiary of IDBI Ltd. was amalgamated with IDBI Ltd. in terms of the provisions of Section 44A of the Banking Regulation Act, 1949 providing for voluntary amalgamation of two banking companies. The merger became effective from April 02, 2005.

In order that the name of the Bank truly reflects the functions it is carrying on, the name of the Bank was changed to IDBI Bank Limited and the new name became effective from May 07, 2008 upon issue of the Fresh Certificate of Incorporation by Registrar of Companies, Maharashtra. The Bank has been accordingly functioning in its present name of IDBI Bank Limited.

# Objectives of IDBI:

* Delighting customers with our excellent service and comprehensive suite of best-in-class financial solutions
* Touching more people's lives with our expanding retail footprint while maintaining our excellence on corporate and infrastructure financing;
* Continuing to act in an ethical, transparent and responsible manner, becoming the role model for corporate governance;
* Deploying world class technology, systems and processes to improve business efficiency and exceed customer’s expectations;
* Encouraging a positive, dynamic and performance-driven work culture to nurture employees grow them and build a passionate and committed work force;
* Expanding our global presence;
* Relentlessly striving to become a greener bank.

# Industrial Finance Corporation of India (IFCI):

**History:**

At the time of independence in 1947, India's capital market was relatively under-developed. Although there was significant demand for new capital, there was a dearth of providers. Merchant bankers and underwriting firms were almost non-existent and commercial banks were not equipped to provide long-term industrial finance in any significant manner.

It is against this backdrop that the government established The Industrial Finance Corporation of India (IFCI) on July 1, 1948, as the first Development Financial Institution in the country to cater to the long-term finance needs of the industrial sector. The newly-established DFI was provided access to low-cost funds through the central bank's Statutory Liquidity Ratio or SLR which in turn enabled it to provide loans and advances to corporate borrowers at concessional rates.

# Liberalization - conversion into company in 1993:

By the early 1990s, it was recognized that there was need for greater flexibility to respond to the changing financial system. It was also felt that IFCI should directly access the capital markets for its funds needs. It is with this objective that the constitution of IFCI was changed in 1993 from a statutory corporation to a company under the Indian Companies Act, 1956. Subsequently, the name of the company was also changed to "IFCI Limited" with effect from October 1999.

# Industrial Credit and Investment Corporation of India (ICICI):

**History:**

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity. The ICICI was set up in January 1955

# Its functions:

1. Provides assistance by way of rupee and foreign currency loans, underwriting and direct subscriptions to shares / debentures and guarantees.
2. It offers variety of financial services such as deferred credit, leasing credit, installment sale, asset credit and venture capital.
3. It guarantees loans from other private investment sources.

# In d ia’s State Finance Corporations:

The State Finance Corporations (SFCs) are the integral part of institutional finance structure in the country. SEC promotes small and medium industries of the states. Besides, SFCs are helpful in ensuring balanced regional development, higher investment, more employment generation and broad ownership of industries.

At present there are 18 state finance corporations (out of which 17 SFCs were established under SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. established under Company Act, 1949, is also working as state finance corporation.

# Organization and Management:

The State Finance Corporations management is vested in a Board of ten directors. The State Government appoints the managing director generally in consultation with the Reserve Bank and nominates three other directors.

The insurance companies, scheduled banks, investment trusts, co-operative banks and other financial institutions elect three directors. Thus the majority of the directors are nominated by the government and quasi-government institutions.

# Functions:

**The important functions of State Finance Corporations are:**

1. The SFCs grant loans mainly for acquisition of fixed assets like land, building, plant and machinery.
2. The SFCs provide financial assistance to industrial units whose paid-up capital and reserves do not exceed Rs. 3 crore (or such higher limit up to Rs. 30 crore as may be specified by the central government).
3. The SFCs underwrite new stocks, shares, debentures etc., of industrial concerns.
4. The SFCs provide guarantee loans raised in the capital market by scheduled banks, industrial concerns, and state co-operative banks to be repayable within 20 years.

# Working of SFCs:

The government of India passed the State Financial Corporation Act in 1951 and made it applicable to all the States. The authorized Capital of a State Financial Corporation is fixed by the State government within the minimum and maximum limits of Rs. 50 lakh and Rs. 5 crore and is divided into shares of equal value which were taken by the respective State Governments, the Reserve Bank of India, scheduled banks, co-operative banks, other financial institutions such as insurance companies, investment trusts and private parties.

The shares are guaranteed by the State Government. The SFCs can augment its fund through issue and sale of bonds and debentures, which should not exceed five times the capital and reserves at Rs. 10 Lakh.

# Institutional support / role of banks in the promotion of small incentives

* 1. **national small industries corporation ltd(NSIL)**
     1. to provide machinery on hire purchase scheme to small scale industries
     2. to provide equipment leasing facility
     3. to help in export marketing of the products of small scale industries
     4. to participate in bulk purchase programme of the Government
     5. to distribute basic raw material among small scale industries through raw material depots.
     6. to help in development and up gradation of technology and implementation of modernization programmed of small scale industries.
     7. to undertake the construction of industrial estates.

# small industries development organization (SIDO)

The SIDO functions through 27 offices, 31 small industries service institutes 37 extension centers, 3 products cum process development centre and 4 production centre.

# Functions relating to coordination

1. To evolve a national policy for the development of small scale industries
2. To coordinate the policies and programmes of various state governments

# Functions relating to industrial development

1. To reserve items for production by small scale industries
2. To render required support for the development of ancillary units

# Functions relating to extension

1. To make provision of technical services for improving technical process,
2. Production planning, selecting appropriate machinery etc.
3. To provide consultancy and training services to strengthen the competitive ability of small scale industries
4. To render marketing assistance to small scale industries to effectively sell their products.
5. To provide assistance in economic investigation and information to small scale industries.

# Small Industries service institutes (SISI)

The main functions of SISI include

1. to serve as interface between central and state government
2. to render technical support services
3. to conduct entrepreneur ship development program
4. to initiate promotional programs
5. gives trade and market information’s
6. state industrial potential survey
7. training in various trade activities

# District Industries centers (DIC)

1. To conduct industrial potential surveys keeping in view the availability of resources in terms of material and human skill infrastructure, demand for product etc.
2. To prepare an action plan effectively implement the schemes identified.
3. To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, sources and procedure for preparing imported machinery etc.
4. To appraise the worthiness of the various proposals received from entrepreneurs.
5. To assist entrepreneurs in marketing their products
6. To conduct artisan training program.

# Women Entrepreneurs:

**Concept:**

Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called “women entrepreneurs”.

The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, the Government of India (GOI2006) has defined women entrepreneur as “an enterprise owned and controlled by a women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.” However, this definition is subject to criticism mainly on the condition of employing more than 50 per cent women workers in the enterprises owned and run by the women.

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

# Functions of Women Entrepreneurs:

As an entrepreneur, a woman entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation and screening, determination of objectives, project preparation, product analysis, and determination of forms of business organization, completion of promotional formalities, raising funds, procuring men, machine and materials, and operation of business.

# Frederick Harbison (1956) has enumerated the following five functions of a woman entrepreneur:

1. Exploration of the prospects of starting a new business enterprise.
2. Undertaking of risks and the handling of economic uncertainties involved in business.
3. Introduction of innovations or imitation of innovations.
4. Coordination, administration and control.
5. Supervision and leadership.

The fact remains that, like the definition of the term ‘entrepreneur’, different scholars have identified different sets of functions performed by an entrepreneur whether man or women.

# Rural Entrepreneurship:

**Meaning and Definition:**

In simple words, rural entrepreneurship implies entrepreneurship emerging in rural areas. In other words establishing industries in rural areas refers to rural entrepreneurship. This means rural entrepreneurship is synonymous with rural industrialization.

# According to Khadi and Village Industries Commission (KVIC):

**“**Village industry or rural industry means any industry located in rural area, population of which does not exceed 1000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand Rupees”.

# According to the Government of India:

An industry located in rural area, village or town with population of 20,000 and below and an investment up to Rs. 3 corers in plant and machinery, land and building is classified as village industry.

# Introduction to Intellectual Property Rights:

**Intellectual property** (**IP**) is a term referring to creations of the intellect for which a monopoly is assigned to designated owners by law. Some common types of intellectual

property rights (IPR) are copyright, patents, and industrial and the rights that protect trademarks, trade dress, and in some jurisdictions trade secrets: all these cover music, literature, and other artistic works; discoveries and inventions; and words, phrases, symbols, and designs. While intellectual property law has evolved over centuries, it was not until the 19th century that the term ***intellectual property*** began to be used, and not until the late 20th century that it became commonplace in the majority of the world.

Intellectual property rights include patents, copyright, industrial design rights, trademarks, plant variety rights, trade dress, and in some jurisdictions trade secrets. There are also more specialized or derived varieties of *sui generis* exclusive rights, such as circuit design rights (called mask work rights in the US) and supplementary for pharmaceutical products (after expiry of a patent protecting them) and database rights (in European law).

# Patents:

A patent is a form of right granted by the government to an inventor, giving the owner the right to exclude others from making, using, selling, offering to sell, and importing an invention for a limited period of time, in exchange for the public disclosure of the invention. An invention is a solution to a specific technological problem, which may be a product or a process and generally has to fulfill three main requirements: it has to be new, not obvious and there needs to be an industrial applicability.

# Copyright:

A copyright gives the creator of an original work exclusive rights to it, usually for a limited time. Copyright may apply to a wide range of creative, intellectual, or artistic forms, or "works". Copyright does not cover ideas and information themselves, only the form or manner in which they are expressed.

# Trademarks:

A trademark is a recognizable sign,designorexpressionwhichdistinguishes products or services of a particular trader from the similar products or services of other traders.

# Trade dress:

Trade dress is a legal term of art that generally refers to characteristics of the visual appearance of a product or its packaging (or even the design of a building) that signify the source of the product to consumers.

# Trade secrets:

A trade secret is a formula, practice, process, design, instrument, pattern, or compilation of information which is not generally known or reasonably ascertainable, by which a business can obtain an economic advantage over competitors or customers.

**Franchising vs. licensing:** is a question we are asked all the times. Often times, the terms licensing and franchising are used interchangeably to define a similar business relationship. What is the difference between franchising and licensing? Why do some organizations choose licensing over franchising to define their expansion model?

**The key comes down to control**. A license agreement is essentially a "portion" of a franchise agreement.

**Licensing** refers to a relationship that licenses a name OR a system to a business partner who will have rights to distribute or do business with that system or trademark. Licensing is typically

used in cases where technology is being sold through a distribution system. Software, hardware and other forms of technology are often sold through licensed resellers or distributors.

**Licensing** can also refer to a business relationship where only a name is licensed out to a business "partner" who then can do business using a trademark or servicemark. This could be a scenario where a company has developed a brand and would like to license the rights of just the name out. There cannot be a business system associated with these license rights, only the brand name.

**Franchising** is a combination of the name, brand or trademarks along with the business system. A franchise model requires the use of a UFDD, or Uniform Franchise Disclosure Document that clearly identifies and discloses the details of the business relationship and commitments required from both the franchisor and franchisee. Because franchise relationships include both the name and the business system, the franchisor retains the ability to control the operations and quality of service delivered by the franchisees who join the system.

**Franchising** is governed by the Federal Trade Commission in addition to local state laws and franchise regulations. A franchisor is held to strict processes and rules in how they may present a franchise and how franchise sales can be conducted. There is a significantly larger amount of regulation, process and cost associated with being a valid and compliant franchisor, so why do most organizations choose to develop a franchise system as opposed to a license model?

**There are several reasons**, but the most significant reason being control. Franchise expansion allows the franchisor to control the quality of the franchisee's business and services delivered. This allows the franchise system to control when and how the brand is used in commerce. Franchisors have the ability to stop franchisees who are not representing the brand in a conduct that is deemed appropriate. A well written and defined UFDD allows for an efficient and effective business relationship that also provides legitimate control to the franchisor and the ability to shut down a franchisee who is not meeting the standards of the franchise organization.

# Angel Investors and Venture capital Funding in India:

**Definition of Angel Investing:** An angel investor invests in a new business, offering capital for startup or expansion. Angels are not usually among the so-called “1 percent;” many have annual incomes of $200,000 or less. They’re drawn to startups for a higher rate of return than they might get in the stock, bond or real estate market.

# Pros:

* + Angels are a good fit for many startups – typical investments are between $25,000 and

$1.5 million.

* + An angel could be your neighbor. Accessibility isn’t a big issue with angel investors; most cities and larger towns have angel groups or associations. *The Wall Street Journal* offers a great tutorial on finding angel groups here.
  + Due diligence is usually fast, and the investment also usually comes in the form of a lump sum.

# Cons:

* + Angel investors expect a high rate of return – often 25 percent or more.
  + Angel investors tend to be somewhat risk-averse, and will rarely make “follow-up”

investments.

* + Depending on your “angel,” you might find yourself wrestling with your financier over key company decisions. After all, now that he or she is an investor, your angel can feel entitled to some control over your company’s future.

**Definition of Venture Capital:** Venture capitalists invest in startup companies that offer the possibility of profit but with no guarantee the company will make one. They tend to make higher volume investments than do angel investors, and may likely take a larger consulting and management role, as well.

# Pros:

* + Venture capital firms have deep pockets. The average investment is usually between

$500,000 and $5 million.

* + Most venture capital firms offer new startups access to knowledgeable and experienced consultants to help guide your business. Since VCs have a vested interest in your success, they’ll want you to have the best business and management help you can get.
  + They have many deep-pocketed friends who may decide to invest in your company as well.

# Cons:

* + Venture capital firms expect a big return on their investment dollar – much bigger than a typical angel investor. Expected rates of return can be as high as 50 percent annually.
  + Venture investors are nothing if not diligent. Hence, they can take six months to a year before deciding to invest in your firm. Business owners who don’t possess the patience of a saint may find that wait excruciatingly frustrating.
  + They’ll ask for equity. Venture firms invest a lot of cash, and they’ll want a lot of control, as well. Often they get that by asking (and getting) a larger equity stake in your firm. Giving a VC firm to much of your firm’s equity could result in losing overall control of your company.

There is no pure right or wrong way to find financing for your company. But if you choose either an angel investor or a venture capital firm, know what the stakes are going into the deal. Otherwise, you might get way more than you bargained for.

# Venture capital vs. angel investors:

While they both provide capital to startup companies, there are several key differences between venture capitalists and angel investors. The biggest distinction is that venture capital comes from a firm or a business, while angel investments come from individuals. A second key difference is that while new startups typically receive millions of dollars in venture capital, angel investors typically never put more than $1 million into a project.

Another difference is that venture capitalists will generally invest in any startup they feel has the potential to make them money, while angel investors generally like to make investments in firms that work in industries they are personally familiar with. In addition, angel investors don't always require a hands-on role in the running of the company, as venture capitalists do.

# Questions for Practice:

Part – A

1. Highlight the major functions of IDBI?
2. State the important functions of state finance corporations?
3. Write a short note on SISI?
4. List the functions of district industries centers (DIC)?
5. Define rural entrepreneurship?
6. Who is woman entrepreneur? And explain the major role of woman?
7. Distinguish between licensing and franchising?
8. Write a short note on patents, copy rights, trademark and trade secrets.
9. Who is an angel investor?
10. Define venture capital? Explain its role?

Part – B

1. State the need for institutional finance for small enterprises. Which are the institutions providing institutional support to entrepreneurs?
2. Discuss the role of IDBI in financing small enterprises in the country.
3. How do the SFCs contribute to the development of small scale enterprises in the country?
4. Give an account of financial assistance provided by the IFCI to small entrepreneurs in India.
5. Explain ICICI and its functions.
6. What is a District Industries Centres (DICs)? Explain the functions of the DICs.
7. How is franchising business governed in India? Would you like to suggest some measures to make this system of business more successful?
8. Explain Intellectual property of rights in detail.
9. Explain with examples the role of franchising in developing entrepreneurship in India.
10. Explain the concept of Angel Investors and Venture capital in India.

# Case Studies:

1. Inspired by the preaching’s and teachings of Swami Vivekananda, Mahatma Gandhi and Errikala Krishnamacharya(EK), 20 educated youth formed as a group of social activists and established a voluntary organization named as “Youth Club of bejjipuram” popularly known as YCB in the year 1980. Registered under the Societies Registration Act, it is managed by a 9 member executive committee. Since, its inception, it has been working for the downtrodden and the destitute, in the target villages or Laveru mandal in srikakulam district of Andhra Pradesh. Over a period of 19 years the club has gradually extended its activities from 5 villages of one mandal to 150 villages in 5 mandals. The major areas of development are education, health, sanitation, income generation, poverty alleviation, and rural development.

During the period Youth Club were identified 2520 cataract blind people and organized 60 eye screening camps. These patients were provided with eye surgical facilities and their vision was restored. About 5200 adult illiterates were identified under the Adult Literacy Programme during 1988 to 1993 and they were provided with the skills of reading, writing and numeracy with the

cooperation of the ministry of HRD. About 3750 non-school going children in the age group of 9-14 were identified in 1417 villages in the last three years and were admitted into 150 non- formal education centers sponsored by the Ministry of HRD and Zilla Saksharata Samithi. These children are identified from the families mostly depending on labor work in the farm and non- farm sectors.

Over a period of 7 years, 2000 women were motivated in 40 villages and were given training in regard to leadership qualities and management of self help groups. They were also made aware of health, savings, small family norm, gender equalities, girl child education, etc. They were able to form 125 Swayam Sakthi Sangams and to save Rs. 15 lakhs. Besides thrift and credit activity, they formed and registered Mahila Sangams at village level and these tiny groups were actively participating in the development programmes launched by the government for their development. About 65 groups were linked with Rashtriya Mahila Kosh, New Delhi, and financial institutions such as Banks and District Rural Development Agency, Srikakulam for meeting their credit needs. All these groups were able to secure matching grants from DRDA ranging from Rs. 5,000 to Rs.25000 based on their savings.

About 120 women in 5 five villages were identified and were given skill training in jute based handicrafts over a period of 4 years. About 30 women were given skill training in productions of candles. These beneficiaries are being provided for forward and backward linkages by YCB so that their earning capacities are bargaining capacity will increase considerably.

The Youth Club was established a Homeo Medical Dispensary in 1985, in collaboration with the ‘World Teacher’s trust’, Vishakhapatnam which has been providing free medical services to the people of 20 villages.

To impart moral and spiritual education besides primary education on NCERT syllabus to children in rural areas, Youth Club has established a model school, Bala Bhanu Vidhyalayam Trust, Vishakhapatnam founded by master E.K. In the view of the good work rendered by the Youth Club, it was adjudged the best service organization in Andhra Pradesh State by Nehru Yuva Sanghatan during the year 1992-93.

Questions:

* 1. Go through the case and bring out the key factors making YCB a success story in developing a rural place.
  2. Identify the legal aspects in developing this YCB in rural area.

1. Harvard is one of the leading business schools. Yet there is growing concern about whether the school is moving in the right direction. Harvard's mission has been to educate 'general managers and business leaders,' but recently, over 50 percent of its graduates took jobs in investment banking and management consulting. Moreover, less than one fourth of the 1987 MBAs went into manufacturing companies, and of those, most moved in to staff, rather than line positions.

Investment houses and consulting firms are eager to recruit at Harvard, offering attractive starting salaries, while some critics accuse the students of being greedy, many professors supplement their salaries by teaching in corporations, consulting, appearing as expert witnesses, or serving on corporate boards, while consulting can enhance teaching, there is a maximum time officially allowed for outside activities.

The approach to teaching has also changed. The case approach, for which Harvard is famous used to stress the role of the general manager. While cases are still used, more analytical tools have become increasingly important. For example, the course Business Policy has changed to Competitive Strategy under the leadership of Professor Michael Porter, who, with a background in economics, uses concepts and theories in making competitive analyses.

Harvard, once known for developing business leaders, now increasingly educates specialists. Most of the students have shown little interest in joining manufacturing firms. Yet manufacturing may be critical for making the United States competitive.

Questions:

* 1. Do you think Harvard is moving in the right direction?
  2. How does Harvard's approach compare with the one used in your school?

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