



**BAOU**  
Education  
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**Dr. Babasaheb Ambedkar  
Open University**

(Established by Government of Gujarat)

# DIPLOMA IN FASHION DESIGNING

**ENTREPRENEURSHIP**

**DFD-08**

## Message for the Students

Dr. Babasaheb Ambedkar Open University is the only state Open University, established by the Government of Gujarat by the Act No. 14 of 1994 passed by the Gujarat State Legislature; in the memory of the creator of Indian Constitution and Bharat Ratna Dr. Babasaheb Ambedkar. We Stand at the seventh position in terms of establishment of the Open Universities in the country. The University provides as many as 54 courses including various Certificate, Diploma, UG, PG as well as Doctoral to strengthen Higher Education across the state.



On the occasion of the birth anniversary of Babasaheb Ambedkar, the Gujarat government secured a quiet place with the latest convenience for University, and created a building with all the modern amenities named 'Jyotirmay' Parisar. The Board of Management of the University has greatly contributed to the making of the University and will continue to this by all the means.

Education is the perceived capital investment. Education can contribute more to improving the quality of the people. Here I remember the educational philosophy laid down by Shri Swami Vivekananda:

***“We want the education by which the character is formed, strength of mind is increased, the intellect is expand and by which one can stand on one’s own feet”.***

In order to provide students with qualitative, skill and life oriented education at their threshold. Dr. Babaasaheb Ambedkar Open University is dedicated to this very manifestation of education. The university is incessantly working to provide higher education to the wider mass across the state of Gujarat and prepare them to face day to day challenges and lead their lives with all the capacity for the upliftment of the society in general and the nation in particular.

The university following the core motto ‘स्वाध्यायः परमम् तपः’ does believe in offering enriched curriculum to the student. The university has come up with lucid material for the better understanding of the students in their concerned subject. With this, the university has widened scope for those students who are not able to continue with their education in regular/conventional mode. In every subject a dedicated term for Self Learning Material comprising of Programme advisory committee members, content writers and content and language reviewers has been formed to cater the needs of the students.

Matching with the pace of the digital world, the university has its own digital platform Omkar-e to provide education through ICT. Very soon, the University going to offer new online Certificate and Diploma programme on various subjects like Yoga, Naturopathy, and Indian Classical Dance etc. would be available as elective also.

With all these efforts, Dr. Babasaheb Ambedkar Open University is in the process of being core centre of Knowledge and Education and we invite you to join hands to this pious *Yajna* and bring the dreams of Dr. Babasaheb Ambedkar of Harmonious Society come true.



Prof. Ami Upadhyay

Vice Chancellor,

Dr. Babasaheb Ambedkar Open University, Ahmedabad.

# **Introduction to Diploma in Fashion Designe**

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# **Dr. Babsaheb Ambedkar Open University**

**(Established by Government of Gujarat)**

**FASHION DESIGN – DIPLOMA COURSE**

**DFD: 08**

**ENTREPRENEURSHIP**

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**UNIT:1****ENTREPRENEURSHIP AND INDIAN  
SOCIAL SYSTEM****STRUCTURE :****1.0 Learning Objectives****1.1 Introduction****1.2 Concept of Entrepreneurship****1.3 Entrepreneurship vs. Small Business****1.4 Entrepreneurial Contributions and Indian Economy****1.5 Social Structure of India****1.6 Social Entrepreneurship in India****1.7 Let's Sum Up****1.8 Key Terms****1.9 Self-Assessment Questions****1.10 Further Readings****1.11 Model Questions**

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**1.0 LEARNING OBJECTIVES**

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After going through this Unit, you will be able to understand the:

- challenges faced by Indian social entrepreneurs in accessing financial support
- perspective of Indian social entrepreneurs on the present regulatory mechanisms
- confidence to succeed in a challenging task
- desire to create a significant social impact
- ability to identify social issues and problems
- feasibility and implementation of a business plan

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**1.1 INTRODUCTION**

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**Entrepreneurship** has traditionally been defined as the process of designing, launching and running a new business, which typically begins as a small business, such as a startup company, offering a product, process

or service for sale or hire. It has been defined as the "...capacity and willingness to develop, organize, and manage a business venture along with any of its risks in order to make a profit." While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of businesses have to close, due to a "...lack of funding, bad business decisions, an economic crisis -- or a combination of all of these" or due to lack of market demand. In the 2000s, the definition of "entrepreneurship" has been expanded to explain how and why some individuals (or teams) identify opportunities, evaluate them as viable, and then decide to exploit them, whereas others do not, and, in turn, how entrepreneurs use these opportunities to develop new products or services, launch new firms or even new industries and create wealth.

Traditionally, an **entrepreneur** has been defined as "a person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk". Rather than working as an employee, an entrepreneur runs a small business and assumes all the risk and reward of a given business venture, idea, or good or service offered for sale. The entrepreneur is commonly seen as a business leader and innovator of new ideas and business processes." Entrepreneurs tend to be good at perceiving new business opportunities and they often exhibit positive biases in their perception (i.e., a bias towards finding new possibilities and seeing unmet market needs) and a pro-risk-taking attitude that makes them more likely to exploit the opportunity. "Entrepreneurial spirit is characterized by innovation and risk-taking." While entrepreneurship is often associated with new, small, for-profit start-ups, entrepreneurial behaviour can be seen in small, medium- and large-sized firms, new and established firms and in for-profit and not-for-profit organizations, including voluntary sector groups, charitable organizations and government. For example, in the 2000s, the field of social entrepreneurship has been identified; in which entrepreneurs combine business activities with humanitarian, environmental or community goals.

Entrepreneurs are leaders willing to take risk and exercise initiative, taking advantage of market opportunities by planning, organizing, and deploying resources, often by innovating to create new or improving existing products or services. In the 2000s, the term "entrepreneurship" has been extended to include a specific mindset resulting in entrepreneurial initiatives, e.g. in the form of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship.

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## 1.2 CONCEPT OF ENTREPRENEURSHIP

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The concept of entrepreneurship has a wide range of meanings. On the one extreme an entrepreneur is a person of very high aptitude who

pioneers change, possessing characteristics found in only a very small fraction of the population. On the other extreme of definitions, anyone who wants to work for himself or herself is considered to be an entrepreneur.

The word 'entrepreneur' originates from the French word, *entreprendre*, which means "to undertake". In a business context, it means to start a business. The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages and assumes the risks of a business or enterprise.

The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses. In economics, entrepreneurship combined with land, labour, natural resources and capital can produce profit. Entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential part of a nation's ability to succeed in an ever changing and increasingly competitive global marketplace.

### **Schumpeter's View of Entrepreneurship**

Austrian economist Joseph Schumpeter's definition of entrepreneurship placed an emphasis on innovation, such as;

- New products
- New production methods
- New markets
- New forms of organization

Wealth is created when such innovation results in new demand. From this viewpoint, one can define the function of the entrepreneur as one of combining various input factors in an innovative manner to generate value to the customer with the hope that this value will exceed the cost of the input factors, thus generating superior returns that result in the creation of wealth.

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## **1.3 ENTREPRENEURSHIP VS. SMALL BUSINESS**

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Many people use the terms –entrepreneur and –small business owner synonymously. While they may have much in common, there are significant differences between the entrepreneurial venture and the small business. Entrepreneurial ventures differ from small businesses in these ways:

1. **Amount of wealth creation** : rather than simply generating an income stream that replaces traditional employment, a successful entrepreneurial venture creates substantial wealth, typically in excess of several million rupees of profit.

2. **Speed of wealth creation** : while a successful small business can generate several million rupees o profit over a lifetime, entrepreneurial wealth creation often is rapid, for example, within 5 years.
3. **Risk** : the risk of an entrepreneurial venture must be high; otherwise, with the incentive of sure profits many entrepreneurs would be pursuing the idea and the opportunity no longer would exist.
4. **Innovation** : entrepreneurship often involves substantial innovation beyond what a small business might exhibit. This innovation gives the venture the competitive advantage that results in wealth creation. The innovation may be in the product or service itself, or in the business processes used to deliver it.

### **Who are Entrepreneurs?**

There are no specific traits that every entrepreneur shares, but many do possess a few common characteristics. Successful entrepreneurs are typically confident and self-motivated. They are tenacious but understand their own limitations. Instead of following the status quo, entrepreneurs have a healthy disrespect for established rules, and often set out to do things that others may not have the courage to. They are also willing to fail and start over again; taking the lessons they have learned to create something new and improved.

It takes a special kind of person to become a successful entrepreneur. An entrepreneur is someone who can take any idea, whether it be a product and/or service, and have the skill set, will and courage to take extreme risk to do whatever it takes to turn that concept into reality and not only bring it to market, but make it a viable product and/or service that people want or need. Research shows that Americans are increasingly choosing entrepreneurship. Nearly 65 percent of workers would rather be an entrepreneur or independent employee than work in an office.

### **Tips for Aspiring Entrepreneurs**

If you are ready to enter the world of entrepreneurship, here are a few important tips to keep in mind.

- **Learn from others' failures.** Rather than admiring the small percentage of businesses that grow to become successful, study those that end up failing. This will greatly increase your chances of success, because most companies have made common mistakes that have led to their demise. Having the humility to learn from the mistakes of others before making them yourself is the secret to success.
- **Make sure this is what you want.** Because entrepreneurship entails so much hard work, it is critical to ensure you're following the right path. If this is something you really want, then think long-term, and be persistent. The vast majority of great entrepreneurs failed multiple



times before they finally found the business idea that took off and brought them success.

- **Solve problems.** Entrepreneurs should always be in search of problems to solve, and not the other way around. In other words, they should not start with a solution looking for a problem.
- **Be passionate.** Successful entrepreneurs are driven primarily by a need for achievement and the desire to make a meaningful difference. The most important traits are passion and persistence, but these must not be confused with arrogance and stubbornness.
- **Get advice from those who have done it.** Business owners to find mentors who are successful, as well as to read books, network with people they admire and look into great educational programs to help them throughout the process.

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## 1.4 ENTREPRENEURIAL CONTRIBUTIONS AND INDIAN ECONOMY

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Entrepreneurs who are business leaders look for ideas and put them into effect in nurturing economic growth and development. They play the most important role in the economic growth and development of Indian economy. An entrepreneur plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy are as follows:

**Promotes capital formation:** Entrepreneurs promote capital formation by mobilizing the idle savings of our citizens. They employ resources for setting up their enterprises. Such types of entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of India.

- **Employment generation:** Entrepreneurs provide instant large-scale employment to the unemployed which is an unending problem of India. Small entrepreneurs provide self-employment to artisans, technically qualified persons and professionals. As these enterprises grow, they keep providing direct and indirect employment opportunities to many more. In this way, entrepreneurs clear the path towards economic development of our country.
- **Balanced regional development:** Entrepreneurs promote development of industries. They help to remove regional disparities by industrializing rural and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. They help to reduce the problems of congestion, population in cities by providing employment and incomes to them. They help to improve the standard of living in sub-urban and rural areas.

- **Reduces concentration of economic power:** Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. Entrepreneurs contribute towards the development of society by reducing concentration of income and wealth.
- **Wealth creation and distribution:** It stimulates impartial redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also ensure equitable distribution of income and wealthy by inculcating the spirit of entrepreneurship amongst people thereby providing them self-employment with limited resources.
- **Increasing GDP and per capita income:** Entrepreneurs are always looking out for opportunities. They encourage effective resource mobilization of capital and skill, bring in new products and services and develop markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in our nation.
- **Improvement in the standard of living:** Entrepreneurs adopt latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.
- **Promotes country's export trade:** Entrepreneurs earn valuable foreign exchange through increased exports. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export. This ensures economic independence and development.
- **Induces backward and forward linkages:** Entrepreneurs work in an environment of changing technology and try to maximize profits by innovation. This induces backward and forward linkages which stimulate the process of economic development in the country.
- **Facilitates overall development:** Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units.

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## 1.5 SOCIAL STRUCTURE OF INDIA

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India is a country with diverse cultures. Customs and traditions vary from region to region. Yet, of course, some commonality does exist

in the social structure, which is a unifying force. Let us try to understand the various social formations that provide the unifying force as well as distinct characteristics to the Indian society.

- **Caste system** : The social structure is based upon the caste system. The society is divided into four major castes- the Brahmans, Kashtriyas, Vaisyas and the Sudras. The Brahmans are the priests and are considered to be the uppermost caste. The Kshatriyas are the warriors, Vaisyas are the business class, the merchants and the Sudras are the working class. Inter-caste marriages are not permitted as a rule, although now it has become quite common in the urban areas. Untouchability continues to be practiced. The Dalits are treated as untouchables as they do the menial jobs of removing the night soil or cleaning the streets. The Constitution does not permit the practice of untouchability and those practicing it can be persecuted. Now of course, with growing urbanization, the caste system is becoming obsolete.
- **Family** : The family as a unit is given much importance. Divorces as a rule are not very common or appreciated. Couples prefer adjusting rather than breaking up a marriage. Since children are given much importance, divorces are generally shunned. The family system nurtures the well-being of the children. Nowadays, in the urban set-up due to modernization, preference is being given to divorce as a solution to settle an unhappy marriage. But on the whole, people like to retain the family unit.
- **Women** : Historically, women have played a significant role in the social and political structure of India. In the ancient times, women enjoyed much freedom, but with advent of the Muslims the purdah system came into vogue in the northern part of India. In many regions, women remain very submissive, although with the improved education levels, women have become more assertive.
- **Men** : In the Indian society, a man is considered to be the bread-earner and shoulders the responsibility of the family. He is very dominating by nature and prefers to rule over his women.
- **Patriarchal setup** : India is mostly a patriarchal set-up, with the father having control over the family unit. The man controls the reins of the family unit. He is the head of the family. The eldest male member has much say in the matters of the family.
- **Matriarchal setup** : In Kerala, in the south of India, the woman of the house is the dominant force. She decides the issues of the family.
- **Marriage** : This is an important social obligation which most Indians adhere to. It is given much importance by society. Marriages are generally arranged, but now many are choosing their own partners in urban areas. Children born outside marriage are looked down upon. Marriages are conducted with elaborate rituals and much money is spent on this occasion.

- **Birth** : This is an occasion for rejoicing. Ceremonies and rituals are held to celebrate the occasion. The birth of male child is looked up to. In some areas, the birth of a girl is looked down upon.
- **Death** – This is also an important occasion in the family system. Death is considered to be inevitable. Ceremonies are held on this occasion and even after the death of a person, yearly rituals are held in remembrance of them.

Thus, Indian society is very complex, but yet remains intact as people follow certain guidelines laid down by the society. They prefer not to deviate from it.

### **Who is a Social Entrepreneur?**

Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change.

Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps.

Social entrepreneurs often seem to be possessed by their ideas, committing their lives to changing the direction of their field. They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else.

Each social entrepreneur presents ideas that are user-friendly, understandable, ethical, and engage widespread support in order to maximize the number of local people that will stand up, seize their idea, and implement with it. In other words, every leading social entrepreneur is a mass recruiter of local change makers—a role model proving that citizens who channel their passion into action can do almost anything.

Over the past two decades, the citizen sector has discovered what the business sector learned long ago: There is nothing as powerful as a new idea in the hands of a first-class entrepreneur.

### **Why "Social" Entrepreneur?**

Just as entrepreneurs change the face of business, social entrepreneurs act as the change agents for society, seizing opportunities others miss and improving systems, inventing new approaches, and creating solutions to change society for the better. While a business entrepreneur might create entirely new industries, a social entrepreneur comes up with new solutions to social problems and then implements them on a large scale.

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## **1.6 SOCIAL ENTREPRENEURSHIP IN INDIA**

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India has the world's second largest labour force of 516.3 million people and although hourly wage rates in India have more than doubled

over the past decade, the latest World Bank report states that approximately 350 million people in India currently live below the poverty line. With an estimated population of 1.2 billion people, this means that every third Indian is bereft of even basic necessities like nutrition, education and health care and many are still blighted by unemployment and illiteracy. Social entrepreneurs can help alleviate these issues by putting those less fortunate on a path towards a worthwhile life. Rather than leaving societal needs to the government or business sectors, they can solve the problem by changing the system.

The degrees to which social entrepreneurs pursue social impact as opposed to profitability vary, but in all cases financial sustainability is fundamental. One approach is to create business models revolving around low-cost products and services to resolve social problems. The objective is to create a social benefit that is not limited by personal gain. Social Entrepreneurship is the process of bringing about social change on a major and more effective scale than a traditional Non-Governmental Organization (NGO). They differ from NGOs in that they aim to make broad-based, long-term changes, instead of small-scale and time-limited changes. Furthermore, a NGO raises funds through events, activities and sometimes products. However, raising money takes time and energy, which could be spent in direct working and marketing processes. Above all, Social Entrepreneurs consider the affected people as part of the solution and not as passive beneficiaries.

### **Growing Number of Social Entrepreneurs in India**

Social entrepreneurs are individuals or groups of people or organizations that provide time and solutions to alleviate the society's myriad problems and long standing issues that remain unresolved by the institutional and government sector. As in other countries, India too, social entrepreneurs are a growing phenomenon bringing positive change to several social areas ranging from education to healthcare, renewable energy, waste management, e-learning and e-business, housing and slum development, water and sanitation, violence against women, other issues related to women, children and the elderly etc. The key aim of these Social enterprises is to introduce sustainable and dignified living to the under privileged and the marginalized citizens of India.

Social entrepreneurs do not have a formal recognition as a sector. While this may deprive them from a sector specific benefits such as incentives or tax breaks, there are growing numbers of investors and handholding companies that incubate social entrepreneurs. There are also a growing number of women social entrepreneurs as well as those from the Indian diaspora. Most of these entrepreneurs are highly educated and sector specialists, most of whom may have left lucrative jobs in India or overseas to pursue their commitment towards a social cause or improving the lives of their fellow citizens. India is said to have the largest number of social enterprises in the world. The 'Bottom of the Pyramid' Approach

by Dr. C.K. Prahalad is a widely used concept in Social entrepreneurship. This strategy encourages enterprises to approach the market with ‘small unit packages, low margin per unit, high volume, and high return on capital employed’.

### **Typical Sectors of Investment of Social Enterprises**

- **Affordable healthcare** : The affordable healthcare sector in India is at a nascent stage. Affordable healthcare providers reduce the cost of service delivery through innovative operating models. Over 60 per cent of the population in India lives in villages and small towns while 70 per cent of medium-to-large hospitals are located in metros and large towns. In addition, 80 per cent of the demand is for primary or secondary care and only 30 per cent of hospitals provide these. Thus availability and affordability remain a key concern in healthcare coverage.
- **Affordable housing** : According to the Twelfth Five Year Plan document, the gap in the urban housing market is estimated at 18.8 million dwelling units. Moreover, about 73 per cent of the self-occupied units are in bottom 40 per cent of the urban households. Affordable housing developers create economic value by minimizing construction cost and completion time through integrative technical solutions and process innovations.
- **Water and sanitation** : Water sector can be broadly classified into three areas: water harvesting and storage, water supply and distribution, and piping and waste management. Social Entrepreneurs in water space are both for and not-for profit enterprises. Social entrepreneurs are typically involved in rain- water harvesting, community water treatment, point-of-use filtration, and small-scale water networks. Typical working models for sanitation management are household toilets, pay-and-use community toilets and ‘ecosan’ toilets where toilet waste is used to create biofuel.
- **Agriculture** : Agriculture and allied sectors provide livelihood to over 70 per cent of the rural population in India. Social enterprises working in this sector create economic and social value by eliminating inefficiencies from the current value chains. These enterprises are broadly categorized as: those supporting the value chain pre-harvest or post-harvest market links as well as those involved in the dairy production and market linkage.
- **Energy** : Social enterprises enter this space in order to enable access to environmentally friendly, affordable energy. They play a key role in improving living standards of poor households. Roof-top solar lighting and low smoke cook stoves are some of the initiatives in this space.
- **Education** : It is estimated that 4 per cent of children never start school, 58 per cent do not complete primary school education because of reasons ranging from inadequate infrastructure to lack of motivation, and poverty. Social enterprises are very active in the

education of the under privileged children. They work around these challenges through advocacy and capacity enhancing solutions. These enterprises cater from early childhood to adulthood and exist in formats such as pre-schools and after-school classes, e-learning and vocational and skill development institutes.

- **Livelihood promotion** : Social entrepreneurs in this space are broadly classified into two categories: entities that promote livelihoods and those that facilitate skill development. In most livelihood enterprises, the producers or artisans hold majority ownership. Entrepreneurs in the skill development sector are mostly structured as for-profit entities, but with low or subsidized or free education to the beneficiary.
- **Financial inclusion** : Micro-finance Institutions (MFIs) act as financial intermediaries, offer products and processes aimed at serving economically weaker sections of the society. At present, only 10 per cent of the total demand for microcredit is met by MFIs. The Self-Help Group Bank Linkage Program by the RBI promotes financial transactions between commercial banks and self-help groups (SHGs). There are four stages in a SE life cycle – Pilot, Start up, Growth and Steady phase.

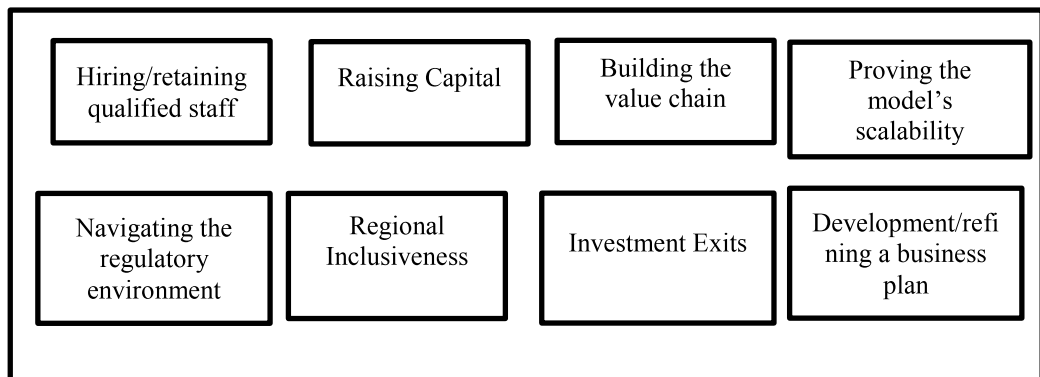
### **Role of Government in the Social Entrepreneurship Landscape**

The Government has initiated many public-private partnerships in key development sectors. The National Innovation Council, in partnership with the Ministry of Micro, Small and Medium Enterprises (MSME) has launched the India Inclusive Innovation Fund (IIIF), an impact investment fund with a corpus on Rs. 5,000 crore that will invest in ventures catering to the country's economically weaker sections.

### **Budget 2014 initiatives**

In order to create a conducive eco-system for venture capital in the MSME sector, it is proposed to establish a Rs. 10,000 crore fund for attracting private capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies. Proposal to allocate Rs. 200 crore to promote innovation, entrepreneurship and agro-industry. Proposal to set-up a 'Start Up Village Entrepreneurship Programme' for encouraging rural youth to take up local entrepreneurship programmes and providing an initial sum of Rs. 100 crore for this.

## Challenges faced by Social Enterprises



*Source: Intellectap – A Study of India's Social Enterprise Landscape – April 2012 and IMAcS analysis*

## Some Established Social Enterprises

### 1. Vaatsalya Healthcare

- Founded in 2004 by Dr. Ashwin Naik who States in which Vaatsalya is present – Karnataka practiced across the US for over 10 years and Dr. Veerendra Hiremath who worked with the Hinduja Group and Medicom in Malaysia.
- State in which Vaatsalya in present –Karnataka, Andhra Pradesh
- Operates a network of hospitals to provide affordable primary and secondary care in rural and semi-urban India.
- Largest hospital network in India across Tier II and III towns.
- Standardized operations, no-frills but high quality services, recruiting, training and retaining healthcare personnel (doctors, nurses, technicians etc.) and renting buildings. Low operating cost by centralized purchase of equipment and consumables. These hospitals break-even in 18-24 months.
- Grown to 17 hospitals across Andhra Pradesh and Karnataka from 4 hospitals during 2009; opening soon in Maharashtra and Tamil Nadu.
- Serves an average of 280,000 patients per annum which is expected to increase as new hospitals are opened.
- Awards – Inaugural Porter Prize in India for Value Based Healthcare in 2013, Frost and Sullivan Award for Healthcare Excellence in 2010, Sankalp Award for Healthcare Inclusion in 2009, BiD challenge India in 2007 and LRAMP award in the enterprise category in 2008.

### 2. Khosla Ventures

- Founded in 2004 by Mr. Vinod Khosla, co-founder of Sun Microsystems; Headquartered in California, USA.
- Provides venture assistance and strategic advice to entrepreneurs working on breakthrough technologies.



- US\$ 3 billion worth assets under management.
- Focus is on building profitable technology products that solve largescale problems in financial inclusion and unorganized retail.
- Current focus areas: mobile payments and banking, retail efficiency, big data analytics and healthcare.
- Portfolio consists of companies such as Climate Corporation, Ayasdi, EcoMotors, Fundera, HackerRank, HealthTap, Piazza, Metamarkets, LanzaTech and Quanttus.
- Khosla Labs has been set up in India during 2012 for start-up incubation with focus on Mobile Payments and Banking, Retail Efficiency, Healthcare Delivery and Big Data Analytics.
- State: Khosla Labs is based in Karnataka but provides pan-India assistance.

### **3. Milaap**

- Founded in 2010 by Mr. Sourabh Sharma – a Computer Science honours graduate from National University of Singapore (NUS), Mr. Anoj Viswanathan – Bachelor's in Engineering and Minors in Economics and Technology Management from NUS, and Mr. Mayukh Choudhury – Electrical Engineer from IIT Madras and a PGDM from IIM Lucknow.
- State: Based in Karnataka but funds projects across India.
- Online fund-raising platform that enables people worldwide to fund and impact communists in need of basic facilities in India.
- Powering the next generation of livelihood-focused credit programs by attracting a new class of –crowd sourced, low-cost, risk tolerant capital.
- Milaap and its field partners (NGOs and MFIs) facilitate and disburse the loans from online lenders to the borrowers. The loans are given out to borrowers at interest rates that are 50 per cent lower than existing interest rates available to microcredit borrowers. These loans give people access to basic needs like cleandrinking water, sanitation and renewable energy, as well as skills development via vocational training.

### **4. Enzi**

- Enzi was founded by Ms. Ashni Mohnot, an international student at Stanford, who had no access to federal loans interest rates available to US citizens. Ms. Mohnot is a 2010 Echoing Green fellow and attended Stanford University where she studied Human Biology with a focus on International Health. Ms. Mohnot blogs for PopTech on social entrepreneurship and has worked for two social ventures - Mobile Metrix and Gumball Capital. Currently she works as Director of Education for Stanford's Martin Luther King, Jr. Research and Education Institute.

- Enzi provides assistance to students of all Indian states.
- Enzi helps increase the numbers of students opting for tertiary education in India, helping them acquire technical skills and improve their employability.

### **5. Earthen Life**

- Earthen Life provides a sustainable and a decentralized waste management solution by converting organic waste to renewable energy at source while taking an inclusive approach of integrating the waste pickers and other low income communities in the value chain.
- State: Earthen Life is based in Maharashtra with offices at Mumbai and Pune.
- Management Team – Mr. Pradeep Rathi, Dr. Priyadarshini Karve and Dr. Sarika Rathi. Mr. Pradeep completed his MBA from the University of California, Berkeley and specialized in Social Entrepreneurship and Sustainability. Dr. Priyadarshini is presently the MD at Samuchit Enviro Tech Pvt. Ltd., a company that is focused on providing environmentally sustainable energy and waste management solutions. She holds a PhD degree in Physics from University of Pune. Dr. Sarika has extensive experience in the field of solid waste management in India and USA. She holds a PhD in Development Studies from Indira Gandhi Institute of Development Research, Mumbai. Her PhD thesis was on Mumbai's Municipal Solid Waste system.

### **6. Akanksha Foundation**

- Ms. Shaheen Mistri graduated with a Bachelor's degree in Sociology from St. Xavier's College, University of Mumbai and later obtained a Master's in Education from the University of Manchester. Before launching the Akanksha Foundation, Ms. Mistri's interest in children's education led her to volunteer as a teacher in various organizations across Mumbai, such as the Happy Hom' and 'School for the Blind' and the 'E.A.R. school for the Hearing Impaired'.
- State: Akanksha is based in Maharashtra. Akanksha also has offices in the US, the UK and Canada.
- Awards for Ms. Mistri- Ashoka Fellow (2001), Global Leader for Tomorrow at the World Economic Forum (2002) and Asia Society 21 Leader (2006).
- The Akanksha Foundation is a non-profit organization with the vision to equip all students with the education, skills and character they need to lead empowered lives. Akanksha works primarily in the field of education, addressing non-formal education through the Akanksha centre and also formal education by initiating school reform through 'The School Project'.

- At present, Akanksha reaches out to over 4,600 children through two models: the after-school or Centre model and the ‘\_School Project’. Akankshahas 15 centres and 15 schools in Mumbai and Pune.

## **7. Samasource**

- Ms. Leila Janah is the Founder and CEO of Samasource. Ms. Janah graduated from Harvard with a degree in Development Studies, researching with the World Bank and Ashoka, and directing non-profit efforts in the USA and the U.K.
- Samasource is a non-profit organization founded in 2008 that utilizes a unique micro-work model to bring the poor women and youth to dignified employment in the digital economy by breaking down small computer-based tasks from larger projects.
- Headquartered at San Francisco, California and provides employment within-country partners in Haiti, India, Kenya, Pakistan, South Africa and Uganda.
- Has support from leading individual donors and philanthropic organizations including The MasterCard Foundation, The Rockefeller Foundation, Ford Foundation, the U.S. Department of State, Cisco Foundation, eBay Foundation and Google.org.
- Ms. Janah was named one of the Most Influential Women in Technology by Fast Company in 2009. In 2010, she received the Prix NetExplorateur from the French Senate and a World Technology Award for Social Entrepreneurship for her work with Samasource.

## **8. Frontier Markets**

- Ms. Ajaita Shah is the Founder and CEO of Frontier Markets. Ms. Shah’s mission is to bring high quality and affordable products to bottom of the pyramid and rural households in India. Ms. Shah has been working in India for eight years in microfinance and clean energy distribution. She is a 2006 Clinton Service Corp Fellow, 2012 Echoing Green Fellow and 2013 Cordes Fellow, has been awarded the most influential award in MFI for people under 30, and Business Week's 30 under 30 award, and most recently, Forbes Magazine's Top 30 Under 30's Social Entrepreneur of the Year. Ms. Shah is an active member of the UN Practitioner's Network, Asian Development Bank's ‘\_Energy For All Partnership’. She holds a B.A. degree in International Relations from Tufts University.
- Frontier Markets responds to the market failure to provide rural BOP villagers in India with access, training, and servicing for clean-energy products. Frontier Markets offers a unique distribution model as part of its inclusive business commitment, partnering with local entrepreneurs who sell clean-energy products under the brand name Saral Jeevan.
- State: Frontier Markets is based in Rajasthan.

## **9. Thinkchange India**

- Ms. Shital Shah completed her Bachelor's degree at Northwestern University and her Master's in Public Administration at NYU and then went on to work in different capacities with organizations like the United Nations, Oxfam, the World Bank, and Acumen Fund. Ms. Shah now works as a strategy consultant focused on mobile money start-ups globally with ShoreBank International.
- Ms. Shah helped start ThinkChange India (TC-I), the one-stop website for keeping up with social entrepreneurship and social innovation in India. Through this effort, she started developing networks and relationships with social enterprises, making TC-I a demanded media partner in the country. The website had achieved 150,000 page-views, and averages more than 4,000 unique hits a Week. She is now interested in cultivating an intentional start-up ecosystem in her base of Ahmedabad, India.
- TC-I merged with online platform – YouStory.in during June 2013.

## **10 Samhita Social Ventures**

- Ms. Priya Naik is the Founder and Managing Director of Samhitha Social Ventures. She has three Master's degrees – from Yale University, University of Michigan-Ann Arbor and University of Mumbai. She has worked at the Poverty Action Lab, Massachusetts Institute of Technology and Arthur Andersen among several other ventures. Prior to Samhita, Ms. Naik co-founded The Spark Group, an education company that delivered affordable education to low income communities.
- Samhita is a philanthropic initiative of the Nadathur Trust, the philanthropic arm of Nadathur Group. Since 2009, Samhita has provided structured and professional services to enable companies, donors and NGOs to collaborate with each other. Through the Samhita ecosystem, the organization provides a credible platform and thought leadership to enable NGOs, companies, donor agencies, individuals, philanthropists, foundations and researchers to achieve their specific goals and make informed decisions that translate into purposeful action and large-scale social impact.
  - State: Samhita is based in Maharashtra.

## **11. DESICREW**

- Ms. Saloni Malhotra is the founder of DesiCrew, a for-profit organization employing over 300 people that is focussed on creating knowledge-based livelihood opportunities in small towns and rural areas. Ms. Malhotra is an engineer from the University of Pune.
- State: DesiCrew was initially started in Tamil Nadu and is now present in Karnataka and Haryana.
- Ms. Malhotra has been nominated for Business Week Asia's Best

Youngest Entrepreneurs, MTV Youth Icon 2008, E&Y Entrepreneur of the Year 2008 and also facilitated in the presence of the President of India by the CII. She is the recipient of FICCI's Best Women Social Entrepreneur Award (2009) and TIE Stree Shakthi Award (2011). Ms. Malhotra stepped down as the CEO in March 2012 to hand over to a professional management team and continues to participate on the Board.

- DesiCrew was started in 2005 as a test project sponsored by Mr. Ashok Jhunjhunwala's TeNet group from IIT-Madras. DesiCrew was incubated by the Rural Technology Business Incubator (RTBI) of IIT-Madras. Its business model involves setting up delivery centres in rural India and servicing the clients across different countries.
- Services of DesiCrew include Data Management, Digital Supply Chain and Customer Experience Management.

## **12. M.Paani**

- Ms. Akanksha Hazari graduated in Politics from Princeton University and an MBA from the University of Cambridge. She led the Cambridge team that won the Hult Prize in 2011, and was honoured by former President Bill Clinton and the Clinton Global Initiative.
- Ms. Hazari founded m.Paani, a social venture that designs and implements mobile-based loyalty programs for underserved communities. m.Paani harnesses the power and reach of mobile phones to address access to key basic services including safe water, education, healthcare, energy, and nutrition. The firm designs and implements mobile-based loyalty programs, where users are awarded loyalty points based on their spending on products used for daily use. These loyalty points, which can be shared with family members as well, can be redeemed for rewards in areas such as education, healthcare, safe water and energy. The firm has won awards from Sankalp Forum, Echoing Green, and Conquest.
- M.Paani took its business to Africa, before turning to India. Starting with a seed capital of US\$ 500,000, m.Paani launched formally in 2013 with a pilot project in Mumbai. As a firm, m.Paani receives its revenues from the partner organization that buys the loyalty programs from it.
- State: m.Paani is based in Maharashtra.

## **13. Make A Difference**

- Make A Difference (MAD) was founded in 2006 by Ms. Gloria Benny, Mr. Jithin C Nedumala and Mr. Sujith Abraham Varky. Ms. Benny has worked with Google for five years before she co- founded MAD.
- MAD is a platform that empowers youth to take responsibility and

provides children at risk a positive learning ecosystem that will help them unleash their potential.

- MAD volunteers implement projects that provide children with required skills for securing employment, role models they can relate to and exposure that helps them dream big. Programmes include English Programme, Placements Programme, Infrastructure Projects, Life Skills Project, Youth Development Project and Innovation Hub.
- State: MAD is headquartered in Karnataka. MAD was initially started in Cochin, Kerala and now has spread its wings to 22 other cities in India.
- MAD has won many recognitions such as Ashoka: Innovators for the Public Staples Inc. Youth Social Entrepreneur competition, 2008, Indiya Shines Competition, organized by Great Non Profits. com, 2009, Noble Laureate of the Karmaveer Puraskar awarded by Icongong, Youth Action Net Global Fellow, 2010, Cordes Fellowship, 2010 Opportunity Collaboration and Leader in Volunteer Engagement' Award at the iVolunteer Awards 2012.

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## 1.7 LET'S SUM-UP

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Social entrepreneurship—the practice of responding to market failures with transformative, financially sustainable innovations aimed at solving social problems—has emerged at the nexus of the public, private, and nonprofit sectors. It is a new breed of entrepreneurship that exhibits characteristics of nonprofits, government, and businesses—including applying to social problem-solving traditional, private sector entrepreneurship's focus on innovation, risk-taking, and large-scale transformation. While social entrepreneurship is not a new phenomenon, the field has experienced enormous growth over the past 15 years, receiving increasing recognition from journalists, philanthropists, researchers, and policymakers as an important and distinctive part of the nation's social, economic, and political landscape.

The concept of entrepreneurship has a long history in the business sector. A major theme has been the creation of value through innovation (Schumpeter, 1951; Drucker, 1985). As applied more recently to social concerns, the concept has taken on a variety of meanings. Some, for example, have focused on social entrepreneurship as combining commercial enterprises with social impacts. In this perspective, entrepreneurs have used business skills and knowledge to create enterprises that accomplish social purposes, in addition to being commercially viable (Emerson & Twersky, 1996). Not-for-profit organizations may create commercial subsidiaries and use them to generate employment or revenue that serves their social purposes; for-profit organizations may donate some of their profits or organize their activities to serve social goals. These initiatives use resources generated from successful commercial activities to advance and sustain their social activities. Social entrepreneurs are focused on social problems. They

create innovative initiatives, build new social arrangements, and mobilize resources in response to those problems, rather than in response to the dictates of the market or commercial criteria.

Social entrepreneurship is the recognition of a social problem and the uses of entrepreneurial principles to organize create and manage a social venture to achieve a desired social change. While a business entrepreneur typically measures performance in profit and return, a social entrepreneur also measures positive returns to society. Thus, the main aim of social entrepreneurship is to further broaden social, cultural, and environmental goals. Social entrepreneurs are commonly associated with the voluntary and not-for-profit sectors but this need not preclude making a profit. Social entrepreneurship practiced with a world view or international context is called international social entrepreneurship.

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### **1.8 KEY TERMS**

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Start-up company, Entrepreneurial spirit, Innovation and risk-taking, Social entrepreneurship, Capital formation, Employment generation, Balanced regional development, Economic power, Per-capita income, Wealth creation, Standard of living, Economic independence, Social structure, Patriarchal set-up, Matriarchal set-up, Social enterprise, Livelihood promotion, Sustainable living, Regulatory environment.

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### **1.9 SELF-ASSESSMENT QUESTIONS**

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Q.1 What are the characteristics of a successful entrepreneur?

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Q. 2 Explain the role of entrepreneurship in economic development?

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Q 3 What factors affect entrepreneurial growth?

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### 1.10 FURTHER READINGS

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### 1.11 MODEL QUESTIONS

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1. How new is social entrepreneurship in India?
2. What is the difference between social innovation, social entrepreneurship and social enterprise?
3. Is India really a hotbed for social enterprise?
4. Explain the cultural, social, economic and personality factors that affect entrepreneurial growth.



**UNIT:2****ENTREPRENEURIAL CHARACTERISTICS  
AND SKILLS****STRUCTURE:****2.0 Learning Objectives****2.1 Introduction****2.2 Characteristics of Entrepreneurship and Entrepreneur****2.3 Entrepreneurial Skills****2.4 Role of Entrepreneurs****2.5 Let's Sum-up****2.6 Key Terms****2.7 Self-Assessment Questions****2.8 Further Readings****2.9 Model Questions**

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**2.0 LEARNING OBJECTIVES**

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After completion of this unit you should be able to:

- Identify the Characteristics of Entrepreneurs
- Identify the skills needed to run an enterprise
- differentiate between acquired skills and potential skills
- Introspect about the Characteristics and skills within self

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**2.1 INTRODUCTION**

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Entrepreneur is not a simple man who lives normally like the other people but he is one who continuously thinks something for his progress, challenges, business, new ideas etc. Most of the characteristics of the entrepreneur are his achievement motivation. A successful entrepreneur must be the combination of qualities like innovation, initiation, leadership, self-confidence, creativeness and so many qualities that ultimately help the entrepreneur to achieve his goals. The following are the characteristic features of a successful entrepreneur: If you think

you want to be your own boss and run your own business, but are not sure you have the right qualifications to be an entrepreneur, read on. What are the characteristics of an entrepreneur? How does an entrepreneur think? Is your personal profile similar to that of a successful entrepreneur?

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## 2.2 CHARACTERISTICS OF ENTREPRENEURSHIP AND ENTREPRENEURS

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Scholars do not agree on the characteristics possessed by entrepreneurs. Hence, several scholars through various studies identified several characteristics or traits possessed by entrepreneurs some of which are discussed as follows. For instance, Rockstar (2008) recognized the characteristics of entrepreneurship as:

**Creative Activity:** Entrepreneurship entails innovations. It deals with product innovation, production techniques innovation while bearing in mind the market;

**Dynamic Process:** Entrepreneurship is a dynamic process that has to bear in mind the dynamic business environment.

**Purposeful Activity:** Entrepreneurship is an activity embarked upon for a specific purpose. This could be for profit making purposes, for humanitarian purposes or to bring a difference to the market.

**Involves Risk:** Entrepreneurship is a very risky venture; entrepreneurial decisions can have far-reaching impact on the organization, people in the organization and even the economy. These decisions are critical, enormous and cannot be easily reverted.

Rockstar (2008) then identifies the following characteristics of entrepreneurs as: risk bearing ability, technical knowledge, and ability to gather financial and motivational resources. Di- Masi (2010), on the other hand, regards the major characteristics of entrepreneurs as: self-confidence and being multi-skilled, confidence in the face of difficulties and discouraging circumstances, risk-taking, innovative skills, results-oriented, total commitment. Stephenson (2010) believes that entrepreneurial characteristics are: **seriousness, planning ability, prudence, and team work.** Hadzima and Pilla (2010) conclude that the characteristics of highly effective entrepreneurs include: ability to deal with risk, being results oriented, enthusiasm and energy, growth potential, team work, multitasking ability and improvement orientation.

Driessen and Zwart (2010), after carefully studying various researches conducted into the characteristics of successful entrepreneurs, identified three main characteristics and five secondary characteristics of successful entrepreneurs. According to them, the main characteristics are: need for achievement (n Ach), internal locus of control (ILOC) and risk taking

propensity (RTP), while they also stated the five secondary characteristics as: need for autonomy (n Aut), need for power (n Pow), tolerance of ambiguity (ToA), need for affiliation (n Aff), and endurance (End). They then concluded that in these studies, successful entrepreneurs score significantly higher on these characteristics than less successful entrepreneurs, small business managers, and non-entrepreneurs (Driessen & Zwart, 2010). Other characteristics identified are: discipline, vision or creativity, calmness, risk tolerance: Focused, balance, (LifeHack, 2008), commitment, perseverance, **initiative, versatility, dynamic, knowledgeable/skilled**, emotional or mental strength, and resilience. A careful look at the characteristics listed above reveals that some of them overlap while most of them are divergent thereby further fuelling the debate. Some of these characteristics are briefly discussed below.

**Risk Bearing Ability:** The entrepreneur must have the capacity to bear risk. This is because the new venture is created in an uncertain and risky environment. Di-Masi (2010, however, noted that although risk bearing is an important element of entrepreneurial behavior, many entrepreneurs have succeeded by avoiding risk where possible and seeking others to bear the risk. Basically, what he is saying here is that entrepreneurs bear calculated risks and are more than glad to let others bear their risk when it is convenient for them.

**Technical Knowledge:** Depending on the kind of venture created, the entrepreneur must have technical expertise about production techniques and marketing.

**Ability to Gather Financial and Motivational Resources:** Financial and motivational resources are needed for the creation of the new business. Sometimes the entrepreneur, as an individual may not have these resources but he/she/they should have the ability to gather it from those who have it.

**Self Confidence and Multi-Skilled:** The entrepreneur must have self confidence and believe in him/herself. Self-confidence is an important characteristic that enables individuals to handle any situation without having inferiority or any other type of complex. The entrepreneur also has to be a jack of all trade and master of all. He/she must possess different skills unlike other individuals. For instance, assuming an entrepreneur is a marketer, the entrepreneur should not only possess marketing skills and interpersonal skills but also language skills i.e. ability to speak more than one language. This definitely will be an added advantage!

**Confidence in the Face of Difficulties and Discouraging Circumstances:** The entrepreneur must be steadfast and resolute and be ready to move on even in the face of adversity. He/she should be a ‘never say never’ kind of person; everything is possible for the entrepreneur.

**Innovative skills:** The entrepreneur may not necessarily be an 'inventor' but the one that can make a difference; he/she should be able to see what others cannot see and be able to carve out a new niche in the market place.

**Results-Orientated:** The entrepreneur is one who knows how to get results under any circumstances either with others or through others. The entrepreneur does this by setting goals and ensuring that such goals are doggedly pursued by all concerned willingly and with joy.

**Risk-Taker:** The business environment is dynamic and filled with uncertainties and risk. In order to succeed the entrepreneur has to take risk. Successful entrepreneurs take calculated risks and in some cases shift the risk to others.

**Total Commitment:** Starting /creating a new business is a serious exercise that requires a lot of commitment and hard work. It is like bringing a child into the world and nurturing the child to adulthood. This requires commitment, dedication, hard work, energy and single-mindedness, otherwise the 'child' (i.e. business) may die prematurely (Di-Masi, 2010).

**Calm:** Entrepreneurs need to be cool, calm and collected. They have to remain calm even when exposed to stress, emergency or crisis situations.

**Focused:** In getting things done and starting and maintaining a business attention has to be paid to a lot of details. Small things when not handled properly or noticed on time may lead to disastrous outcomes.

**Tolerance:** The entrepreneur has to relate with people. People vary in terms of their perceptions, personality, motivations and attitudes amongst other things. The entrepreneur needs to be tolerant while not being weak, in order to get things done.

**Balance:** Though, the entrepreneur is a human being, he/she has to be like a super human being in order for him to succeed. To this effect, he/she has to be able to balance all emotions and characteristics and remain focused and objective while having emotional or mental strength and resilience. Balance is important because too much of everything is bad.

**Versatility:** The entrepreneur has to be versatile and be ready to learn and use information technology and other technology to the best advantage.

**Seriousness:** The entrepreneur has to believe in him/herself and the business and get things done with total seriousness. As mentioned earlier, starting a new business is like giving birth to a child; it is indeed a very serious business.

**Planning Ability:** The entrepreneur must be a planner; he/she must formulate goals and develop action plans to achieve them. Planning is important for he/she who fails to plan, plans to fail!

**Prudence:** The entrepreneur must be versatile in financial management. This is because finance is the life-wire of the business. Also, to achieve the profit objective, the entrepreneur must engage in efficient and effective financial management, and have sound financial policies and practices.

**Customer-Centric:** Businesses are created to satisfy unmet needs. A successful entrepreneur must be able to anticipate customers' needs and satisfy them through his/her product offerings. To do this effectively, the entrepreneur has to adopt a customer-centric or customer-focused approach.

**Team Player:** Creating a successful business is a one man business but maintaining and sustaining the business cannot be done by one person. The entrepreneur needs others to work with him hence he has to have a formidable or winning team. To this effect, the entrepreneur has to be an effective team manager and recruit the right team members but the entrepreneur's most important team members are the customers for without customers a business cannot survive.

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## **2,3 ENTREPRENEURIAL SKILLS**

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As with any sport, having the right attitudes and characteristics can carry you only so far. You also need the **skills** that will help you succeed. However, unlike personal characteristics and attitudes—which can often be hard or impossible to change—entrepreneurs **can acquire** skills if they are willing to learn them. Additionally, they can hire people to work for them who have the needed skills. Either way, the following skills are important if the entrepreneur's business is to succeed.

**Ability to Plan :** The ability to plan is a key skill for entrepreneurs. They must be able to develop plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel (hiring and maintaining productive and satisfied employees).

**Communication Skills :** Entrepreneurs should be able to explain, discuss, sell and market their good or service. It is important to be able to interact effectively with your business team. Additionally, entrepreneurs need to be able to express themselves clearly both verbally and in writing. They also should have strong reading comprehension skills to understand contracts and other forms of written business communication.

**Marketing Skills :** A business's success or failure is very dependent on whether the business reaches the market (its potential customers),

interests the market and results in those in the market deciding to buy. Many entrepreneurs who failed started with an innovative good or service that with proper marketing could have been very successful. Good marketing skills that result in people wanting to buy your good or service—are critical for entrepreneurial success.

**Interpersonal Skills :** Entrepreneurs constantly interact with people, including customers and clients, employees, financial lenders, investors, lawyers and accountants, to name a few. The ability to establish and maintain positive relationships is crucial to the success of the entrepreneur's business venture.

**Basic Management Skills :** The entrepreneur must be able to manage every component of a business. Even if entrepreneurs hire managers to attend to daily details, they must understand if their business has the right resources and if those resources are being used effectively. They must ensure that all the positions in their business are occupied by effective people.

**Personal Effectiveness :** In order to handle the pressures of their busy lifestyles, entrepreneurs must have the ability to manage time well and to take care of personal business efficiently. Because first impressions are so important, entrepreneurs must also pay attention to such things as personal appearance and telephone skills. For example, think of the difference in the impression made by someone who answers the phone by saying, Yeah? versus saying, Computer Support Services, this is Alex. How may I help you? Additionally, entrepreneurs benefit a great deal by being aware of their own strengths and weaknesses.

**Team Building Skills :** Because entrepreneurs usually assemble a team of skilled people who help them achieve business success, they must be able to effectively develop and manage the team.

**Leadership Skills :** One of the most important leadership skills an entrepreneur must have is the ability to develop a vision for the company and to inspire the company employees to pursue that vision as a team. The expression people would rather be led than managed applies especially well to an entrepreneurial venture.

Few entrepreneurs possess every skill needed to ensure business success. For example, they often look to outside experts for help in areas such as strategic planning, accounting and finances, contracts and legal issues, and specialized marketing.

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## **2.4 ROLES OF ENTREPRENEURS**

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In order to perform their functions effectively and operate a successful business, entrepreneurs have to perform certain roles. These roles are the same as the basic managerial roles which are identified by

Henry Mintzberg in 1973. They are as follows:

**Figure Head Role:** The entrepreneur has to act as figure head in the organization, as such; he/she has to perform ceremonial duties. This is done by representing the organization in formal and informal functions.

**Leader Role:** The entrepreneur has to act as a leader because the entrepreneur is the one who brings other people together in order to create the business. Thus, he/she has to lead the people in the organization by hiring, firing, training and motivating them.

**Liaison Role:** The entrepreneur has to act as the link between the business and the parties outside the business.

**Monitor Role:** The entrepreneur acts as a monitor; he monitors both the internal and the external environment of the business constantly.

**Information Disseminator Role:** The entrepreneur has to act as the organizational representative and transmit information both within and outside the business.

**Spokesperson Role :** The manager has to act as the spokesman of the business; he/she is the person for the business both inside and outside.

**Entrepreneurial Role :** This is the basic role of the entrepreneur; he/she launches new ideas for the business and bears the risk.

**Disturbance Handler :** The entrepreneur also acts as arbitrator in situations of conflict so as to maintain organizational harmony.

**Resource Allocator :** The entrepreneur decides on how the scarce resources of the business are allocated among its competing ends so as to achieve organizational goals and objectives.

**Negotiator Role :** The entrepreneur has to negotiate on behalf of the business both with the other categories of labour and other outside sources.

The specific entrepreneurial roles noted earlier on have a number of activities in each role. They are specified below:

#### **Social Roles of Entrepreneur**

- Transformation of traditional indigenous industry into a modern enterprise.
- Stimulation of indigenous entrepreneurship.
- Job or employment creation in the community.
- Provision of social welfare service of redistributing wealth and income.

#### **Economic Roles of Entrepreneur**

- Bearing the ultimate risk of uncertainty.
- Mobilizing savings necessary for the enterprise.
- Providing channel for the disposal of economic activities.

- Utilizing local raw materials and human resources.

### **Technological Roles of Entrepreneur**

- Stimulation of indigenous technology in the production process.
- Adapting traditional technology to modern system.
- Adapting imported technology to local environment.
- Developing technological competence in self and the workforce through innovation.

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## **2.5 LET'S SUM-UP**

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The present unit identifies characteristics of entrepreneurship and that of entrepreneurs. It also highlights the traits possessed by entrepreneurs. It also examines the roles played by the entrepreneur in ensuring that the business created survives in the dynamic business environment. Finally the study session identifies the different types of entrepreneurs that can emerge. Passion stands out as the most important of all. The entrepreneurship skills include : Interpersonal skills , basic management skills, personal effectiveness, team building skills, leadership skills, communication skills, marketing skills and the skill to innovatively manage finance. Entrepreneurs play several types of distinct roles in order to effectively discharge their duties and responsibilities.

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## **2.6 KEY TERMS**

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- Innovation
- Leadership
- Self-control
- Self-confidence
- Interpersonal Relationship
- Emotional stability
- Risk taking
- Non-conformity
- Positive mindset
- Complacency

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## **2.7 SELF ASSESSMENT QUESTIONS**

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1. What are the prominent Characteristics of Entrepreneurs?

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2. Explain the skill that make an entrepreneur successful.

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## **2.8 FURTHER READINGS**

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## **2.9 MODEL QUESTIONS**

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1. Describe the relationship between characteristics and skills of entrepreneur.
2. Examine the different roles that entrepreneurs play in discharging theirduties and responsibilities.

**UNIT: 3****ENTREPRENEURSHIP THEORIES  
AND MODELS****STRUCTURE****3.0 Learning Objectives****3.1 Introduction****3.2 A Framework of Entrepreneurship Theories****3.3 Models of Entrepreneurship****3.4 Let's™s Sum Up****3.5 Key Terms****3.6 Self-Assessment Questions****3.7 Further Readings****3.8 Model Questions**

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**3.0 LEARNING OBJECTIVES**

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After going through this Unit, you will be able to:

- Understand theories of entrepreneurship and business development
- Understand the key resources required to develop an existing business such as ideas and finance, launch a new venture, or initiate a business enterprise
- Understand and evaluate the key factors needed to develop a successful Business
- Understand the central role of opportunity recognition and marketing to business development Understand the creation of business sustainability
- Identify the key steps required to initiate and develop a business enterprise
- Critically evaluate and discuss the types of entrepreneurship that can stimulate business development

- Recognize the value of problem solving, effective business management and entrepreneurial thinking to business development

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### 3.1 INTRODUCTION

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The creation of a country wealth and dynamism depends upon the competitiveness of its firms and this, in turn, relies fundamentally on the capabilities of its entrepreneurs and managers. The essence of the modern firm lies in the specialization of functions. "The businessmen"• that manage economic activity are, in the strictest sense, both managers and entrepreneurs, the latter in a double sense: the individual businessman (independent) and the "corporate entrepreneur"• who, without participating significantly in terms of capital, controls the firm.

The individual entrepreneur detects or creates business opportunities that he or she then exploits through small and medium-sized firms, normally participating in funding the capital for that firm, carries out the role of arbitrator or simply "sells the idea"• of the business project. The "corporate entrepreneur"• or the chief executive of large firms must also be considered. This figure is no longer limited to efficiently managing the firm" assets and coordinating and controlling its activities; in the current climate, he or she must anticipate, articulate and manage change. In other words, they must reinvent the firm on a daily basis, creating new enterprise (spin-offs) and develop company networks. When discussing the figure of the corporate businessman, one must also consider the key shareholders that take an active part in the firm, along with managers that share in making up the firm's basic competences.

However, the manager's function is first and foremost to supervise the process of combining resources, and efficiently manage the firm's business portfolio. They have a key function when, as is normally the case, firms do not operate efficiently and instead are a long way short of their production boundaries. A second but fundamental task of the manager is to build up a reputation and an atmosphere of trust that transforms a conflictive system (individuals with conflicting objectives) into a system of cooperation. Managers should create a climate of trust so that employees will not tend towards opportunist behaviour, even when it suits their short-term interests, as well as achieving a greater degree of efficiency by reducing supervision and agency costs.

Finally, the capitalist is the provider of the firm's funds, either in the form of a passive shareholder (in the case of small shareholders or institutional investors) or as a majority shareholder or active shareholder, who, in many small and medium" sized firms, assumes both the entrepreneurial and managerial functions.

The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane and Venkataraman, 2000). The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity. Entrepreneurial opportunities exist because different agents have differing ideas on the relative value of resources or when resources are turned from inputs into outputs. The theory of the entrepreneur focuses on the heterogeneity of beliefs about the value of resources (Alvarez and Busenitz, 2001: 756).

Entrepreneurship- the entrepreneurial function- can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization (Reynolds, 2005). Due to the fact that there is no market for "opportunities" the entrepreneur must exploit them, meaning that he or she must develop his or her capabilities to obtain resources, as well as organize and exploit opportunities. The downside to the market of ideas or "opportunities" lies in the difficulty involved in protecting ownership rights of ideas that are not associated with patents or copyrights of the different expectations held by entrepreneurs and investors on the economic value of ideas and business opportunities, and of the entrepreneur need to withhold information that may affect the value of the project. Entrepreneurship is often discussed under the title of the entrepreneurial factor, the entrepreneurial function, entrepreneurial initiative, and entrepreneurial behavior and is even referred to as the entrepreneurial spirit. The entrepreneurial factor is understood to be a new Odisha State Open University, Sambalpur Page 3 factor in production that is different to the classic ideas of earth, work and capital, which must be explained via remuneration through income for the entrepreneur along with the shortage of people with entrepreneurial capabilities. Its consideration as an entrepreneurial function refers to the discovery and exploitation of opportunities or to the creation of enterprise. Entrepreneurial behaviour is seen as behaviour that manages to combine innovation, risk-taking and pro-activeness (Miller, 1983). In other words, it combines the classic theories of Schumpeter's innovative entrepreneur (1934, 1942), the risk-taking entrepreneur that occupies a position of uncertainty as proposed by Knight (1921), and the entrepreneur with initiative and imagination who creates new opportunities. Reference to entrepreneurial initiative underlines the reasons for correctly anticipating market imperfections or the capacity to innovate in order to create a "new combination" Entrepreneurial initiative covers the concepts of creation, risk-taking, renewal or innovation inside or outside an existing organization. Lastly, the entrepreneurial spirit emphasizes exploration, search and innovation, as opposed to the exploitation of business opportunities pertaining to managers.

All this explains why entrepreneurship is described in different ways. The business process includes the identification and assessment of opportunities, the decision to exploit them oneself or sell them, efforts to obtain resources and the development of the strategy and organization of the new business project (Eckhardt and Shane, 2003). Entrepreneurship is a process by which individuals either on their own or within organizations pursue opportunities (Stevenson and Jarillo, 1990: 23), It has recently been claimed that if the managers and businessmen of many of our firms were to adopt entrepreneurial behaviour when developing their strategies, firms would be facing a much brighter future than current perceptions suggest (Lee and Peterson, 2000). The entrepreneur central activity is that of business creation, which can be studied at an individual and/or group level analyzing psychological aspects and social variables of education, background or the family- either at an environmental level using variables that enable business development, or by analyzing aspects of the economic, social and cultural environments. The study of entrepreneurs as individuals analyzes the variables that explain their appearance, such as personal characteristics, the psychological profile (the need for achievement, the capacity to control, tolerance of ambiguity and a tendency to take risks) or non-psychological variables (education, experience, networks, the family, etc.).

Equally, socio-cultural and institutional focuses underline the role of exclusion and social change as motivators of the entrepreneurial function in minority or marginalized groups. Studies on environmental variables emphasize culture or shared values in society, institutions linked to the legal framework, variables of the economic environment (demand) and the financial one (venture capital and cost), along with the spatial environment (clusters and economies of agglomeration).

Therefore, there are three basic ideas that explain the appearance of entrepreneurial activity. The first focuses on the individual, in other words, entrepreneurial action is conceived as a human attribute, such as the willingness to face uncertainty (Kihlstrom and Laffont, 1979), accepting risks, the need for achievement (McClelland, 1961), which differentiate entrepreneurs from the rest of society. The second fundamental idea emphasizes economic, environmental factors that motivate and enable entrepreneurial activity, such as the dimension of markets, the dynamic of technological changes, the structure of the market normative and demographic or merely the industrial dynamic. The third factor is linked to the functioning of institutions, culture and societal values. These approaches are not exclusive, given that entrepreneurial activity is also a human activity and does not spontaneously occur solely due to the economic environment or technological, normative or demographic changes.

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## 3.2 A FRAMEWORK OF ENTREPRENEURSHIP THEORIES

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### **Economic Theory**

Entrepreneurship is an important and, until recently, sadly neglected subject, says Mark Casson. In the past ten years, research has taken a new direction, bringing out the separate and distinct function of the entrepreneur in contrast to that of the manager.

**Entrepreneurial economics** is the study of the entrepreneur and entrepreneurship within the economy. The accumulation of factors of production per se does not explain economic development. They are necessary inputs in production, but they are not sufficient for economic growth. Human creativity and productive entrepreneurship are needed to combine these inputs in profitable ways, and an institutional environment that encourages free entrepreneurship becomes the ultimate determinant of economic growth. Thus, the entrepreneur and entrepreneurship should take center stage in any effort to explain long-term economic development. Early economic theory, however did not lay proper attention to the entrepreneur.

**If entrepreneurship** remains as important to the economy as ever, then the continuing failure of mainstream economics to adequately account for entrepreneurship indicates that fundamental principles require re-evaluation. The characteristics of an entrepreneurial economy are high levels of innovation combined with high level of entrepreneurship, which results in the creation of new ventures as well as new sectors and industries. Entrepreneurship is difficult to analyze using the traditional tools of economics e.g. calculus and general equilibrium models. Current textbooks have only a passing reference to the concept of entrepreneurship and the entrepreneur. Equilibrium models are central to mainstream economics, and exclude entrepreneurship. Coase believed that economics has become a "theory-driven" subject that has moved into a paradigm in which conclusions take precedence over problems. "If you look at a page of a scientific journal like Nature," he said, "every few weeks you have statements such as, 'we have to think it out again. These results aren't going the way we thought they would.' Well, in economics, the results always go the way we thought they would because we approach the problems in the same way, only asking certain questions. Entrepreneurial Economics challenges fundamental principles, using insights from models and theories in the natural sciences."

**Studies** about entrepreneurs in Economics, Psychology and Sociology largely relate to four major currents of thought. Early thinkers such as Max Weber emphasized its occurrence in the context of a religious belief system, thereby suggesting that some belief systems do not encourage entrepreneurship. This contention has, however, been challenged by many sociologists. Some thinkers such as K Samuelson believe that there

is no relationship between religion, economic development and entrepreneurship. Karl Marx considered the economic system and mode of production as its sole determinants. Weber suggested a direct relation between the ethics and economic system as both interacted intensively.

### ❖ **Economic functions of the entrepreneur**

**Frank Knight** saw the entrepreneur as someone who undertakes business decisions under conditions of 'uncertainty'. Knightian uncertainty exists where there is no basis for objective probabilities, so that it is immeasurable and decisions have to be made using subjective judgment. The entrepreneur earns economic profits as a reward for good judgment. Entrepreneurs are seen as being confident and venturesome.

**Schumpeter's** concept is a synthesis of three different notions of the entrepreneur: risk bearer, innovator and a coordinator cum manager. He assigned the role of innovator to the entrepreneur, driving economic growth through a process of creative destruction, and not to the capitalist. Capitalists supply capital while entrepreneurs innovate. He stated that "™whatever the type, everyone is an entrepreneur only when he actually carries out a new combination and loses that character as soon as he has built up his business, when he settles to running it as other people run their business"™. The focus here is not on a category of person, but on a function. He was perhaps influenced by his family history.

The Schumpeterian entrepreneur disrupts existing equilibrium. Innovation is a chaotic, unpredictable economic process, which cannot be modeled using the equilibrium based analytic methods used in mainstream economic theory.

**Israel Kirzner**, an economist of the Austrian School, sees the entrepreneur as an arbitrageur who is alert to opportunities for profit which exist due to market disequilibrium.

**Harvey Leibenstein** claimed that entrepreneurship is a creative response to x-inefficiency. Entrepreneurs are also gap-fillers, having the ability to perceive market opportunities and to develop new goods/services that are not currently being supplied. He postulates that entrepreneurs have the special ability to connect markets and make up for market deficiencies. Additionally, drawing from the theories of J.B.Say and Richard Cantillon, Leibenstein suggests that entrepreneurs have the ability to combine various inputs into new innovations in order to satisfy unfulfilled market demand.

**Baumol** has argued that entrepreneurship can be either productive or unproductive. Unproductive entrepreneurs may pursue economic rents or

crime. Societies differ significantly in how they allocate entrepreneurial activities between the two forms of entrepreneurship, depending on the 'rules of the game! such as the laws in each society.

#### ❖ **Sociological Theory**

Sociological theories suggest that entrepreneurial behavior is a function of the individual's interaction with the society. Sociological models that have received significant empirical support are the inter-generation inheritance of enterprise culture, social marginality and ethnicity.

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### **3.3 MODELS OF ENTREPRENEURSHIP**

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Recent studies suggest a multitude of entrepreneurial influences, grounded on a number of theoretical paradigms. As a starting point, entrepreneurial outcomes are viewed as lying along a continuum which separates low and high performances in entrepreneurship, which are then envisioned to be associated with high and low barriers.

The theories of entrepreneurship are based on psychological/personality traits, sociological models and socio-economic factors influencing the success of small businesses.

#### **Psychological Theories of Entrepreneurship**

Psychological trait theories of entrepreneurship contend/state that certain attitudinal and psychological attributes differentiate entrepreneurs from non-entrepreneurs, and ho successful entrepreneurs from unsuccessful ones.

These theories include:

- Need for achievement (n-ach) and power by McClelland, 1961.
- Locus of control by Rotter, 1966
- Psychodynamic model by Kets de Vries and
- Risk taking propensity.

Need for achievement model.

This theory contends/states that people desire to achieve something for their inner feeling of accomplishment.

#### **Observations/Criticisms**

- This theory has been criticized due to the following;
- The theory is contradictory and it has a limited evidence
- It holds true to some cases while to other cases it is not



- It has no direction of causality
- The theory may be related to the Western culture where personal achievement is very
- much appreciated by the society compared to other cultures.
- It is limited only to business people while other people also show that behavior.

#### ❖ **Locus of control**

This theory contends/states that there is a degree to which one believes that he/she is in control of one's destiny. This can either be internal or external.

**Internals:** The internals believe that what happens to them is a result of their internal efforts whether it is good or bad.

**Externals:** These believe that whatever happens to them is a result of external factors whether good or bad.

Therefore the theory contends that internals are more successful in business than the externals.

#### ❖ **Observations/Critics**

This theory correlates to n-ach i.e. people who are internals are the ones who need for achievement than the externals.

- There is limited research support of this theory.
- Other people are also internals but do not run business e.g. Presidents or Priests.
- Directions of causality i.e. some people tend to work harder when getting success thus become internals.
- Culture and belief system; i.e. there are societies which their belief system make them more externals, e.g. those who believe that GOD will do everything for them. This belief also affects witches and those beliefs in witchcraft.
- Being internal is not always better i.e. you cannot be in-charge of everything such as weather and other people's behavior. In this case you should be pragmatic and note that there are certain things which you cannot control (are beyond your control).

#### ❖ **Psychodynamic model**

This was propounded by Kets de Vries. This says that people tend to be self-employed and become successful because of "troubled childhood". In troubled childhood, children tend to be lacking, security or abused, low self-esteem, lack of confidence. Therefore growing in such an environment some people do have repressed wishes towards

those in control.

This condition/situation occurs when a child has been brought up in either of the following conditions/situations:

- Loss of one or both parents
- Broken marriages
- Extreme poverty
- Refugees, and
- Child abuse

In this case when these children grow up they exercise what is called "innovative Rebelliousness" by starting and running their own firms. This is also true due to the fact that being rebellious she/he cannot fit in any organization as she/he will not like structural environment. In this situation such kids have;

- averse to structures
- to get away from commands, and
- to be away from control of anybody

#### ❖ Observations/critics

This theory explains the behavior of extreme category of people leaving out the rest.

- Some people with similar background do not show innovative rebelliousness. Some tend to be criminals and/or drug addicts or alcoholics.

#### ❖ Risk taking propensity

This theory contends about one's willingness to accept risk.

People who are more likely to accept risk and taking chances are more likely of being self-employed than those who do not take risk.

#### ❖ Observations/Criticism

- People tend to say that they take the profit and pass the risk to someone else"• .
- People who take risks normally take a calculated risk and do not gamble.
- People who are success in business are moderate risk takers.
- It has been suggested that being NOT innovative or NOT producing a new product is more risky. That is, idleness is more risky than ever.
- Risk is not only a financial loss, but also image loss or loss of relationship with other people in the society.

## ❖ Sociological Theories of Entrepreneurship

These theories suggest that entrepreneurial behavior is a function of the individual interaction with the society. Sociological models that have received significant empirical support are the inter-generation inheritance of enterprise culture, social marginality and ethnicity.

### **Social marginality model**

This theory suggests that individuals who perceive a strong level of incongruence between their personal attributes and the role they hold in society will be motivated to change or reconstruct their social reality. While some people may reconstruct their reality by changing careers or employers, others may choose self-employment.

"Marginal men"• are referred as individuals who are less integrated in their society. Since marginal men are not completely part of the society of their adoption, they are free of the restrictions imposed by its value system. At the same time, having left their own society, they are no longer constrained by its dominant values. This situation gives way to the development of unconventional patterns of behavior, which increases their propensity to become entrepreneurs.

### ❖ Observations/Criticism

- It has been observed that being marginal is not sufficient explanation for the over-representation of certain people in entrepreneurship carriers e.g. Hispanics and Africans are underrepresented in entrepreneurship despite them being marginal.
- Aggressiveness and co-operation is among things in which marginal people tend to have.

**Ethnicity** : An ethnic origin of a person is said to influence the choice between paid employment and self-employment as well as performance in self-employment. Evidence of over-representation of certain ethnic groups in business carriers abounds throughout the world.

The ethnic groups often quoted in the literature as being overrepresented in entrepreneurship include [bos in Nigeria, Kikuyus in Kenya and Chagga in Tanzania. All of these are spread in different parts of their countries in which they over-represented in entrepreneurial careers. To this extent, they are less integrated in the Sonn societies in which they work and therefore less likely to be constrained by dominant values shared either by their own ethnic group or by their hosts.

### ❖ Observations/Criticism

- It has been found that, even members of these groups (Ibo, Kikuyu and Chagga) who have remained in their homelands are quite active

in entrepreneurship. Therefore their cultures must have influenced their entrepreneurial behavior rather than ethnicity.

Inter-generational inheritance of enterprise culture via role modeling.

This theory purports that entrepreneurial practice is largely inherited. Accordingly, offspring's of entrepreneurial parents are more likely to be entrepreneurs and be more successful compared to others. It has been further suggested that a strong grounding in business and ownership ethic at an early age is a useful and powerful driving force for children as they choose their future carriers.

A person, who grows up around a family that runs a business is likely to benefit from the skills, accumulated experiences and networks of existing firm. She or he is likely to have better access to advice, credit, established markets and sources of inputs. The fact that these will make it easier to start a business may be a big encouragement to those associated with businessmen.

#### ❖ **Observations**

- Several researches supports this theory, however the study done on female entrepreneurs found that most of them were first generation entrepreneurs and none of their parents have been running their own business.
- Other studies also found that there is no significant difference between entrepreneurs and managers in terms of having self-employed parents. However this is the most supported sociological model.

#### ❖ **Small firms as role models**

It has been observed that employees who work in small firms are more likely to become self-employed and be successful. This is because it is easier for them to envision having the role of the owner.

Some business owners become mentors by telling their workers why not start their own businesses like them. Existing small business can support people by either selling products or buying their products.

#### ❖ **Social development model**

This theory contends that it is the transactions with different context in one's life and career that shape one's propensity to be self-employed. These are factors, which start in early, middle or late life.

#### ❖ **Observations/Criticism**

- This model cannot be tested
- It assumes that behavior is a factor of social events only, a issue that is criticized by

- most people.
- It stereotype people by group them in certain categories in life.
- Socio-economic Factors and Small Firms Performance.

Socio economic background factors that have received both research interest and empirical support are type and level of education and occupational experiences. In comparison to sociological variables, socio-economic background factors lend themselves more readily to objective measurements.

#### ❖ **Level of education**

Two conflicting hypotheses have been proposed regarding the role of education in the entrepreneurial process. The first is that formal education can operate as an impediment/hindrane to entrepreneurship because, rather than develop creative thinkers, it fosters conformity and low tolerance for ambiguity, leading to thought and behavior process that refuse to admit tolerance, and social values that preclude getting one's dirty".

The alternative arguments is that education is seen as capable of developing" competencies required in an entrepreneurial venture including creativity, curiosity, open mindedness, good interpersonal skills and technical know-how.

studies conducted in USA and Australia found that there is a probability of entry into self-employment to increase with the level of education.

#### ❖ **Observation/Criticism**

- It has been observed that education may have different influences on performance depending on context and how performance is defined.
- It has also been found that education can be positively related to growth, but negatively to rate of profits. The relationship between education and performance is therefore still an unsettled issue.

#### ❖ **Entrepreneurship education**

It is generally agreed that there is a positive association between taking entrepreneurship courses and becoming self-employed. It has been also found that students who take entrepreneurship majors tend to be less conforming, more impersonal, more risk taking, more welcoming of change, and have a higher energy level, a profile similar to that of successful entrepreneurs.

Entrepreneurship courses may attract those who have entrepreneurial qualities or, alternatively, move students towards entrepreneurial archetype by challenging assumptions and encouraging the development of competencies required.

❖ **Observations/Criticism**

The relationship between taking entrepreneurship courses and interest or success in entrepreneurial careers is a bit unclear.

❖ **Experience**

There are three types of experiences that are considered to be important in determining entrepreneurial success;

1. Industrial (technical or market) expertise;
2. Management expertise; and
3. Entrepreneurial experience.

An individual's managerial experience as well as previous entrepreneurial experience is considered to be incentives for one to become a successful entrepreneur. Previous experience as an entrepreneur is also likely to give one leads and confidence in venturing into a new firm. It has also been found that management experience provides contacts, information about business regulations and procedures, people skills and confidence, all of which are useful in setting up and running a business successfully.

❖ **Observations/Criticisms**

It has been found that in societies where those who are self-employed are looked down upon, those with senior management experience may not be attracted to entrepreneurship.

Socio-economic Factors and Small Firms Performance.

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#### ❖ **Observations/Criticisms**

It has been found that in societies where those who are self-employed are looked down upon, those with senior management experience may not be attracted to entrepreneurship.

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### **3.4 LET'S SUM UP**

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Creativity and strategic entrepreneurship have become integral to the managerial landscape significantly influencing managerial thought, corporate strategy and policy. Scholars of differing disciplinary persuasion have enriched this field with diversity of theoretical frameworks and concepts but it has also led to fragmented thinking. As a consequence while entrepreneurship, as a concept, has been integrated with the traditional management literature, it has yet to develop a conceptual framework and the synthetic unity is missing.

Traditional technological trajectories have reached a dead end and radical innovations are necessary to sustain global economic growth. It is only of recent that researchers have become engaged with the emerging reality of technological disruption and need for radical innovations. This Unit reviews economic and social policy that has guided development of entrepreneurship thought and adopts an ontological approach to present a dynamic model of entrepreneurial strategies, The model is built around entrepreneur intending and strategies evolve in the process of exploration and discovery of opportunities. We argue that entrepreneurial strategies are influenced by entrepreneur personal philosophy, intellectual capabilities, procedural rationality, achievement motive and the social context.

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### **1.5 KEY TERMS**

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Competitiveness, Corporate entrepreneurs, Key shareholders, Heterogeneity, Entrepreneurial initiative, Exploration, Innovation, Psychological profile, Spatial environment, Demographic, Mainstream, Equilibrium, Venturesome, Ethnicity, Personal traits, Psychodynamic.

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### **1.6 SELF ASSESSMENT QUESTIONS**

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Q 1. The sociological theory of entrepreneurship refers to:

- A. Looking at individuals's personality traits
- B. Understanding how our thought processes influence our



- entrepreneurial capacity
- C. Describing how different business-types influence entrepreneurial activity
  - D. Reviewing the way in which the environment influences who becomes entrepreneurial
  - E. None of the above

Q 2. Young people are much more likely to be entrepreneurs than older people.

- A) True
- B) False

Q 3. Entrepreneurship can best be described as:

- A) A process that requires setting up a business
- B) Taking a significant risk in a business context
- C) Having a strong vision
- D) A process involving innovation, new products or services, and value creation
- E) The generation of new jobs

Ans: Q 1=C, Q 2=A and Q3=D

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## 1.7 FURTHER READINGS

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## **1.8 MODEL QUESTIONS**

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Q.1 What are currently the main challenges of public entrepreneurship?

Q.2 Critically analyze the Economic Theory of Entrepreneurship.

Q.3 Describe the different models of entrepreneurship.

**UNIT: 4****EMERGING TRENDS AND MODELS  
OF CORPORATE ENTREPRENEURSHIP****STRUCTURE:****4.0 Learning Objectives****4.1 Introduction****4.2 Corporate Entrepreneurship and its Importance****4.3 Challenges of Corporate Entrepreneurship****4.4 Emerging Trends in Corporate Entrepreneurship****4.5 Models of Corporate Entrepreneurship****4.6 Let's Sum Up****4.7 Key Terms****4.8 Self-Assessment Questions****4.9 Further Readings****4.10 Model Questions**

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**4.0 LEARNING OBJECTIVES**

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- After going through this Unit, you will be able to:
- Identify ways by which organizations and their management encourage entrepreneurship, creativity and innovation.
- Explain and apply core concepts related to corporate entrepreneurship, innovation, and organizational change.
- Analyze the influence that corporate cultures have on the implementation of new ideas.
- Demonstrate an understanding of the organization and management practices related organizational capability to innovate.
- Demonstrate an understanding of the processes of successful implementation of innovative projects.
- Demonstrate an appreciation of the management of risk.
- Understand the value of personal and profession planning.

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## 4.1 INTRODUCTION

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Corporate Entrepreneurship (CE) is often defined as a process that goes on inside an existing firm and that may lead to new business ventures, the development of new products, services or processes and the renewal of strategies and competitive postures.

The essence of entrepreneurship is innovation leading to wealth creation and sustained growth of corporations. The motive for entrepreneurship lies in the urge to identify sources of existing and emerging customer dissatisfaction and developing solutions to eliminate them.

In today's rapidly changing and hyper competitive business environment where opportunities and threats are present, innovation and continued growth remains as a main concern for companies. Scholars have voiced importance of corporate entrepreneurship behavior to cope with the environmental challenges and managing innovation and sustainable growth. Corporate entrepreneurship is an interesting arena among scholars and no universal definition has been agreed. Corporate entrepreneurship is generally defined as the "process by which teams within an established company conceive, foster launch and manage new businesses that is distinct from the parent company but make use of parent company's resources, market position, capabilities and other resources" (Ferreira, 2002). Implementation of corporate entrepreneur behaviour within firm is a challenging process, which involves individual's roles and most importantly firm level antecedents that promotes corporate entrepreneurial activities (Marina G. Biniari, 2010).

To cultivate and build successful corporate entrepreneurship in organizations, individuals working at the organization should inherit or possess certain characteristics and traits. These skills and competencies enable them to achieve the outcomes of a successful entrepreneurship and to involve effectively in corporate entrepreneurship activities.

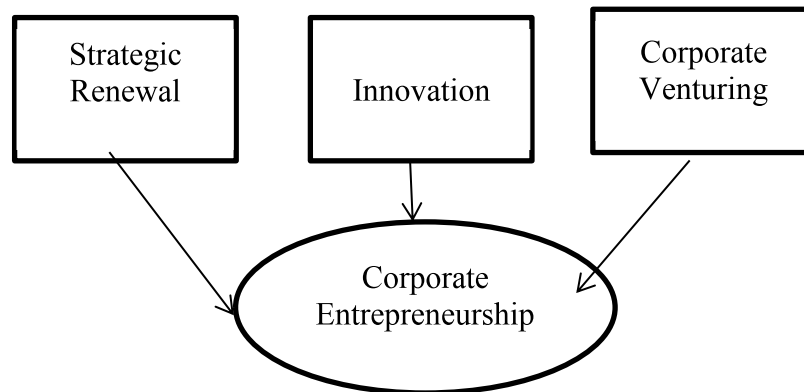
Corporate Entrepreneurship is the process by which individuals inside organizations pursue opportunities without regard to the resources they currently control. An entrepreneurial manager links up discrete pieces of new technical knowledge that would provide a solution to a customer problem and matches this technical capability with the satisfaction of a market and garners resources and skills needed to take the venture to the next stage. This process leads to the birth of new businesses and to the transformation of companies through a renewal of their key ideas. Within the realm of existing firms, CE encompasses three types of phenomena that may or may not be interrelated. These are:

- (i) The birth of new businesses within an existing firm
- (ii) The transformation of existing firms through the renewal or reshaping of the key ideas on which they are built, and

### (iii) Innovation

The creation of new businesses by firms through this process has been called internal corporate venturing, intrapreneurship and so on. The process of transformation of corporations through a renewal of their key ideas has been called strategic renewal, strategic change, revival and transformation, organization renewal and so on. Corporate entrepreneurship is the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization.

### The Corporate Entrepreneurship Process



Source: [www.slideshare.net](http://www.slideshare.net)

Corporate entrepreneurial efforts that lead to the creation of new business organizations within the corporate organization are called corporate venturing. They may follow from or lead to innovations that exploit new markets, or new product offerings, or both. If corporate venturing activities result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain, it is called External Corporate Venturing. If corporate venturing activities result in the creation of organizational entities that reside within an existing organizational domain it is called Internal Corporate Venturing. Strategic Renewal refers to the corporate entrepreneurial efforts that result in significant changes in an organization business or corporate level strategy or structure. These changes alter pre-existing relationships within the organization or between the organization and its external environment and in most cases will involve some sort of innovation. Renewal activities reside within an existing organization and are not treated as new businesses by the organization

As is evident from the above, innovation is at the heart of entrepreneurship and refers to the introduction of a new product, process, technology, system, technique, resource, or capability to the firm or its

markets either independently or as part of an organizational rejuvenation process. CE can make a significant difference to a company ability to compete. It can be used to improve competitive positioning and transform corporations, their markets, and industries when opportunities for value-creating innovations are developed and exploited. A key benefit of CE may be to push companies to employ a range of strategies, often in unique combinations. By doing so, companies build layers of advantage by combining distinctive bases for competitive superiority. CE can improve a company growth and profitability. Entrepreneurship needs passionate managers who are excited to champion entrepreneurial initiatives.

All companies want organic growth but few organizations have a process in place to support and sustain growth over time. Corporate entrepreneurship sets the context for innovation and growth. It provides a systems view of the resources, processes and environment that are needed to support, motivate and engage the organization in entrepreneurial thinking and action. It is a process aimed at creating new businesses, products, services or processes inside of an existing organization that create value and generate new revenue growth. Organizations with strong entrepreneurial orientations statistically perform better. They achieve higher levels of productivity, innovation, growth and financial returns.

Corporate Entrepreneurship is a process used to develop new businesses, products, services, or processes inside an existing organization that creates value and generates new revenue growth through entrepreneurial thought and action.

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## **4.2 CORPORATE ENTREPRENEURSHIP AND ITS IMPORTANCE**

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Though its definition is somewhat contentious, the concept of corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses, directly leading to the improvement of organizational profitability and an enhancement of competitive position or the strategic renewal of an existing business.

Within that system, the notion of innovation is at the very core of corporate entrepreneurship and the two inseparably bound together and responsible for driving calculated and beneficial risk-taking. Taking it one step further, corporate entrepreneurship may even significantly alter the balance of competition within an industry or create entirely new industries through this act of internal innovation.

Why should established organizations consider corporate entrepreneurship?

Corporate entrepreneurship is especially crucial for large companies, enabling these organizations “” that are traditionally averse to risk-taking to innovate, driving leaders and teams toward an increased level of corporate enterprising. In addition to the obvious benefits obtained through innovation, this approach also provides the organizational benefit of setting the stage for leadership continuity. In a simpler view, corporate entrepreneurship can also be considered a means of organizational renewal. For in addition to its focus on innovation, there also exists an equal drive toward venturing. These two work in unison as the company undertakes innovations across the entire organizational spectrum, from product and process to technology and administration. In addition, venturing is a primary component in the process, pushing larger companies to enhance their overall competitiveness in the marketplace by taking bigger risks. Examples of these risks, as seen in a large-scale organization, may include: redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation.

### **Setting up the corporate entrepreneurship environment**

In modern business, one of the primary tasks of the business leader is to foster an environment in which entrepreneurial thinking is encouraged and readily takes place. Promoting this culture by freely encouraging creativity (and thereby innovation), business leaders motivated toward corporate entrepreneurship must continuously strive to exude and build trust, embracing the risk to fail and inspiring those around them to take similar calculated risks. But there is more to an environment of corporate entrepreneurship than simply inciting inspiration. It also relies heavily on a system of continuous analysis and feedback, potentially including the following two steps:

#### **Step 1**

Set a broad direction for achievement, reevaluating it periodically for any new information that may have surfaced in regard to changes in the business environment, including competitive products and markets in which the firm is operating. Constant evaluation is essential at this stage as even the most finely-tuned direction can still lead to catastrophic failure if the approach is no longer working.

#### **Step 2**

Reinforce efforts across the entire organization that coincides with the current plan for achievement. The task of a leader or senior manager is often that of the analyst, continuously promoting strategy while making adjustments based on their beliefs related to organizational goals and the feedback they receive from business units. As these business units continue to experiment with existing products and services, as well as



innovate and develop new ones, senior executives can magnify the stated goals to reinforce those business unit initiatives and thereby achieve the highest degree of success.

In the late 1980 many large corporations saw themselves being overtaken by much smaller firms due to their innovations and efficiency. This caused concern in all the quarters and forced management of large corporations to take some quick steps to keep their top positions in the market intact. This phenomenon could be especially seen in the technology industry where big and old companies like IBM, Siemens, etc. found it difficult to compete with smaller firms with lowers prices and new designs. Although this cannot be restricted to tech industry only, many financial and manufacturing firms faced the same dilemma. Some major banks in US bought out smaller banks in order to eliminate the competition and survive in a cut throat market. All these changes and effect of external factors forced these companies to restructure and become leaner with fewer management layers, inclination towards teams based structures and reliance on technology.

The words restructuring and downsizing could be heard in the halls of all the large corporations. One of the reasons is the competitive environment that is present today caused by a huge number of competitors tapping into each market because of globalization and customers demanding more from companies due to the increase in choices. It has been argued that companies in this highly competitive market environment, cannot just stand still, but needs to improve their ability to innovate and become more flexible in order to meet their customers needs. They have to create entrepreneurship culture in their organization. Hence they need to implement an entrepreneurial culture in order to survive, and be competitive in this market as they cannot just rely on their past company behavior due to this ever changing market.

Large companies implementing entrepreneurial culture can receive many benefits to help them tap into innovation and be competitive in this global market. If the company is encouraged to take risks, the employees are allowed to be creative and innovative; it becomes easier to generate new products for the market. It becomes clear from the convincing findings from academics and practitioners that there is a strong link between large organizations using corporate entrepreneurship and their growth and increased profitability due to it being a culture that increases pro-activeness within the organization.

Another benefit of corporate entrepreneurship is that it brings knowledge as everyone in the organization works towards the same goal. This creates valuable knowledge and understanding between all members. Thus the organization develops a continuous knowledge base of information that results in increased and better informed innovative behavior in decision making and risk taking. This increases the

company's competitiveness and ability to use this knowledge to outperform competition and to become the top player in the market.

The creation of new knowledge helps companies in three different ways. The first type is related to the currently existent products in the company. This helps in product refinement and product line extensions. The second knowledge is related to the integration of activities within a company. This is very important as it allows the company to use their resources in a unique manner which makes it hard for competitors to imitate. The third type is derived from the knowledge gained from the first two. The technical and integrated knowledge helps in the exploitation of future opportunities.

According to a group of authors, there are three types of corporate entrepreneurship.

The first type is a new business creation within an existing organization. Change initiators are individuals or smaller groups, acting within existing organizations, capable of influencing other employees to change their behavior, which affects creation of new corporate resources. The second type of corporate entrepreneurship entails comprehensive transformation activities, or (rebirth and) renewal and restructuring of existing organizations. It implies a thorough and more expensive approach to the entire process, which changes resource use pattern in order to achieve better economic performance. The third type of corporate entrepreneurship entails radical changes not only in an organization, but also in its entire environment, i.e. scope of its business or industry in which an organization operates. It is typical of emerging industries and companies entering an industry, but also common for organizations operating longer-term in mature industries. Innovations that change competition rules usually involve new combinations such as, for example: higher quality and lower price, minimizing and cost-cutting, fashion and mass-markets, etc.

### **The Need for Corporate Entrepreneuring**

- Rapid growth in the number of new and sophisticated competitors
- Sense of distrust in the traditional methods of corporate management
- An exodus of some of the best and brightest people from corporations to become small business entrepreneurs
- International competition
- Downsizing of major corporations
- An overall desire to improve efficiency and productivity

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### **4.3 CHALLENGES OF CORPORATE ENTREPRENEURSHIP**

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For large companies, creating new businesses is the challenge of the day. After years of downsizing and cost cutting, corporations have

realized that they cannot shrink their way to success. They have also found that they can grow rapidly by tweaking existing offerings, taking over rivals, or moving into developing countries. Because of maturing technologies and aging product portfolios, a new imperative is clear: Companies must create, develop, and sustain innovative new businesses. They must become Janus-like, looking in two directions at once, with one face focused on the old and the other seeking out the new.

Corporate entrepreneurship is, however, a risky proposition. New ventures set up by existing companies face innumerable barriers, and research shows that most of them fail. Emerging businesses seldom mesh smoothly with well-established systems, processes, and cultures. Yet success requires a blend of old and new organizational traits, a subtle mix of characteristics achieved through what we call balancing acts. Unless companies keep those opposing forces in equilibrium, emerging businesses will

## **Flounder.**

### **The Two-Culture Problem**

It's no secret that corporations are designed to ensure the success of their established businesses. Existing operations, after all, account for the bulk of their revenues. Finely tuned organizational systems support current customers and technologies. The operating environments are predictable, and executives goals are stability, efficiency, and making the most of incremental growth.

New businesses are quite different, with cultures all their own. Many are born on the periphery of companies established divisions; at times, they exist in the spaces in between. Their financial and operating models are seldom the same as those of existing businesses. In fact, most new business models are fully defined in the beginning; they become clearer as executives try new strategies, develop new applications, and pursue new customers. Because of the high levels of uncertainty associated with new ventures, they need adaptive organizational environments to succeed.

The distinctive features of new businesses present three challenges. First, emerging businesses usually lack hard data. That particularly true when they offer cutting-edge products or when their technologies aren't widely diffused in the marketplace.

Second, new businesses require innovation, innovation requires fresh ideas, and fresh ideas require mavericks. Some degree of unconventional thinking is essential for new businesses to take hold, but many radical ideas are foolish or unfounded. Most mavericks, sadly, can tell the difference between good and bad ideas. They persist in defending pet themes, demand repeated hearings, and refuse to take no for an answer.

The third challenge is the poor fit between new businesses and old systems. That particularly true of systems for budgeting and for human resource management. Corporate budgeting systems favor established businesses because incremental dollars usually provide higher financial returns when invested in known markets rather than unknown ones. New businesses are therefore difficult to finance for long periods, and in times of austerity, they are the first to face funding cuts. In a similar spirit, companies design HR systems to develop executives whose operational skills match the needs of mature business not the strategic, conceptual, and entrepreneurial skills that start-ups require.

### **Balancing Acts**

Companies should avoid either-or approaches to corporate entrepreneurship because they place the old and new cultures in conflict with each other. A new approach is called for, one that melds those cultures while avoiding extreme behavior. Lean too much in one direction, and the process drifts out of equilibrium; get the balance right, and corporate entrepreneurship will flourish.

Corporations must perform balancing acts in three areas: strategy, operations, and organization.

### **Develop strategy by trial and error.**

New businesses operate in highly ambiguous environments. Ambiguity is the same as uncertainty, as executives are realizing risk, uncertainty, and doubt. In uncertain environments, the options are reasonably clear, and the likelihood of different outcomes can be assessed. In ambiguous environments, the full range of alternatives and outcomes is known, leading to many possible directions and evolutionary paths. The high levels of ambiguity in new businesses imply that corporate entrepreneurs won't get it right the first time. Because hard numbers are difficult to come by and strategic options are difficult to identify, past practices, too, offer little guidance.

Experimentation is essential. Managers must begin with hypotheses about what will work and what won't; then, they should search for ways of validating or invalidating their preconceptions, knowing that first-cut strategies will change over time.

Corporate entrepreneurship is an applied discipline, unlike entrepreneurship itself. The idea of corporate entrepreneurship is not only abstract, but it is rooted in practicality and practice. Corporate entrepreneurship, however, does not come without its own set of challenges. The biggest challenge facing corporate entrepreneurs is the corporate culture itself. Corporate ventures seldom blend smoothly with existing corporate cultures. Since new corporate ventures are often unclear in their initial stages and consequently present a degree of

uncertainty, they require collaborative and adaptive organizational context to thrive. For instance, when a new business is launched, there often a dearth of hard data to base marketplace insight on primarily because the new proposed market barely exists.

With this, come a lot of uncertainty, errors, and guessing of financial numbers. Since the creation or renewal of business involves the presence or absence of innovation, innovation becomes the key component of corporate entrepreneurship, but not a necessary one. Innovation is distinct from invention. An innovation brings something into new use, whereas an invention brings something new into being. Innovation entails unconventional thinking on the part of intrapreneurs, and this unconventional thinking is often regarded as foolish and met with resentment by senior managers. In the absence of collaborative relationships within an organization, it becomes difficult to distinguish between a good innovative idea and bad one. For an innovative idea to be considered serious, it must have characteristics of an original invention that has the potential to yield new marketable assets and competitive advantage. Collaboration is therefore essential in discovering innovative ideas because it promotes a culture of "free sharing" of ideas necessary for continuous innovation across a multi-firm network.

Another challenge is that senior management is often reluctant in embracing innovative ideas and tends to manifest a huge fixation on conventional thinking. Senior managers are unwilling to accept new innovative ideas because they are generally viewed as digressions from normal business practice. For an organization to firmly and continuously rejuvenate, it must develop a corporate entrepreneurial strategy that is able to recognize and exploit entrepreneurial opportunity identified by its own employees. The employees should be granted an environment of "safety and freedom" to experiment with new ideas without the fear of being reprimanded by senior management in case their innovative ideas do not yield expected results.

More often than not, managers create internal barriers that limit aspiring intrapreneurs because of fear that their employees might become more powerful than them, and that their departments might become fragmented. Bureaucratic organizational structures present another challenge to corporate entrepreneurship. Intrapreneurs prefer flatter hierarchies, wider divisions of labour, wider span of control and decentralized organizational structures.

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#### **4.4 EMERGING TRENDS IN CORPORATE ENTREPRENEURSHIP**

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Entrepreneurship is fast emerging as a transformational mega trend of the 21<sup>st</sup> century given its capacity to reshape economies and

industries throughout the world. As key drivers of economic growth, entrepreneurs are the lifeblood of any expanding economy, generating jobs, introducing new products and services, and promoting greater upstream and downstream value-chain activities.

In recent years, the global entrepreneurial landscape has witnessed a paradigm shift in terms of trends, with SMEs playing a pivotal role in social and economic advancement. According to the Organization for Economic Cooperation and Development, SMEs on average contribute around 50 per cent or more to the GDP; provide employment to an estimated 60 per cent of the local workforce; create up to 70 per cent of new job opportunities; and account for about 30 per cent of exports.

### **Current realities and the effectiveness of corporate entrepreneurial practices**

Outsourcing and subcontracting have spawned a new workforce which consists of non-permanent-employment personnel, such as contract workers, entrepreneurs, and consultants. Employees may be contracted at will for short-term assignments, even on an international basis. Employers are then able to avoid costly benefits and retirement packages, may more closely tailor organizational needs to the employee skill base (and vice versa), and are in control of a dynamic and flexible operation which must change constantly to meet current or emerging customer needs. If this phenomenon, which has in it the makings of a virtual corporation, is the (near-) futuristic organizational structure, what are the implications for programs designed to meet 21<sup>st</sup> century expectations for increased creativity and employee involvement in the workplace? What are the implications for explicit strategies for creating a culture of entrepreneurship, through the integrated activities often termed “corporate entrepreneurship”• ?

In its current form, corporate entrepreneurship is an outgrowth of programs that embrace employee participation; conscious efforts to instill entrepreneurial practices within corporations are intended to enhance the ability of the firm to (a) produce or acquire new products (goods or services) and (b) manage the innovation process. Individual or group entrepreneurship is fostered within a pre-existing, often mature, organizational setting; such an organization provides support for the development and exploitation of one or more innovations which are deemed strategically and financially consistent with the supporting organization mission, often undertaken in anticipation of an increasingly difficult competitive environment.. These innovative activities may consist of product extensions or re-formulations, process re-engineering or cost-cutting, seeking heretofore untapped markets, new applications of existing products/services, new ventures, and so on; this orientation toward innovation should not be confused with the normal marketing and product development efforts of the firm, structurally and process-wise

imbedded within the ongoing operations of the firm. Corporate entrepreneurship genesis and objectives are found in the corporation's external relationships to its competitive environment, that is, as part of the firm's competitive strategy.

### Entrepreneurial transformation in large companies

As noted earlier, entrepreneurial transformation implies adapting of large organizations to an ever-changing environment, which is achieved through coordinated changes of organizational structure and culture in order to encourage individual entrepreneurial behavior. According to this approach, the aspects influencing individual entrepreneurial behaviour and comprising the so-called “entrepreneurial architecture”• are: leadership, strategies, systems, structures and

#### ❖ **Organizational culture**

Broadly defined, the term “architecture”• implies set of relations “” within and around an organization ~ among different stakeholders, such as: staff, customers, suppliers, and similar. These relations are long-term, not necessarily contractual, often partially defined, and based on stakeholders”™ interest to mutually cooperate. The basis of these relations is mutual trust among stakeholders, although individual stakeholders are in pursuit of self-interest. Pursuit of self-interest represents protection from stakeholders”™ opportunistic behaviour, since the breach of mutual trust leads to ruptured mutual cooperation. These relations largely affect employees “” whether and how they manifest entrepreneurial behavior. Just as individual entrepreneurs use their relation networks with different stakeholders to benefit from perceived opportunities, an organization uses entrepreneurial architecture to rapidly react to a changing environment and seize business opportunities generated by these changes.

#### **Changing focus**

Technological developments have become one of the defining paradigms in the society of the late 20th century and are gaining even bigger importance nowadays. As the accelerated speed of technological development causes a greater variety of technologies at a higher frequency, the competitive environment becomes increasingly complex. This is also, and maybe especially, true for the technology and IT industry.

Nowadays, the entrepreneurial behaviour of the firm is gaining more and more importance to overcome the challenges, arising through increased complexity and disruption caused by new digital business models which replace the current ones.

Corporate Entrepreneurship (CE) as a method to address the described challenges and therefore also as a method to gain competitive advantage has been acknowledged for supporting enterprises in the process of innovation and, as a result, gaining monetary reward.

Companies with a high output of innovations (new products or technologies to enter new or existing product markets) and a certain degree of creativeness are companies, which practice Corporate Entrepreneurship. These companies are more likely eager to discover, exploit, create and define opportunities to stay ahead of their rivals.

It is imperative for a company to behave in a pro-active way when applying CE in its operations. This means that companies have to pursue opportunities to outperform competitors in terms of technology and service. Doing so, entrepreneurial behavior is shown by acting in advance and anticipating difficulties and changes in the environment in order to strengthen the company's position. To be able to successfully conduct CE, a company has to take risks, which can also be referred to as new business venturing. Risk-taking consists of different dimensions: financial risks, related to investments that are exposed to a potential loss and strategic risks such as choosing misfit strategies.

Furthermore, firms have to go through constant strategic self-renewal. As the market environment changes, firms have to adapt their strategies to changing circumstances and remain flexible, which consequently enables CE. Within strategic renewal, a company is seeking to change the way in which it competes in an industry. Therefore, it is necessary to consider internal and external factors to align the strategy and be able to beat the rivals in a long-term perspective.

Those three factors (risk-taking, strategic renewal and pro-activeness) are activities that demand for a company's adaption, agile strategic and being innovative in order to respond to external environmental pressure and changes. Moreover, three other components are necessary to carry out and shape entrepreneurial behavior: vision, attitude and action.

The term vision is defined as an indication of what a company expects to achieve in the future. Vision is about recognizing opportunities or the ability of an entrepreneur to envision a change in the environment to create opportunities. Entrepreneurs often use the vision to energize people and help them to meet challenges.

Action is, for instance, related to activities like social interaction, in and outside of a company, or the ability to influence or support, or shape and develop ideas to meet challenges and help the firm reach its vision. An entrepreneur must be aware of being flexible to any situation influenced by internal and external factors.

The attitude of an entrepreneur has to be considered, when it comes to understanding the link between entrepreneurship and



innovation; the belief that innovation is possible.

Concerning all six factors, several authors claim that the success of CE and the hostility of the environment in which the company operates are to somewhat correlated. What does it mean? To sum it up, a hostile environment indicates (unfavorable) factors or conditions, which result from an intense rivalry among competitors “” the nature of competitive dynamics or radical industry changes and market-/product-related uncertainties. We can conclude: the more hostile an environment, the higher the financial reward for applying a CE approach in a company seems to be.

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#### 4.5 MODELS OF CORPORATE ENTREPRENEURSHIP

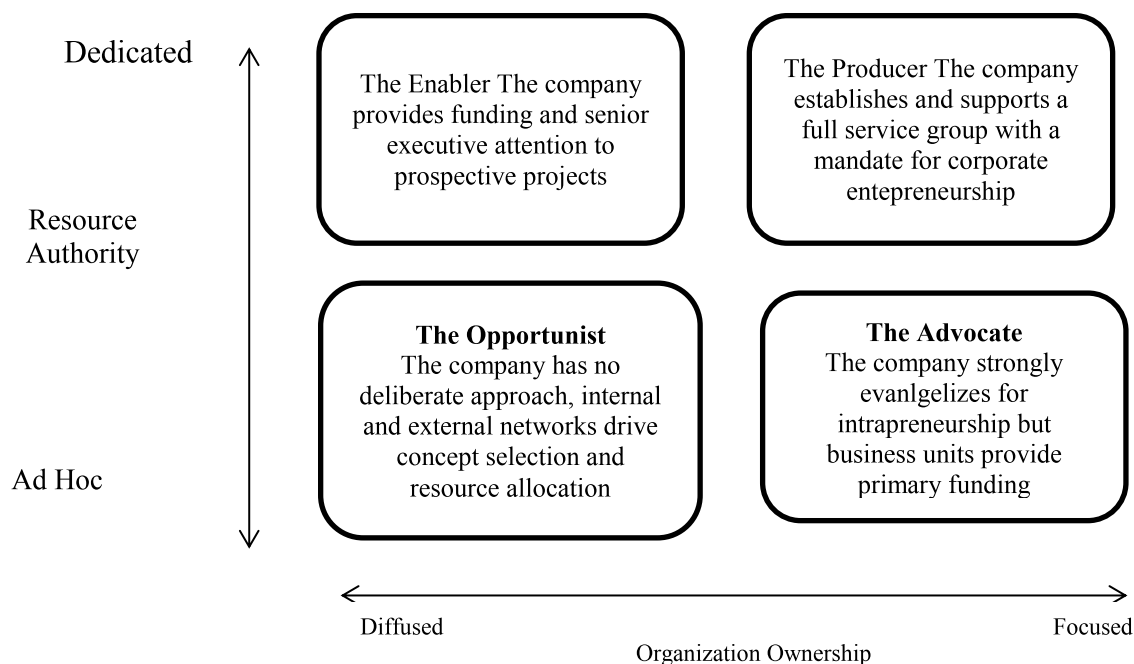
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Companies have four ways of building businesses from within their organizations. Each approach provides certain benefits and raises specific challenges.

There are four corporate entrepreneurship models. The model a company might use depends on two dimensions:

- 1) Organizational ownership: who, if anyone, is responsible for new business development?
- 2) Resource authority: is there a dedicated pot for new ventures or are initiatives funded ad hoc?

**The four models:** The Opportunist, The Enabler, The Advocate and The Producer are mapped and described below. Each model represents a distinct way of fostering corporate entrepreneurship.



**The Opportunist** model performs well, but only in a trusting and open organizational culture that supports social interaction (behind the hierarchies) and relies on the creativity of every member. New ideas will turn to new businesses only if they are embraced by the management and analyzed in a transparent manner. In fact, most companies start from here, but they often set-up new processes and move along one or both dimensions displayed in the graph.

Companies following **The Enabler** model reserve financial resources and set-up processes, but don't dedicate the development task to any special entity of the organization. These companies have a deliberate strategy for business development and they try to nurture the entrepreneurial spirit throughout the organization. The procedures for getting funding, strategic guidelines for new business development and the acceptance process are clearly communicated to everyone.

In The Advocate model the corporation new business innovation ownership is handed to one dedicated organization. However, the projects are expected to be funded by the operative business units. In this respect, the development unit has the role of an internal consultant who feeds the business units with new opportunities, coaches the operative managers to identify and nurture new innovations, and supports the managers in building and nurturing the business cases.

In The Producer model, both the resources and the ownership of the new business ventures are assigned to one unit. This model combines elements of the enabler and the advocate models. However, the producer organization may also take control over promising business ideas found in the operative business units. It assumes this role in order to provide sufficient resources for realizing the full market capital of an idea and, at the same time, protect the focus to the core business. The producer model may also create disruptive business models, which would not be launched under the ownership of a core unit.

### **Putting the Models to Work**

Successful companies typically start with a small, credible team and a mandate from top leadership. The first task is to obtain consensus (or at least acquiescence) from senior management regarding objectives and a path forward. New leaders of corporate entrepreneurship initiatives are often surprised by how much time they spend talking with corporate and business-unit management. Nevertheless, such communication is essential, not only to build support for the new initiative but also to prevent internal stakeholders from regarding corporate entrepreneurship as a drain or threat to the company's established operations. Building

new businesses often requires contributions from people company-wide, especially during launch and scaling, so communication remains critical even after a corporate entrepreneurship program has established a proven track record.

Each of the models requires different forms of leadership, processes and skill sets. An enabler model depends on establishing and communicating simple, clear processes for selecting projects, allocating funds and tracking progress, all with well-defined executive involvement. Advocate models require individuals with the instincts, access and talent to navigate the corporate culture and facilitate change. Leading advocate organizations build an arsenal of facilitation methodologies, new business design tools and networks with external capabilities. The producer model requires considerable capital and staffing and a direct line to top management. Understaffed, part-time or underfunded producer teams are set to fail. Whatever model is selected, a set of quick wins• will help tremendously to garner initial lessons and build credibility and momentum. If all goes well, the organization should experience a significant increase in the number of proposals, but the challenge of growth is not simply about generating compelling opportunities. When opportunity throughput increases, new bottlenecks arise as scaling field-proven new businesses and finding organizational homes within the company become all the more difficult. As Albert Manzone, president of Shelf Stable Juices at PepsiCo Inc., explains, The more we develop, the more stress we put on our delivery mechanisms ... our supply chain, channels, everything it takes to get to market and scale. And the more distant a new concept is from the comfort zone• of the core business, the greater the challenge.

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#### **4.6 LET's SUM UP**

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Defining entrepreneurship is somewhat difficult since many scholars have tried to explain what entrepreneurship is, it seems that many people are holding different views concerning the definition of an entrepreneur and defining entrepreneurship in particular. Schumpeter's definition is accepted by many researchers, policy-makers and teachers. He defines an entrepreneur as “~someone who carries out new combinations, causing discontinuity Alongside the definition of an entrepreneur, Morris identifies seven of the most widespread perspectives on entrepreneurship from years of academic research; creation of wealth (delivering product/service in exchange for profit), creation of value (creating value for customers by exploitation), creation of change, creation of employment (employing, managing and developing the labour force), creation of enterprise (founding of new business venture), creation of innovation, and creation of growth (growth in sales, income, assets and employment).

In the 80s of last century, entrepreneurship within an established organization emerged as being the center of interest in organizations aiming at enhancing product innovation, risk-taking and pro-activeness to changes in the external environment of the organization. However, only recently academics have provided empirical evidence that corporate entrepreneurship leads to superior firm performance. So unlike entrepreneurship, corporate entrepreneurship is relatively new in academic research. From the definition of entrepreneurship, as a new start-up firm, it is evident that entrepreneurship can occur in different organizational contexts and in organizations of all sizes and types. Therefore, it is not limited to small businesses or new businesses.

Corporate entrepreneurship is more than just new product development, and it can include innovations in services, channels, brands and so on. Traditionally, companies have added value through innovations that fit existing business functions and activities. After all, why would they develop opportunities that can easily be brought to market? Unfortunately, this approach also limits what a company is willing or even able to bring to market. Indeed, the failure to recognize that new products and services can require significantly different business models is often what leads to missed opportunities. Corporate entrepreneurship initiatives seek to overcome such constraints.

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#### **4.7 KEY TERMS**

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Entrepreneurship, Opportunity Identification and Pursuit, Innovation, Entrepreneurial Culture, External Corporate Venturing, Entrepreneurial Orientation, Entrepreneurship models, opportunist, enabler, advocate, producer, Rejuvenation process, Passionate managers, Downsizing, Equilibrium, Value chain, Paradigm, Skill set, Transparent.

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#### **4.8 SELF ASSESSMENT QUESTIONS**

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Q1 What are the different models of corporate entrepreneurship?

Q2 What is organizational structure and what are its key elements?

Q3 How can organizational structure elements be linked to the forms of corporate entrepreneurship?

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#### **1.9 FURTHER READINGS**

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#### 4.10 MODEL QUESTIONS

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Q1 What is corporate entrepreneurship?

Q2 What does it take to transform a non-entrepreneurial company into highly entrepreneurial company?

Q3 What is the difference between entrepreneurial orientation and corporate entrepreneurship?

**UNIT : 5****ENTREPRENEURIAL CULTURE****STRUCTURE****5.0 Learning Objectives****5.1 Introduction****5.2 Definition****5.3 Entrepreneurial Culture****5.4 Socio Cultural Factors in Indian Entrepreneurship****5.5 McClelland's Human Motivation Theory****5.6 Entrepreneurial Culture for business Startup activities****5.7 Relationship between Culture and Entrepreneurship****5.8 Let's Sum-up****5.9 Key Terms****5.10 Self-Assessment Questions****5.11 Further Readings****5.12 Model Questions**

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**5.0 LEARNING OBJECTIVES**

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After completion of the unit, you should be able to:

- Understand the Entrepreneurial Culture in India.
- Describe the Effect of Socio Cultural factors in Indian Entrepreneurship.
- Explain the definition, Meaning, Implications and Challenges faced by Entrepreneurship
- Know the Problems of Rural Entrepreneurship

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**5.1 INTRODUCTION**

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Cultural values and entrepreneurial beliefs, motives and behaviours have grown significantly over the last decade. Through its influence on beliefs, motives and behaviours, culture can magnify or

mitigate the impact of institutional and economic conditions upon entrepreneurial activity. Understanding the impact of national culture, alone and in interaction with other contextual factors, is important for refining our knowledge of how entrepreneurs think and act. The concept of “entrepreneurial culture” has existed for decades, described as an organizational culture embodying and championing entrepreneurial characteristics and attributes. These have included risk-taking, innovation, and creativity; the elements one would expect to see among entrepreneurs as individuals. The literature suggests that entrepreneurial culture is related to a number of positive organizational outcomes, such as generating new business and improving firm performance. Despite years of entrepreneurial culture discussion, however, it remains a relatively ambiguous theoretical construct. Numerous perspectives have emerged describing the phenomenon and the concept, yet it remains unfocused and equivocal. Different definitions and sets of characteristics and attributes describe the concept inconsistently; empirical applications use inconsistent measures. Collectively, these theoretical deficiencies mean that despite the inherent value and interest in the subject, knowledge accumulation has been difficult.

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## **5.2 DEFINITION**

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An entrepreneurial organizational culture is ‘one in which new ideas and creativity are expected, risk-taking is encouraged, failure is tolerated, learning is promoted, product, process, and administrative innovations are championed, and continuous change is viewed as a conveyor of opportunities’ . We thus define an entrepreneurial organizational culture as the coalescence of these behavioural norms and cognitions shared by organizational members.

“By entrepreneurial culture, we refer to a national system of shared values in a particular society that embraces and supports entrepreneurship.”

“The entrepreneurial culture is the composite of personal values, managerial skills, experiences and behaviours that characterize the entrepreneur in terms of spirit of initiative, risk-taking, innovative capacity and management of firms’ relations with the economic environment.”

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## **5.3 ENTREPRENEURIAL CULTURE**

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Entrepreneurial culture is a concept that has been used to characterize a broader organizational culture that supports or champions entrepreneurship. Organizational culture has long been recognized as a

central, underlying system of shared values, assumptions, and behaviours that permeates an entire organization. Organizational cultures influence new and existing members, motivates and cautions them, shapes and conforms their thinking and behaviours, creates structure within the organization, and builds routines and traditions that are held with emotion. As a result, an entrepreneurial culture has been argued to be a powerful force within organizations to enhance the innovative abilities of employees, fuel a desire for firm survival, provide permission to fail and try again, encourage a broad array of new ideas, experimentation, and creativity, and develop organizational learning abilities and a focus on markets. Entrepreneurial culture characteristics and attributes have also been positively linked to firm performance. In broader conceptual models, entrepreneurial culture has also been identified as a necessary component of a firm's architecture in order to successfully pursue an entrepreneurial strategy that is, engaging in opportunity-seeking and advantage-seeking activities. Contemporary research continues to call for the study of culture in entrepreneurship, particularly in new venture creation and teams.

However, from a theoretical perspective these past applications of entrepreneurial culture are problematic. Theory development typically emphasizes the relationship among constructs, the direction, sign, and form of these relationships, and explains why and under what conditions these relationships occur. Theory development also addresses the relationship between constructs and measures and how these abstract constructs connect to observable phenomena. There has been some descriptive exploration and linking of entrepreneurial culture to other constructs, however, theoretical development has been otherwise sparse. Entrepreneurial culture's conceptualization has generally been vague and insufficiently specified. There are several different definitions of entrepreneurial culture and not all of them are consistent with each other. There has also been little exploration of the relationship between the entrepreneurial culture concept and the firms that are supposed to demonstrate this phenomenon. In particular, it is unclear which firms possess an entrepreneurial culture and to what degree they possess it. A lack of conceptual clarity around entrepreneurial culture and the existence of competing definitions indicate that the field possesses a disjointed perspective. This makes the study and accumulation of knowledge in this area difficult.

Related to the lack of conceptual clarity around entrepreneurial culture is the absence of a psychometrically sound instrument (i.e., reliable, clear factor structure, low susceptibility to methodological confounds) with which to assess the construct. As a result, there has been a paucity of empirical examinations of entrepreneurial culture. The few papers which have empirically evaluated entrepreneurial culture have used measures that bear little resemblance to one another. For example,



entrepreneurial culture has been measured through demographic variables such as the entrepreneur's age and level of education, and a firm's experiences with promising ideas. These examples demonstrate divergent operationalizations of the entrepreneurial culture construct.

Since a conceptually clear and consistently applied definition and operationalization of entrepreneurial culture has yet to emerge, entrepreneurial culture's usage has been haphazard and lacking in theoretical and methodological rigour. Instead, the field is left with a colloquial understanding of the construct. Analyzing the body of literature on entrepreneurial culture, it is unclear if the various researchers are talking about the same construct. While there may be some consistency in the characterization of the underlying phenomenon, a unified conceptual understanding of entrepreneurial culture seems absent. In particular, definitions and descriptions of entrepreneurial culture seem to emphasize the entrepreneurial component of the concept, while failing to incorporate the sophistication of extant organizational culture theory. Given the importance of entrepreneurial culture to the research areas of innovation, strategy, and human resources management, further work to explore and develop the entrepreneurial culture construct is of inherent scholarly value. These developmental issues are particularly important to address given past calls for continued improvement of construct validation and measurement in entrepreneurship research that are still relevant today. Indeed, poor construct conceptualization remains a fundamental challenge for management research in general, and a clear, concise conceptual definition of focal constructs is necessary to further develop and advance theory.

**Table 1.3.1 Three Different Perspectives on Culture**

	Culture as a Variable	Culture as Metaphor	Culture as Dynamic Construct
Assumptions about culture	Culture is an organization variable that can be manipulated	Culture is a metaphor for understanding life in organization	Culture is a dynamic construct. Organizational reality is socially constructed and organizations produce culture (including cultural artifacts)
Paradigm	Social factist; rational- mechanistic	Interpretive	Pluralistic
Predominant interest in culture	Managing controlling and changing the relevant culture variable for best performance and/or improved organization effectiveness	Deep and rich Understanding of a particular cultural setting with a focus on organizational symbolism.	Understanding of The cultural context of an organization for effective culture aware management
Assessment of Culture and its purpose	Focus on questionnaires and visible tools to identify (sub-) variables that can be manipulated.	Ethnography, story telling, in-depth interviews, discourse analysis to render rich descriptions of a particular cultural setting.	Multiple methods: qualitative and quantitative, perceptions and observations; triangulation.
Example Citations	Deal & Kennedy, 1982; Denison, 1984; Saffold, 1988; Kotter & Heskett, 1992;	Barley, 1983, 1986; Stewart, 1989; Kunda, 1992;	Swidler, 1986; Sackmann, 1991, 1992; Weber, 2005; Weber & Dacin, 2011;

Entrepreneurial culture with the following measures:

- Age of entrepreneur: measures the age of the entrepreneur interviewed.
- Education level of the entrepreneur: measures the level of education of the entrepreneur.
- Father's profession: identifies the father's profession. It measures the intensity of the entrepreneurial experience acquired through the family environment.
- Level of entrepreneur's participation in Industry Association activity: measures the propensity of the entrepreneur towards collaboration among firms.
- Attitude to delegating of the entrepreneur: measures the propensity of the entrepreneur to work in groups and to personal collaboration. It is inversely proportioned to individualism.

Measuring entrepreneurial culture with the following questions:

- We have many more promising ideas than we have time and the resources to pursue vs. We find it difficult to find a sufficient number of promising ideas to utilize all of our resources.
- Changes in the society-at-large often gives us ideas for new products and services vs. Changes in the society-at-large seldom lead to commercially promising ideas for our firm.
- We never experience a lack of ideas that we can convert into profitable products/services vs. It is difficult for our firm to find ideas that can be converted into profitable products/services.

Organizational culture is a complex and long studied field of interest in management research. With origins in anthropology and sociology, organizational culture studies in management research have adopted different research perspectives, including interpreting it as an organizational variable or a metaphor for the organization itself. The most contemporary perspective of culture views it as a dynamic construct, incorporating various research paradigms and mixed- methods of study. Organizational culture can be seen as a socially constructed context with aspects that can be purposefully shaped to guide its evolution. Within that general framing of organizational culture, this study adopts a Scheinian cognitive perspective on the nature and content of organizational culture. That is, organizational culture consists of shared values, beliefs, and underlying assumptions that were formed by a group through problem solving. Values, beliefs, and underlying assumptions in this context are shared cognitions that guide behaviours.

Since organizational culture is such a broad conceptual area, researchers have developed cultural subtypes to focus on specific and distinct forms of culture. These cultural subtypes can be used to describe general cultural configurations (e.g., clan, hierarchy), applied to describe specific organizations and industries (e.g., wineries, art museums), or organizational types oriented around particular outcomes (e.g., TQM, innovation supportive culture). Outcome oriented culture types consist of taking particular organizational culture elements and forming them into distinct constructs. Entrepreneurial culture represents one of these formed cultural subtypes and is a topic that has generated much interest in the entrepreneurship field for many years. However, after reviewing the literature on entrepreneurial culture, it became apparent that there are 38 two primary deficiencies in how the construct has been defined and measured. First, the definitions provide a colloquial and descriptive understanding of entrepreneurial culture but not a clear basis for use as a theoretical construct. As a result, it is difficult to determine if past scholars have been talking about the same entrepreneurial culture concept in both conceptual and empirical research. Second, with respect to measurement, examples of measures of entrepreneurial culture are

inconsistent with each other and with extant perspectives on organizational culture. That is, the measures do not appear to be tapping the same underlying phenomena, nor are they accounting for the very important shared nature of culture. The following three chapters seeks to remedy these issues by developing the conceptual domain of entrepreneurial culture, and describing and applying methods for measuring it that are more closely aligned with organizational culture research.

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#### **5.4 SOCIO CULTURAL FACTORS IN INDIAN ENTREPRENEURSHIP**

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Entrepreneurship was considered as an important factor for the economic development. From the past two decades it has been given a special important in many disciplines of business and economics. In the developing countries the role of entrepreneurship was important for their economic growth. In the Indian context, Entrepreneurship has been influenced by many factors like economic, political, social, cultural etc. Much research was found in the socio economic context of entrepreneurship but in the domain of socio cultural factors of entrepreneurship. Many of the sociologists say that Socio cultural influence on the developing countries was at large. There is a common agreement among the experts that socio cultural influence on the socio cultural factors of people in India is very strong. In this study, we explore the factors influencing the Indian Entrepreneurship and making a framework for socio cultural entrepreneurship. The identified socio cultural factors of entrepreneurship was family support, tradition, gender, social status, caste, religion, education, race, norms, beliefs, attitudes etc. With the help of these factors we obtain a conceptual framework for socio cultural entrepreneurship in the Indian context. We conclude that in the Indian context socio cultural factors play an important for the entrepreneurial growth which is indirectly related to the economic growth of a country.

Since the 18th century Entrepreneurship was considered due to the industrial revolution when the Richard Cantillon used the term entrepreneurship for the first time as a risk bearing activity. After that entrepreneurship has gained the recognition of advancing into economic growth, innovation, advancement and for the development of nations. The word Entrepreneurship was defined as risk bearing activity by some authors and some define as an employment creation activity, attaining opportunities, etc. Some of the definitions as follow in the table 1.4.1

**Table 5.4.1: Definitions of Entrepreneurship from evolution**

<b>Year</b>	<b>Author</b>	<b>Definition of Entrepreneurship</b>
1734	Richard Cantillon	Entrepreneurship as self-employment of any sort. Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty
1803	Jean Baptiste	An entrepreneur is an economic agent who unites all means of production-land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.
1964	Peter FDrucker	An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.
2000	Shane and	The field of entrepreneurship involves the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them.
2003	Commission of the European Communities	Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation.
2009	Rindova	Entrepreneurship is the efforts to bring about new economic, social, institutional, and Cultural environments through the actions of an individual or group of individuals
2013	Ronald May	An Entrepreneur is someone who commercializes his her or her innovation.

From the above definitions it was clear with the changing economy the definition of entrepreneurship changed and now entrepreneurship was viewed as an agent for economic development and growth through the identification of opportunities and commercializing those opportunities through innovation.

Many scholars had explored the factors influencing the entrepreneurship to create a new venture or business. But none of the studies have done in the socioculture aspect of entrepreneurship hence it explores the factors that were influencing the Indian entrepreneurship based on the available review of literature. Social context of entrepreneurship was explained by some of the scholars. Some authors say that the economic development of a nation depends on the entrepreneurial rate of the nation. Some has concluded with the entrepreneurial framework of factors influencing. Entrepreneurship was supported by many theories like Max Weber's Protestant Ethic, Hagen's Theory, Singer's Theory, Mc Clelland's Theory, Drucker's Theory etc.

The factors for the emergence of entrepreneurial activity were framed out from many theories and many entrepreneurial intentions. Among these the socio cultural factors influence on entrepreneurial activity was at large. In the developing countries like India it was given an important for the economic growth. India is a vast nation of vast economic, social and cultural values in varied regions.

#### ❖ **Indian Entrepreneurship:**

In India the beginning of the factory system in the eighteen century had set up factories in India. Entrepreneurship in India means the micro, small and medium enterprises these play a vital role in economic development of a nation. MSME's plays a crucial role in the development of industrializing both rural and backward areas. Entrepreneurial development was a different and difficult phenomenon in the economic development of a nation. During this post independence Indian government had launched many programs for the development of entrepreneurial activity through different funding GEM report, India accounts for one fifth of china in terms of high growth expectation in the early stage of entrepreneurship. It was expected to grow further in the coming future.

#### ❖ **Framework of socio-cultural factors influencing Entrepreneurship:**

Socio cultural factors influence on the entrepreneurship in India was huge because of its vast cultural background. These socio-cultural

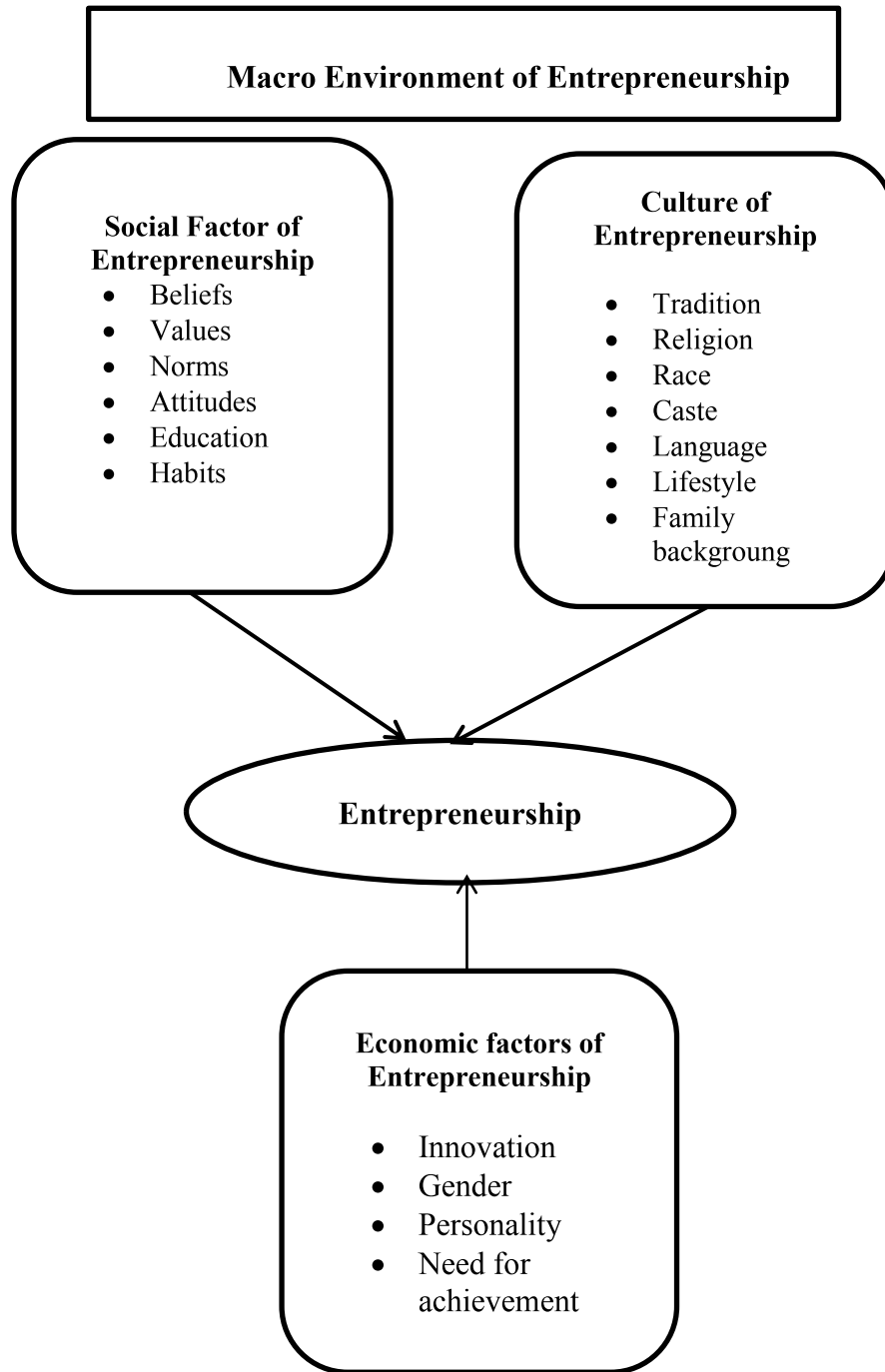
factors identified through the review of literature. These factors identified were tabulated in the table 1.4.2. There are many theories that support the socio cultural factors influencing the entrepreneurship. Max Weber’s theory was identified for the religious support. Family orientation theory says that family should support the entrepreneurs for their growth in the economy. Push and pull theory says that there are both push and pull factors that influence the entrepreneurship. Pull factors are the factors that give positive motivation for the entrepreneurs. Push factors are the factors that give negative motivation for the entrepreneurs . All most all the factors that were considered will be in the push and pull theory of entrepreneurship.

**Table 5.4.2: Socio-Cultural Factors influencing Entrepreneurship**

<b>Socio-Cultural factors</b>		
<b>Beliefs</b>	<b>Family Background</b>	<b>Gender Discrimination</b>
Values	Tradition	Personality
Attitudes	Language	Need for Achievement
Norms	Religion	Education
Habits	Caste	Prior Experience
Lifestyles	Race	Innovation

From the identified factors a conceptual framework was drawn linking with the entrepreneurship. Among the factors there are some factors like innovation, gender discrimination, Need for achievement and personality werenot directly come under the socio-cultural factors but these indirectly relate to the socio-cultural factors influencing entrepreneurship. The conceptual framework for the socio-cultural entrepreneurship was in the figure 1.4.3. The factors were divided into three as social, cultural and economical. From this broaddivision they are linked to the entrepreneurship. Normally these factors are macro environmental influencing factors of entrepreneurship.

**Figure 5.4.3: Conceptual Framework of Socio cultural factors influencing Entrepreneurship**



From this it was clear that the socio-cultural factors influence on entrepreneurship may be in positive or negative but there is an influence on the entrepreneurship. Some the economic factors were



considered here because due to the economic changes the social and cultural changes were happened. There is a direct relationship between the economic changes and the socio-cultural changes of entrepreneurship.

It was observed that the socio-cultural factors influence on the Indian Entrepreneurship was at large but it may be in the positive direction or in the negative direction. Based on the taken sample data the results may vary. But in the Indian context the family background, education, religion, caste etc has more influence in the Indian Entrepreneurship.

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## **5.5 RELATIONSHIP BETWEEN CULTURE AND ENTREPRENEURSHIP**

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The decision to become self-employed or to start one's own business is influenced by a number of factors. Professional background, the level of education, current employment, personality traits and the social and regional environment have an impact on the start-up decision. Individual factors alone cannot explain why certain individuals become self-employed and others prefer paid employment.

Culture can influence economic activity in diverse ways: Culture is known to influence attitudes towards work and consumption. Culture has an influence on the organisation of economic activity and the shaping and effectiveness of institutions, and culture also has an impact on social networks and confidence building within social groups. Of primary interest in the present study is what kind of influence culture may have on business start-up activities. Such a relationship may be given in different ways. Mostly, analyses on the relationship between culture and start-up activities or entrepreneurship are conducted by considering attitudes towards entrepreneurship or business foundation. One proceeds from the fact that cultural features influence attitudes towards start-ups and that these attitudes, in turn, have an impact on start-up activities. Such a relationship between culture, attitudes and start-up activities may exist on the individual, as well on regional and group levels. There is a direct relationship on the individual level when, on account of cultural features, many persons exhibit a positive attitude towards business foundation and, due to such an attitude, decide to become self-employed or to start a business. In such a case, there is a direct relationship between culture and start-up activities because it is precisely persons with a positive mindset who become self-employed. This argumentation concurs with those of Schumpeter (1934), McClelland (1961) and Kirzner (1985), who likewise describe a direct linkage between attitudes and business foundation activity. Further, there may exist a relationship between culture and foundation activity on the societal level. Etzioni (1987) argues that the values and norms predominant in the social environment of an individual may have an influence on his or her propensity to start a business. In line

with this argumentation, a culture averse to business foundation may suppress start-up activities. This would, for example, be the case when entrepreneurs and entrepreneurship have a bad image within a society or a region and the individual therefore does not consider this option of livelihood although he or she does not harbour any reservations towards entrepreneurs. In such a case there is a relationship between culture and business foundation activity not on the individual level but also on the level of groups, region or society.

The approaches presented here are designed to establish a relationship between culture, attitudes and economic activity. Cultural values and norms influence attitudes and patterns of behaviour and in this way have an impact on economic activities. When empirically verifying these approaches, it proves problematic that culture cannot be measured directly. Culture acts as a kind of background variable that manifests itself in attitudes and patterns of behaviour. Apart from cultural background, a number of other individual-related influences determine attitudes and patterns of behaviour, too. Furthermore, people belong to different social groups. That is why regional cultural features overlap with group-specific cultural features. Persons with the same regional cultural background may also display different attitudes and patterns of behaviour. Only in sum is it to be expected that cultural differences lead to varying frequencies of certain attitudes in different regions or cultural groups. Therefore, it is quite difficult to distinguish between individual related features and cultural features. Attitudes and patterns of behaviour can be categorised as cultural features only when these are not individual features of single persons. Thus it is an empirical question whether certain features can be regarded as individual features or as cultural features of a major group of individuals.

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## **5.6 LET'S SUM-UP**

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The goal of creating these entrepreneurial cultures is to enhance the innovative abilities of employees and, at the same time, increase organizational success through the creation of new corporate ventures. The development of an entrepreneurial culture will be strongly influenced by individual efforts toward innovation and growth in emerging organizations. The early stage of an organization is marked by an entrepreneurial culture fueling a desire for the firm to survive. In this stage, resource needs are high and the founder engages in less planning and more spontaneous decision making with a vision and passion for the business.

A firm is more entrepreneurial when its organizational culture encourages a broad array of new ideas, experimentation, and creativity. A firm is less entrepreneurial to the extent that its culture encourages new

ideas, experimentation, and creativity focused on, or bound by, the resources that the firm controls. Studies of firms in high-tech industries, for instance, suggest that successful firms display a fierce activism in promoting an entrepreneurial culture through extensive communication and social interaction, overlapping responsibilities, and high tolerance for failure. Individuals in areas without entrepreneurial role models or an entrepreneurial culture are less likely to take on the uncertainty and risks of venture creation. Early entrepreneurial behaviour might stimulate a self-reinforcing pattern that generates what amounts to an 'entrepreneurial culture. In high tech, an entrepreneurial culture nurtures the notion that rewards should be closely tied to performance and that incentive attainments are a measure of personal achievement. The Adhocracy (entrepreneurial) culture can be characterized as a developing, dynamic, and creative workplace. Employees in this organizational culture are committed to experimentation and innovation. The goal of an adhocracy culture is to be able to produce innovative products and services and adapt quickly to new strategic opportunities. Individual initiative, freedom, and continuous improvement are seen as the key ingredients for being on the cutting edge of product or service leadership. Those organizations that desire to be highly entrepreneurial must develop an entrepreneurial culture that includes such factors as the ability to learn and to focus on markets.

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**5.7 KEY TERMS**

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Entrepreneurship, culture, national culture, cultural values, entrepreneurial activity, entrepreneurial cognition

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**5.8 SELF-ASSESSMENT QUESTIONS**

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1. What is meant by entrepreneurial culture?

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2. How does entrepreneurial culture spread in Organisations.

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**UNIT: 6****ENTREPRENEURIAL SOCIETY****STRUCTURE****6.0 Learning Objective****6.1 Introduction****6.2 Definition****6.3 Women Entrepreneurship****6.4 The Roles of Entrepreneurs in the Society****6.5 Challenges faced by Social Entrepreneurship****6.6 Social Entrepreneurship In India****6.7 Social Entrepreneurship Responsibility****6.8 Let's Sum-up****6.9 Key Terms****6.10 Self-Assessment Questions****6.11 Further Readings****6.12 Model Questions**

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**6.0 LEARNING OBJECTIVE**

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After completion of the unit, you should be able to:

- Understand the Entrepreneurial Society.
- Describe the Problems and Prospects in Women Entrepreneurship
- Explain the definition, Meaning, Implications and Challenges faced by Women Entrepreneurship
- Know the International Labour Organisation approach to Women Entrepreneurship

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**6.1 INTRODUCTION**

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The rise of the entrepreneur, which has been gathering speed over the past 30 years, is not just about economics. It also reflects profound

changes in attitudes to everything from individual careers to the social contract. It signals the birth of an entrepreneurial society.

How can policymakers adjust to this change? The first thing they need to do is shed some common misconceptions about the meaning of entrepreneurial capitalism. In any discussion of entrepreneurship, the phrase most frequently invoked is Schumpeter's "creative destruction". That can be unhelpful, implying that "destruction" and "creation" carry equal weight and that mankind will be in for a rough time in perpetuity.

Entrepreneurialism promotes individual creativity as well as economic dynamism. One of the most chilling chapters in William Whyte's "The Organisation Man" (1956), a study of corporate America at the height of managed capitalism, was entitled "The Fight Against Genius". The thinking at the time was that well rounded team players would be more valuable than brilliant men, "and a very brilliant man would probably be disruptive." Entrepreneurial capitalism has brought the rehabilitation of the "very brilliant man".

Entrepreneurial capitalism is not as disruptive as many of its friends—and most of its enemies—imagine. It produces a bigger pie and allows more people to exercise their creative talents. But it is disruptive nonetheless. It increases the rate at which companies are born and die and forces workers to move from one job to another. Policymakers have to find the right balance between flexibility and security.

The most urgent need for reform is in continental Europe. Policymakers in the larger European economies need to learn from the Scandinavian countries that it is possible to have a safety net without clogging up the labour market. If people are hard to sack, start-ups find it more difficult to get off the ground. And high unemployment rates discourage people from branching out on their own because they might not find another job if they fail.

America suffers from serious rigidities of its own. The mobility of American workers is severely restricted by the country's reliance on employer-provided health insurance, a relic of the second world war. New firms often have to pay more for their health care because they have smaller "risk pools" than larger companies. America's health-care system is bad at controlling costs, imposing a heavy burden on the whole economy, particularly the newest and most fragile firms.

"Every generation needs a new revolution," Thomas Jefferson wrote towards the end of his illustrious life. The revolution for the current generation is the entrepreneurial one. This has spread around the world, from America and Britain to other countries and from the private sector

to the public one. It is bringing a great deal of disruption in its wake that is being exaggerated by the current downturn. But it is doing something remarkable: applying more brainpower, in more countries and in more creative ways, to raising productivity and solving social problems. The “gale” that Schumpeter celebrated is blowing us, a little roughly, into a better place.

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## **6.2 DEFINITION**

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In the 2010s, social entrepreneurship is facilitated by the use of the Internet, particularly social networking and social media websites. These websites enable social entrepreneurs to reach a large number of people who are not geographically close yet who share the same goals and encourage them to collaborate online, learn about the issues, disseminate information about the group's events and activities, and raise funds through crowd funding. Social entrepreneurship in modern society offers an altruistic form of entrepreneurship that focuses on the benefits that society may reap. Simply put, entrepreneurship becomes a social endeavor when it transforms social capital in a way that affects society positively. It is viewed as advantageous because the success of social entrepreneurship depends on many factors related to social impact that traditional corporate businesses do not prioritize. Social entrepreneurs recognize immediate social problems, but also seek to understand the broader context of an issue that crosses disciplines, fields, and theories. Gaining a larger understanding of how an issue relates to society allows social entrepreneurs to develop innovative solutions and mobilize available resources to affect the greater global society. Unlike traditional corporate businesses, social entrepreneurship ventures focus on maximizing gains in social satisfaction, rather than maximizing profit gains. Both private and public agencies worldwide have had billion-dollar initiatives to empower deprived communities and individuals. Such support from organizations in society, such as government-aid agencies or private firms, may catalyze innovative ideas to reach a larger audience.

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## **6.3 WOMEN ENTREPRENEURSHIP**

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An entrepreneur is further defined by Say as someone who "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." The difference between "entrepreneurship" and "social entrepreneurship", however, stems from the purpose of a creation. Social entrepreneurs seek to transform societies at large, rather than transforming their profit margin, as classic entrepreneurs typically seek to do. Social entrepreneurs use a variety of resources to bring societies into a better state of well-being.

The terms social entrepreneur and social entrepreneurship were used first in the literature in 1953 by H. Bowen on his book "Social Responsibilities of the Businessman". Groups focused on social entrepreneurship may be divided into several categories: community-based enterprises, socially responsible enterprises, social services industry professionals, and socio-economic enterprises. Community-based enterprises are based on the social ventures aimed at and involving an entire community. These enterprises build on the community's culture and capital (e.g., volunteer resources, financing, in-kind donations, etc.) to empower the enterprise and the community. Socially responsible enterprises focus on creating sustainable development through their initiatives that focus mostly on creating societal gains for the community. Social service industry professionals such as social workers and public health nurses work in social services, either for a government or a non-profit organization. They aim to expand social capital for individuals, communities, and organizations. Socio-economic enterprises include corporations that balance earning profits and with nonprofit goals, such as seeking social change for communities. Some social entrepreneurship organizations are not enterprises in a business sense; instead, they may be charities, non-profit organizations or voluntary sector organizations.

### **Types**

In *The Power of Unreasonable People*, John Elkington and Pamela Hartigan describe social entrepreneurs' business structures as falling under three different models, applicable in different situations and economic climates:

*Leveraged non-profit*: This business model leverages financial and other resources in an innovative way to respond to social needs.

*Hybrid non-profit*: This organizational structure can take a variety of forms, but is distinctive because the hybrid non-profit is willing to use profit from some activities to sustain its other operations which have a social or community purpose. Hybrid non-profits are often created to deal with government failures or market failures, as they generate revenue to sustain the operation without requiring loans, grants, and other forms of traditional funding.<sup>1</sup>

*Social business venture*: These models are set up as businesses that are designed to create change through social means. Social business ventures evolved through a lack of funding. Social entrepreneurs in this situation were forced to become for-profit ventures, because loans and equity financing are hard to get for social businesses.

There are also a broader range of hybrid profit models, where a conventional business invests some portion of its profits on socially,



culturally or environmentally beneficial activities. The term "Philanthropreneurship" has been applied to this type of activity. Corporate employees can also engage in social entrepreneurship, which may or may not be officially sanctioned by the company. This has been described as corporate social entrepreneurship.

One private foundation has staked the ground of more precise lexicon following the Newman's Own model having coined the phrase "Commercial Philanthropy" where commercial businesses are held and operated with all net proceeds going to serve social service needs.

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#### **6.4 THE ROLES OF ENTREPRENEURS IN THE SOCIETY**

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Entrepreneurship has been seen by many researchers as the driver of the society (Frederick & Kuratko 2010). For example, they had been lauded for their contributions to things such as national employment, society building, innovation, economic development, community regeneration, etc. . Although these may be true for some entrepreneurs such as Steve Jobs and Bill Gates, are these really true from a macro-perspective? That is, when we take entrepreneurial activities in totality, are most, if not all, entrepreneurs and entrepreneurial firms have such positive effects on the society, or country, that they are situated in general?

#### **ENTREPRENEURS AS KEY PLAYERS IN INTRODUCING NEWPRODUCT AND PROCESS INNOVATIONS:**

When one talks about entrepreneurs and entrepreneurial firms, one would usually think of people such as Steve Jobs and Bill Gates, and companies such as Apple and Microsoft. However, are these typical entrepreneurial firms and entrepreneurs that we would usually see in the street? Entrepreneurship has been broadly defined as new business creation (Gartner 1989), and entrepreneurs were taken by many researchers to refer to business owners who start and run their own businesses . This definition is used by prominent entrepreneurship research organisations such as Global Entrepreneurship Monitor (GEM; Global Entrepreneurship Monitor), and many entrepreneurship researchers. Essentially, this means that while very innovative individuals such as Steve Jobs are recognised as entrepreneurs, people who are not very innovative, but have nevertheless started their own businesses, such as a grocery shop owner, can also be considered as entrepreneurs. Hence, entrepreneurs are further categorised into two groups: imitative entrepreneurs and innovative entrepreneurs; and opportunity entrepreneurs and necessity entrepreneurs.

That is, some entrepreneurs do not start a business to pursue growth and innovation, but rather, they only start a firm to earn themselves a living by doing things such as imitating what some others

are already doing. Indeed, according to Alrich and Martinez (2001), not all entrepreneurs are “innovators” that offer something new. In fact, many entrepreneurial firms (firms that are owned and run by entrepreneurs) are merely “reproducers”: they offer something that is already in existence. By definition, while creativity refers to the generation of novel and useful ideas, innovation refers to the implementation of new ideas to come up with things such as new products / processes. Given this, while one might be tempted to say that the role of being key players in introducing product and process innovations is mis-attributed to entrepreneurs, the reality should be the contrary. “New” is a relative term. When an entrepreneurial firm is said to have introduced something new to the market, it needs not to be always about the introduction of a radically new invention. For example, it can just be the selling of new products that were invented by some major public institutions, such as universities, that were not yet fully exploited towards the commercial end (Shane 2000). On the other hand, it might also be the introduction of something which was not previously seen in a country, industry, or market, from another place, such as the introduction of bubble tea from Taiwan to Singapore. If not, it can also be the extension, duplication and improvement, or the synthesis of products/processes that are already known.

This might be the reason why entrepreneurship is defined as a “dynamic process of vision, change, and creation” which involves the “creation and implementation of new ideas and creative solutions”; and entrepreneurs are addressed as innovators interchangeably by some researchers. While non-entrepreneurial firms can also be involved in such activities, it is unlikely for it to be as “active” as its entrepreneurial counterparts. This is because as entrepreneurial firms tend to be smaller in size, it will be more organic in nature, which will in turn facilitate the occurrence of innovation and creativity activities. For example, for a proposed research to be approved in a big corporation, it may take several months, if not years, for it to clear the many levels of hierarchy and detailed scrutiny. However, in entrepreneurial firms, the process can be as easy as just walking over to the CEO’s office, which may be just across the corridor, and convince him/her about the proposal. Moreover, innovations in big corporations are usually constrained by factors such as consumers out-reach. That is, if the anticipated market is not big enough, some projects may not be adopted at all even if it is very innovative. For example, for niche markets that are too small, the opportunity might not be pursued at all. By definition, a “niche” refers to a group of customers whose needs are not yet satisfied. In my opinion, insofar as there is a need, it is worthwhile to pursue it. For example, the post-it invention was originally meant for some employees in 3M only.

However, after it was introduced, the market-base quickly increased to become the whole company, followed by becoming a global

market. Another good example would be items such as hand phones and computers. When it was first introduced, it was so expensive that only those who are rich would be able to afford it. However, with technological advancements, it has not only become something that is affordable by the public, it has become more of a necessity, a need, than a luxury good as per in the past. Such expansion in market-base would not be easily foreseeable by most people in the past. If the related companies did not bother to pursue such “niche” opportunity in the past, such wide market-base would never be achieved today. Given that most big corporations’ innovative pursues are constrained by budgetary mechanisms such as justifiable market base that can be achieved almost instantly after the introduction of a new product or process, based on the information that is available at hand during the inception of a product, such “niche” opportunity is not likely to be pursued by them. During such instances, it is the entrepreneurs who would take the risk to seize the opportunity to pursue such opportunity, and make such innovation possible. Hence, although innovations will not necessarily be successful (King 1992), entrepreneurial firms should be considered to be playing a key role in introducing new product and process innovations.

#### ❖ **ENTREPRENEURS AS COMMUNITIES REGENERATORS:**

The term “regenerator” refers to entrepreneurs, or entrepreneurial firms, as being the agents that bring changes to a community towards the better end. If this is the case, then the validity of the claim becomes relative in nature, such that it depends on which firm we are looking at. Theoretically, large organisations tend to have some industrial practices that are deeply rooted. According to institutional theorists, these are called standards that established organisations need to abide by for them to have the legitimacy to stay in the industry. Under such context, it is usually those new firms that are created by entrepreneurs who are not familiar with the industrial context who introduced changes. This is part of what some researchers would call “creative destruction”. This will not only influence how the industry operates, but also those who work inside it, and people around them. Although such changes may sometime change the whole country, if not the whole world, it is not necessarily so: whether the extent of the impact is great enough for it to affect both rural and urban communities depends on the case that we are studying. For example, although a Chinese tycoon was recently sentenced to death for defrauding hundreds of million yuan from investors, the impact of this case was only limited to those who were affected directly despite the great negative economic and social impact that this case had brought upon the country . However, some labour claims in some other countries have resulted in the change of the country’s legislation even the claims made were only for some small groups of employees, and the economic and financial considerations involved were not as significant as the case prior mentioned.

Moreover, actions of entrepreneurial firms do not necessarily bring positive effect on the communities. For example, food contaminations had occurred in countries such as China, and caused great damages nationwide. For instance, the milk contamination case of China in 2008 caused more than 300,000 people to become sick after drinking the contaminated milk . Recently, several chemical plants’ executives in China were arrested for discharging toxic industrial wastes into the river, which may cause harmful effects to millions of people who relied on the river for their daily lives . Given this, whether actions of entrepreneurial firms are regenerating on the communities or destructive to them also depend on the actions and firms that are in perspective. Hence, as whether the actions of entrepreneurial firms are far-reaching enough to influence both the rural and urban communities, and even if it does, will the effect be regenerating or destructive, depend on the firms, locations, and actions that we are looking at, it might not be appropriate to attribute the role of “community’s regenerator” to entrepreneurs as the reason behind this claim of those researchers who made such claim might be based on some companies that had happened to do “the right thing at the right time” to catch these researchers’ attention during their research. That is, this claim might not be made based on solid scientific research outcomes, but just some pseudo- science results that were affected by sampling errors.

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## **6.5 CHALLENGES FACED BY SOCIAL ENTREPRENEURSHIP**

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A social entrepreneur identifies practical solutions to social problems by combining innovation, resourcefulness and opportunity. Committed to producing social value, these entrepreneurs identify new processes, services and products, or unique ways of combining proven practice with innovation to address complex social problems. Whether the focus of their work is on enterprise development, health, education, environment, labour conditions or human rights, social entrepreneurs are people who seize on the problems created by change as opportunities to transform societies. The paper focuses on social entrepreneurs and entrepreneurship. The objective of the paper is to study about the different challenges of social entrepreneurship. How social entrepreneurs work for the benefits of the society. This paper focuses on different challenges faced by the social entrepreneurs while doing something for the welfare of the society.

### **What is Social Entrepreneurship?**

The idea of Social Entrepreneurship has become increasingly popular as social problems in our complex modern society have grown. In a way, it is a reaction to the ‘bottom line’ philosophy of modern big business with its emphasis on short- term profit to the detriment of any long term benefit to society as a whole or the human component of the business itself. Social Entrepreneurship seeks to harness the practical dynamism of

the successful businessman to enrich and help society, especially in countries where the individual is beset with problems of dire poverty and lack of opportunity. Peter Drucker argues that social entrepreneurs “...change the performance capacity of society” while Henton speak of ‘civic entrepreneurs’ as “...a new generation of leaders who forge new, powerfully productive linkages at the intersection of business, government, education and community”. In spite of the varying definitions of social entrepreneurship, one commonality emerges in almost every description: the ‘problem-solving nature’ of social entrepreneurship is prominent, and the corresponding emphasis on developing and implementing initiatives that produce measurable results in the form of changed social outcomes and/or impacts.

For example, McLeod (1996) quotes one social entrepreneur who criticized his own organization’s earlier ineffective approach, noting they originally asked “...’how many people walked in the door’ rather than ‘how many people are betteroff for having walked in the door?’” . What business entrepreneurs are to the economy, social entrepreneurs are to society? They may, like business entrepreneurs, be interested in profit, but their emphasis is on social change. They are often driven, creative individuals who exploit new opportunities, question accepted norms, and refuse to give up until they have remade the world for the better. Social entrepreneurs have the same core temperament as their business peers but use their talents to solve global social problems, such as why children are not learning, and why available technology is not widely used. William Drayton, founder of the world’s first organization to promote social entrepreneurship, ‘Ashoka’, is credited with coining the phrase “Social Entrepreneur”, to describe a person who recognizes logjams in society and finds ways to free them.

### ❖ **What Separates Social Entrepreneurship from Social Corporate Responsibility**

Social corporate responsibility involves a business making a profit while doing something ethical based on the needs of multiple stakeholders. A social entrepreneurship, on the other hand, exists with the goal of reaching out to those in need. According to Martin & Osberg, in Social Entrepreneurship, three main components are the basis for true social entrepreneurship.

- a. An Existing imbalance subjugates an impoverished segment of the population.
- b. Someone notices the imbalance and uses creativity and action to help.
- c. A new balance develops and life is better for the formerly impoverished groups as well as, often, society as a whole.

### ❖ **Can a For-Profit Organization Develop Social Entrepreneurship?**

The opportunity exists for a business to create a socially responsible entrepreneurship plan, but a great deal of commitment, at all levels of the organization, will be required to implement the new plan. A business leader who is inspired to begin such a course of action will not be able to engage in 'business as usual' and expect to succeed as a social entrepreneur. A company that is doing one positive thing while still doing multiple other unethical things is not likely to reach the esteemed height of an organization that exists solely to help people. By examining a societal problem, business leaders can explore ways to develop products and programs that fit into the realm of social entrepreneurship.

### ❖ **Social Entrepreneurship helps**

- NGOs need to find more sustainable ways of growing their business, particularly while facing decreasing external support. Adopting a social enterprise approach is a workable model for NGOs.
- Entrepreneurs are looking for opportunities to develop their business ideas and meet their need to bring positive social change to their communities.

### ❖ **Directions in Social Entrepreneurship**

In recent years, social entrepreneurs have looked beyond the traditional philanthropic and charitable approaches in order to find more effective and sustainable solutions to social problems. They are working with many tools from the world of business, and this shift in the character of social entrepreneurship is evident in a few trends that have emerged over the past twenty years. Many societies have become less inclined to see big government or big business as providing solutions for problems by setting the world, and there has been a shift from throwing money at large problems to systemic solutions and social investment. Across all types of government there is increased emphasis on privatization of public services, and experimentation with for-profit and hybrid forms of organization to deliver socially important goods and services, such as education and health care. There is greater scrutiny of social sector funding, and more attention to issues of impact, scale, and sustainability with the hopes of increasing the social return on investment. These trends are creating major changes in how societies around the world are dealing with social issues. They are opening the door to new forms of entrepreneurial behavior in the social sector.

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## 6.6 SOCIAL ENTREPRENEURSHIP IN INDIA

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Social entrepreneurship is a topic of growing interest among academicians and practitioners. The potential of social problems in India is well known, but the degree of support and interest is hardly significant. An entrepreneurial mindset is re-emerging in India. Right from ancient times, India has been entrepreneurial. But the era of liberalization of late had released the genie from the bottle – the suppressed urge and natural instincts of our effervescent entrepreneurial class has once again been unleashed. The opening up of the industrial sector to foreign competition had created a flutter among the Indian industrial circles.

The economic development of a Nation depends on its industrial development. The industrial development is based on the entrepreneurial competencies of the people. Entrepreneurs are innovative, highly motivated, and critical thinkers. When these attributes are combined with a drive to solve social problems, a social entrepreneur is born. Social enterprises are the organizations which aim their efforts toward improving the general welfare of society and they apply market-based strategies to achieve a social purpose. Social entrepreneurs and social enterprises share a commitment of going ahead with a social mission of improving society. There is a great difference between social entrepreneurs and non profit organizations on the basis of their goals and objectives. Social entrepreneurs are driven by social as well as financial goals whereas non-profit organizations work purely for social purpose. An understanding of whether and how social entrepreneurship differs from processes and activities by political actors or social activists who also aim to bring about social change or alleviate social problems. In a nutshell, the concept of social entrepreneurship is still poorly defined and its boundaries to other fields of study are still fuzzy. While to some this may appear to be a problem, we see it as a unique opportunity for researchers from different fields and disciplines, such as entrepreneurship, sociology and organizational theory, to challenge and rethink central concepts and assumptions

### ❖ SCOPE OF SOCIAL ENTREPRENEURSHIP

Social entrepreneurship is a growing, worldwide movement. The scope of social work is no longer limited to activism. Today, there are many opportunities in child welfare, community policing, healthcare, counselling etc in not only NGO's but also national and international bodies as well as social enterprises. Additionally, there is immense scope for social entrepreneurship and starting your own social initiatives. Social entrepreneurship will play a big role in bringing the growth to the rural masses in India and so it becomes important to study the factors, like fair trade, that will shape the social entrepreneurship philosophy.

**First we will look into the areas where India faces problems, some of which are listed below:**

1. Making the educated youths employable- many of our courses are designed in such a way that they don't cater to needs of the industry.
2. Healthcare- affordability

3. Urban and Rural Sanitation
4. Making use of renewable sources of power
5. Nutrition and Food for the poor.
6. Affordable housing.
7. Agriculture

Many more are there, but these are the basic needs of the Indian society, which are being the topics of discussions from so many years, many policies and laws were passed by state and central governments of India.

Social enterprises in these sectors will not only create many opportunities but also can find a solution for these problems. For example an enterprise to train the youth with industrial oriented skills, is a good entrepreneurial option at the same time it will answer the problem of unemployed educated youth. COSTFORD, an organisation with 13 centres across Kerala offers cost effective plans to build house.

COSTFORD encourages its institutional, public and private clients. Along with organisations sharing similar concerns about social equity and a healthier ecosystem, to envision alternative architecture as a path to a more just, peaceful and sustainable world” is a very good example for an enterprise with social goal (social enterprise) of affordable homes.

EARTHEN LIFE Earthen Life provides a sustainable and a decentralized waste management solution by converting organic waste to renewable energy at source while taking an inclusive approach of integrating the waste pickers and other low income communities in the value chain. Earthen Life is based in Maharashtra with offices at Mumbai and Pune. When many opportunities are available, when the Indian scene is wide open for new ideas, when many social entrepreneurs set the examples, why does entrepreneurs hesitate to make a first step?

#### ❖ **Challenges for Social Entrepreneurs in India**

The positive feedback of success and attention will naturally encourage new entrants, driving more and more effective social entrepreneurial initiatives. Peredo & McLean (2006) indicate that there are nevertheless tremendous hurdles and challenges that many social entrepreneurs face while operating in India and that hinder the entrance of new social entrepreneurial ventures. Unfriendly bankers, procedural delays, bureaucratic indifferences all impede the smooth launching of enterprises. Ironically enough, the policy imperatives with their trust on protecting the new entrepreneurs in the small sector from the shocks of unequal market relations with the large sector, have turned out to be the hardest stumbling blocks on their path to growth and prosperity. Complex and burdensome regulatory and administrative environment created as a result of excessive state intervention became the major deterrent to the emergence of new entrepreneurship. Some of the major challenges are explained below :



### ❖ **Lack of Education in Entrepreneurship:**

Entrepreneurship in India is still encumbered by the traditional educational system of the country. As education is the main source for promoting entrepreneurship in the business sector of the economy, there is still a lack of specific curriculum on entrepreneurship development in the Indian education system. Due to the increasing demand of this sector, currently, the entrepreneurship education is a “new cup of tea” limited to graduates of business schools and management institutes, whereas for other streams of education like the sciences and arts there is not a single course on entrepreneurship in the curriculum. Due to this gap in the Indian education system the country’s entrepreneurial sector is still underdeveloped and struggling. Even business schools that have developed curriculum on entrepreneurship are lacking in terms of social entrepreneurship. This lack of social entrepreneurship knowledge presents a major challenge for social enterprises in finding competent and skilled promoters.

### ❖ **Lack of Financial Assistance:**

Lack of financial sources is a major challenge for the Indian entrepreneur. Generally, the social entrepreneurs run their business with their own funds or by raising funds from the local money lenders at a high rate of interest, which sometimes becomes a financial burden on them. The reason behind this is the bank’s avoidance to providing loan facilities for social entrepreneurs given the various social complications attached with them. Hence the social enterprises have to deal with the challenge of facing a hostile reaction from financial institutions and governments as far as funding is concerned. This forces social entrepreneurs to take, what can be, a more difficult path of approaching venture capitalist and philanthropic organizations.

### ❖ **Social and Cultural Effect:**

In India, the social and cultural perception of social entrepreneurship sometimes becomes a challenge for social entrepreneurs in running their business activities. As in the case of Water Health International, the major focus of this social venture was to awaken the people about various water diseases and how they can be cured, but people were still sceptical about how, and why, WHI is providing the purified water at such a low cost. This impression shows the lack of knowledge or foresightedness of the local community in distinguishing a social business from a normal profit-driven business.

### ❖ **Comparative disadvantages to business**

Social entrepreneurs mainly deal with the difficult task of improving the welfare of the society and they are always keen to find

affordable solutions to various societal problems. But every activity of social business carries a cost, which is mostly borne by the owner out of his own pocket or by taking loans from money lenders. Social entrepreneurs are not necessarily working in a lucrative market; they identify a problem within society and try to find affordable solutions for them. Once they find the way to earn some profit after providing the best low cost solution to the needs of the society, more traditional businesses will enter the market competing with a similar solution and technique, increasing transaction costs and competition for social entrepreneurs and hampering their future growth.

#### ❖ **Lack of Government support**

Lack of government support is a major hindrance for social business development in India. Currently, the government is not providing any kind of assistance for promoting these social cause ventures. The government's policies and regulations for social entrepreneurs are very complex and strict, with no tax incentives or subsidies being provided for a social business, the combination of which acts as major impediment to the growth of social businesses in India.

#### ❖ **Lack of Skilled Manpower**

Social enterprises have to get competent manpower from a variety of sources; professionals, volunteers, labourers and community participants. To align the motives of all these groups with the long term growth of the organization is a challenge for the founders. In order for social enterprises to fulfill their mission in a holistic manner they must typically employ manpower from the underprivileged sector of the society, leading to increased training and developmental cost as these people are typically uneducated and unskilled. The organizations have to attempt to fulfill the aspirations of all these divergent groups and still come out with the best results. Social entrepreneurs in India face a variety of challenges and problems in their day to day operations and while many of them have come a long way in meeting these challenges, there remains a long journey ahead in terms of satisfying their social mission.

#### ❖ **SUGGESTIONS**

A few workable suggestions could help Indian social entrepreneurs in achieving their objectives :

Social enterprise should use the network approach with other social enterprises to avail the opportunities in the market. It helps them to educate the consumer and set the market standards. The social enterprises should work together to educate customers about the difference between their product and those offered (possibly at lower Prices) by other businesses. This would lead to increased demand for their products by the

people who support their cause. This network approach can also be used in lobbying the government and regulatory agencies to create a business environment supportive of social enterprising. This lobbying can influence the government to provide liberal tax policies and investment regulations for the social enterprises.

Social entrepreneurs should assist higher education institutes in India in developing curriculum that instills social entrepreneurship in their students and, in doing so, provides social enterprises with access to good quality managers and promoters.

Majority of the social enterprises are operating mostly in the southern and western parts of India. This is primarily due to the jurisdictional focus of many of these enterprises and this leads to a regional imbalance in the growth of social entrepreneurship within the country. These enterprises should try to expand their operations to act as a mentor for similar organizations in the under-served areas of India. Balancing the growth of social entrepreneurship in the country would go a long way in solving the social problems of a large population spread over the width and breadth of the country.

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## **6.7 SOCIAL ENTREPRENEURSHIP RESPONSIBILITY**

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Even if there are major differences between social entrepreneurship and CSR we can say that both of them have a significant role through social value creation process. This research paper underlines how social value can be amplified through collaborations and partnerships established between firms and social mission organizations. Social entrepreneurship is addressed to social problems caused by the failure of public institutions in addressing social needs. Some definitions limit social entrepreneurship to nonprofit organizations, while others describe social entrepreneurship as for-profit companies operated by nonprofit organizations, or organizations that create a firm at a financial loss. Still others equate social entrepreneurship to philanthropy, while some scholars embrace broader definitions that relate social entrepreneurship to individuals or organizations engaged in entrepreneurial activities with a social goal. Social entrepreneurship is a process that can provide viable solutions to problems with the purpose to improve access to social services, health education and local labor exploitation, reducing all forms of discrimination by providing jobs to people in need. In Romania, social entrepreneurship (social economy) is “the generic term used to refer to a group of people gathered to assume an active economic role in the process of social inclusion, e.g. social enterprises, NGOs (foundations and associations) and other nonprofit organizations that have an important role in management and strengthening activities”.

Located in the social context, the entrepreneurs are innovators of society, an accepted definition and used by many organizations that

sustain social entrepreneurship. Social entrepreneurs focus on systemic social change that disregards institutional and organizational norms and boundaries; they look for sources of resources and alliances exploiting a range of organizational forms from charities to not for profit to commercial venture. The social entrepreneur seeks to achieve social goals by developing new combinations of goods, services and methods, incorporating a high degree of innovation.

#### ❖ **Corporate Social Responsibility**

Corporate Social Responsibility (CSR) brings many benefits and can be considered as an important lever in supporting social entrepreneurship. CSR implies commitment to improve the society through business practices. The approach given by the International Business Forum (2003) assumes that corporate social involvement means the investment in established partnerships with non-profit and public sector in order to create healthy and favorable conditions, targeting both the community needs and objectives of the business. CSR policies help the firm to fulfill the economic and social responsibilities to ensure the wellbeing of the firm and also it's the social welfare. CSR implies commitment to improve the society through business practices. Companies that deal with their social responsibility in a forward-looking manner ensure that CSR becomes an integral aspect of their corporate governance.

CSR is a concept which refers to a supposed duty which all companies (as social entities) should have towards all parties involved in their activity . It refers to „business decisions" that pass beyond the economic and technical interests of the organization. Social involvement is a corporative integrative function of the company involving practices that contribute to the establishing of positive relationships to the communities and to society at various levels. The approach given by the International Business Forum assumes that corporate social involvement means the investment in established partnerships with non-profit and public sector in order to create healthy and favorable conditions, targeting both the community needs and objectives of the business. Businesses can contribute to the solving of these types of problems through partnerships, which is either through a department of an entrusted organization, as a department within the corporation or by a team of representatives of different companies.

Although definitions abound, we can say that two main directions can be highlighted, these being the contribution of own resources or voluntarily attracted ones to social development (community) and the networking with targeted groups important for business and key factors for the company (employees, customers, suppliers, nonprofit organizations, public authorities, the media). All CSR approaches have in common the idea that organizations have responsibilities regarding the social well-being.

## ❖ SOCIAL RESPONSIBILITY OF ENTREPRENEURS IN INDIA

An entrepreneur receives resources from the society, utilises in productive manner and gives some productive output to the society and earns profit. He cannot do anything without the help of society. On the other hand society is also getting benefits from entrepreneurs. Development of a new product, improvement in life style is only possible thru active efforts undertaken by entrepreneur. So we can say there is give and take between entrepreneurs and society. He is debtor as well as creditor of the society. If we study his behavior we find that he receiving from different classes of the society so his responsibility towards society can be understood as follows.

### 1. Responsibility For Consumers

In this world of consumerism it is rightly said that consumer is King. Each and every economic activity is performed to satisfy consumer needs. Responsibility towards consumers can be better fulfilled by reasonable Pricing. An entrepreneur should have properly studied market, income, taste of consumers and accordingly should produce and promote the product. According to change in the preferences, taste, need etc. entrepreneur should introduce modification in the product to satisfy their needs. Entrepreneurs should consult consumer forum and according to their suggestions, decide the quality and price of the product. An entrepreneur should maintain business ethics in quality, quantity, design, price of the product and should not create artificial scarcity of the product to gain abnormal profit.

### 2. Responsibility for Employees

Employees are the life blood of the organisation. Without them an entrepreneur cannot achieve the organisational goal . Satisfied employees are the assets of the business. To satisfy them as per qualification, skill and experience healthy remuneration should be paid and avoid exploitation. Motivating incentive scheme should be introduced. The working place should be neat and clean with proper ventilation and light. For the refreshment, provide canteen, rest, sanitation etc. As lot of families are dependent upon the firm, entrepreneur should provide employees family welfare facilities like fees of their kids, medical allowance etc. While pension, provident fund, gratuity, sick leave will create the environment of safe future. Free medication and life time family maintenance should be provided if he loses any of his organ or his life at the work place. Employees' creative suggestions should be admired with the help of prize or any other motivating mode to satisfy their self actualization need. Entrepreneur should recognize the labour unions and be cooperative with them, try to find amicable solution for the problem. There should be enough room for

discussions and bargaining to avoid strike and lockout.

### **3. Responsibility for Investors:**

When the fund is collected from variety of sources like shares or debentures, responsibility towards the interest of different investors also arises. The prime responsibility is to reward the handsome return on their investments. It is duty of entrepreneur to give detail about the progress of the company periodically. Especially when company is in trouble and not able to give the expected or projected returns, should inform the inventors about the real situation. Variety of forms of investments should be introduced to attract the various types of investors variety of preference shares, debentures. In expansion to collect fund easily and to maintain relations Right issue can be made

### **4. Responsibility For Related Professional Institutes**

An entrepreneur is also connected with different organizations, institutes like chamber of commerce, labour union, mercantile federation, social welfare institute etc. Entrepreneur should fulfill his responsibility towards these organizations, accept the membership of such associations. For the development of the industry and interests of members, such institutes organizes various activities like conferences, seminar etc. Entrepreneur should provide finance for such activities which are helpful for the society. Such institutes provide important information like market trends, new productions technology, new product development, new source of raw material etc. Which are important for the entrepreneur to develop his business. So should be ready to help such institutes as a part of social responsibility.

### **5. Responsibility for Local Public**

Industrial unit is established in the society. So it becomes responsibility of the entrepreneur to take care of residing people living nearby. The interest and lifestyle of the surrounding locality should not be adversely affected. He should put local people for employment in first priority. This will increase positivity for the industry among local people. The local means of production should be used for the development of nearby industry. The natural beauty of the surroundings should not be spoiled due to presence of the industry. If it is polluting, necessary steps should be taken by the entrepreneur to overcome it. Entrepreneur should help local economically backward, widows, unemployed youth. He should arrange special programme for the upliftment and development of orphans and orphanage. To satisfy the basic requirements of the local mass, an entrepreneur should support to develop organisations like school, hospital. He should also undertake efforts to develop public garden, play area etc to enrich the life of local people. Entrepreneur should provide guidance for emerging young entrepreneurs.

He can arrange special programmes in association with any organization for those who possess some entrepreneurial skill. He can give guidelines for establishment of any small scale firm or industry. In any natural calamity like earthquake, flood, drought, heavy rain; entrepreneur should provide help.

## **6. Responsibility For The Nation**

An entrepreneur undertakes his business activities in the boundaries of any nation. So it becomes his duty to follow the law and order of any particular region or nation. The prime duty towards the government is to follow the law and order of that city, state or nation in which it is situated. It is the duty of entrepreneur to pay the genuine tax in time. So that government can better use it for the development of undeveloped locality. The development of any nation is based on the development of basic industries only. So it is social responsibility of the entrepreneur to jump into the basic industries of the nation. Government also supports such industrial development. Innovation is the identity of an entrepreneur. For the development of the society and nation, new product development is needed. Entrepreneur should undertake the research and development and uplift the lifestyle of the nation. According to change in time, government policy also changes. For the development of new industries as well as new entrepreneurs such policies are framed or modified. It is the duty of the entrepreneur to come forward and accept the changes and support the nation for the development. Entrepreneur should try to explore the overseas market and help the nation in form of export. He should take the benefits of entrepreneurship development programmes and utilize the latest information and training for the development of his business and country. For planned development of the country, government organises different programmes and sets the targets in five year programmes. An entrepreneur should take benefits of such programmes and help the government for the development of the nation. Some times for the development of personal organisations, entrepreneurs adopt wrong tactics like bribe, corruption to the government employees. This may result into imbalance growth of the nation. At the cost of needy class of the entrepreneurs, developed entrepreneurs are getting benefits. Nation is the base on which an entrepreneur is developed. So he should always try to increase the wealth and prosperity of the nation. Without the support of national resources, the development would have not taken place. The contribution of government and national wealth should not be overlooked by an entrepreneur. So he should always try to increase the wealth of the nation.

## **7. Responsibility At International Level**

In the modern time, India has also opened the doors for the foreign countries. On the other hand our entrepreneurs have also the

chances to take benefits of overseas market. It's time for global competition. So entrepreneur has to provide global quality standard to sustain in the market. The entrepreneur has to produce the product keeping in mind the global standard. As competition is not limited up to domestic level. Competitors are worldwide. So entrepreneur should be aware with global standards. The biggest benefit of this situation is improvement in quality of the domestic product. To face the competition with global companies, domestic entrepreneur has to introduce new technology. For this either he may undertake research and development or he can have a tie up with any foreign concern having better technological standard. So technological collaborations will be necessary for the domestic entrepreneurs. Due to globalisation, it is possible to invite the foreign investors to invest in our country. Because of foreign direct investment inflow of exchange has increased. An entrepreneur can get benefit of huge investment thru FDI. It is even beneficial for underdeveloped or undeveloped country to develop. An entrepreneur of such a country can grab the opportunity in development of the business. International trade increases the prosperity, wealth of the nation. China could be developed on this basis. Domestic resources are engaged in satisfying needs of other countries will result in increase in national income of the country. That will result in increase in wealth of the country. Because of globalisation better business relations can be developed with friendly countries. Inter dependences will be increased due to this. Exchange of resources will be easier in this case and benefits specialisation and division of labour can be achieved. To develop the business at international level an entrepreneur should follow the international standard of business ethics. Code of conduct of different countries should be followed. Violation of this may result in collapse of global image. So it is the duty of entrepreneur to take care of global business standard. Being part of global business, an entrepreneur should become a part of international union. Such multinational union organises fairs, exhibition etc for the development of the business. So entrepreneur should be alert and grab the opportunity to become member of such multinational union and thru which he can knock the doors of the other countries as well.

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## **6.9 LET'S SUM-UP**

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Social entrepreneurship is the work of a social entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create and manage a venture to make social change. Social entrepreneurship is a process aimed at enabling business to develop more advanced and powerful forms of social responsibility. The Indian scene is full of possibilities and challenges. The country possesses capable human resources, and has made good progress in achieving scientific and technological capabilities.



The economy has been witnessing rapid growth since the onset of liberalizations from 1991 onwards. Unfortunately social and environmental problems of the country are increasing year after year which necessitates the extensive application of multidisciplinary approaches and entrepreneurial energy in the social and environmental sectors. India is experiencing an increase in social entrepreneurship and attempts by social entrepreneurs to find affordable solutions to various social problems of society. With changes in technology and increasing competition, social entrepreneurs have to become more dynamic.

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**6.10 KEY TERMS**

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Social entrepreneurship; Scaling; Social Performance; Social Networks

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**6.11 SELF-ASSESSMENT QUESTIONS**

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1. What would you describe as the purpose of entrepreneurship? That is; what role do entrepreneurs play?

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2. How can you encourage the formation of an entrepreneurial society?

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**6.13 FURTHER READINGS**

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- Alvord, Sarah H., David L. Brown, and Christine W. Letts. “Social Entrepreneurship and Societal Transformation: An Exploratory Study.” *Journal of Applied Behavioral Science* 40, no. 3 (2004): 260–82.
- Anderson, Beth Battle, and J. Gregory Dees. “Rhetoric, Reality, and Research: Building a Solid Foundation for the Practice of Social Entrepreneurship.” In *Social Entrepreneurship: New Models of Sustainable Social Change*, edited by Alex Nicholls,

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- Ashoka. “What is a Social Entrepreneur?”  
[http://ashoka.org/social\\_entrepreneur](http://ashoka.org/social_entrepreneur)

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### **6.13 MODEL QUESTIONS**

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1. Why companies encourage their employees to be entrepreneurial?
2. What should be the startup strategy for an entrepreneurial society?
3. What could government or society to encourage social entrepreneurship?

**UNIT: 7****WOMEN ENTREPRENEURSHIP****STRUCTURE****7.0 Learning Objectives****7.1 Introduction****7.2 Definition****7.3 Women Entrepreneurship****7.4 Female Entrepreneurship – Gender specific constraints****7.5 Women Entrepreneurship in India****7.6 Challenges faced by Women Entrepreneurship in India****7.7 Problems and Prospects of Women Entrepreneurship in India****7.8 Let's Sum-up****7.9 Key Terms****7.10 Self-Assessment Questions****7.11 Further Readings****7.12 Model Questions**

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**7.0 LEARNING OBJECTIVES**

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After completion of the unit, you should be able to :

- Understand the Women Entrepreneurship in India.
- Describe the Problems and Prospects in Women Entrepreneurship
- Explain the definition, Meaning, Implications and Challenges faced by Women Entrepreneurship

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**7.1 INTRODUCTION**

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The educated Indian women have to go a long way to achieve equal rights and position because traditions are deep rooted in Indian society where the sociological set up has been a male dominated one. Despite all the social hurdles, Indian women stand tall from the rest of the crowd and are applauded for their achievements in their respective field. The transformation of social fabric of the Indian society, in terms of

increased educational status of women and varied aspirations for better living, necessitated a change in the life style of Indian women. She has competed with man and successfully stood up with him in every walk of life and business is no exception for this. These women leaders are assertive, persuasive and willing to take risks. They managed to survive and succeed in this cut throat competition with their hard work, diligence and perseverance.

In India, women entrepreneurship is a recent topic which started only after the 1970s with the introduction of the Women's Decade (1975 to 1985) and which mostly picked up in the late 70s. This phenomenon was particularly visible only in the metropolitan and state capitals in India. It took a much longer time to percolate to the other cities and municipalities. Hence researches and publications in India in this new area are limited. The little that is available is the pioneering work done by certain organizations and institutions engaged in the promotion of entrepreneurship in the form of occasional studies leading to publication of an article now and then.

Entrepreneurial development is a complex phenomenon. Entrepreneurs play a key role in the economic development of a country. Entrepreneurship may be regarded as a powerful tool for economic development of a predominantly agricultural country like India. Since independence, small scale entrepreneurship programmes have contributed significantly to the economic growth. To create entrepreneurship among the students, younger generation, the small scale sector has to be made a vital part of our economy next only to agriculture. The human resource 42 in Small Scale industries are found to be more helpful in maintaining them on profitable employment opportunities. It may be pointed out that the ideal "Golden Age" of Mrs. Robinson has come only through entrepreneurship development.

The quest for economic independence and better social status and sometimes sheer need for the family's survival, force women into self-employment and entrepreneurship" (Pillai and Anna, 1990) In India, economic development has brought about changes in women's lives in many ways, because of advancement in medicine, availability and access to birth control devices, modern household appliances reducing the time and drudgery of house-hold work "But with the rising cost of living, the middle class family finds it very difficult today to manage with the husbands' income alone" (Roguradha Reddy 1986) At this critical position, self-employment is the safer way to generate income. In addition, self-employment also changes the position of women from being job-seekers to job givers .

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## 7.2 DEFINITION

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“Women who innovate initiate or adopt business actively are called women entrepreneurs” Women entrepreneurship is based on women participation in equity and employment of a business enterprise.”

Entrepreneurship plays an imperative role in the growth of any society. Development of entrepreneurship culture and qualitative business development services are the major requirements for industrial growth. Entrepreneurship emerges from an individual’s creative spirit into long-term business ownership, employment creation, capital formation and economic security. Entrepreneurial skills are essential for industrialisation and for alleviation of mass unemployment and poverty. As technology speeds up lives, women are an emerging economic force, which cannot be neglected by the policy makers. The world’s modern democratic economy depends on the participation of both sexes. Irene Natividad has observed that “Global markets and women are not often used in the same sentence, but increasingly, statistics show that women have economic clout most visibly as entrepreneurs and most powerfully as consumers”<sup>1</sup>. Today, women in advanced market economies own more than 25 per cent of all businesses and women-owned businesses in Africa, Asia, Eastern Europe, and Latin America are growing rapidly. In some regions of the world, transformation to market economy, women entrepreneurs is a growing trend. However, in India, the actual participation of women in income generating activities is quite unsatisfactory, only eight per cent of the small scale- manufacturing units are owned and operated by women.

Entrepreneurship is an economic activity which is undertaken by an individual or group of individuals. Entrepreneurship can be defined as the making of a “new combination” of already existing materials and forces; that entrepreneurship throws up as innovations, as opposed to inventions and that no one is entrepreneur for ever, only when he or she is actually doing the innovative activity.

Women entrepreneurship is the process where women organise all the factors of production, undertake risks, and provide employment to others. The definition of women entrepreneurship has never been differentiated on the basis of sex and hence could be extended to women entrepreneurs without any restrictions.

According to Medha Dubhashi Vinze, a woman entrepreneur is a person who is an enterprising individual with an eye for opportunities and an uncanny vision, commercial acumen, with tremendous perseverance and above all a person who is willing to take risks with the unknown because of the adventurous spirit she possesses<sup>5</sup>. Thus, a woman entrepreneur is one who starts business and manages it independently and

tactfully, takes all the risks, faces the challenges boldly with an iron will to succeed.

Women entrepreneurship is an economic activity of those women who think of a business enterprise, initiate it, organise and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

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### **7.3 WOMEN ENTREPRENEURSHIP**

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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”.

Kamal Singh who is a woman entrepreneur from Rajasthan, has defined woman entrepreneur as “a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life.”

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.

**All these entrepreneurial functions can be classified broadly into three categories:**

- (i) Risk-bearing
- (ii) Organisation
- (iii) Innovations

**Evolution of Women Entrepreneurship**

Although women form a very large proportion of the self-employed group, their work is often not recognised as “work”. The prevailing ‘household strategy’ catalyses the devaluation of women’s productive activities as secondary and subordinate to men’s work. Women’s contributions vary according to the structure, needs, customs and attitudes of society. Women entered entrepreneurial activities because of poor economic conditions, high unemployment rates and divorce catapult. In Babylonia, about 200 B.C., women were permitted to engage in business and to work as scribes. By 14th century, in England and France, women were frequently accepted on a par with men as carpenters, saddlers, barbers, and tailors. Dressmaking and lace making guilds were competed more with men for some jobs, but were concentrated primarily in textile mills and clothing factories<sup>7</sup>. In 1950, women made up nearly 25 per cent of both industrial and service sectors of the developing countries. In 1980, it increased to 28 per cent and 31 per cent respectively. Meanwhile, in 1950, 53 per cent of females and 65 per cent of males of industrialised countries were in non-agricultural sectors<sup>8</sup>. As a result of the economic crisis of the 1980s and the commercialisation and modernisation of the economy, women lost employment in agriculture and industries. This pushed women in urban areas to find out a suitable solution for generating income, which resulted in the emergence of self-employment, largely in micro- businesses in the

informal sector.

### **Importance of Women Entrepreneurship**

Women perform an important role in building the real backbone of a nation's economy. There is considerable entrepreneurial talent among women. Many women's domestic skills such as people and time management and household budgeting are directly transferable in the business context. Women have the ability to balance different tasks and priorities and tend to find satisfaction and success in and from building relationships with customers and employees, in having control of their own destiny, and in doing something that they consider worthwhile. They have the potential and the will to establish and manage enterprises of their own. These qualities and strengths of women are to be tapped for productive channels. But simultaneous creation and development of small business among women is a difficult task. According to Brady Anderson J., "Eventhough women's contributions to business are one of the major engines of global economic growth, too often, women do not have access to basic business education, commercial credit and marketing opportunities. Maintenance of proper quantitative balance among various economic activities is one of the principal functions of the economic system, which should operate to give equal freedom of choice to men and women.

The process of economic development would be incomplete and lopsided, unless women are fully involved in it. The orientation of a society as a whole, regarding desirability that women should play an equal part in the country's development, is a very important precondition for the advancement not only of women, but the country as a whole. The highest national priority must be for the unleashing of woman power which is the single most important source of societal energy. Women entrepreneurs should be regarded as individuals who take up roles in which they would like to adjust their family and society, economic performance and personal requirements. "Emancipation of women is an essential prerequisite for economic development and social progress of the nations.

In the closing years of the 21st century, multi- skilled, productive and innovative women entrepreneurs are inextricable for achieving sustained economic growth. Globalisations of industrial production and economic interdependence has become the torch-bearers for all international cooperations. In the dynamic world which is experiencing the effects of globalisation, privatisation and liberalisation, women entrepreneurs are likely to become an even more important part of the global quest for sustained economic growth and social development. The economic status of woman is now accepted as an indication of the society's stage of development. Women (especially rural women) are



vital development agents who can play a significant role in the economic development of a nation, but they should have an equal access to productive resources, opportunities and public services. It has also been realised in the last few years that the widespread poverty and stunted economic growth can be overcome only by gainful and sustainable economic participation of women. National development will be sluggish, if the economic engine operates only at half power. Women in Enterprise Building has emerged as an agenda for many policy makers, researchers, and trainers and as well as for associations and organisations involved in women development. If women acquire skills, they can carve a niche for themselves in the outside world too. This is the reason why women entrepreneurship development has become a subject of great concern and serious discussion in recent times.

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## **7.5 WOMEN ENTREPRENEURSHIP IN INDIA**

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Women entrepreneurship in India represents a group of women who have broken away from the beaten track and are exploring new vistas of economic participation. Women in India entered business due to pull and push factors. Their task has been full of challenges. In spite of the family opposition, many women have proved themselves independent and successful entrepreneurs. The emergence of women entrepreneurs and women-owned firms and their significant contributions to the economy are visible in India and these businesses are ready for continued growth in the future. In India, women constitute half of the total population (495.74 million), but their participation in the economic activity is very low.

In India, women are relatively powerless with little or no control over resources and little decision making power. Women in the informal sector are found to be home-based workers, engaged in the petty manufacture of goods, either on piece rate basis or on own account, petty traders and petty shopkeepers or service specialists. Studies reveal that 89 per cent of India's women workers toil in the informal sectors in sub-human conditions. Over 2/3 of the enterprises are self owned and have a fixed capital of less than Rs.50/- . Over 4/5 of the women workers in this sector earn less than Rs.500/-p.m. The income earned by women in this sector is said to be about 1/4 of that of a woman in the organised sector".

Nowadays women are well-educated with technical and professional qualifications. Many of them have medical, management and similar degrees and diplomas. Many entered their family business as equal partners. Women set up their own clinics or nursing homes, small boutiques, small manufacturing enterprises and entered garment exports. They have their own personal choices and the courage to undertake new ventures. However, many have to face family antipathy and do not get

adequate support from their family.

### **Organisations Promoting Women Entrepreneurship in India**

- i. **National Resource Centre for Women (NRCW)** An autonomous body set up under the National Commission for Women Act, 1990 to orient and sensitise policy planners towards women's issues, facilitating leadership training and creating a national database in the field of women's development.
- ii. **Women's India Trust (WIT)** WIT is a charitable organisation established in 1968 to develop skills of women and to earn a regular income by providing training and employment opportunities to the needy and unskilled women of all communities in and around Mumbai.
- iii. **Women Development Corporation (WDC)** WDCs were set up in 1986 to create sustained income generating activities for women to provide better employment avenues for women so as to make them economically independent and self-reliant.
- iv. **Development of Women and Children in Urban Area (DWCUA)** DWCUA was introduced in 1997 to organise the urban poor among women in socio-economic self-employment activity groups with the dual objective of providing self-employment opportunities and social strength to them.
- v. **Association of Women Entrepreneurs of Karnataka (AWAKE)** AWAKE was constituted by a team of women entrepreneurs in Bangalore with a view to helping other women in different ways – to prepare project report, to secure finance, to choose and use a product, to deal with bureaucratic hassles, to tackle labour problems, etc.
- vi. **Working Women's Forum (WWF)** WWF was founded in Chennai for the development of poor working women to rescue petty traders from the clutches of middlemen and to make them confident entrepreneurs in their own right. The beneficiaries are fisher women, lace makers, beedi making women, landless women, labourers and agarbathi workers.
- vii. **Association of Women Entrepreneurs of Small Scale Industries (AWESSI)** It was founded in Ambattur in Chennai in 1984 to promote, protect and encourage women entrepreneurs and their interests in South India to seek work and co-operate with the Central and State Government services and other Government agencies and to promote measures for the furtherance and protection of small-scale industries.
- viii. **Women's Occupational Training Directorate** It organises regular skill training courses at basic, advanced and post advanced levels. There are 10 Regional Vocational Training Institutes (RVTIs) in

different parts of the country, besides a National Vocational Training Institute (NVTI) at NOIDA.

- ix. **Aid The Weaker Trust (ATWT)** ATWT was constituted in Bangalore by a group of activists to impart training to women in printing. It is the only one in Asia. Its benefits are available to women all over Karnataka. It provides economic assistance and equips girls with expertise in various aspects of printing and building up self- confidence.
- x. **Self- Employed Women's Association (SEWA)** SEWA is a trade union registered in 1972. It is an organisation of poor self-employed women workers. SEWA's main goals are to organise women workers to obtain full employment and self- reliance.
- xi. **Women Entrepreneurship of Maharashtra (WIMA)** It was set up in 1985 with its head office in Pune to provide a forum for members and to help them sell their products. It also provides training to its members. It has established industrial estates in New Mumbai and Hadapsar.
- xii. **Self- Help Group (SHG)** An association of women, constituted mainly for the purpose of uplifting the women belonging to the Below Poverty Line (BPL) categories to the Above Poverty Line (APL) category. The major activities of the group are income generation programmes, informal banking, credit, unions, health, nutritional programmes, etc.
- xiii. **The National Resource Centre for Women (NRCW)** An autonomous body set up to orient and sensitise policy planners towards women's issues, facilitating leadership training and creating a national data base in the field of women's development
- xiv. **Women Development Cells (WDC)** In order to streamline gender development in banking and to have focused attention on coverage of women by banks, NABARD has been supporting setting up of Women Development Cells (WDCs) in Regional Rural Banks and Cooperative Banks.

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## **7.6 CHALLENGES FACED BY WOMEN ENTREPRENEURSHIP IN INDIA**

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As the entrepreneurial process (the establishment of the firm and its possible growth) is assumed to be path dependent, initial financing and continued financing for growth become related issues.<sup>4</sup> Hence, the outcome of the entrepreneurial process is sensitive to the effect of a wide range of initial conditions, but also to the contingent events in altering these conditions over time. Therefore, it is not enough to review the general conditions that affect women's entrepreneurship, but it is also necessary to review how these different conditions actually translate into different barriers women might meet when being engaged in the

entrepreneurial process.

Obstacles are divided into four different parts: general obstacles to women engaging in entrepreneurship (opportunity recognition and willingness to start firms); specific obstacles to start-ups (assembling necessary information, financial and human resources to start a firm); specific obstacles to managing a small firm; and specific obstacles to growing firms.

### **General obstacles**

The lack of role models in entrepreneurship. There exists a strong connection between the presence of role models and the emergence of entrepreneurs and women as they historically have not been present as entrepreneurs in general lack close role models. Role models are persons that by their attitudes, behaviours and actions establish the desirability and credibility of a choice (in this case becoming an entrepreneur) for an individual. Furthermore, the influence of role models is gender related. That is, an individual will be more influenced by another individual of the same sex, as one's aspirations and choices tend to be more influenced by persons of the same sex. This is a result that has been replicated in different countries and employing different methods.

An example of the importance of role models is the well-known fact in entrepreneurship research that children of self-employed parents are over-represented among firm owners and those trying to start a business. There also seems to be some evidence suggesting that whereas occupational inheritance declines with economic development, it still persists at a high level among self-employed or entrepreneurs. We know that the success of the self-employed parent is of central importance to the child's perception of entrepreneurship as a career option. In particular, individuals who are children to parents perceived as being successful as entrepreneurs are more likely to choose entrepreneurship as a career than individuals who perceive their parents as being less successful or have parents who are not self-employed.

### **Obstacles specific to growing firms**

A specific problem of women entrepreneurs seems to be their inability to achieve growth especially sales growth. As discussed previously, lack of motivation might be a contributing factor. Basically, women because of having a greater day-to-day responsibility for the family have less time to invest in the development of their firms.

Another previously addressed issue is finance and as stated previously, the entrepreneurial process is somewhat dependent on initial conditions. In other words, as women often have a difficult time to assemble external resources, they start less ambitious firms that can be

financed to a greater degree by their own available resources. This also has consequences for the future growth of the firm. Basically, firms with more resources at start-up have a higher probability to grow than firms with fewer resources. By resources is meant here societal position, human resources and financial resources. This initial endowment in the firm is therefore of great importance for firm survival and especially for firm growth.

Two explanations can be offered. The first is that the initial endowment gives the firm a better chance to get established and to survive the first turbulent years. This enables the firm to establish routines and competencies needed to then engage in growth. Here, the human capital and the social position are central to the process. The second explanation relies more on the effect of rapid penetration of the market due to financial resources. In this scenario, a new firm with a higher endowment (more financial resources) starts ahead of other similar new firms. Therefore it can more rapidly penetrate the market and attract more customers and financiers when needing to finance the expansion of the firm. This consequently leads to both higher survival rates and more rapid and substantial growth. The explanations are complementary, but point to the importance of how initial conditions related to the founders (human capital and the sex), the nature of the opportunity and which resources can be attracted early on. As we have seen, women are disadvantaged from the beginning, which makes it less probable for them to “catch up” with men-managed firms.

Despite that many women entrepreneurs face growth barriers, they are still able to achieve substantial firm growth. We have seen examples of that both in a number of developing economies surveyed by the ILO, as well as in more developed economies such as the United States. The ability of women entrepreneurs to achieve firm growth and attract venture capital has now become so important that it has become a topic for systematic research. Furthermore, this development has led to the creation of networks of women angel investors, to the creation of women’s venture capital , to training of women and minority venture capitalists, to women-owned businesses being certified and trained to become suppliers to Fortune 500 companies (Women’s Business Enterprise National Council, known as WBENC) and to the creation of the Women President’s Organization (WPO) for high-growth women CEOs. Thus women’s entrepreneurship is not only about micro enterprises as is often assumed. Summary To sum up this section.

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## **7.7 PROBLEMS AND PROSPECTS OF WOMEN ENTREPRENEURSHIP IN INDIA**

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Women Entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. The Government of India has defined women entrepreneurs as —an enterprise owned and controlled by 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. Women entrepreneurs engaged in business due to push and pull factors which encourage women to have an independent occupation and stands on their own legs. A sense towards independent decision-making on their life and career is the motivational factor behind this urge. Saddled with household chores and domestic responsibilities women want to get independence. Under the influence of these factors the women entrepreneurs choose a profession as a challenge and as an urge to do something new. Such a situation is described as pull factors. While in push factors women engaged in business activities due to family compulsion and the responsibility is thrust upon them.

### **Reasons For Women Becoming Entrepreneurs**

The glass ceilings are shattered and women are found indulged in every line of business. The entry of women into business in India is traced out as an extension of their kitchen activities, mainly 3P's, Pickle, Powder and Pappad. But with the spread of education and passage of time women started shifting from 3P's to modern 3E's i.e., Energy, Electronics and Engineering. Skill, knowledge and adaptability in business are the main reasons for women to emerge into business ventures. 'Women Entrepreneur' is a person who accepts challenging role to meet her personal needs and become economically independent. A strong desire to do something positive is an inbuilt quality of entrepreneurial women, who is capable of contributing values in both family and social life. With the advent of media, women are aware of their own traits, rights and also the work situations. The challenges and opportunities provided to the women of digital era are growing rapidly that the job seekers are turning into job creators. Many women start a business due to some traumatic event, such as divorce, discrimination due to pregnancy or the corporate glass ceiling, the health of a family member, or economic reasons such as a layoff. But a new talent pool of women entrepreneurs is forming today, as more women opt to leave corporate world to chart their own destinies. They are flourishing as designers, interior decorators, exporters, publishers, garment manufacturers and still exploring new avenues of economic participation.

The following flow chart shows the reasons for women becoming entrepreneurs.

### **Reasons For Slow Progress Of Women Entrepreneurs In India**

The problems and constraints experienced by women entrepreneurs have resulted in restricting the expansion of women entrepreneurship. The major barriers encountered by women entrepreneurs are :

The greatest deterrent to women entrepreneurs is that they are women. A kind of patriarchal- male dominant social order is the building block to them in their way towards business success. Male members think it a big risk financing the ventures run by women

Women entrepreneurs have to face a stiff competition with the men entrepreneurs who easily involve in the promotion and development area and carry out easy marketing of their products with both the organized sector and their male counterparts. Such a competition ultimately results in the liquidation of women entrepreneurs.

Lack of self-confidence, will-power, strong mental outlook and optimistic attitude amongst women creates a fear from committing mistakes while doing their piece of work. The family members and the society are reluctant to stand beside their entrepreneurial growth. Women in India lead a protected life. They are even less educated, economically not stable nor self-dependent which reduce their ability to bear risks and uncertainties involved in a business unit. The old and outdated social outlook to stop women from entering in the field of entrepreneurship is one of the reasons for their failure. They are under a social pressure which restrains them to prosper and achieve success in the field of entrepreneurship. Unlike men, women mobility in India is highly limited due to many reasons. A single women asking for room is still looked with suspicion. Cumbersome exercise involved in starting with an enterprise coupled with officials humiliating attitude towards women compels them to give up their spirit of surviving in enterprise altogether. Women's family obligations also bar them from becoming successful entrepreneurs in both developed and developing nations. The financial institutions discourage women entrepreneurs on the belief that they can at any time leave their business and become housewives again.

Indian women give more emphasis to family ties and relationships. Married women have to make a fine balance between business and family. The business success also depends on the support the family members extended to women in the business process and management. Women's family and personal obligations are sometimes a great barrier for succeeding in business career. Only few women are able to manage both home and business efficiently, devoting enough time to perform all their responsibilities in priority. The educational level and family background of husbands also influences women participation in the field of enterprise. Absence of proper support, cooperation and back-

up for women by their own family members and the outside world people force them to drop the idea of excelling in the enterprise field. They are always making many pessimistic feelings to be aroused in their minds and making them feel that family and not business is a place meant for them.

Many women take the training by attending the Entrepreneurial Development programme without an entrepreneurial bent of mind. Women who are imparted training by various institutes must be verified on account of aptitude through the tests, interviews, etc.

High production cost of some business operations adversely affects the development of women entrepreneurs. The installations of new machineries during expansion of the productive capacity and like similar factors discourage the women entrepreneurs from venturing into new areas.

Women controlled business are often small and it is not always easy for women to access the information they need regarding technology, training, innovative schemes, concessions, alternative markets, etc. Just a small percentage of women entrepreneurs avail the assistance of technology and they too remain confined to word processing software in the computer. They hardly make use of advanced software available like statistical software SAP, Accounting Package like TALLY, Animation software 3D MAX, internet, etc.

Lack of awareness about the financial assistance in the form of incentives, loans, schemes etc. by the institutions in the financial sector. So the sincere efforts taken towards women entrepreneurs may not reach the entrepreneurs in rural and backward areas.

Achievement motivation of the women folk found less compared to male members. The low level of education and confidence leads to low level achievement and advancement motivation among women folk to engage in business operations and running a business concern.

Apart from the above problems there may occur other series of serious problems faced by women entrepreneurs as improper infrastructural facilities, high cost of production, attitude of people of society towards the women modern business outlook, low needs of enterprise. Women also tend to start business about ten years later than men, on average. Motherhood, lack of management experience, and traditional socialization has all been cited as reasons for delayed entry into entrepreneurial careers.

### **Steps Taken By The Government**

At present, the Government of India has over 27 schemes for women operated by different departments and ministries. Some of these are:

- Integrated Rural Development Programme (IRDP)
- Khadi And Village Industries Commission (KVIC)



- Training of Rural Youth for Self-Employment (TRYSEM)
- Prime Minister's Rojgar Yojana (PMRY)
- Entrepreneurial Development programme (EDPs)
- Management Development programmes
- **Women's Development Corporations (WDCs)**
- Marketing of Non-Farm Products of Rural Women (MAHIMA)
- Assistance to Rural Women in Non-Farm Development (ARWIND)
- Trade Related Entrepreneurship Assistance and Development (TREAD)
- Working Women's Forum
- Indira Mahila Yojana
- Indira Mahila Kendra
- Mahila Samiti Yojana
- Mahila Vikas Nidhi
- Micro Credit Scheme
- Rashtriya Mahila Kosh
- SIDBI's Mahila Udyam Nidhi
- Mahila Vikas Nidhi
- SBI's Stree Shakti Scheme
- NGO's Credit Schemes
- Micro & Small Enterprises Cluster Development Programmes (MSE-CDP).
- National Banks for Agriculture and Rural Development's Schemes
- Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP)
- Priyadarshini Project- A programme for Rural Women Empowerment and Livelihood in Mid Gangetic Plains'
- NABARD- KFW-SEWA Bank project
- Exhibitions for women, under promotional package for Micro & Small enterprises approved by CCEA under marketing support.

The efforts of government and its different agencies are ably supplemented by NGOs that are playing an equally important role in facilitating women empowerment. Despite concerted efforts of governments and NGOs there are certain gaps. Of course we have come a long way in empowering women yet the future journey is difficult and demanding.

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## **7.8 LET'S SUM-UP**

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Most studies of women entrepreneurs in India have studied women entrepreneurs their non-entrepreneur peers or VIS-a-vis male entrepreneurs. Many programmes have been implemented by the central / state governments to motivate people to take up self-employment. This researcher work aims to evaluate the government programmes for women's development especially on the disadvantaged women.

A few characters in the social status of women entrepreneurs are inevitable; such as Psychological dependency of the business women on their family members in decision making ,to share family responsibility simultaneously along with their entrepreneurial responsibility.

The personality traits of the women in communicating with others

- Lack of interest and proper exposure to the things leading to run enterprises with names of women
- of proper training before entering into the business
- Interested in routine matters only and not involving in innovative ventures
- of marketing orientation in entrepreneurship
- Inability to distinguish entrepreneurial functions from other functions like management, production and speculation

Thus it is suggested that the requirements of women entrepreneurs are:

- I. to build up courage and self confidence
- II. to fix priorities in family and business activities by allocating adequate time for both appropriately
- III. must have urge to learn new things and to undergo training on various skills of entrepreneurship
- IV. Production orientation must be changed to real marketing orientation, to gain the maximum satisfaction of the maximum number of customers.
- V. involving in risk taking and taking effective decisions appropriately
- VI. preparedness to accept changes
- VII. elimination of unnecessary activities
- VIII. build good relationship / working atmosphere for the employees within the organization

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## **7.9 KEY TERMS**

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Entrepreneurship, Women, Business, Gender

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## **7.10 SELF-ASSESSMENT QUESTIONS**

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1. What does it take to become a female leader?

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2. What do you think are the best ways to encourage and assist women to become leaders (e.g., education, mentoring)?

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3. What, in your opinion, are the top qualities of women leaders?

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**7.11 FURTHER READINGS**

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1. Surti, K. And Sarupriya, D. (1983) **“Psychological Factors Affecting Women Entrepreneurs: Some Findings,”** INDIAN JOURNAL OF SOCIAL WORK,(44 (3), 1983, 287-295
2. Singh, N.P., and Sengupta, R.(1985) **Potential Women Entrepreneurs: Theory Profile, Vision and Motivation : An Exploratory Study,** (Research Report Serial One, NIESBUD, New Delhi)
3. Singh, N.P., Sehgal,P, Tinani, M. And Sengupta, R. (1986) **Successful Women Entrepreneurs – Their Identity, Expectations and Problems:** An Exploratory Research Study, Research Report Serial Two, NIESBUD/ MDI, Collaboration, (New Delhi)

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**7.12 MODEL QUESTIONS**

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1. What are the differences in male and female entrepreneurs?
2. What are the essential qualities of an entrepreneur?
3. What are the major challenges for an women entrepreneur?

**UNIT : 8****RURAL ENTREPRENEURSHIP****STRUCTURE:****8.0 Learning Objectives****8.1 Introduction****8.2 Definition****8.3 Rural Entrepreneurship in India****8.4 Rural Industry****8.5 Globalization in Rural Industry****8.6 Challenges faced by Rural Entrepreneurship in India****8.7 Problems of Rural Entrepreneurship****8.8 Role of Rural Entrepreneurs in Economic Development****8.9 Let's Sum-up****8.10 Key Terms****8.11 Self-Assessment Questions****8.12 Further Readings****8.13 Model Questions**

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**8.0 LEARNING OBJECTIVES**

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After completion of the unit, you should be able to :

- Understand the Rural Entrepreneurship in India.
- Describe the Effect of Globalization in Rural Industry.
- Explain the definition, Meaning, Implications and Challenges faced by Rural Entrepreneurship in India
- Know the Problems of Rural Entrepreneurship

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**8.1 INTRODUCTION**

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Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Furthermore, institutions and individuals seem to agree on the urgent need to promote rural enterprises: development agencies see rural

entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support. To all these groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

The entrepreneurial orientation to rural development accepts entrepreneurship as the central force of economic growth and development, without it other factors of development will be wasted or frittered away. However, the acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment enabling entrepreneurship in rural areas. The existence of such an environment largely depends on policies promoting rural entrepreneurship. The effectiveness of such policies in turn depends on a conceptual framework about entrepreneurship, i.e., what it is and where it comes from.

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## 8.2 DEFINITION

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Defining entrepreneurship is not an easy task. To some, entrepreneurship means primarily innovation, to others it means risk-taking? To others a market stabilizing force and to others still it means starting, owning and managing a small business. An entrepreneur is a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms or as a person who is willing to take risks or a person who by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand or as one who owns and operates a business.

**Entrepreneurship** emerging in **rural** areas is called **rural entrepreneurship**. Establishing industries in **rural** areas refers to **rural entrepreneurship**. **Rural entrepreneurship** is synonymous of **rural industrialization**.

### **According to the KVIC:-**

Rural industry means any industry located in rural areas, population of which does not exceed 10,000 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 Government of India:-**

Any industry located in rural area, village or town with a population of 20,000 and below and an investment of

Rs. 3 crores in plant and machinery.

The problem is essentially lopsided development which is a development of one area at the cost of development of some other place, with concomitant associated problems of underdevelopment. For instance, we have seen unemployment or underemployment in the villages that has led to influx of rural population to the cities. What is needed is to create a situation so that the migration from rural areas to urban areas comes down. Migration per se is not always undesirable but it should be the minimum as far as employment is concerned. Rather the situation should be such that people should find it worthwhile to shift themselves from towns and cities to rural areas because of realization of better opportunities there.

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### **8.3 RURAL ENTREPRENEURSHIP IN INDIA**

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Since national economies are more and more globalized and competition is intensifying at an unprecedented pace, affecting not only industry but any economic activity including agriculture, it is not surprising that rural entrepreneurship is gaining in its importance as a force of economic change that must take place if many rural communities are to survive. However, entrepreneurship demands an enabling environment in order to flourish. Some individuals who happen to be local leaders and NGOs and who are committed to the cause of the rural people have been catalytic agents for development. Though their efforts need to be recognized yet much more needs to be done to reverse the direction of movement of people, i.e. to attract people in the rural areas. It means not only stopping the outflow of rural people but also attracting them back from the towns and cities where they had migrated. This is possible when young people consider rural areas as places of opportunities.

Despite all the inadequacies in rural areas one should assess their strengths and build on them to make rural areas places of opportunities. This is much to do with the way one sees the reality of the rural areas. The way a survivor or job seeker would see things would certainly be different from those who would like to do something worthwhile and are ready to go through a difficult path to achieve their goals. It isn't that there is a dearth of people with such a mindset. But with time they change their minds and join the bandwagon of job seekers due to various complications. Enabling them to think positively, creatively and Entrepreneurship purposefully is most of the development of rural areas. Young people with such perspective and with the help of rightly channelized efforts would usher in an era of rural entrepreneurship.

The basic principles of entrepreneur which applied the rural development are:

- Optimum utilization of local resources in an entrepreneurial venture by rural population - Better distributions of the farm produce results in the rural prosperity.
- Entrepreneurial occupation rural population to reduce discrimination and providing alternative occupations as against the rural migration.
- To activate such system to provide basic '6 m'- manpower, money, material, machinery, management and market to the rural population.

### **Rural Entrepreneurship in changing Environment:**

The changing global environment raises questions about the ability of traditional, small-scale businesses in rural areas to share the potential benefits offered by the changing environment. The rapid (though declining) population growth, coupled with even faster urbanization, creates increasing demands. In India, urban populations in general grow about twice as fast as the overall total, and by 2020 they may exceed the size of rural populations. Such a major demographic trend challenges the capacities of some traditional small-scale businesses to cope with the increasing demands.

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## **8.4 RURAL INDUSTRY**

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"Rural Industry" means any premises used for handling, treating, processing, packing or distributing primary products and includes the servicing in a workshop of plant and equipment used or intended for use for rural uses in the locality.

### **Highlights:**

- Rural industrialisation has been given prominence in the current decade and enterprises under SIDO, KVIC and PMRY have received more attention.
- Employment under KVIC has shown remarkable progress and it may exceed 100 lakh persons in the near future.
- The high economic growth, perhaps, caused spurt in the demand for cloth and more so for garments. However, the production of cloth declined in 2009-10 more so in Handloom sector and in decentralized sector. The silk industry has been witnessing phenomenal improvement.
- The number of rural enterprises have been increasing over time. Six states viz., West Bengal, Andhra Pradesh, Uttar Pradesh, Tamil Nadu,

Maharashtra and Kerala account for about 58 per cent of the rural enterprises in the country and 57 per cent of the total employment in this sector.

- Percentage of agricultural enterprises in rural areas is higher in Gujarat, Andhra Pradesh, Kerala and Tamil Nadu.
- Share of female workers in rural enterprises is high in Andhra Pradesh, Gujarat, Karnataka, Kerala, Manipur, Mizoram, Nagaland, Sikkim and TamilNadu.
- Impressive growth rates of enterprises in rural areas of Haryana, Jammu & Kashmir, Kerala, Mizoram, Punjab, Tamil Nadu, Uttar Pradesh and Uttarakhand during 1998-2005 are observed. Very high growth of employment in rural enterprises is witnessed in Haryana, Jammu & Kashmir and Uttarakhand.

The Ministry of Agro and Rural Industries (MoARI) in India was established in September, 2001 with the aim to develop the Rural Industries in the Indian Economy. The main objectives of this initiative were to ameliorate the supply chain management, upgrade skills, introduce innovative technologies and expand markets of the entrepreneurs and artisans. A wide range of programs, schemes, projects and policies have been formulated to carry out various activities in the rural sector in India. Also, the Government of India has also ensured employment generation program in the rural regions under Rural Employment Generation Program (REGP) and the Prime Minister's Rozgar Yojana (PMRY) in association with of State Governments, Reserve Bank of India (RBI) and other banks.

**Some of the major sectors in rural economy of India have been listed below:Rubber Business in India-**

Rubber is one of the significant commercial crops in India. Rubber Industry in India has accounted for a production of 6.49 lakh tons for the year 2006. Places in India where rubber is cultivated include areas of southwest Konkan and Malabar Coast in Kerala and in some areas of Tamil Nadu.

**Fisheries in Rural India**

The fish production rate in India has witnessed a remarkable growth since 1995-96. The National Program of Developing Fish Seeds, Fish Farmers' Development Agencies and Brackish Water Fish Farmers' Development Agencies have been the major contributors to the growth in fisheries in rural India. A diversified range of fishing methods along with processed fish products have been introduced in the Indian rural market through an Integrated Fisheries Project.

**Poultry Business in India :**

Poultry Business is one of the major contributors to the growing economy of rural and semi-urban India. India has witnessed a remarkable



growth in the egg and poultry meat industry in the recent period. States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu contribute to around 45 percent of the total egg production in India whereas the eastern and central parts of India contribute to around 20 percent of the same. India is the seven largest poultry producer all over the world.

### **Tobacco Business in India**

India is one of the most predominant producers as well as consumers of tobacco in India. It ranks third in terms of tobacco production around the world. Tobacco leaves are highly exported in the overseas countries which has accounted for a 99 percent increase in the revenue from exports.

### **Jute Business in India**

Jute is one of the most prime products in terms of exporting to the overseas nations and it brings in maximum foreign exchange earnings. The delta of the river Ganges in West Bengal is perfect for jute cultivation. A wide range of gunny bags, shopping bags, handicrafts, carpets, and many more other items are made from Jute.

### **Horticulture Business in India-**

India has a diverse soil and climate which provides a promising opportunity for horticulture. Some of the crops cultivated in the horticultural sector comprise of fruits, vegetables, root and tuber crops, flowers, ornamental plants, medicinal and aromatic plants, spices, condiments, plantation crops and mushrooms.

### **Sericulture Business in India-**

Sericulture is one of the rural based agro industries in India. Silk production activity has accounted for a total income from export production of more than USD 600 million. Sericulture offers agro based, ecologically and economically sustainable activity for the poor, small and marginal farmers which also include women. 60 percent of the pre-cocoon and post-cocoon sector activities are carried out by women.

### **Tea Business in India-**

The tea business has been ruling Indian economy for the past 170 years. The chief areas of tea production in India include rural hills and backward areas of Northeastern and southern states like Assam, West Bengal, Tamil Nadu and Kerala. India mainly manufactures tea variants such as CTC, Orthodox tea and green tea.

### **Rural Industries under Make in India**

The Government is implementing the following schemes for bringing the rural industries under the ambit of the 'Make in India' programme:

(i) **Prime Minister's Employment Generation Programme (PMEGP)** is a credit linked subsidy scheme, for setting up of new micro-enterprises and to generate employment opportunities in rural as well as urban areas of the country through Khadi & Village Industries Commission (KVIC), State Khadi & Village Industries Board (KVIB) and District Industries Centre (DIC). Since inception and up to January 2016, 3.50 lakh micro enterprises have been set up by utilizing margin money amounting to Rs.7004.40 crore and 29.82 lakh jobs have been created from these units.

(ii) **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** was launched in 2005-06 for making Traditional Industries more productive and competitive by organizing the Traditional Industries and artisans into clusters. 26 clusters have been granted final approval with a total project cost of Rs.72 crore benefiting around 25000 artisans.

(iii) **A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE)** was launched on 18.3.2015 to promote Innovation & Rural Entrepreneurship through rural Livelihood Business Incubator (LBI), Technology Business Incubator (TBI) and Fund of Funds for start-up creation in the agro-based industry. During the year 2015-16, 22 LBIs & 2 TBIs have been approved and two LBI Centres have been operationalized at Deoria (U.P.) and Rajkot (Gujarat).

Products of rural industries are already covered under extant laws & rules relating to trade & commerce including consumer protection. Stand Up India scheme is meant to provide composite loans between Rs. 10 lakh to Rs. 100 lakhs for setting up Greenfield enterprises in non-farm sector by SC/ST and women entrepreneurs.

### **Classification of Rural Industries**

Rural industries have been classified into the following six categories:-

1. Mineral-based industries.
2. Forest-based industries.
3. Agro-based industries.
4. Engineering and non-conventional industries.
5. Textile industry (including Khadi), and Service industry

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### **8.5 GLOBALIZATION IN RURAL INDUSTRY**

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Since globalization is a macro-concept and rural entrepreneurship is a micro- concept, occurring in a very limited area, it is very difficult to establish causal linkages, or to quantify the specific effects of globalization on rural entrepreneurship. However, it is possible to identify a range of different channels through which various aspects of globalization can be expected to change the welfare of rural

entrepreneurship in India.

### **1) Productivity and efficiency effect**

Globalization is often said to result in higher productivity, due to the access to global markets, abilities to specialize, and to take advantages of economies of scale and scope. Exposure to the global competition can result in high levels of productivity and efficiency. However, it is less crucial for large economies like India. Again, the potential gains to rural entrepreneur are also large, because globalization enhances countries' abilities to exploit comparative advantages arising from differing natural and ecological conditions. At the level of national policy, these arguments seem to favour globalization. Still, it is very easy to see how the rural entrepreneur could still lose out. In short, globalization presents real dangers to the rural entrepreneur, to set against the possible advantages for the wider economy.

### **2) Economic growth effect**

The argument in favour of globalization is the positive link between globalization and rural entrepreneurship in India. Because the potential benefits include improved access to foreign technology and managerial expertise. Emergence of the WTO and the series of deliberations under the Uruguay round have changed the world economic order. Indian Government has shelved the earlier protectionist policies and opened up the economy to the world market. Undoubtedly, this has helped the Indian economy to recoup its strength with the flow of international capital and technology resulting in a robust economic position. The economy is moving steadily with more than 6 per cent DGP growth rate for the last two decades or so. However, the new economic order has posed severe challenges to the agricultural and rural sectors of the economy.

Overall, it indicates that openness promotes faster growth. Still, the question remains as to what this might do for the rural enterprises, particularly as little FDI flows into agriculture, least of all small-scale agriculture. The effect of globalization on rural enterprises depends upon the changes in GDP and changes in income distribution. The evidence suggests that the rural entrepreneur overall are substantially included as beneficiaries from economic growth. However, the extent of inclusion varies from country to country.

### **3) Technological effect**

Transfer of technology is one of the prominent features of globalization and one of the major reasons for predicting improved growth. Many formerly small rural entrepreneurs saw major improvements in their businesses, but the improvements were in a very limited area and to a

very limited number of entrepreneurs. The focus today is on the potentials and dangers of biotechnology. In principle, the benefits here too may be large. The benefits may be from raising productivity, reduced risks of drought and pests, as well as lower food prices. Biotechnology research has been more relevant to the problems of high-income countries. The benefits tend to be specific to particular environments, conditions or markets. A small number of multinational corporations is also carrying out much of the research. There has been a general focus upon the problems of rural entrepreneurs in rich countries, with little attention being paid to developing countries' like India's basic food crops and the problems of their small farmers.

#### **4) Distributional Effect**

It is not possible to gauge the overall effect of globalization on the level of inequality; the effect on women entrepreneur in rural area is less ambiguous. Many rural women entrepreneurs are hampered from benefiting from the changes arising from globalization. They have less access than men to education and training, less time to devote to productive activities, less command over important resources such as land, credit and capital. In income developing countries, the sexual division of labor precludes women from income derived from cash crops. In addition, they also have less incentive to respond to economic signals, since they are likely to have less control over any income.

#### **5) Policy**

Government of India has, in a sense, discriminated against agriculture and those enterprises that depend upon it. This 'discrimination' has typically taken the form of overvalued exchange rates, state trading monopolies for domestic and external marketing of agricultural commodities. Additionally, the revenues from commodity exports have been used for the growth of civil services and urban development, rather than reinvestment in agriculture.

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### **8.6 CHALLENGES FACED BY RURAL ENTREPRENEURSHIP IN INDIA**

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**Family Challenges:** Convincing to opt for business over job is easy is not an easy task for an individual. The first thing compared is – Will you make more money in the business of your choice or as a successor of family business. This is where it becomes almost impossible to convince that you can generate more cash with your passion than doing what your Dad is doing.

**Social Challenges:** Family challenges are always at the top because that is what matter the most but at times social challenges also are very important. Let us say you and your friend graduated at the same time.

You opted for entrepreneurship and your friend opted for a job. He now has a flat, car and what not because he could easily get those with a bank loan but you still have nothing to show off and this is where the challenge comes.

**Technological Challenges:** Indian education system lags too much from the Job industry as a whole but then it lags even more when it comes to online entrepreneurship. What technology would be ideal and how to use that technology effectively.

**Financial Challenges:** (Difficulty in borrowing fund): Financial challenges are a lot different in India especially for online entrepreneurs. When you are starting out as an entrepreneur you don't opt for venture funding but try to go to funding for small to medium business people. Many such non-technical business people don't understand the online business models as a whole and so getting an initial business funding from them becomes challenging. The other option you can think of is a loan but bank loan is not at all an option in India for new online entrepreneurs.

**Policy Challenges:** Now and then there is lots of changes in the policies to change in the government. Problems of TRIPS and TRIMS. Problems of raising equity capital, Problems of availing raw-materials, Problems of obsolescence of indigenous technology Increased pollutions Ecological imbalanced. Exploitation of small and poor countries etc.

#### **A. Opportunities**

- Free entry into world trade.
- Improved risk taking ability.
- Governments of nations withdrawn some restrictions
- Technology and inventions spread into the world.
- Encouragement to innovations and inventions.
- Promotion of healthy completions among nations
- Consideration increase in government assistance for international trade.
- The establishment of other national and international institutes to support business among the nations of the world.
- Benefits of specialization.
- Social and cultural development

#### **B. Challenges for Rural Entrepreneurs**

- Growth of Mall Culture
- Poor Assistance
- Power Failure
- Lack of Technical know how
- Capacity Utilization

- Infrastructure Sickness

### **C. Opportunities for Rural Entrepreneurs**

- Crashed Scheme for Rural Development
- Food for Work Program
- National Rural Employment Program
- Regional Rural Development Centers
- Entrepreneurship Development Institute of India
- Bank of Technology
- Rural Innovation Funding
- Social Rural Entrepreneurship.

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## **8.7 PROBLEMS OF RURAL ENTREPRENEURSHIP**

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Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. As the thorns are part of roses, similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under.

### **Financial Problems**

#### **• *Paucity of Funds***

Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. The procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs. Lack of finance available to rural entrepreneurs is one of the biggest problems which rural entrepreneur is born now days especially due to global recession. Major difficulties faced by rural entrepreneurs include low level of purchasing power of rural consumer so sales volume is insufficient, lack of finance to start business, reduced profits due to competition, pricing of goods and services, Financial statements are difficult to be maintained by rural entrepreneur, stringent tax laws, lack of guarantees for raising up of loans, difficulty in raising capital through equity, dependence on small money lenders for loans for which they charge discriminating interest rates and huge rent and property cost. These all problems create a difficulty in raising money through loans. Landlords in Punjab proved to be a major source of finance for rural entrepreneurs but the rates of land are reduced due to global recession so they also lack hard cash nowadays.

Some banks have not ventured out to serve rural customers because banks are expensive to be reached by rural customers and, once reached, are often too poor to afford bank products. Poor people often have insufficient established forms of collateral (such as physical assets) to offer, so they are often excluded from traditional financial market. The

government is providing subsidies to rural areas but due to the high cost of finance, these subsidies are not giving fruitful results. Major sources of finance in rural areas are loans from regional rural banks or from zamindars but their rate of interest is usually very high. The government has various institutions for this purpose but the results are not up to the level expected. Industrial Finance Corporation of India (IFCI), Industrial development bank of India, Industrial Credit and Investment Corporation of India (ICICI), Small Scale Industry development bank of India (SIDBI) are some of the national level (SFC) institutions that are helping out rural entrepreneurs. Some state level institutions are also working like a State Financial Corporation and State Industrial Development Corporation (SIDC). These institutions provide assistance for setting up of new ventures and side by side for modernization and expansion of existing ones but their terms and conditions are very strict to be handled.

Various schemes like composite loan scheme, tiny unit scheme, scheme for technical entrepreneurs etc. had started but they are unable to meet the expectation of rural entrepreneur. Raising funds through equity is little bit difficult for rural entrepreneurs because of lack of financial knowledge and also their financial corpus is also low, so loans are the primary source of finance for them which proved to be a great obstacle in developing rural entrepreneurship. Various policies of RBI regarding priority sector lending failed to achieve its objectives. Micro financing movements started in India worked well. Self-help groups from the basic constituent unit of micro finance movement in India. Self-help groups are a group of a few individuals who pool their savings into a fund from which they can borrow as and when necessary. Such a group is linked with banks but joining an existing SHG is often a costly affair for an aspiring villager as in order to maintain parity among the members, a new member has to join by depositing the total accumulated individual savings and interest of groups. So starting new SHG is an easy as compared to join existing one. NGO's also played important role in rural development. These NGO's are usually registered as societies and trust. They have less capital resources as they cannot raise equity capital,

### ***Lack of Infrastructural Facilities***

- The growth of rural entrepreneurs is not very healthy in spite of efforts made by government due to lack of proper and adequate infrastructural facilities.

### ***Risk Element***

Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.

### **Marketing Problems**

- ***Competition***

Rural entrepreneurs face severe competition of large sized organizations and urban entrepreneurs. They incur the high cost of production due to high input cost. Major problems faced by marketers are the problem of standardization and competition from large scale units. They face the problem in fixing the standards and sticking to them. Competition from large scale units also creates difficulty for the survival of new ventures. New ventures have limited financial resources and hence cannot afford to spend more on sales promotion. These units are not having any standard brand name under which they can sell their products. New ventures have to come up with new advertisement strategies which the rural people can easily understand. The literacy rate among the Problems Faced by Rural Entrepreneurs and Remedies to Solve It rural consumer is very low. Printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication. People in rural areas mostly communicate in their local dialects and English and Hindi are not understood by many people. It has been seen in the recent past that in spite of enough food stocks with government warehouses, people are dying of starvation. This indicates a problem with the public distribution system. The producers are not collective in their approach for marketing their products because they are too widely scattered and uneducated.

- ***Middlemen***

Middlemen exploit rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor mean of transport are other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earthen vessels etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc. The agricultural goods are not standardized and graded.

### **Management Problems**

- ***Lack of Knowledge of I.T***

Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometimes be helpful but they may also present obstacles to effective business relationships. Business deals may receive less than rigorous objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and lines of authority are mostly



blurred by local politics in rural areas.

- ***Legal formalities***

Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance.

- ***Procurement of Raw Materials***

Procurement of raw materials is really a tough task for rural entrepreneurs. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.

- ***Lack of Technical Knowledge***

Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extensive services create a hurdle for the development of rural entrepreneurship.

- ***Poor Quality of Products***

Another important problem is growth of rural entrepreneurship is the inferior quality of products produced due to lack of availability of standard tools and equipment and poor quality of raw materials.

## **Human Resources Problems**

### **Low Skill Level of Workers**

Most of the entrepreneurs of rural areas are unable to find workers with high skills. Turnover rates are also high in this case. They have to be provided with on the job training and their training is generally a serious problem for the entrepreneur as they are mostly uneducated and they have to be taught in the local language which they understand easily. The industries in rural areas are not only established just to take advantage of cheap labor but also to bring about an integrated rural development. So rural entrepreneurs should not look at rural area as their market, they should also see the challenges existing in urban areas and be prepared for them. Rural entrepreneurs are generally less innovative in their thinking. Youths in rural areas have little options “this is what they are given to believe”. This is the reason that many of them either work as farm or migrate to urban land.

- ***Negative Attitude***

The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. It may be due to lack of awareness and knowledge of entrepreneurial opportunities. The young and well educated mostly tend to leave. As per circumstances, rural people by force may be more self-sufficient than their urban counterparts, but the culture of entrepreneurship tends to be weak. Continuous motivation is needed in case of rural employee which is sometime difficult for an entrepreneur to  
Problems In Rural Entrepreneurship Entrepreneurs are playing very

important role in the development of economy. They face various problems in day to day work. As the thorns are part of roses, similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under.

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## **8.8 ROLE OF RURAL ENTREPRENEURS IN ECONOMIC DEVELOPMENT**

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The entrepreneurs with their ability to scan, analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities. They by channelizing the resources from less productive to more productive use create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change. According to Joseph Schumpeter, the rate of economic progress of a nation depends upon its rate of innovation which in turn depends on rate of increase in the entrepreneurial talent in the population. According to Meir and Baldwin, development does not occur spontaneously as a natural consequence when economic conditions in some sense are right. A catalyst is needed which results in entrepreneurial activity to a considerable extent. The diversity of activities that characterizes rich countries can be attributed to the supply of entrepreneurs. They play a vital role for the economic development of a country in the following ways.

**Formation of Capital:** Entrepreneurs by placing profitable business proposition attract investment to ensure private participation in the industrialization process. The otherwise idle savings are channelized for investment in business ventures which in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation.

**Balanced Regional Development:** The entrepreneurs always look for opportunities in the environment. They capitalize on the opportunities of governmental concessions, subsidies and facilities to set up their enterprises in undeveloped areas. The setting up of steel plant at Tata Nagar, Reliance Petrochemicals at Jamnagar (Gujarat) have resulted in the development of Good Township and peripheral regional development. Thus entrepreneurs reduce the imbalances and disparities in development among regions.

**General Employment:** This is the real charm of being an entrepreneur. They are not the job seekers but job creators and job providers. With the globalization process the government jobs are shrinking leaving many unemployed. In the circumstances, the entrepreneurs and their enterprises are the only hope and source of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and indirectly by ancillary and consequential

development activities.

**Improvement in Standard of Living:** Entrepreneurial initiative through employment generation leads to increase in income and purchasing power which is spent on consumption expenditure. Increased demand for goods and services boost up industrial activity. Large scale production will result in economies of scale and low cost of production. Modern concept of marketing involves creating a demand and then filling it. New innovative and varying quality products at most competitive prices making common man's life smoother, easier and comfortable are the contribution of entrepreneurial initiative.

**Increase in per Capita Income:** Entrepreneurs convert the latent and idle resources like land, labour and capital into goods and services resulting in increase in the national income and wealth of a nation. The increase in national income is the indication of increase in net national product and per capita income of the country.

**National Self-reliance:** Entrepreneurs are the corner stones of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also a possibility of exporting goods and services to earn foreign exchange for the country. Hence, the import substitution and export promotion ensure economic independence and the country becomes self-reliance.

**Planned Production:** Entrepreneurs are considered as economic agents since they unite all means of production. All the factors of production i.e., land, labour, Capital and enterprise are brought together to get the desired production. This will help to make use all the factors of production with proper judgment, perseverance and knowledge of the world of business. The least combination of factors is possible avoiding unnecessary wastages of resources.

**Equitable Distribution Economic Power:** The modern world is dominated by economic power. Economic power is the natural outcome of industrial and business activity. Industrial development may lead to concentration of economic power in few hands which results in the growth of monopolies. The increasing number of entrepreneurs helps in dispersal of economic power into the hands of many efficient managers of new enterprises. Hence setting up of a large number of enterprises helps in weakening the evil effects of monopolies. Thus, the entrepreneurs are key to the creation of new enterprises that energise the economy and rejuvenate the established enterprises that make up the economic structure.

**Benefits from Rural Entrepreneurship:**

**Provide employment opportunities:** Rural entrepreneurship is labor

intensive and provides a clear solution to the growing problem of unemployment. Development of industrial units in rural areas through rural entrepreneurship has high potential for employment generation and income creation.

**Check on migration of rural population:** Rural entrepreneurship can fill the big gap and disparities in income rural and urban people. Rural entrepreneurship will bring in or develop infrastructural facilities like power, roads, bridges etc. It can help to check the migration of people from rural to urban areas in search of jobs.

**Balanced regional growth:** Rural entrepreneurship can dispel the concentration of industrial units in urban areas and promote regional development in a balanced way.

**Promotion of artistic activities:** The age-old rich heritage of rural India is preserved by protecting and promoting art and handicrafts through rural entrepreneurship.

**Check on social evils:** The growth of rural entrepreneurship can reduce the social evils like poverty, growth of slums, pollution in cities etc.

**Awaken the rural youth:** Rural entrepreneurship can awaken the rural youth and expose them to various avenues to adopt entrepreneurship and promote it as a career.

**Improved standard of living:** Rural entrepreneurship will also increase the literacy rate of rural population. Their education and self-employment will prosper the community, thus increasing their standard of living.

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## **8.9 LET'S SUM-UP**

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Rural entrepreneurship is now a days a major opportunity for the people who migrate from rural areas or semi - urban areas to Urban areas. On the contrary it is also a fact that the majority of rural entrepreneurs is facing many problems due to not availability of primary amenities in rural areas of developing country like India. Lack of education, financial problems, insufficient technical and conceptual ability it is too difficult for the rural entrepreneurs to establish industries in the rural areas. From the above analysis we can conclude that Rural entrepreneurship should not only set up enterprises in rural areas but should be also using rural produce as raw material and employing rural people in their production processes. Rural entrepreneurship is, in essence, that entrepreneurship which ensures value addition to rural resources in rural areas engaging largely rural human resources. In other words, this means that finished products are produced in rural areas out of resources obtained in rural areas by largely.

Thus the rural entrepreneurship is a vital for rural economic development. There are several reasons for the increasing interest in entrepreneurship especially in rural regions and communities. " The rural

entrepreneurs play important role in driving local and national economies. The structure of rural economies is essentially composed of small enterprises, which are responsible for most of the job growth and the innovation. Moreover, small businesses represent an appropriate scale of activity for most rural economies. Traditional approaches to recruitment and retention are just not working for most places, and states are looking for viable alternatives which mainly include entrepreneurship. Rural entrepreneurs have successfully diversified into or started new businesses in markets as diverse as agri-food, crafts, recycling, leisure and health.

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### **8.10 KEY TERMS**

Rural Entrepreneurship, Problems, Development, challenges. Agri-Business, Rural Industry

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### **8.11 SELF-ASSESSMENT QUESTIONS**

1. What are the financial constraints faced by Rural Industries?

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2. What are the Legal Problems faced by Rural Industries?

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### **8.12 FURTHER READINGS**

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### **8.13 MODEL QUESTIONS**

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1. What are the major problems faced by Rural Industries?
2. What are the different types of rural entrepreneurs?
3. How does Negative Attitude can affect the Rural Entrepreneurship?

## UNIT 9

## HUMAN RESOURCE PLANNING

### STRUCTURE

#### 9.0 Learner Objectives

#### 9.1 Introduction

#### 9.2 Concept of Human Resource Planning

#### 9.3 Need for Human Resource Planning

#### 9.4 Levels of Human Resource Planning

#### 9.5 Process of Human Resource Planning

#### 9.6 HR Demand Forecasting

#### 9.7 Problems in Human Resources Planning

#### 9.8 Guidelines for making HRP effective

#### 9.9 Summary

#### 9.10 Self-Assessment Questions

#### 9.11 Further Readings

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### 9.0 LEARNER OBJECTIVES

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After going through the Unit, you should be able to:

- Define human resource planning and discuss the importance of human resource planning;
- Describe the process of human resource planning;
- Discuss the forecasting techniques used for human resource planning; and
- Identify the problems associated with human resource planning and measures to overcome

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### 9.1 INTRODUCTION

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Human resource planning ( HRP) , is an ongoing, continuous process of systematic planning to achieve optimum use of an

organization's most valuable asset — its human resources. The objective of human resource planning is to ensure the best fit between employees and jobs while avoiding manpower shortages or surpluses. The four key steps of the human resources planning process are analyzing present labor supply, forecasting labor demand, balancing projected labor demand with supply and supporting organizational goals. (HRP) is both a process and a set of plans to meet the future supply and demand of human resources. HRP is a very dynamic process; it depends on the external environment like labour market and the organizational strategies. HRP process often requires readjustments depending upon the labour market conditions. The HR managers carry out the HRP function considering the demand for human resources and the financial and legal implications.

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## **9.2 CONCEPT OF HUMAN RESOURCES PLANNING**

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According to E.W. Vetter, human resource planning is “the process by which a management determines how an organisation should make from its current manpower position to its desired manpower position. Through planning a management strives to have the right number and the right kind of people at the right places, at the right time to do things which result in both the organisation and the individual receiving the maximum long range benefit.”

Dale S. Beach has defined it as “a process of determining and assuring that the organisation will have an adequate number of qualified persons available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved.”

In the words of Leon C. Megginson, human resource planning is “an integration approach to performing the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organisational objectives and satisfy the individual’s needs and goals of organisational members.”

According to Geister, HRP is the “process – including forecasting, developing and controlling, by which a firm ensures that it has the right number of people and the right kind of people, at the right places at the right time doing work for which they are economically most useful.

By analyzing the above definitions, HRP may be defined as strategy for acquisition, utilization, improvement and preservation of the human resources of an enterprise. The objective is to provide right personnel for the right work and optimum utilization of the existing human resources. HRP exists as a part of the planning process of business. This is the activity of the management which is aimed at co-ordinating requirements for and the availability of different types of employees. The major activities of HRP include: forecasting (future



requirements), inventorying (present strength), anticipating (comparison of present and future requirements) and planning (necessary programme to meet future requirements).

### Activity A

1. Identify and tabulate the present position of human resources and future requirement in an organisation you are familiar with.

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### Objectives of HRP

The objectives of HRP are mainly to:

1. ensure optimum utilization of human resources currently employed;
2. assess or forecast future requirements;
3. cope up with the changing scenario;
4. attaching with business plans of organization;
5. anticipate redundancies;
6. provide basis for human resource development (HRD); and assist in productivity bargaining.

### Benefits of HRP

Proper HRP results into a number of benefits. Some of them are:

- a) Create reservoir of talent.
- b) Preparation for future HR needs.
- c) Promote employees in a systematic manner.
- d) Provide basis for HRD.
- e) Help in career and succession planning.

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## 9.3 NEED FOR HUMAN RESOURCE PLANNING

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Major reasons for the emphasis on HRP at macro level include:

**Employment-Unemployment Situation:** Though in general the number of educated unemployed is on the rise, there is acute shortage for a variety of skills. This emphasises the need for more effective recruitment and retaining people.

**Organizational Changes:** In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational environment, activities and structures affect manpower requirements and require strategic considerations.

**Demographic Changes:** The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background have

implications for HRP. **Skill Shortages:** Unemployment does not mean that the labour market is a buyer's market. Organizations have generally become more complex and require a wide range of specialist skills that are rare and scarce. Problems arise when such employees leave.

**Governmental Influences:** Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract labour, etc. have stimulated the organizations to become involved in systematic HRP.

**Legislative Controls:** The days of executive fiat and 'hire and fire' policies are gone. Now legislation makes it difficult to reduce the size of an organization quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labour law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.

**Impact of Pressure Groups:** Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressures on enterprise management such as internal recruitment and promotions, preference to employees' children, displace persons, sons of the soil etc.

**Systems Concept:** The spread of systems thinking and the advent of the microcomputer as part of the on-going revolution in information technology which emphasises planning and newer ways of handling voluminous personnel records.

**Lead Time:** The long lead time is necessary in the selection process and for training and deployment of the employee to handle new knowledge and skills successfully.

### **Factors affecting Human resource planning**

The factors affecting HRP are both long range and short range. Some of the major factors are:

1. Long term *business plan* of the organization.
2. The overall predicted change in the *demographics* of the labour force.
3. The *technological advancements* and its impact on the labour market.
4. The *social and legal* trends of the nation.

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## **9.4 LEVELS OF HUMAN RESOURCE PLANNING**

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HRP is carried out at the following levels:

1. **National Level:** The Central Government plans for human resources at the national level. It forecasts the demand for and supply of human resources as a whole. For example, the Government of India specifies

the objectives of HRP in successive five-year plans.

2. **Sectoral Levels:** Central and State Governments, formulate HRPs for different sectors. For example, industrial sector, agricultural sector etc.
3. **Industry Level:** HRP for specific industries are prepared by the industries.
4. **Unit Level:** HRP for a particular department/sector of an industry is prepared at this level. It again includes the following levels.
  - i) Department level; and
  - ii) Divisional level.

### **Sources of information for human resource planning**

The population census data depicting the personal and economic data are the major source of information for any HRP. However the following are some of the sources of information for HRP.

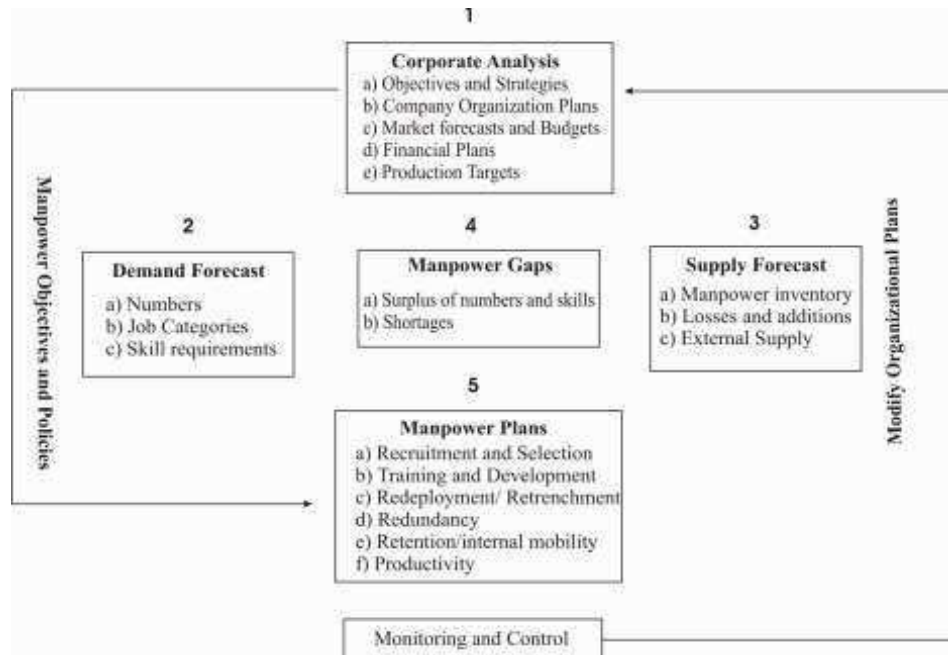
1. Job analysis which provides information related to job description and job specification.
2. Labour force sample survey provides information about the employment status of the population.
3. Establishment survey is the information on the employment data of the establishments in same area.
4. Labour market survey provide information on workforce supply and demand in specific area of occupation.
5. Labour force survey provides a picture of an activity status and characteristics of the population.

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### **9.5 PROCESS OF HUMAN RESOURCE PLANNING**

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The process of HRP is entirely based on the corporate plans and objectives. HRP is a continuous process of review, control and assessment. HRP process includes job analysing, developing work rules, work study, analysis of other factors of production and performance leading to an action plan. The Figure 1 clearly indicates the HRP process.



**Figure 1: Human Resource Planning Process**

Source: Gupta, C.B. (1997). *Human Resource Management*. The major stages of HRP are as follows:

**Analysing Operational Plans:** It consists of the following sub-stages:

1. Objectives and strategic plans of the organisation are analyzed.
2. Plans concerning technological, finance, production are analyzed and HRP is prepared keeping these in mind.
3. Future plans, goals, and objectives of the company are also taken into account.

**Human Resource Demand Forecasting:** HR demand forecasting mainly involves three sub functions:

**1. Demand Forecast:** Process of estimating future quantity and quality of human resources required.

**2. Manpower Gaps:** Depending upon the requirement existing surplus human resources having desired skills are matched, if not found then shortage is shown.

**3. Supply Forecast:** Basing on the existing HR inventory and the demand forecast, the supply forecast of human resources is carried out in an organization.

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## 9.6 HR DEMAND FORECASTING

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The HR forecast can be calculated in a variety of ways. Broadly, the HR forecast has two methods i.e. *Projecting Demand and Projecting Supply*.

**Projecting demand** is an estimation of demand based on professional assessment of manpower demand. The techniques used for projecting demand are:

1. *Inquiry method*: It is the most common and desired method. It involves a survey which provides the HR planner of the establishment. The final outcome comes in the form of an HR Planner.
2. *Statistical method*: It involves collection of data using various related variables of HRP.
3. *Econometric method*: It is a sophisticated method for analyzing the HR demand in terms of the economics angle of the company.
4. *Simulation method*: It is the process of projecting demand for skilled workforce based on input –output analysis.

**Projecting supply** is an estimation of rate of movement into and out of workforce. It is usually done with the following techniques.

1. *Baseline projections*: It calculates uncertainty of future and what will happen if no initiatives are taken.
2. *Sensitivity analysis*: It helps the HR planner to identify the most likely sources of uncertainty and help according to plan.

The other commonly used techniques of HR demand forecast are as below.

1. **Managerial Judgment**: In this, experienced managers estimate the human resource requirements for their respective departments on the basis of their knowledge of expected future work load and employee efficiency.
2. **Work-study Method**: In this method time and motion study are used to analyze and measure the work being done.
3. **Ratio-Trend Analysis**: Under this method ratios (e.g. total output/no. of workers, direct workers/indirect workers) are calculated on the basis of past data. Future ratios are based on the past trend.
4. **Mathematical Models**: It expresses the relationship between independent variable (e.g. investment, production, sales, etc.) and dependent variables (e.g. no. of employees required).

**Activity B**

Describe how human resource demand forecast is carried out in an organization you are familiar with.

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### **Factors affecting HR Demand Forecasting**

Human Resource Demand Forecasting depends on several factors, some of which are given below:

1. Employment trends;
2. Replacement needs;
3. Productivity;
4. Absenteeism; and
5. Expansion and growth.

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### **9.7 PROBLEMS IN HRP PROCESS**

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The main problems in the process of HRP are as follows:

1. **Inaccuracy:** HRP is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.
2. **Employee resistance:** Employees and their unions feel that by HRP, their workload increases so they resist the process.
3. **Uncertainties:** Labour absenteeism, labour turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which HRP process might have to face.
4. **Inefficient information system:** In Indian industries, HRIS is not much strong. In the absence of reliable data it is not possible to develop effective HRP.
5. **Time and expense:** HRP is time consuming and expensive exercise, so industries avoid.

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### **9.7 GUIDELINES FOR MAKING HRP EFFECTIVE**

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In order to handle the challenges faced for HR planning the following guidelines may be useful. It also helps to improve effectiveness of HRP process.

1. **Tailor-made:** HRP should be balanced with corporate objectives.
2. **Appropriate time:** The period of HRP process should be appropriate to the needs and circumstances of an organization.
3. **Adequate organization:** HRP process should be adequately/properly organized.
4. **Top management support:** Before starting the HRP process the support and commitment of top management should be ensured.
5. **Participation:** HRP will be successful if all in an organization are participating.
6. **Information system:** An adequate database should be developed for facilitating HRP.

7. **Balanced focus:** The quantity and quality should be stressed in a balanced manner.

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## 9.8 SUMMARY

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To sum up, HRP is the process of determining the number and kind of human resources required in an organization for a specific time period in future. HRP is important for an organization because of the changing scenario. HRP is formulated at various levels. The process of HRP involves steps like job analysis, developing forecasting technique, deciding the model and action plan. It is affected by long term and short term factors. The problems associated with HRP can be managed by adopting a scientific, up to date and systematic action plan.

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## 9.9 SELF ASSESSMENT QUESTIONS

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1. Describe the process of HRP with illustrations.

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2. Explain the HR forecasting techniques with the help of examples.

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3. Discuss the problems in HRP and state measures to overcome them.

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**STRUCTURE****10.0 Learning Objectives****10.1 Introduction****10.2 Steps for Starting a Small Enterprise****10.2.1 Assumptions****10.2.2 Raw Material or Market Site****10.2.3 Material Index****10.2.4 Need for Enterprise Location****10.3 Selection of the Type of Organisation****10.3.1 Selecting a Business Entity: Sole Proprietorship****10.3.2 Selecting a Business Entity: Joint Partnership****10.3.3 Selecting a Business Entity: Limited Liability Company (LLC)****10.3.4 Selecting a Business Entity: Corporations****10.4 Let's Sum Up****10.5 Key terms****10.6 Self-Assessment Questions****Further Reading****10.8 Model Questions**

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**10.0 LEARNING OBJECTIVES**

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After studying this unit, you will be able to:

- Describe the steps for starting a small business
- Explain the concept of enterprise location
- Discuss the selection of type of organization

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**10.1 INTRODUCTION**

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In the previous unit, we dealt with the concept of business plan and feasibility study and also discussed about the value and importance of a business plan. This unit will help you to understand the procedure of starting up a small business. The various sections and sub-sections of this unit will also summarize how to select the type of organization for start-

up of small business. Planning is the first and the most crucial step for setting up a business or venture. Indeed, the consumer's sovereignty has always been considered as vital today as in ancient time .It was largely through small business that civilization was spread to all four corners of the then known world. Small businesses brought to the have-nots the benefits of such things as Babylonian astronomy, Greek philosophy, the Jewish calendar, and Roman law. Since then many nations ,both developed and developing, have recognized the crucial importance small business as a useful source of growth: the former as complementary to large industry; and the latter for the creation of new employment avenues on a large scale in the shortest possible time. Small business has played an important role in Indian history. It practically flourished in almost all corners: Calcutta, Surat, Madras, Bombay and penetrated into the roots of Indian soil. The standards of their products and services were in however, not often maintained. This directed efforts towards the need to protect the consumer. Gradually, small business became the source of spreading civilization to all four corners of the then known world. With highly specialized skills and opportunities, Indian products were the center of attraction at home as well as and ruled in some of its business activities till the 18th century. A country, which was known for its formidable industrial base till the late 18th century, suffered irretrievably, during the colonial rule.

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## **10.2 STEPS FOR STARTING A SMALL ENTERPRISE**

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Location of enterprise is concerned with the least cost location, so that again transport costs are a crucial element in the location decision. A German economist, Alfred Weber devised the theory of industrial location, in 1909. In the early part of the industrial revolution factories developed in areas that were already producing manufactured goods. These were the places where woollen textiles were produced in farmhouses on farms that bred the sheep. The shift was from the farmhouse to a mill, in the same area. By chance many of these textile mills were on coalfields, so that when the shift from water powered to steam coal powered mills occurred, the transition was in the same place. The same thing happened as steel production was also shifted from local forges to coal powered mills. The early industrial revolution saw mills and factories develop on coalfields, and remain entrenched there for more than a century. By the end of the 19th century, these raw material locations were losing their ascendancy. At the beginning of the industrial revolution roads were of poor quality and slow. Canals were rapidly constructed to move heavy industrial materials, but nowhere did these form a really convenient network. It was the development of railways into extensive networks by the end of the 19th century, which enabled industrial location to free itself from raw material sites. This trend continued with roads and vehicles in the twentieth century, but water transport and especially the sea, remained dominant for long distance

transport of industrial goods. Weber's analysis came at the point where railway networks had developed to their ultimate extent. He was therefore concerned with the balance of location between raw material site, the market for manufactured goods, and transport. What is meant by a Small enterprise? A small enterprise or a factory or plant is an individual building or premises that produces manufactured goods.

A company may own several factories, probably indifferent locations. The industry comprises many factories, or plants, and a number of independent enterprises. Industrial location is primarily concerned with the setting of a single enterprise, rather than the whole industry, although the location of the industry is in itself a location factor. The concepts of site and situation play separate roles, although we may use the word site in relation to location when we are really looking at the situation of the enterprise. The site of an enterprise, or group of enterprises, is the actual physical location, or block of land. There are some basic location constraints for the site.

**Example:** A plentiful supply of flat land, access to transport, power and water, availability of labour, and capital and finance facilities. Almost all cities will possess appropriate industrial sites and these will be zoned by councils. It is therefore the situation, or the relative location, in relation to other factories and the industry that is important. Like agricultural and central place location theories, Weber makes assumptions that simplify reality, but unlike these other theories, he does not assume an equal distribution. Rather he assumes that raw materials are unequally distributed in fixed locations.

### **10.2.1 Assumptions**

Following are the various assumptions in this context:

1. There is an uneven distribution of natural resources on the plain. Raw materials are concentrated in specific sites.
2. The size and location of markets are given at fixed points on the plain.
3. There are fixed locations of labour where wage rates are fixed and labour is immobile and unlimited (capitalists love that).
4. The area has a uniform culture, climate and political system.
5. Entrepreneurs minimize costs of production.
6. Perfect competition exists.
7. Costs of land, structures, equipment and capital do not vary regionally.
8. There is a uniform system of transport over a flat surface.

### **10.2.2 Raw Material or Market Site**

In the first instance we consider whether to locate an industry in the raw material or market location. If there is no weight loss or weight

gain in production, you can site your factory at either location, because the transport costs are the same each way. Transport costs are not identical for raw material and manufactured goods and thus, a relative weight must be calculated.

Weber did this with a material index, whereby the relative weight gain or loss is calculated.

- Total weight of the finished product
- Total weight of materials used to manufacture

### **10.2.3 Material Index**

If the product is a pure material its index will be 1. If the index is less than 1 the final product has gain weight in manufacture, thus favoring production at the market place. The weight gain is most likely to come from the addition of ubiquitous materials, like water, that we can expect to occur anywhere. Such a product would be a drink, soft drinks or beer, where a small quantity of usually dried materials are added to water and bottles to make a much heavier and more fragile final product.

The significance of the material index is in calculating precisely the difference between the unit transport costs of raw materials and finished products. The number of the index is used to calculate a relative weighting, which is then applied to the spacing/radius of the isotims. The locational triangles on the handout are small examples of the weighting of more than one material. While the drawing of isotims and isodapanes is very straightforward for 2 sites, it is in adding a number of material sites and markets that the spatial model both increases in complexity and begins to provide a useful method for calculating the least cost location.

As well as weight loss or gain the material index and weighting of transport costs can also take account of loss or gain in transport, of features such as perishability, fragility and hazard.

### **10.2.4 Need for Enterprise Location**

The need for Plant Location arises under the following circumstances:

1. Whenever a new enterprise is to be established.
2. In the case of established enterprise, the need for enterprise location arises when expansion, decentralization and diversification is undertaken to meet the increased demand for its products.
3. When the existing factory is not in a position to obtain renewal of the lease.
4. Whenever an undesirable location is to be abandoned.
5. When the tendency of shifting the market, depletion of raw materials, changes in transportation facilities, new processes requiring a different location are observed in a factory.

6. When a new branch or branches are to be opened for increasing the volume of production or distribution or both.

Steps in Enterprise Location:

1. Selection of the region
2. Selection of the locality or community
3. Selection of the exact site, and
4. Selection of an optimum site

Steps for starting a small enterprise:

1. Analyse yourself and your objectives
2. Date with yourself for newer ideas
3. Consult publications and agencies
4. Date with yourself for a decision
5. Choose a line
6. Decide on form of ownership (sole proprietary/partnership/cooperative/company (Private/public))
7. Decide whether to purchase a going concern or to start a new one.

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### **10.3 SELECTION OF THE TYPE OF ORGANISATION**

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There are a number of organizations that a new entrepreneur may select to meet his requirements, ambitions, tastes and designs. He may go for (1) Sole proprietorship, (2) Joint partnership, (3) Limited Liability Company (4) Corporation

#### **10.3.1 Selecting a Business Entity: Sole Proprietorship**

A sole proprietorship is both the simplest and the most prevalent form of business organization. An important reason for this is that it is the least regulated of all types of business structures. Technically, the sole proprietorship is the traditional unincorporated one-person business. For legal and tax purposes, the business is the owner. It has no existence outside the owner. The liabilities of the business are personal to the owner and the business ends when the owner dies. On the other hand, all of the profits are also personal to the owner and the sole owner has full control of the business.

#### **Advantages**

Following are the advantages of sole proprietorship form of business:

##### **1. Total Control of the Owner:**

The most appealing advantage of the sole proprietorship as a business structure is the total control the owner has over the business restrictions, there is total freedom to operate the business however one chooses. Many people feel that this factor alone is enough to overcome the inherent

disadvantages in this form of business. Subject only to economic considerations and certain legal.

## **2. Simplicity of Organisation:**

Related to this is the simplicity of organization of the sole proprietorship. Other than maintenance of sufficient records for tax purposes, there are no legal requirements on how the business is operated.

## **3. Least Regulated of all Business:**

As was mentioned earlier, the sole proprietorship is the least regulated of all businesses.

## **4. Registration with Local Bodies:**

Finally, it may be necessary to register with local, state, and federal tax bodies for I.D. numbers and for the purpose of collection of sales and other taxes. Other than these few simple registrations, from a legal standpoint little else is required to start up a business as a sole proprietorship.

## **5. Various Tax Benefits:**

A final and important advantage to the sole proprietorship is the various tax benefits available to an individual. The losses or profits of the sole proprietorship are considered personal to the owner. The losses are directly deductible against any other income the owner may have and the profits are taxed only once at the marginal rate of the owner. In many instances, this may have distinct advantages over the method by which partnerships are taxed or the double taxation of corporations, particularly in the early stages of the business.

## **Disadvantages**

### **1. Risk to the Assets of Sole Owner:**

Perhaps the most important factor to consider before choosing this type of business structure is that all of the personal and business assets of the sole owner are at risk in the sole proprietorship.

### **2. Potential Difficulty in Obtaining Loans:**

A second major disadvantage to the sole proprietorship as a form of business structure is the potential difficulty in obtaining business loans.

### **3. Lack of Continuity:**

A further disadvantage to a sole proprietorship is the lack of continuity that is inherent in the business form. If the owner dies, the business ceases to exist. Of course, the assets and liabilities of the business will pass to the heirs of the owner, but the expertise and knowledge of how the business was successfully carried on will

often die with the owner. Small sole proprietorships are seldom carried on profitably after the death of the owner.

### **10.3.2 Selecting a Business Entity: Joint Partnership**

A partnership is a relationship existing between two or more persons who join together to carry on a trade or business. Each partner contributes money, property, labor, and/or skill to the partnership and, in return, expects to share in the profits or losses of the business. A partnership is usually based on a partnership agreement of some type, although the agreement need not be a formal document. It may even simply be an oral understanding between the partners, although this is not recommended. A simple joint undertaking to share expenses is not considered a partnership, nor is a mere co-ownership of property that is maintained and leased or rented. To be considered a partnership for legal and tax purposes, the following factors are usually considered:

- The partners' conduct in carrying out the relationship of the parties
- The abilities and contributions of each party to the partnership, and
- provisions of the partnership agreement,

The control each partner has over the partnership income and the purposes for which the income is used.

#### **Advantages**

Following are the advantages of joint partnership form of business:

#### **Greater Opportunity for Business:**

A partnership, by virtue of combining the credit potential of the various partners, has an inherently greater opportunity for business credit than is generally available to a sole proprietorship.

#### **Tax Advantages**

As with the sole proprietorship, there may be certain tax advantages to operation of a business as a partnership, as opposed to a corporation. The profits generated by a partnership may be distributed directly to the partners without incurring any double tax liability, as is the case with the distribution of corporate profits in the form of dividends to the shareholders. Income from a partnership is taxed at personal income tax rates. Note, however, that depending on the individual tax situation of each partner, this aspect could prove to be a disadvantage.

### **A Simple Form of Business:**

For a business in which two or more people desire to share in the work and in the profits, a partnership is often the structure chosen. It is, potentially, a much simpler form of business organization than the corporate form. Less start-up costs are necessary and there is limited regulation of partnerships.

### **Disadvantages**

Following are the disadvantages of joint partnership form of business:

#### **Potential for Conflict between Partners:**

The disadvantages of the partnership form of business begin with the potential for conflict between partners. Of all forms of business organization, the partnership has spawned more disagreements than any other. This is generally traceable to the lack of a decisive initial partnership agreement that clearly outlines the rights and duties of the partners.

#### **Unlimited Personal Liability:**

A further disadvantage to the partnership structure is that each partner is subject to unlimited personal liability for the debts of the partnership.

#### **Legal Liability:**

Related to the business risks of personal financial liability is the potential personal legal liability for the negligence of another partner. In addition, each partner may even be liable for the negligence of an employee of the partnership if such negligence takes place during the usual course of business of the partnership. Again, the attendant risks are broadened by the potential for liability based on the acts of other persons. Of course, general liability insurance can counteract this drawback to some extent to protect the personal and partnership assets of each partner.

#### **Lack of Continuity:**

Again, as with the sole proprietorship, the partnership lacks the advantage of continuity. A partnership is usually automatically terminated upon the death of any partner. A final accounting and a division of assets and liabilities is generally necessary in such an instance unless specific methods under which the partnership may be continued have been outlined in the partnership agreement.

### **10.3.3 Selecting a Business Entity: Limited Liability Company (LLC)**

The limited liability company is a hybrid type of business structure. It contains elements of both a traditional partnership and a



corporation. The limited liability company form of business structure is relatively new. Only in the last few years has it become available as a form of business in all 50 states and Washington D.C. Its uniqueness is that it offers the limited personal liability of a corporation and the tax benefits of a partnership. A limited liability company consists of one or more members/owners who actively manage the business of the limited liability company. There may also be non-member managers employed to handle the business.

### **Advantages**

The members/owners in such a business enjoy a limited liability, similar to that of a shareholder in a corporation. In general, their risk is limited to the amount of their investment in the limited liability company. Since none of the members will have personal liability and may not necessarily be required to personally perform any tasks of management, it is easier to attract investors to the limited liability company form of business than to a traditional partnership. The members will share in the potential profits and in the tax deductions of the limited liability company, but in fewer of the financial risks involved. Since the limited liability company is generally taxed as a partnership, the profits and losses of the company pass directly to each member and are taxed only at the individual level. A further advantage of this type of business structure is that it offers a relatively flexible management structure. A final advantage is that limited liability companies are allowed more flexibility than Corporations in how profits and losses are actually allocated to the members/owners.

### **Disadvantages**

In as much as the business form is still similar to a partnership in operation, there is still a potential for conflict among the members/owners of a limited liability company. Limited Liability companies are formed according to individual state law, generally by filing formal Articles of Organization of a Limited Liability Company with the proper state authorities in the state of formation. Limited liability companies are, generally, a more complex form of business operation than either the sole proprietorship or the standard partnership. They are subject to more paperwork requirements than a simple partnership but somewhat less than a corporation. Limited liability companies are too far more state regulations regarding both their formation and their operation than either a sole proprietorship or a partnership. Similar to traditional partnerships, the limited liability company has an inherent lack of continuity.

### 10.3.4 Selecting a Business Entity: Corporations

A corporation is a creation of law. It is governed by the laws of the state where it was incorporated and of the state or states in which it does business. In recent years it has become the business structure of choice for many small businesses. Corporations are generally, a more complex form of business operation than either a sole proprietorship or partnership. Corporations are also subject to far more state regulations regarding both their formation and operation. The following discussion is provided in order to allow the potential business owner an understanding of this type of business operation. The corporation is an artificial entity. It is created by filing Articles of Incorporation with the proper state authorities. This gives the corporation its legal existence and the right to carry on business. The Articles of Incorporation act as a public record of certain formalities of corporate existence. Adoption of corporate bylaws, or internal rules of operation, is often the first business of the corporation, after it has been given the authority to conduct business by the state. The bylaws of the corporation outline the actual mechanics of the operation and management of the corporation. There are two basic types of corporations: C-corporations and S-corporations.

These prefixes refer to the particular chapter in the U.S. Tax Code that specifies the tax consequences of either type of corporate organization. In general, both of these two types of Corporations are organized and operated in similar fashion. There are specific rules that apply to the ability to be recognized by the U.S. Internal Revenue Service as an S-corporation. In addition, there are significant differences in the tax treatment of these two types of corporations. These differences will be clarified below. The basic structure and organizational rules below apply to both types of corporations, unless noted.

***C-Corporation:*** In its simplest form, the corporate organizational structure consists of the following levels:

***Shareholders:*** who own shares of the business but do not contribute to the direct management of the corporation, other than by electing the directors of the corporation and voting on major corporate issues.

***Directors:*** who may be shareholders, but as directors do not own any of the business. They are responsible, jointly as members of the board of directors of the corporation, for making the major business decisions of the corporation, including appointing the officers of the corporation.

***Officers:*** who may be shareholders and/or directors, but, as officers, do not own any of the business. Officers (generally the president, vice president, secretary, and treasurer) are responsible for day-to-day operation of the corporate business.

***S-Corporation:*** The S-corporation is a certain type of corporation that is available for specific tax purposes. It is a creation of the Internal Revenue Service. S-

corporation status is not relevant to state corporation laws. Its purpose is to allow small corporations to choose to be taxed, at the Federal level, like a partnership, but also to enjoy many of the benefits of a corporation. It is, in many respects, similar to a limited liability company. The main difference lies in the rules that a company needs to meet in order to qualify as an S-corporation under Federal law. In general, to qualify as an S-corporation under current IRS rules, a corporation must meet certain requirements:

- It must not have more than 75 shareholders
- All of the shareholders must, generally, be individuals and U.S. citizens
- It must only have one class of stock
- Shareholders must consent to S-corporation status
- An election of S-corporation status must be filed with the IRS

The S-corporation retains all of the advantages and disadvantages of the traditional corporation except in the area of taxation. For tax purposes, S-corporation shareholders are treated similarly to partners in a partnership. The income, losses, and deductions generated by an S-corporation are passed through the corporate entity to the individual shareholders. Thus, there is no double taxation of an S-corporation. In addition, unlike a standard corporation, shareholders of S-corporations can personally deduct any corporate losses.

### **Advantages**

Following are the various advantages of corporation form of business:

1. One of the most important advantages to the corporate form of business structure is the potential limited liability of the founders of and investors in the corporation. The liability for corporate debts is limited, in general, to the amount of money each owner has contributed to the corporation. Unless the corporation is essentially a shell for a one person business or unless the corporation is grossly under-capitalized or under-insured, the personal assets of the owners are not at risk if the corporation fails. The shareholders stand to lose only what they invested. This factor is very important in attracting investors as the business grows.
2. A corporation can have a perpetual existence. Theoretically, a corporation can last forever. This may be a great advantage if there are potential future changes in ownership of the business in the offing. Changes that would cause a partnership to be dissolved or terminated will often not affect the corporation. This continuity can be an important factor in establishing a stable business image and a permanent relationship with others in the industry.

3. Unlike a partnership, in which no one may become a partner without the consent of the other partners, a shareholder of corporate stock may freely sell, trade, or give away his or her stock unless this right is formally restricted by reasonable corporate decisions. The new owner of such stock is then a new owner of the business in the proportionate share of stock obtained.

### **Disadvantages**

Following are the various disadvantages of corporation form of business:

1. **Loss of Individual Control:** Due to the nature of the organizational structure in a corporation, a certain degree of individual control is necessarily lost by incorporation. The officers, as appointees of the board of directors, are answerable to the board of management decisions.
2. **Technical Formalities:** The technical formalities of corporation formation and operation must be strictly observed in order for a business to reap the benefits of corporate existence. Corporate meetings, both at the shareholder and director levels, are more formal and more frequent. In addition, the actual formation of the corporation is more expensive than the formation of either a sole proprietorship or partnership. The initial state fees that must be paid for registration of a corporation with a state can run as high as \$900.00 for a minimally capitalized corporation. Corporations are also subject to a greater level of governmental regulation than any other type of business entity. These complications have the potential to overburden a small business struggling to survive.
3. Finally, the profits of a corporation, when distributed to the shareholders in the form of dividends, are subject to being taxed twice.

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### **10.4 SUMMARY**

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- Location of enterprise is concerned with the least cost location, so that again transport costs are a crucial element in the location decision.
- A small enterprise or a factory or plant is an individual building or premises that produces manufactured goods.
- The concepts of site and situation play separate roles, although we may use the word site in relation to location when we are really looking at the situation of the enterprise. The site of a enterprise, or group of enterprises, is the actual physical location, or block of land.

- As transport costs are not identical for raw material and manufactured goods a relative weighting must be calculated.
- The significance of the material index is in calculating precisely the difference between the unit transport costs of raw materials and finished products. The number of the index is used to calculate a relative weighting, which is then applied to the spacing/radius of the isotims.
- A sole proprietorship is both the simplest and the most prevalent form of business organization. An important reason for this is that it is the least regulated of all types of business structures.
- A partnership is a relationship existing between two or more persons who join together to carry on a trade or business. Each partner contributes money, property, labor, and/or skill to the partnership and, in return, expects to share in the profits or losses of the business.
- The profits generated by a partnership may be distributed directly to the partners without incurring any double tax liability, as is the case with the distribution of corporate profits in the form of dividends to the shareholders.
- Of all forms of business organization, the partnership has spawned more disagreements than any other. This is generally traceable to the lack of a decisive initial partnership agreement that clearly outlines the rights and duties of the partners.
- A final accounting and a division of assets and liabilities is generally necessary in such an instance unless specific methods under which the partnership may be continued have been outlined in the partnership agreement.
- Corporations are generally, a more complex form of business operation than either a sole proprietorship or partnership.
- The bylaws of the corporation outline the actual mechanics of the operation and management of the corporation. There are two basic types of corporations: C- corporations and S-corporations.

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## 10.5 KEY TERMS

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<b><i>C-corporation</i></b>	It refers to any corporation that, under United States federal income tax law, is taxed separately from its owners.
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<b><i>Creditors</i></b>	A creditor is a party that has a claim on the services of a second party.
<b><i>Limited Liability Company (LLC)</i></b>	A corporate structure whereby the members of the company cannot be held personally liable for the company's debts or liabilities.
<b><i>Partnership</i></b>	A partnership is a relationship existing between two or more persons who join together to carry on a trade or business.
<b><i>Personal Assets</i></b>	A personal asset is something of value which belongs to some individual personally.
<b><i>S-corporation</i></b>	The S-corporation is a certain type of corporation that is available for specific tax purposes.
<b><i>Sole Proprietorship</i></b>	It is a type of business entity that is owned and run by one individual and in which there is no legal distinction between the owner and the business.
<b><i>Tax Benefit</i></b>	A tax benefit is an allowable deduction on a tax return intended to reduce a taxpayer's burden while typically supporting certain types of commercial activity.

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## **10.6 SELF-ASSESSMENT QUESTIONS**

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Fill in the blanks:

1. A is both the simplest and the most prevalent form of business organization.
2. The liabilities of the business are ..... to the owner and the business ends when the owner dies.
3. The most appealing advantage of the sole proprietorship as a business structure is the total the owner has over the business.
4. The ..... or ..... of the sole proprietorship are considered personal to the owner.

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## 10.7 FURTHER READINGS

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- Dynamics of Entrepreneurial Development and Management, Himalaya Publishing.
- Madhurima Lall and Shikha Sahai, Entrepreneurship, Excel Books, New Delhi.
- N.P. Srinivasan and G.P. Gupta, Entrepreneurial Development, Sultan Chand & Sons.
- P. Sarvanavelu, Entrepreneurship Development, Eskapee Publications.
- Robert D. Hisrich and Michael P. Peters, Entrepreneurship Development, Tata McGraw Hill.
  
- <http://businesscasestudies.co.uk/enterprise-rent-a-car/locating-a-business-to-enhance-the-customer-experience/factors-affecting-the-location-of-a-business.html#axzz2NabIDkDI>
- <http://www.articlesbase.com/business-articles/selection-of-types-of-organization-3191380.html>
- <http://www.companiesinc.com/corporation/types.asp>
- [http://www.morebusiness.com/getting\\_started/incorporating/d934832501\\_brc](http://www.morebusiness.com/getting_started/incorporating/d934832501_brc)

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## 10.8 MODEL QUESTIONS

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1. What do you mean by Small-scale industry?
2. Define Sole Proprietorship and discuss its advantages and disadvantages.
3. What are the pros and cons of starting a partnership firm?
4. Differentiate among the Limited Liability Company (LLC), Corporation and S-corporation.
5. What do you understand by material index? Briefly explain.

**UNIT: 11****INTRODUCTIONS TO BUSINESS  
COMMUNICATION****STRUCTURE:**

- 11.0 Learning Objectives**
- 11.1 Introduction**
- 11.2 Role of Communication in Business**
- 11.3 Definitions**
- 11.4 Types of Communication**
- 11.5 Purpose of Communication**
- 11.6 The Communication Situation**
- 11.7 The Communication Process / Cycle**
- 11.8 Levels of Communication**
- 11.9 Flow in Organizations**
- 11.10 Importance of Communication in an Organization**
- 11.11 Barriers to Effective Communication**
- 11.12 Overcoming Communication Barriers**
- 11.3 Summary**
- 11.14 Key Terms**
- 11.15 Self Assessment Questions**
- 11.16 Further Readings**

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**11.0 LEARNING OBJECTIVES**

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After completion of the unit, you should be able to:

- Explain the meaning and definition of Communication.
- Describe the purpose of Communication.
- Understand the Communication situation.
- Explain the elements involved in the Communication Process.
- Understand the levels of Communication.
- Describe the Barriers to Effective Communication.



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## **11.1 INTRODUCTION**

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The word “communication” is derived from the Latin word ‘communicare’ that means to impart, to participate or to share. It is a process of exchange of facts, ideas, opinions and as a means that individual or organization share meaning and understanding with one another. In other words, it is a transmission of facts, ideas, opinion, feeling and attitudes. It is the ability of mankind to communicate across barriers and beyond boundaries that has ushered the progress of mankind. It is the ability of fostering speedy and effective communication around the world. Communication had a vital role to play in ensuring that people belonging to a particular country or a culture or linguistic group interact with and relate to people belonging to other countries or culture or linguistic group. Communication adds meaning to human life. It helps to build relationship and fosters love and understanding. It enriches our knowledge of the universe and makes living worthwhile.

### **ROLE OF COMMUNICATION IN BUSINESS**

The term business communication is used for all messages that we send and receive for official purpose like running a business, managing an organization, conducting the formal affairs of a voluntary organization and so on. Business communication is marked by formality as against personal and social communication. The success of any business to a large extent depends on efficient and effective communication. It takes place among business entities, in market and market places, within organizations and between various group of employees, owners and employees, buyers and sellers, service providers and customers, sales persons and prospects. All such communication impacts business. Done with care, such communication can promote business interests. Otherwise, it will portray the organization in poor light and may adversely affect the business interest.

Communication is the life blood of any organization and its main purpose is to effect change to influence action. Ability to work well in teams, to manage your subordinates and your relationship with seniors, customers and colleagues depends on your communication skill. In any organization the main problem is of maintaining effective communication process. The management problem generally results in poor communication. Serious mistakes are made because orders are misunderstood. The basic problem in communication is that the meaning which is actually understood may not be what the other intended to send. It must be realised that the speaker and the listener are two separate individuals having their own limitations and number of things may happen to distort the message that pass between them. When people within the organization communicate with each other, it is internal communication. They do so to work as a team and realise the common

goals. It could be official or unofficial. Modes of internal communication include face-to-face and written communication. Memos, reports, office order, circular, fax, video conferencing, meeting etc. When people in the organization communicate with anyone outside the organization it is called external communication. These people may be clients or customers, dealers or distributors, media, government, general public etc.

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### **11.3 DEFINITIONS**

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Communication may be defined as interchange of thought or information between two or more persons to bring about mutual understanding and desired action. It is the information exchange by words or symbols. It is the exchange of facts, ideas and viewpoints which bring about commonness of interest, purpose and efforts.

American Management Association defines, 'Communication is any behaviour that results in an exchange of meaning'.

Peter Little defines communication as, 'Communication is the process by which information is transmitted between individuals and/or organizations so that an understanding response result'.

Newman and Summer Jr. state that, 'Communication is an exchange of facts, ideas, opinions or emotions by two or more persons'.

According to Keith Davis, 'The process of passing the information and understanding from one person to another. It is essentially a bridge of meaning between the people. By using the bridge a person can safely cross the river of misunderstanding'.

Louis A. Allen defines, 'Communication is the sum total of all the things that a person does, when he wants to create an understanding in the mind of another. It involves a systematic and continuous process of telling, listening and understanding'.

Therefore, the main purpose of communication is to inform, or to bring around to a certain point of view or to elicit action.

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### **11.4 TYPES OF COMMUNICATION**

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Let us now go through the various types of communication:

#### **Verbal communication**

Verbal communication is a type of communication where the information flows through verbal medium like words, speeches, presentations etc. In verbal communication the sender shares his/her thoughts in the form of words. In organizations, individuals communicate verbally among each other in the form of dialogues, speech, presentations, discussions to name a few. The tone of the speaker, the pitch and the quality of words play a crucial role in verbal communication. The speaker has to be loud and clear and the content has to be properly defined. Haphazard and unorganized thoughts only lead to confusions and misunderstandings among individuals. In verbal communication, an individual must understand the importance of words

and how to put them across. While speaking the pitch ought to be high and clear for everyone to understand and the content must be designed keeping the target audience in mind. In verbal communication it is the responsibility of the sender to cross check with the receiver whether he has downloaded the correct information or not and the sender must give the required response.

Sarah to Ken - "I want a glass of water" is an example of verbal communication

### **Non verbal communication**

Imagine yourself in a situation, where you can't speak but have to communicate an urgent information to the other person or for that matter, you are sitting in an important meeting and you want to express your displeasure or pleasure to your colleague without uttering even a word. Here non verbal mode of communication comes into picture. Facial expressions, gestures, hand and hair movements, body postures all constitute non verbal communication. Any communication made between two people without words and simply through facial movements, gestures or hand movements is called as non verbal communication. In other words, it is a speechless communication where content is not put into words but simply expressed through expressions. If one has a headache, one would put his hand on his forehead to communicate his discomfort - a form of non verbal communication. Non verbal communications are vital in offices, meetings and even in romantic chats.

### **Visual Communication**

Before planning any outing or tour, Sandra always refers to the map of that place. Through the map, she tries to find out more about the place, the route to reach that place, hotels, shopping joints etc. The map is actually passing information about the place to Sandra or communicating with Sandra. This mode of communication is called visual communication. In visual communication, the recipient receives information from signboards, displays, hoardings, banners, maps etc. The sign board of Mc Donald's or KFC indicates eating joints - a form of visual communication. The sign board of "No Parking Zone" communicates to the individuals that any vehicle must not be parked in the vicinity - again a mode of visual communication. Vision plays a very important role in visual communication and it depends on the recipient how to interpret the message.

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## **11.5 PURPOSE OF COMMUNICATION**

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**For instruction:** The instructive function unvarying and importantly deals with the commanding nature. It is more or less of directive nature. Under this, the communicator transmits with necessary directives and

guidance to the next level, so as to enable them to accomplish their particular tasks. In this, instructions basically flow from top to the lower level.

**For integration:** It is a consolidated function under which integration of activities is endeavoured. The integration function of communication mainly involves to bring about inter-relationship among the various functions of the business organization. It helps in the unification of different management functions.

**For information:** The purpose or function of communication in an organization is to inform the individuals or group about the particular task or company policies and procedures etc. Top management informs policies to the lower level through the middle level. In turn, the lower level informs the top level the reaction through the middle level. Information can flow vertically, horizontally and diagonally across the organization. Being informed or informing others is the main purpose of communication.

**For evaluation:** Examination of activities to form an idea or judgement of the worth of task is achieved through communication. Communication is a tool to appraise the individual or team, their contribution to the organization. Evaluating one's own inputs or other's outputs or some ideological scheme demands an adequate and effective communication process.

**For direction:** Communication is necessary to issue directions by the top management or manager to the lower level. Employee can perform better when he/she is directed by his/her senior. Directing others may be communicated either orally or in writing. An order may be common order, request order or implied order.

**For teaching:** The importance of personal safety on the job has been greatly recognized. A complete communication process is required to teach and educate workers about personal safety on the jobs. This communication helps the workers to avert accidents, risk etc. And avoid cost, procedures etc.

**For influencing:** A complete communication process is necessary in influencing others or being influenced. The individual having potential to influence others can easily persuade others. It implies the provision of feedback which tells the effect of communication.

**For image building:** A business enterprise cannot isolate from the rest of the society. There is interrelationship and interdependence between the society and an enterprise operating in the society. Goodwill and confidence are necessarily created among the public. It can be done by the communication with different types of media, which has to project the image of the firm in the society. Through an effective external communication system, an enterprise has to inform the society about its goals, activities, progress and social responsibility.

**For employees' orientation:** When a new employee enters into the organization at that time he or she will be unknown to the organization programs, policies, culture etc. Communication helps to make people acquainted with the co-employees, superior and with the policies, objectives, rules and regulations of the organization.

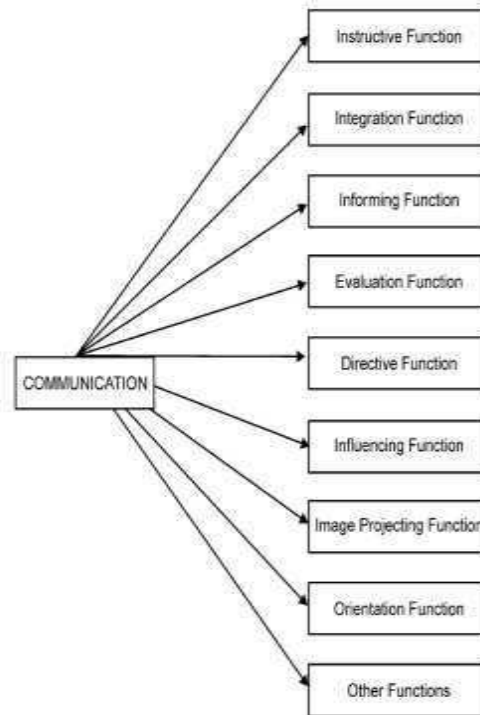


Fig. 1.1: Purpose of Communication

10. **Other:** Effective decision-making is possible when required and adequate information is supplied to the decision-maker. Effective communication helps the process of decision-making. In general, everyone in the organization has to provide with necessary information so as to enable to discharge tasks effectively and efficiently.

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## 11.6 THE COMMUNICATION SITUATION

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The communication situation is said to exist when

- There is a person (sender/transmitter) who wants to pass some information;
- There is another person (receiver) to whom the information is to be passed on;
- The receiver partly or wholly understands the message or information passed onto him;
- The receiver responds to the message or gives feedback. These four components are essential for communication.
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## 11.7 THE COMMUNICATION PROCESS / CYCLE

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- The transmission of sender's ideas to the receiver and the receiver's feedback or reaction to the sender constitute the communication cycle. The process of communication begins when one person (the sender) wants to transmit a fact, idea, opinion or other information to someone else (the receiver).
- The next step is translating or converting the message into a language which reflects the idea. That is, the message must be encoded.
- The encoding process is influenced by content of the message, the familiarity of sender and receiver and other situation of factors.
- After the message has been encoded, it is transmitted through the appropriate channel or medium. Common channel in organization includes meetings, reports, memorandums, letters, e-mail, fax and telephone calls. When the message is received, it is decoded, by the receiver and gives feedback to the sender as the conformation about the particular message has been carefully understood or not.

### Elements of Communication

The process of communication involves the following elements:

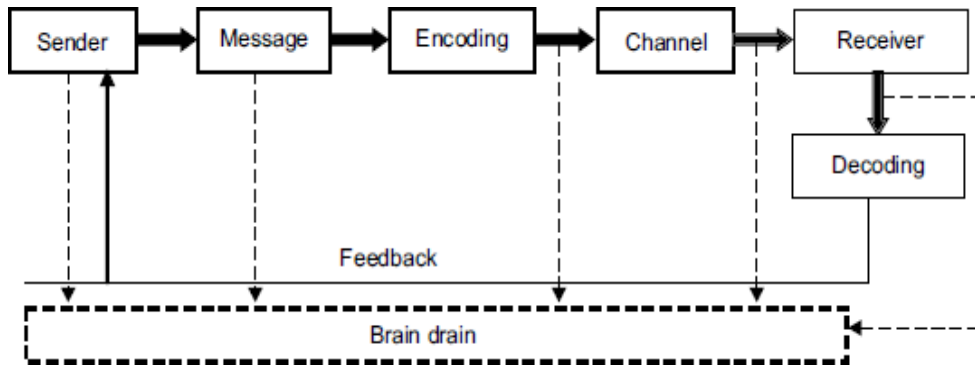
**Sender or transmitter:** The person who desires to convey the message is known as sender. Sender initiates the message and changes the behaviour of the receiver.

**Message:** It is a subject matter of any communication. It may involve any fact, idea, opinion or information. It must exist in the mind of the sender if communication is to take place.

**Encoding:** The communicator of the information organises his idea into series of symbols (words, signs, etc.) which, he feels will communicate to the intended receiver or receivers.

**Communication channel:** The sender has to select the channel for sending the information. Communication channel is the media through which the message passes. It is the link that connects the sender and the receiver.

**Receiver:** The person who receives the message is called receiver or receiver is the person to whom the particular message is sent by the transmitter. The communication process is incomplete without the existence of receiver of the message. It is a receiver who receives and tries to understand the message.



**Fig. 1.2 The Communication Process**

**Decoding:** Decoding is the process of interpretation of an encoded message into the understandable meaning. Decoding helps the receiver to drive meaning from the message.

**Feedback:** Communication is an exchange process. For the exchange to be complete the information must go back to whom from where it started (or sender), so that he can know the reaction of the receiver. The reaction or response of the receiver is known as feedback.

**Brain drain:** On whole process there is a possibility of misunderstandings at any level and is called brain drain. It may arise on sender side if they do not choose the adequate medium for delivery of message, by using default channel and it may also arise when receiver does not properly decode the message. In other words, we can say that it is breakdown of cycle at any level.

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## 11.8 LEVELS OF COMMUNICATION

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Communication can involve sending messages to both large and small audiences. Internal messages are intended for recipients within the organization. External messages are directed to recipients outside the organization. When considering the intended audience, communication can be described as taking place on five levels i.e. **intrapersonal, interpersonal, group, organizational, and public.**

**Intrapersonal Communication-** It is within oneself because it does not involve a separate sender and receiver, some do not consider intrapersonal communication to be true communication. Others, however, believe that intrapersonal communication when conceived of as the degree of our self-awareness is an important foundation of effective communication. Accurate perception of our self and an understanding of how others see us is the first building block of effective communication. Self-awareness is generally achieved through self reflection or what might be thought of as intrapersonal communication.

**Interpersonal Communication-** It is the communication that occurs between two people. Its goals are to accomplish the tasks and to help the

participants to feel better about themselves and each other because of their interaction. Examples of interpersonal communication include that occurring between a supervisor and subordinate and that occurring between two co-workers.

**Group Communication-** It occurs among more than two people, generally in a small group. It's the goal of group communication to achieve greater output through the collaboration of several individuals than could be produced through individual efforts. Examples of group communication include that occurring within a committee or within a work team.

**Organizational Communication-** It generally involves large groups working together in such a way as to accomplish complex, ambitious tasks. The goal of organizational communication is to provide adequate structure communication flow, and channels and media for communication to allow that to happen.

**Public Communication-** This type of communication is intended to help the organization to reach out to its public to achieve its external communication goals. Examples of public communication include advertisements, public relations, crisis management, and website communication about the company and its products and services. Some forms of public communication, such as advertisements and public relations, might be characterised as mass communication since they are often transmitted using media.

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## 11.9 COMMUNICATION FLOW IN ORGANIZATIONS

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Communication flows in a variety of ways in an organization. Some flows are planned and structured, others are not. Some communication flows can be formally depicted, whereas some defy description. The flow of communication within an organization occurs both formally and informally. The **formal network flow** often follows a company's formal organization chart, which is created by management to control individual and group behaviour and to achieve the organization's goals. The formal system is dictated by the cultural, technical, political and economic environment of the organization.

By contrast, the informal network flow develops as people interact within the formal communication system and certain behaviour patterns emerge, patterns that accommodate social and psychological needs. Because the informal network undergoes continual changes, it generally cannot be depicted accurately by graphic means.

### FORMAL NETWORK FLOW

The direction in which communication flows formally within an organization may be downward, upward, horizontal or lateral, diagonal and external. Although the concept of flow seems simple, direction has



meaning for those participating in the communication process.

In an organization, communication flows in 5 main directions-

1. Downward
2. Upward
3. Lateral
4. Diagonal
5. External

**Downward Flow of Communication:** Communication that flows from a higher level in an organization to a lower level is a downward communication. In other words, communication from superiors to subordinates in a chain of command is a downward communication. This communication flow is used by the managers to transmit work-related information to the employees at lower levels. Employees require this information for performing their jobs and for meeting the expectations of their managers. Downward communication is used by the managers for the following purposes-

- Providing feedback on employees' performance.
- Giving job instructions.
- Providing a complete understanding of the employees' job as well as to communicate them how their job is related to other jobs in the organization.
- Communicating the organization's mission and vision to the employees.
- Highlighting the areas of attention

Organizational publications, circulars, letter to employees, group meetings etc are all examples of downward communication. In order to have effective and error-free downward communication, managers must.

- Specify communication objective.
- Ensure that the message is accurate, specific and unambiguous.
- Utilize the best communication technique to convey the message to the receiver in right form

**Upward Flow of Communication:** Communication that flows to a higher level in an organization is called upward communication. It provides feedback on how well the organization is functioning. The subordinates use upward communication to convey their problems and performances to their superiors.

The subordinates also use upward communication to tell how well they have understood the downward communication. It can also be used by the employees to share their views and ideas and to participate in the

decision-making process.

Upward communication leads to a more committed and loyal workforce in an organization because the employees are given a chance to raise and speak dissatisfaction issues to the higher levels. The managers get to know about the employees feelings towards their jobs, peers, supervisor and organization in general. Managers can thus accordingly take actions for improving things.

Grievance Redressal System, Complaint and Suggestion Box, Job Satisfaction surveys etc all help in improving upward communication. Other examples of Upward Communication are -performance reports made by low level management for reviewing by higher level management, employee attitude surveys, letters from employees, employee-manager discussions etc.

**Lateral / Horizontal Communication:** Communication that takes place at same levels of hierarchy in an organization is called lateral communication, i.e., communication between peers, between managers at same levels or between any horizontally equivalent organizational member. The advantages of horizontal communication are as follows :

- It is time saving.
- It facilitates co-ordination of the task.
- It facilitates co-operation among team members.
- It provides emotional and social assistance to the organizational members.
- It helps in solving various organizational problems.
- It is a means of information sharing.
- It can also be used for resolving conflicts of a department with other department or conflicts within a department.

**Diagonal Communication:** Communication that takes place between a manager and employees of other workgroups is called diagonal communication. It generally does not appear on organizational chart. For instance - To design a training module a training manager interacts with Operations personnel to enquire about the way they perform their task

**External Communication:** Communication that takes place between a manager and external groups such as - suppliers, vendors, banks, financial institutes etc. For instance - To raise capital the Managing director would interact with the Bank Manager.

### **INFORMAL NETWORK FLOW (the GRAPEVINE)**

The *grapevine*, often called then *rumour mill*, is perhaps the best – known part of the informal communication system. As people talk casually during coffee breaks and lunch periods, the focus usually shifts from topic to topic. One of the usual topics is work – job, company,

supervisor, fellow employees. Even though the formal system has a definite pattern of communication flow, the grapevine tends to emerge spontaneously and operates within all organizations.

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## 11.10 IMPORTANCE OF COMMUNICATION IN AN ORGANIZATION

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Effective Communication is significant for managers in the organizations so as to perform the basic functions of management, i.e., Planning, Organizing, Leading and Controlling.

Communication helps managers to perform their jobs and responsibilities. Communication serves as a foundation for planning. All the essential information must be communicated to the managers who in turn must communicate the plans so as to implement them. Organizing also requires effective communication with others about their job task. Similarly leaders as managers must communicate effectively with their subordinates so as to achieve the team goals. Controlling is not possible without written and oral communication.

Managers devote a great part of their time in communication. They generally devote approximately 6 hours per day in communicating. They spend great time on face to face or telephonic communication with their superiors, subordinates, colleagues, customers or suppliers. Managers also use Written Communication in form of letters, reports or memos wherever oral communication is not feasible.

Thus, we can say that “**effective communication is a building block of successful organizations**”. In other words, communication acts as organizational blood.

The importance of communication in an organization can be summarized as follows.

- (i) Communication **promotes motivation** by informing and clarifying the employees about the task to be done, the manner they are performing the task, and how to improve their performance if it is not up to the mark.
- (ii) Communication is a **source of information** to the organizational members for decision-making process as it helps identifying and assessing alternative course of actions.
- (iii) Communication also plays a crucial role in **altering individual's attitudes**, i.e., a well informed individual will have better attitude than a less-informed individual. Organizational magazines, journals, meetings and various other forms of oral and written communication help in moulding employee's attitudes.
- (iv) Communication also **helps in socializing**. In today's life the only presence of another individual fosters communication. It is also said that one cannot survive without communication.

- (v) Communication also assists in **controlling process**. It helps controlling organizational member's behaviour in various ways. There are various levels of hierarchy and certain principles and guidelines that employee must follow in an organization. They must comply with organizational policies, perform their job role efficiently and communicate any work problem and grievance to their superiors. Thus, communication helps in controlling function of management.

An effective and efficient communication system requires managerial proficiency in delivering and receiving messages. A manager must discover various barriers to communication, analyze the reasons for their occurrence and take preventive steps to avoid those barriers. Thus, the primary responsibility of a manager is to develop and maintain an effective communication system in the organization.

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### **11.11 BARRIERS TO EFFECTIVE COMMUNICATION**

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Communication is a process beginning with a sender who encodes the message and passes it through some channel to the receiver who decodes the message. Communication is fruitful if and only if the message sent by the sender is interpreted with same meaning by the receiver. If any kind of disturbance blocks any step of communication, the message will be destroyed. Due to such disturbances, managers in an organization face severe problems. Thus the managers must locate such barriers and take steps to get rid of them.

There are several barriers that affect the flow of communication in an organization. These barriers interrupt the flow of communication from the sender to the receiver, thus making communication ineffective. It is essential for managers to overcome these barriers. The main barriers of communication are summarized below.

Following are the main Communication Barriers / reasons for Communication Breakdown :

**Perceptual and Language Differences:** Perception is generally how each individual interprets the world around him. All generally want to receive messages which are significant to them. But any message which is against their values is not accepted. A same event may be taken differently by different individuals. For example : A person is on leave for a month due to personal reasons (family member being critical). The HR Manager might be in confusion whether to retain that employee or not, the immediate manager might think of replacement because his team's productivity is being hampered, the family members might take him as an emotional support.

The linguistic differences also lead to communication breakdown. Same word may mean different to different individuals. For example: consider a word “value”.

- a. What is the **value** of this Laptop?
- b. I **value** our relation?

What is the **value** of learning technical skills?

“Value” means different in different sentences. Communication breakdown occurs if there is wrong perception by the receiver.

**Information Overload:** Managers are surrounded with a pool of information. It is essential to control this information flow else the information is likely to be misinterpreted or forgotten or overlooked. As a result communication is less effective.

**Inattentive:** At times we just not listen, but only hear. For example a traveller may pay attention to one “NO PARKING” sign, but if such sign is put all over the city, he no longer listens to it. Thus, repetitive messages should be ignored for effective communication. Similarly if a superior is engrossed in his paper work and his subordinate explains him his problem, the superior may not get what he is saying and it leads to disappointment of subordinate.

**Time Pressures:** Often in organization the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened, or messages are partially given, i.e., not completely transferred. Thus sufficient time should be given for effective communication.

**Distraction/Noise:** Communication is also affected a lot by noise or distractions. Physical distractions are also there such as, poor lightning, uncomfortable sitting, unhygienic room also affects communication in a meeting. Similarly use of loud speakers interferes with communication.

**Emotions:** Emotional state at a particular point of time also affects communication. If the receiver feels that communicator is angry he interprets that the information being sent is very bad. While he takes it differently if the communicator is happy and jovial (in that case the message is interpreted to be good and interesting).

**Complexity in Organizational Structure:** Greater the hierarchy in an organization (i.e. more the number of managerial levels), more is the chances of communication getting destroyed. Only the people at the top level can see the overall picture while the people at low level just have knowledge about their own area and a little knowledge about other areas.

**Poor retention:** Human memory cannot function beyond a limit. One cant always retain what is being told specially if he is not interested or not attentive. This leads to communication breakdown.

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## 11.12 OVERCOMING COMMUNICATION BARRIERS

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There are a lot of communication barriers faced these days by all. The message intended by the sender is not understood by the receiver in the same terms and sense and thus communication breakdown occurs. It is essential to deal and cope up with these communication barriers so as to ensure smooth and effective communication.

As, in the previous section we have discussed the major barriers of communication. Let's talk about **how to overcome these barriers of communication.**

1. **Eliminating differences in perception:** The organization should ensure that it is recruiting right individuals on the job. It's the responsibility of the interviewer to ensure that the interviewee has command over the written and spoken language. There should be proper Induction program so that the policies of the company are clear to all the employees. There should be proper trainings conducted for required employees (for eg: Voice and Accent training).
2. **Use of Simple Language:** Use of simple and clear words should be emphasized. Use of ambiguous words and jargons should be avoided.
3. **Reduction and elimination of noise levels:** Noise is the main communication barrier which must be overcome on priority basis. It is essential to identify the source of noise and then eliminate that source.
4. **Active Listening:** Listen attentively and carefully. There is a difference between "listening" and "hearing". Active listening means hearing with proper understanding of the message that is heard. By asking questions the speaker can ensure whether his/her message is understood or not by the receiver in the same terms as intended by the speaker.
5. **Emotional State:** During communication one should make effective use of body language. He/she should not show their emotions while communication as the receiver might misinterpret the message being delivered. For example, if the conveyer of the message is in a bad mood then the receiver might think that the information being delivered is not good.
6. **Simple Organizational Structure:** The organizational structure should not be complex. The number of hierarchical levels should be optimum. There should be a ideal span of control within the organization. Simpler the organizational structure, more effective will be the communication.
7. **Avoid Information Overload:** The managers should know how to prioritize their work. They should not overload themselves with the work. They should spend quality time with their subordinates and

- should listen to their problems and feedbacks actively.
8. **Give Constructive Feedback:** Avoid giving negative feedback. The contents of the feedback might be negative, but it should be delivered constructively. Constructive feedback will lead to effective communication between the superior and subordinate.
  9. **Proper Media Selection:** The managers should properly select the medium of communication. Simple messages should be conveyed orally, like: face to face interaction or meetings. Use of written means of communication should be encouraged for delivering complex messages. For significant messages reminders can be given by using written means of communication such as : Memos, Notices etc.
  - 10 **Flexibility in meeting the targets:** For effective communication in an organization the managers should ensure that the individuals are meeting their targets timely without skipping the formal channels of communication. There should not be much pressure on employees to meet their targets.

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## 11.13 SUMMARY

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**Communication** is neither the transmission of a message nor the message itself. It is the mutual exchange of understanding, originating with the receiver. Communication needs to be effective in business. Communication is the essence of management. The basic functions of management (Planning, Organizing, Staffing, Directing and Controlling) cannot be performed well without effective communication.

Business communication involves constant flow of information. Feedback is integral part of business communication. Organizations these days are very large and involve large number of people. There are various levels of hierarchy in an organization. Greater the number of levels, the more difficult is the job of managing the organization. Communication here plays a very important role in process of directing and controlling the people in the organization. Immediate feedback can be obtained and misunderstandings if any can be avoided. There should be effective communication between superiors and subordinated in an organization, between organization and society at large (for example between management and trade unions). It is essential for success and growth of an organization. Communication gaps should not occur in any organization.

Business Communication is goal oriented. The rules, regulations and policies of a company have to be communicated to people within and outside the organization. Business Communication is regulated by certain rules and norms. In early times, business communication was limited to paper-work, telephone calls etc. But now with advent of technology, we

have cell phones, video conferencing, emails, satellite communication to support business communication. Effective business communication helps in building goodwill of an organization.

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### 11.14 KEY TERMS

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<b>Encoding</b>	the process of selecting and organizing the message.
<b>Decoding</b>	the process of interpreting the message.
<b>Feedback</b>	the response the receiver gives to the sender of the message.
<b>Organizational Communication</b>	communication concerned with the movement of information within the company structure.
<b>Intrapersonal communication</b>	communication that occurs within oneself.
<b>Interpersonal communication</b>	communication that occurs between two people.
<b>Group communication</b>	communication that occurs among more than one people.
<b>Public communication</b>	communication intended to help the organization to reach out to its public to achieve its external communication goals.
<b>Formal network flow</b>	communication that often follows the company's formal organization chart.
<b>Informal network flow</b>	flow of communication that develops as people interact within the formal communication system.

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### 11.15 SELF ASSESSMENT QUESTIONS

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1. How do you define communication?
2. What is the role of communication in management of business?
3. What are the different purposes of communication? Briefly explain any five of them.
4. Discuss the different situations when communication exists.
5. "Communication is an exchange of facts, ideas, opinions and emotions by two or more persons." Explain the statement and discuss the role of feedback in communication.
6. "Communication is the two way process." Explain.
7. Discuss the elements of communication process.
8. Give three examples of brain drain in communication process.



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### **11.16 FURTHER READINGS**

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Lehman, Dufrene, Sinha – Business Communication: An Innovative Approach to Learning and Teaching (Cengage Learning Pvt.Ltd.)

Jeff Butterfield – Soft Skills for Everyone (Cengage Learning Pvt.Ltd.)

**STRUCTURE:****12.0 Learning Objectives****12.1 Introduction****12.2 Definition****12.3 Advantages and Disadvantages of Telephonic Interview  
for Telephonic Interview****12.4 Tips to succeed in Telephonic Interview****12.5 Commonly asked Telephonic Interview questions and suggested  
answers****12.6 Summary****12.7 Key Elements of a Successful Phone Interview****12.8 Self-Assessment Questions****12.9 Further Readings**

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**12.0 LEARNING OBJECTIVES**

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After completion of this unit, you should be able to:

- Understand the meaning of telephonic interview.
- Know the advantages and disadvantages of telephonic interview.
- Know the methods to prepare for a telephonic interview.
- Understand the ways to succeed in a telephonic interview.
- Know how to deal with commonly asked telephonic interview questions.

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**12.1 INTRODUCTION**

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With the revolution of communication technology and mobile equipments, many activities are executed from remote location. Now is the time when we monitor and control various business activities and professional tasks by holding a mobile handset only.

This era of information and communication technology has also influenced the current job market which includes sending interview call

letters by SMS, schedule a telephonic interview and even intimation of final result on a ten digit mobile number. Now the Human Resource (H.R.) Department of many organizations is short listing and calling the candidates by telephonic conversations. The time is left far behind when there was long wait for the interview call letter to be delivered by the postman. Now, almost every organization believes in screening the candidates by telephonic interviews rather than sending sealed envelopes with postage stamps. There are many reasons due to which telephonic interviews are planned.

More and more employers are using telephone interviews as part of the hiring process. Phone interviewing is an effective method for organizations to:

- Be able to interview candidates from a wider geographical area.
- Assess a candidate's interest in the organization and eliminate uninterested candidates from the search.
- Narrow a large candidate pool to a small group that will be invited for an in-person interview.
- Save time and travel expenses

A phone interview will not generally get you a job; it is used as an intermediate step on the way to a face to-face interview.

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## 12.2 DEFINITION

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**Telephone interviews** are often conducted by employers in the initial interview round of the hiring process, this type of interview allows an employer to screen candidates on the candidates experience, qualifications, and salary expectations pertaining to the position and the company. The telephone interview saves the employers' time and eliminates candidates that are unlikely to meet the company's expectations. Employers tend to perform telephone interviews as a structured interview. The questions are custom tailored to meet the position in question. With the telephone interview there may not be direct contact between the employer and employee, however, the expectations are still there. Telephone interviews are scheduled and questions are generally prepared in advance, similar to the way other interviews are conducted. Another common reason a company looks to the telephone interview is that these interviews can be conducted on-the-fly. The interviewer does not have to assign company resources to the phone interview. It is a cost-effective method to short-list candidates for the position being interviewed for. Reporters conduct a telephone interviews as part of investigative journalism or a live broadcast.

The telephone interview allows both interviewee and interviewer to be in a more relaxed state. The interviewer can use the relaxed state to better

gauge the interviewee, and pick up on things that may be disguised during the more formal interview process.

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### **12.3 ADVANTAGES AND DISADVANTAGES OF TELEPHONE INTERVIEWS**

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An increase in call centres and other-telephone based businesses has resulted in a larger percentage of companies using telephone interviews to review telephone manners and other skills of potential staff. However, telephone interviewing should never be a substitute for final face-to-face interviews – but they are a quick and easy method to identify good candidates and discount unsuitable applicants.

Telephone interviews are often conducted by employers who have regular and large intakes of staff – particularly graduate employers such as big accounting firms and large banks.

There are countless advantages about phone interviews; they are both quicker and more convenient for you and the interviewee rather than arranging a preliminary meeting face-to-face. As sales jobs commonly rely and require as much personality/telephone skills and manner as qualifications achieved and experience. Nevertheless, phone interviews can be difficult because the people involved cannot see each other and as a result the usual visual clues are absent.

Telephone interviews are especially common for sales related jobs, particularly – surprise, surprise telesales where verbal communication skills are paramount. However they are used by other employers for preliminary screening of candidates for a wide variety of jobs.

Telephone interviews can often be more beneficial for the employer than the applicant. Nonetheless, for a job applicant it is better to have a telephone interview rather than no interview at all. As in all methods of practice, there are advantages and disadvantages with telephone interviews.

#### **❖ ADVANTAGES**

##### **▪ Cheap and Cheerful**

- Evidently a phone call is easier and much less costly than an in-person interview –especially if travel is involved for you and the employee, where commonly candidates expect the employer to pay for the travel costs that have incurred for them to attend the interview.

- If an applicant appears to fill the requirement but lives a long distance away, you can reduce your spending by telephone interviewing before spending a large amount of travel costs. This can be particularly relevant if the applicant is currently based in another country.

##### **▪ Stepping Stone**

- A phone interview or screening session doesn't usually take the place of an in- person interview. It is merely a means of learning

more about the candidate and allowing the candidate to learn more about the employer and position available before both parties commit to the time and expense of an in-person interview.

- **So Much In So Little Time**
- A number of different people can be reached in a relatively short period of time enabling you to be able to efficiently thin out applicants for further interviews.
- **Question Time**
- When screening candidates prior to an in-house interview there are a number of common phone interview questions that can be used. Phone interviews are also often used by specialist recruitment agencies acting on behalf of employers as the first step in the recruitment process “the preliminary telephone interviews”.
- **Test the Unexpected**
- Telephone interviews not only test the potential verbal communication skills and telephone technique but they test the potential employee’s ability to cope with the unexpected (this refers to both the unexpected phone call itself and unexpected questions).
- **Long Distance “Relationships”**
- Rather than discarding promising jobs to applicants who live a long distance away
- employers can now use telephone interviews as an acceptable and informative method of making first contact.
- **Slimming Down Your Options**
- Due to high levels of unemployment where employers are receiving vast amounts of job applications, telephone job interviews are becoming more the norm. It is often difficult to narrow the field down to a manageable and reasonable number through written applications alone. However, once this has happened the first step can often be a telephone interview where you as an employer are deciding whether or not you choose to look further into an application. This can work as a satisfactory and effective thinning out process.

#### ❖ **DISADVANTAGES**

- **Lack of Body Language**  
The inability to read body language is a major disadvantage of not having a face-to-face interview. If you can see the interviewee, you can ascertain whether or not he/ she is interested in the role and the questions asked. With a telephone interview it is very hard to make a judgement on how attentive they are. You don’t see them frown if you’re disagreeing with a point they may have made. You also can’t see them smile or in fact view any facial or body expressions... It really is a case of flying blind. The

candidate can't see the interviewer face-to-face, and therefore their body language can't be analyzed. Here, the concept of seeing into their eyes and gesticulation is nowhere. In telephonic interviews, candidates cannot show the confidence in terms of greeting smile and sitting style.

- **Hello? Is anybody there?**

A major disadvantage of telephone interviewing is that the respondent could unilaterally terminate the telephone interview without any warning or explanation by hanging up the phone (this could be for what seems as no apparent reason?).

- **Visual Prompts**

It is very difficult to use visual prompts during telephone interviewing. However, in some cases these may be used for example by sending through the prompt materials prior to a pre-arranged interview time by couriers, email etc.

- **Is There Any Chemistry?**

Without face to face communication and interaction it is often hard to indicate if you and the candidate have chemistry that would possibly turn into a binding work relationship.

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## 12.4 PREPARING FOR TELEPHONIC INTERVIEW

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Just like an in-person interview, preparation is the key to a successful telephone interview. Most employers will call you to schedule a day and time prior to the actual phone interview. However, it never hurts to be prepared in case you receive a call out of the blue. If this happens and you feel unprepared, it is better to reschedule than to make a poor impression.

### BEFORE THE INTERVIEW

**Develop your interviewing skills.** Prepare for the phone interview the sameway as for a faceto-face interview.

- Review the Career Services' online interviewing information.
- Practice your interview skills using InterviewStream.
- Schedule a mock interview with a Career Services.

**Check your answering machine.** Be sure you record a professional message for your answering machine.

**Turn off call waiting.** Do not take any other calls while you are interviewing.

**Alert others.** Let your roommates know that an interviewer will be calling. Ask that they allow you to answer the phone.

**Find a quiet location.** Take the call in a quiet room and eliminate distracting background noise. Place a "Do Not Disturb" sign on your

door. Turn off the speakerphone to eliminate echo sounds.

**Take care of personal hygiene needs.** Use the bathroom prior to the scheduled call.

**Get organized.** Set out all documents and information you might need, including:

Current resume

List of brief responses to anticipated questions

List of points, such as specific skills and achievements, which you want to mention

List of pertinent questions about the position or organization that you want to ask the interviewer

Calendar with all of your scheduled commitments

Notepad, pen, and calculator

### ❖ DURING THE INTERVIEW

- **Be professional.** Be courteous to support staff who may place the initial call. Refer to the interviewer as Mr., Mrs., or Ms. unless otherwise directed.
- **Confirm the interviewer's information.** If you don't already have it, be sure to ask for the
  - interviewer's exact title and the spelling of his/her name along with a phone number, e-mail
  - address, and street address.
- **Speak clearly and slowly.** The interviewer is only hearing your voice. Use good communication skills to leave a positive impression.
- **Smile when you speak.** It may sound silly, but smiling will help you to sound enthusiastic and friendlier.
- **Listen carefully.** The interviewer will notice if you are distracted. Don't do anything else while the interviewer is on the phone. Prove that you're paying attention by feeding back what the interviewer says.
- **Don't hesitate to ask for clarification.** Since this is not a face-to-face situation, you may need to ask, "Is this the kind of information you're seeking?" or "Have I sufficiently answered your question about my [skills or experience]?"
- **Tell the interviewer if you're interested.** Close the interview positively and reiterate your interest in the position. Let the interviewer know that you are interested in an in-person interview to further discuss your qualifications for the position.
- **Ask about the next step in the process.** As the call winds to a close, ask about the next step in the interview process as well as the hiring timetable. Offer to send, fax, or e-mail any additional information or supporting documentation.
- **Say thanks.** Conclude the call by expressing your appreciation for the time spent with you.

### ❖ **AFTER THE INTERVIEW**

- Write a thank-you letter. Just because the interview was conducted by telephone doesn't let you off the hook when it comes to sending a thank-you note.

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## **12.5 TIPS TO SUCCEED IN TELEPHONIC INTERVIEWS**

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Here are some tips which should be followed in the telephonic interviews so that the candidates can be called for the personal face-to-face interview or getting appointment letter in hands. Just as you would prepare yourself for the face-to-face/personal interview, devote some time for planning and preparing for such interviews.

### **Do not switch off your phone**

The candidates should keep their mobile phone always ON because the phone call can ring anytime. The battery of mobile phone should be fully charged. In case of meeting or other official appointments, the phone may be placed in vibration or silent mode rather than switched-off. It leaves very bad impression on employer if the phone of candidate is in switched-off mode or giving message that the number is out of service due to low balance.

### **Get the Environment right**

Try to avoid conducting the interview in a busy, noisy environment or indeed in your car. A private office where you will not be disturbed is perfect. Too many telephone interviews are interrupted by questions from colleagues, or the barista behind the counter at Starbucks! Ensure you allow enough time for the interview and do not assume it will be a 'quick ten minutes.' Use a landline for receiving the call. Poor mobile phone reception is the single biggest reason why many telephone interviews fail to take place. While they are technological wonders, our mobile phones are surprisingly unreliable at the worst possible time when it comes to their most fundamental function; making and receiving calls.

### ❖ **Prepare**

This is a fantastic opportunity to have your notes and CV in front of you during the interview. Make sure you summarise your notes focussing on key points to avoid scripted answers.

### ❖ **Sit in front of the mirror**

This may seem a little odd but quite simply it will give you an indication of how you are coming across. Do you look animated? Is your head up? Perhaps most importantly are you smiling? If not then try to focus on doing so, this may translate in you feeling more confident and therefore sounding more positive! Alternatively you could try standing up and



walking around. If you are more comfortable walking and talking then ensure you are in the right environment to do this. Many people feel they are more animated when upright and this allows for a greater level of focus.

❖ **Do not actively listen when asked questions**

A common mistake to make, however actively listening in a telephone interview can disrupt flow as you will find the interviewer may stop talking. This can lead to a disjointed and awkward conversation.

❖ **Ask the interviewer to rephrase or repeat back the question**

If you are slightly uncertain about the question either ask the interviewer to rephrase or indeed paraphrase this back. You should try to avoid doing this repeatedly but it is better to get your answer right first time.

❖ **Use regular pauses**

Leave healthy pauses after every two or three sentences to allow the interviewer to either drill further down or confirm they have heard enough.

❖ **Vary your pace, pitch and tone**

It is very difficult to convey energy and empathy over the phone so it is important that you vary your speech. The monotone interview is the bane of all interviewers!

❖ **Practice a CV run through**

The structure of telephone interviews will often vary but a standard format will be CV based. If you are asked to run through your career history you should qualify how long this should last. Do they want a 30 second elevator pitch or a detailed 30 minute conversation? Either way, plan ahead!

❖ **Build rapport early on but avoid too many jokes**

As with all interviews first impressions count. Good interviewers will try to break the ice early on. Reciprocate and avoid coming across as 'cold.'

❖ **Keep important documents ready**

Keep yourself free atleast at the time of interview and make sure that that there is no background noises to disturb and hinder the interview process. You should be having the copy of your Resume (Professional Profile/CV) that was sent to the company. It will give you the information which information you have sent to the company. You should have a Pen and Paper to note the points. The candidate should keep a calculator and a calendar ready so that any schedule can be fixed or to perform some calculations.

❖ **Avoid rescheduling of the interview**

If you want to change the interview time due to busy schedule, don't reschedule the interview again and again. It will give bad impression of non-seriousness to the interviewers. Try to reschedule the interview only once if unavoidable. You should not reschedule the interview because of not being prepared. Try to have all the

certificates and testimonials with you so that you are ready to give any information on demand.

❖ **Respond within seconds rather than minutes**

In telephonic interview, the candidate should respond to questions within 1 minute. In case you are thinking for the answers, the first response should be delivered within 10 seconds otherwise simply say sorry. Candidates should avoid lengthy responses because the interviewer expects short answers on phone rather than long stories.

❖ **Avoid answers in “YES, NO, YA” like words**

The candidate should avoid answers in “Yes”, “No” or “Ya” words. The response delivered by the candidate should be well explained so that it is understood by the interviewer. The candidate should keep the voice clear, conversant and non confusing.

❖ **Justify yourself**

The candidate should be well prepared to justify his/her performance in last few years. It will leave a very good impression on the employer regarding your current status and performance evaluation. Moreover, there is an impression of being confident to the interviewer. The candidate should be able to describe the goals and objectives of professional life. Here, the interviewee should not give more attention of salary and promotion.

**Stay alone during the interview**

Sometimes, the candidates take help of friends during the interview. It is not advisable. You should be alone while appearing for a telephonic interview rather than friends or kids around you. The candidate should thank the interviewer for spending the valuable time and considering you atleast for the telephonic interview. The candidates are not advised to smoke, chew gum, eat or drink anything when the interview is going on. It gives the caller a feeling that you are trying to steal some time before answering.

**Deliver honest and true information**

One of the important points the candidate should remember is not to give any manipulated or false information while answering the Tell Me about Yourself Interview question. Now days, the organizations are taking help of detective agencies to keep track of candidates’ personal and professional background. Such checks have become very important and strict today. The employer may dismiss the person even after years of working, on the basis of some false information provided during the initial phase of interview.

**Ask Questions**

Like most interviews you will get a chance to ask questions. If an interviewer has a solid day of telephone interviews you will probably stand out more if you ask an insightful question about the business/role and more importantly about them.

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## 12.6 COMMONLY ASKED TELEPHONIC INTERVIEW QUESTIONS AND SUGGESTED ANSWERS

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There is a series of common questions which are asked during a telephonic interview. These questions are generally asked in almost every interview. Following are the questions and suggested answers.

### 1. “TELL ME ABOUT YOURSELF”

This is the first and very basic question which is asked everywhere the candidate joins or going to join. Actually, there are many flavours to answers this question, but it requires some basic components to be told to the interviewer.

**Brief summary of Personal profile** - It includes the name of candidate and the place where he/she belongs to. The profession of parents and family members can also be narrated by the candidate. In telephonic interviews, the candidate should avoid telling the hobbies like fishing, making friends etc.

**Professional and Academic qualifications** - The candidate is required to tell about educational qualifications along with the division and distinctions achieved. However, the marks in each degree, certificate course is not mandatory to tell. In case, the marks or grade is asked, the candidate should have a copy of all the documents to avoid any mismatch in future.

**Professional experience and Company profile** – Here, the candidate should describe the professional experience with the name of organization worked with. There is no need to tell the exact salary until it is asked. The nature of job and company profile can be told to enable the employer know the current organization, where working.

**WEAKNESSES AND STRENGTHS** – This is another very common question which is asked in almost every interview. Therefore, it is advised to prepare the answer of this question very carefully. Many candidates tell their strength as weakness to attract the interviewer but the employer is not fool. Be honest while answering this question. The candidate may discuss one or two weaknesses like getting nervous in some situations, lacking in some skills, emotional, sensitive etc. Avoid telling weaknesses like short-tempered, sleeping, laziness and related terms. Moreover, the candidate should not boast on strengths. Strengths should be told in the honest and calm manner so that it marks a positive impact on professional capabilities. The candidate can point out the strengths like

- Positive Attitude with Hard Work
- Punctual and Determined
- Self-Confidence
- Ability to face the failures and recover with confidence
- Learn from Mistakes

- Quick Learner
- Full commitment to work
- Highly Energetic
- Willing to learn New Things
- Good Interpersonal Skills
- Well Organizer and Manager
- Good Helping Hand
- Team Player
- Communication Skills
- Problem –solving Ability

### **WHY DID YOU LEAVE THE PREVIOUS JOB?**

This is one of the tough interview questions in which the candidate should answer in calm and honest way. While answering such question, the candidate should not blame their internal politics in ex colleagues or ex boss. It creates very negative idea about your professional approach. In this case, the candidate can give reasons including career growth, scope to explore the skills and learning environment. The candidates should avoid giving reason that the new organization was giving more salary. In such answer, the employer relates the loyalty of candidate with the salary and monetary benefits.

### **WHAT IS YOUR POSITION IN CURRENT ORGANIZATION?**

Here, the candidate should not boast of his/her position and power in the organization. The candidate is expected to just give a general idea about work profile and experience in the organization.

### **WHEN YOU WILL BE ABLE TO JOIN THE ORGANIZATION?**

Answer of this question should be ready with the candidate once he/she applies for the job. The candidate is advised to have an idea of joining the new organization keeping in view the schedule and appointments. If the candidate fumbles or gets confused to answer this question, the employer may think that the candidate is not sure whether to change the current job or not. So, the candidate should be clear about his/her decision. There is no need to give exact date and time, but the candidate should be able to give the basic idea of month of joining.

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## **12.7 SUMMARY**

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Telephonic interviews are scheduled to determine whether the candidate is competent to face the personal interview or not. Basically, a telephonic interview is the first contact, the candidate establish with the company. Such interviews are often used for short listing the candidates in order to narrow the crowd of applicants who will be invited for face-to-face interviews. Moreover, telephonic interviews minimize the expenses

involved in interviewing distant candidates. In many cases, candidates belong to remote area and cost of travelling and accommodation is to be reduced by conducting a telephonic interview to save too much time, money and cost. Obviously, in telephonic interviews, no time is spent in railway stations, bus stands, airports or on the highway. Also there is no expenditure on flights, hotels and meals. Candidate can appear in the telephonic interviews while sitting at their home or any other place of convenience.

As you are also searching for the jobs enthusiastically, so be prepared to attend a phone call which may be your initial step to move inside your new office. So, the candidate should always be prepared for a telephonic interview. Therefore, it is suggested not to switch-off the mobile phone because the first call of interviewer can arrive at any time or any occasions. Many candidates underestimate the importance of a telephone interview and talk in casual way. This is the biggest mistake because that is the first impression and interviewer may not call the candidate again. Some candidates believe that a telephone interview is just a formality and consider it a ceremony before a face-to-face meeting. But it is not true. So, candidates are advised to behave in a gentle and sincere manner while receiving the call.

Phone interviews can be tricky, especially since you aren't able to read your interviewers' nonverbal cues like facial expressions and body language during the session—a big difference from the typical interview. But if you prepare well for your phone interview, you won't need to read anyone's nonverbals to gauge your performance. You'll know for sure how you've done because you'll be invited to a face-to-face interview, where you'll have yet another opportunity to prove you're the best person for the job.

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## **12.8 KEY ELEMENTS OF A SUCCESSFUL PHONE INTERVIEW**

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Competition in the job market is extremely fierce and companies want to recruit world-class candidates. These candidates must perform a world class phone interview. Such a phone interview embraces five key elements.

### **Be Yourself at Your Best**

Do not try to be the person you think the interviewer wants you to be, instead, be the person you actually are. You don't want to get hired, only to find out that the interviewer thought he was hiring someone else. Be yourself. Just make sure to present the best version of yourself.

### **Prepare, Prepare, Prepare**

All great accomplishments have their foundation in carefully thought out preparation. Phone interviews are a lot like open book tests- you can have

all your information (resumes, cover letters, and so on) right in front of you. Be sure you are organized and that you have taken advantage of practice techniques to ensure success.

**Listen, Think, Speak**

Be sure to listen to what the interviewer has to say, and think before responding. Take a few seconds to understand the question, and then prepare a quality answer before simply blurting out something less intelligent.

**Be Confident, Professional and Assertive**

Exude confidence! This is your time to impress the interviewer and convince him you are an excellent candidate for the job. Be sure to speak professionally. Also, be assertive! After all, how can you get the job if you do not ask for it?

**Be Brief, Be Bold, Be Done**

Stay on point. Answer the interviewer's questions directly and with precision. Make yourself stand out from the rest of the applicant pool by giving impressive responses that display your unique talents. Also, you only get a few moments to tell the interviewer why you deserve this position, so don't drag out the interview. Instead, paint a succinct portrait of yourself that will leave a lasting impression.

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**12.9 SELF ASSESSMENT QUESTIONS**

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1. Describe the advantages and disadvantages of telephonic interview.
2. Discuss the tips to succeed in telephonic interview.
3. Elaborate the entire process for preparation of a telephonic interview.

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**12.10 FURTHER READINGS**

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Paul J. Bailo – The Essential Phone Interview Handbook ( The CareerPress, Inc.)

**STRUCTURE****13.0 Learning Objectives****13.1 Meaning of Group discussion and its types****13.2 Elements of an effective Group Discussion****13.3 Purpose of a Group Discussion****13.4 Who conducts a GD and reasons for conducting a GD****13.5 Common Process followed in a GD****13.6 Phases in a Group Discussion****13.7 Preparing for GD****13.8 Generic Tips to Succeed in a GD****13.9 Leader in a Group Discussion****13.10 Positive and Negative Task roles in a Group Discussion****13.11 Summary****13.12 Self Assessment Questions****13.13 Further Readings****13.14 Meaning**

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**13.0 LEARNING OBJECTIVES**

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After completion of this unit, you should be able to:

- Understand the meaning of group discussion.
- Know the elements of a group discussion.
- Explain the purpose of a group discussion.
- Know the technique of leading the discussion.
- Understand the dos and don'ts of a group discussion.

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**13.1 MEANING OF GROUP DISCUSSION AND ITS TYPES**

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Discussions of any sort are supposed to help us develop a better perspective on issues by bringing out diverse view points. Whenever we exchange differing views on an issue, we get a clearer picture of the problem and are able to understand it. The understanding makes us better

equipped to deal with the problem. This is precisely the main purpose of a discussion. The dictionary meaning of the word Group Discussion is to talk about a subject in detail. So, group discussion may refer to a communicative situation that allows its participants to express views and opinions and share with other participants. It is a systematic oral exchange of information, views and opinions about a topic, issue, problem or situation among members of a group who share certain common objectives.

Group” is a collection of individuals who have regular contact and frequent interaction, mutual influence, common feeling of camaraderie, and who work together to achieve a common set of goals. ”Discussion” is the process whereby two or more people exchange information or ideas in a face-to-face situation to achieve a goal. The goal, or end product, maybe increased knowledge, agreement leading to action, disagreement leading to competition or resolution or perhaps only a clearing of the air or a continuation of the status quo.

A Group Discussion or GD, as it is popularly known, judges the personality of a person. It assesses the behavioural traits in a person his or her leadership skills, social skills, team skills, problem solving skills and presence of mind.

If we analyse the two words Group and Discussion. Group means a number of individuals who may or may not have interacted before. Discussion means exchanging information on a certain topic and coming (or not coming) to a concrete conclusion.

Hence, we can say that Group Discussion is an invigorative discussion where a topic is analysed and discussed, and in the end, the members come to a fair conclusion. It involves team work, but at the same time, it portrays individual personalities.

## **Types of Group Discussions**

**1. Topic – based discussion** – A candidate can be provided with a topic which is

(a) **A controversy** – For example, the topic could be “Caste based reservation” or “China – Biggest threat to India” or “Which diet is better – Vegetarian or non – vegetarian”, etc. In this type of discussion, a candidate is required to take a stand on the given topic and support his/her stand with suitable arguments and examples.

A descriptive one - For example, a candidate may be told to discuss “Indo – US Relations”, “Poverty in India” or “Causes of Inflation”. In this kind of discussion, a candidate’s knowledge of the subject plays an important part. Else, he/ she may be provided a plain fact and told to discuss it.



*An abstract topic* – This type of discussion has gotten popular in the recent years. Topic can be anything under the sky, such as “Zero”, “Black”, “Gold”, or a number or anything you can think of. A candidate’s creativity comes into play here. A candidate is expected to say what he/she thinks relevant about the topic.

A Case Study – Candidates may be given a real life situation or an imaginary case scenario, or even a dilemma. Then they will be asked to present their opinion on the given situation, or find a solution to a given problem (as a group or / and as an individual. Candidates may be instructed to speak one by one or all at once, or even both. Such variations hardly matter to candidates who are well prepared.

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### **13.2 ELEMENTS OF AN EFFECTIVE GROUP DISCUSSION**

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For any group discussion to be successful, achieving group goal is essential. Following characteristics are necessary:

**Having a clear objective:** The participants need to know the purpose of group discussion so that they can concentrate during the discussion and contribute to achieving the group goal. An effective GD typically begins with a purpose stated by the initiator.

**Motivated Interaction:** When there is a good level of motivation among the members, they learn to subordinate the personal interests to the group interest and the discussions are more fruitful.

**Logical Presentation:** Participants decide how they will organise the presentation of individual views, how an exchange of the views will take place, and how they will reach a group consensus. If the mode of interaction is not decided, few of the members in the group may dominate the discussion and thus will make the entire process meaningless.

**Cordial Atmosphere:** Development of a cooperative, friendly, and cordial atmosphere avoids the confrontation between the group members.

**Effective Communication skills:** The success of a GD depends on an effective use of communication techniques. Like any other oral communication, clear pronunciation, simple language, right pitch are the pre-requisites of a GD. Non- verbal communication has to be paid attention to since means like body language convey a lot in any communication.

**Participation by all candidates:** When all the members participate, the GD becomes effective. Members need to encourage each other in the GD.

**Leadership Skills:** Qualities like initiation, logical presentation, encouraging all the group members to participate, summarizing the discussion reflect the leadership qualities.

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### **13.3 ELEMENTS OF AN EFFECTIVE GROUP DISCUSSION**

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An effective group discussion generally has a number of elements:

- All members of the group have a chance to speak, expressing

their own ideas and feelings freely, and to pursue and finish out their thoughts.

- All members of the group can hear others' ideas and feelings stated openly.
- Group members can safely test out ideas that are not yet fully formed.
- Group members can receive and respond to respectful but honest and constructive feedback. Feedback could be positive, negative, or merely clarifying or correcting factual questions or errors, but is in all cases delivered respectfully.
- A variety of points of view are put forward and discussed.
- The discussion is not dominated by any one person.
- Arguments, while they may be spirited, are based on the content of ideas and opinions, not on personalities.
- Even in disagreement, there's an understanding that the group is working together to resolve a dispute, solve a problem, create a plan, make a decision, find principles all can agree on, or come to a conclusion from which it can move on to further discussion.

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### **13.4 PURPOSE OF A GROUP DISCUSSION**

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Many group discussions have no specific purpose except the exchange of ideas and opinions. Ultimately, an effective group discussion is one in which many different ideas and viewpoints are heard and considered. This allows the group to accomplish its purpose if it has one, or to establish a basis either for ongoing discussion or for further contact and collaboration among its members. There are many possible purposes for a group discussion, such as :

- Create a new situation – form a coalition, start an initiative, etc.
- Explore cooperative or collaborative arrangements among groups or organizations
- Discuss and/or analyze an issue, with no specific goal in mind but understanding
- Create a strategic plan – for an initiative, an advocacy campaign, an intervention, etc.
- Discuss policy and policy change
- Air concerns and differences among individuals or groups
- Hold public hearings on proposed laws or regulations, development, etc.
- Decide on an action
- Provide mutual support
- Solve a problem
- Resolve a conflict
- Plan your work or an event

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### **13.5 WHO CONDUCTS A GD AND WHY IS IT CONDUCTED?**

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#### **Who conducts a Group Discussion?**

Group Discussion is conducted by B-schools, institutes and companies. In fact to get admission into B-schools and other management and engineering institutes, GD has become an essential prerequisite. As far as companies are concerned, it is totally at the discretion of the companies if they want GD as part of their interview process.

#### **Why is a Group Discussion conducted?**

While entrance exams test the candidates for their academics and knowledge of subjects, the GD will test one for their soft skills and their ability to cope with various situations.

Usually the institutes or companies conducting the GD know exactly what they want in their candidates. They are very clear about the specific traits that they want in their candidates. The Group Discussion helps them to analyze whether the candidates possess the required traits or not.

GD also serves as a mass-elimination tool. When there are many candidates applying for limited seats, the GD can act as a benchmark to select the best among the lot.

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### **13.6 COMMON PROCESS FOLLOWED IN A GD**

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- (i) The group usually consists of 6 to 12 members.
- (ii) They are given a topic and a few minutes to prepare.
- (iii) The duration of the GD will vary from institute to institute or organization to organization.
- (iv) For each candidate an assessor/evaluator may be assigned. Usually, an assessor/evaluator assesses/evaluates two to three candidates.

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### **13.7 PHASES IN A GROUP DISCUSSION**

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A group discussion can be categorically divided into three phases.

- 1. Initiation/Introduction**
- 2. Body of the group discussion**
- 3. Summarisation/Conclusion**

Now, we will discuss the first and third phase.

#### **INITIATION/ INTRODUCTION**

Initiating a GD is a double-edged sword. When a candidate initiates, apart from grabbing an opportunity to speak, he also grabs the

attention of examiners and fellow candidates. So, if a candidate who initiates is able to make a favourable first impression through his content and communication skills, it will help him sail through the GD.

On the other hand, if a candidate stammers, stutters or quotes wrong facts and figures, the damage done is irreparable. The candidate who initiates also has the onus of giving the GD the right perspective or framework. So, initiate only if you have in-depth knowledge about the topic at hand.

If, after initiating well, a candidate does not say much during the GD, it still gives the impression that he or she started the GD just for the sake of starting it, or to get those initial points earmarked for an initiator. There are different techniques to initiate a GD in order to make a remarkable first impression :

### **1. Quotes**

An effective way of initiating a GD. If the topic is 'Should the censor board be abolished?' a quote like 'Hidden apples are always sweet', is apt to capture attention and convey more than what is actually said. For a topic like 'Customer is King,' one can quote Sam Walton's famous saying, "There is only one boss: The Customer. And he can fire everybody in the company from the Chairman down, simply by spending his money somewhere else."

### **2. Definition**

One can start a GD by defining the topic or an important term in the topic. For example, if the topic is, 'Advertising is a diplomatic way of telling a lie,' one can initiate by defining advertising as 'Any paid form of non-personal presentation and promotion of ideas, goods or services through mass media such as newspapers, magazines, television or radio by an identified sponsor.' Similarly, for a topic like 'The Malthusian Economic Prophecy is no longer relevant', a candidate could simply start by explaining the definition of the prophecy.

### **3. Question**

Asking a question at the start of a GD creates an impact. It does not signify asking a question to any of the candidates so as to hamper the flow, it implies asking a question and then answering it yourself. If a question is being asked to hamper the flow of a GD, insult a participant or to play devil's advocate, it should be discouraged. But, if a question is being asked to promote the flow of ideas, it is appreciated. If the GD topic is 'Should India go to war with Pakistan', for instance, you could start by asking, 'What does war bring to the people of a nation?'

#### **4. Shocking statement**

Initiating a GD with a shocking statement is the best way of grabbing immediate attention and putting forth your point. If the topic is 'Impact of population on the Indian economy,' for instance, it can be initiated with a statement like, 'Near the centre of the Indian capital stands a population clock that relentlessly ticks away. It tracks 33 births a minute, 2,000 an hour, 48,000 a day, which calculates to nearly 12 million every year. That is roughly the size of Australia. As a current political slogan puts it, nothing is impossible when 1 billion Indians work together. states of India instead of 28 (micro figures, no approximations). If a person ends up stating wrong facts, it works to his or her disadvantage.

#### **5. Short story**

This can be used for a GD topic like 'Attitude is everything.' The topic can be initiated with the help of a short story as follows: 'A child once asked a balloon vendor

GD into proper perspective. For example, if the topic is 'Should Sonia Gandhi be, who was selling helium gas-filled balloons, if a blue-coloured balloon would go up as high as a green-coloured one. The vendor told the child that it was not the colour of the balloon but what was inside it that made it go high'

#### **6. General statement**

This can put the the prime minister of India?' one could start by putting it into perspective with, "Friends, before jumping to any conclusion, let us first find out what qualities a good prime minister should possess. We can then compare these with the qualities possessed by Sonia Gandhi, which will help us reach a conclusion in a more objective and effective manner.

### **SUMMARIZATION TECHNIQUES**

Most GDs are left without a conclusion, and it isn't even essential that a group reach one. Remember that a GD is about getting to know one's personality traits and it is the process, not the conclusion that reveals these traits. Even though not every GD is concluded, everyone is still summarised. While a conclusion represents a final stage, where the entire group decides in favour or against a topic, in the case of a summarisation a candidate summarises in a nutshell what the group has discussed. The following points should be kept in mind while summarising a discussion.

1. No new point should be taken up.
2. A person should not share his or her own viewpoint alone.
3. A summary should not dwell only on one side of the GD.
4. It should be brief and concise.
5. It should incorporate all the important points spoken.

If a candidate has been told by the examiner to summarise a GD, this means it has come to an end. It is not advisable to add anything once a GD has been summarised.

A simple framework for a summary can be, 'We had a healthy group

discussion and, as a group, evaluated this topic from different perspectives. Some of my friends spoke in favour of the topic and the reasons they gave were (elaborate), while some good points against the topic were (elaborate). In all, we had a very good discussion with everyone participating enthusiastically.'

The initiation and summarisation techniques mentioned above will help you make an impact and succeed in a Group Discussion.

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## **13.8 PREPARING FOR GD**

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- **Before the GD**
  - **During the GD / Tips for cracking the GD**
- BEFORE THE GROUP DISCUSSION**
- **Stock yourself with information**
  - **Work on your communication skills**
  - **Practice**

### **1. Stock yourself with information**

No one knows what the topic of GD is going to be. Hence, it will be a good idea to keep yourself abreast with topics like.

#### **Current Affairs**

Current Affairs is something that you have to be thorough with. For this, read newspapers regularly and watch news on the television. Understand the recent crises that the world is reeling under, the latest developmental initiatives, the ties between various countries and the like.

#### **Historical topics**

Have a fair knowledge about the country's history and also the history of other countries. The topics may not be specifically from this area, but having historical information will help you cite examples and make references whenever needed.

#### **Sports, Arts & Literature**

In these topics, try to have a decent idea about what is popular, who are the leaders in each area, the latest that has happened in these areas. If the topic for GD is from these areas, then you will be in control of the situation, or else you can definitely use the information to draw references.

#### **Data crunching**

Do familiarize yourself with important data. Throwing in some data if required in your GD will definitely create an impression among the assessors.

### **2. Work on your Communication Skills**

Hone your communication skills as much as you can. Communication

skills include both verbal and non-verbal communication. Verbal communication means the way a candidate speaks. It is very important for candidates to speak in good and correct English without the influence of mother tongue.

Apart from verbal communication, candidates should take utmost care of their non-verbal communication as well. Non verbal communication includes body language, posture of a candidate, hand movements, facial expression, eye contact, active listening skills etc.

### **3. Practice**

As we all know “practice makes a man perfect” so it is vital for a candidate to practice as much as he/ she can. A candidate should take up random topics and practice in front of the mirror, practice with family, friends and relatives. Practice will definitely boost up a candidate’s confidence level and he/ she would be able to perform well in the group discussion.

## **DURING THE GD / TIPS FOR CRACKING THE GD**

### **Understanding the topic**

When the topic is given, understand the topic carefully. If it is not clear initially or you have some doubt regarding the topic, ask immediately. Clarity of the topic is of utmost importance to ensure that you perform well in the GD.

### **Content**

The candidates should be aware of what they are talking. Superficial talks are a big NO as the assessors will be easily able to see through and evaluate the candidate’s knowledge. The candidates should choose points that convey the depth of knowledge they possess. The candidates should cite relevant examples if required to gain additional weightage.

### **Precise and sharp thoughts**

As you are gathering thoughts, try to stick to precise and concise thoughts. Remember, when you are communicating, what is more important is what you are communicating rather than how much you are communicating. In a Group Discussion, it is always quality over quantity. Let your views be relevant and to the point. To a great extent, try to do some out-of-the-box thinking so that your view stands out from the rest.

### **Communicating skills**

You may have excellent views on the topic, but are you able to communicate them in an effective manner is the question. Here, is where your communication skills will come to your rescue. Hone your communication skills as much as you can. Communication skills include both verbal and non-verbal communication. Verbal communication means the way a candidate speaks. It is very important for candidates to speak in good and correct English without the influence of mother tongue.

Apart from verbal communication, candidates should take utmost care of their non-verbal communication as well. Non verbal communication includes body language, posture of a candidate, hand movements, facial expression, eye contact, active listening skills etc.

If you have good communication skills, well and good, or else you will have to work on developing the same. To develop communication skills, you can choose a topic, stand before the mirror and start talking about it. As you are talking, anticipate few questions from an imaginary audience and try replying them. Analyse what you are doing, try to spot flaws, if any, in your communication and then start working on them. This will help you come across as a confident person during the GD. On the day of the Group Discussion, your aim should be to collate your thoughts in a structured manner and put them across to the team and the assessors in an effective way.

### **Taking the initiative**

Try to initiate the Group Discussion, if possible. By taking the initiative, you will be giving a structure to the discussion and defining the manner in which the discussion will progress. This will exhibit your quality as a person who can facilitate actions by breaking the ice. A little word of caution here, attempt being the lead only if you have a fair amount of knowledge about the topic and you know exactly what you are speaking. If you take the initiative of being the lead and somehow you are unable to pull it through, then it will backfire completely. So, act wisely

### **Knowledge about the topic**

When you are talking on the topic, choose your points in a manner that they convey the depth of knowledge that you possess. Superficial talk is going to be a strict no-no here as the assessors will be easily able to see through. Try to have abstract thoughts around the topic and also try to draw references to different situations or incidents. Citing relevant examples will also help to a great extent.

### **Understanding dynamics in the group**

In a group discussion, try to be in control of the discussion. This is easier said than done, because most of the group members would be trying to do the same. What you can do is follow the discussion keenly and try to pitch in wherever relevant. If you have some good points, try to put them forth and steer the discussion. Do not be aggressive. Do not force your points. If there is a disagreement on the points that you have made, try to counter them with even more valid points. This will not only exhibit your knowledge but also show that you are a good listener. Try to fuel the discussion whenever possible. Give everyone a chance to speak. If someone has not contributed, ask the person to speak up. This will showcase your ability as a team player.



## Dress Code

Candidates should dress formally and be well groomed. Candidates should always have in their minds that they will never get a second chance to make a good impression. Candidates are advised to use simple accessories like simple jewelry, watches, ties, etc. Scents, perfumes and after shave lotion should be avoided. Precisely, the candidates should dress appropriately for the group discussion. Dress for success.

## Logical conclusion

When the discussion is about to end, try to conclude it by taking in the points that everyone has made and coming to a decent conclusion. This will indicate your analytical skills and also the way you structure your thoughts.

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### 13.8 GENERIC TIPS

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- On the day of GD, dress in comfortable clothes clothes that are simply you
- Be confident but avoid being over confident
- to other persons views. However, stick to the point you have made. Try to Talk sense. Avoid superficial talk
- Listen carefully and speak only at the appropriate time
- Be very sure of what you are speaking
- Use easy-to-understand English
- Speak loudly and clearly
- Do not be deterred by other members aggressive or submissive behaviour
- Accommodate diverse view points
- Put forth your points without being aggressive
- Give due importance support it with more view points.
- Do not allow yourself to be diverted by other peoples points
- Do not be distracted. Your concentration should be solely on the discussion
- If you do not know something, do not speak
- Do not get excited or aggressive during the discussion. Try to maintain a balanced tone through out
- Try to contribute throughout the discussion
- Try to be the first and the last to speak
- Read as much as possible. Have good and sound knowledge on numerous topics. Watching documentaries on various topics will help here
- Improve your vocabulary. This does not mean that you use heavy and big words, but it means that you will be able to understand the topic better and contribute effectively
- Last but not the least; mentally visualize yourself as succeeding

and you will succeed.

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### 13.9 LEADER IN A GROUP DISCUSSION

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Leadership is the most studied aspect of any group communication. It is important to point out that a group has only one authorized leader, other members play important leadership roles.

A boss overlooks and supervises his employees, but, a leader leads his team towards progress and growth.

#### **Here are some tips which will help you to emerge as a leader in GD:**

**1. Appearance:** Appearance and personality always influences the listeners and judges. One should be well-dressed and look impressive and be polite to everyone. You have to be inclusive in your behavior towards all the members of your team. And yes, the personality has to be pleasing over all – A smile on the face does the trick!

**2. Take Initiative:** Taking initiative is an important quality of a leader. If you have understood the topic well and have something substantial to say, initiate the discussion. However, do not initiate the discussion for the sake of doing it and give fellow speakers also an opportunity to put across their views.

**3. Openness to ideas:** You have to remember that it is a discussion and different members are bound to have different views. You should be open to listen to them and accept them if they sound logical.

**4. Direction oriented:** A very important quality of a leader is that he/she never loses the sight of his destination. And, this applies to the GDs as well.

It is very easy for the discussion to stray out. If you see that the discussion is distracting from its actual course, try to steer it back in the right direction. You can do this by politely reminding everyone that “we are getting a bit off track”.

**5. Patience:** Do not get into an argument. Try to be patient and listen to other’s point of view as well. If you disagree, you can counter them with your reasons when it is your chance to speak. If you see someone not letting the other speakers participate, politely ask them to let the other member speak.

**6. Body language:** The body language of a leader is always confident but at same time it does not put off his team members. He always looks approachable in interested in their growth. Same applies to the group

discussions as well.

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### **13. 10 POSITIVE AND NEGATIVE TASKROLES IN A GROUPDISCUSSION**

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#### **Positive Task Roles in a GD**

- Initiator – Starting a GD, giving definitions and suggesting and introducing new ideas.
- Information seeker – In a GD, gather and solicit information from others.
- Information giver – During GD share information and facts.
- Procedure facilitator – Lead a GD by keeping track of the discussion.
- Opinion seeker - Ask other participants of a GD for their opinion.
- Opinion giver – Give your opinion in a GD on the statement given by the other participant.
- Clarifier – Clarifying all the ideas and opinions discussed during a GD.
- Social Supporter – Giving support to ideas of all participants of a GD.
- Tension Reliever – Presenting and discussing the problem from a broad perspective.
- Energizer – Encouraging other participants to explore some new ideas during a GD.
- Compromiser – Creating harmony between different opinions by giving a compromising solution.
- Gatekeeper – Involving other participants in the GD by asking for their opinion
- Summarizer – Summarising or concluding a GD by including all important points discussed during a GD.

#### **Negative Task Roles in a GD**

- Disgruntled non-participant – Someone who doesn't contribute to the GD
- Attacker - Someone who aggressively disapproves opinion of other participants of a GD
- Dominator – Someone who takes control of the discussion and not letting others speak in a GD.
- Clown – Someone who does not take GD seriously and disrupts it through inappropriate humour.

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### **13. 8 SUMMARY**

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Group Discussion! Is a methodology or in a simple language you may call it an interview process or a group activity. It is used as one of the best tools to select the prospective candidates in a comparative

perspective. GD may be used by an interviewer at an organization, colleges or even at different types of management competitions. GD evaluation is done by the subject experts based on the discussions. A report will be prepared on analyzing the facts at the end of the discussion. Some of the personality traits GD tries to gauge may include :

- \* Communication skills
- \* Interpersonal Skills
- \* Leadership Skills
- \* Motivational Skills
- \* Team Building Skills
- \* Analytical /Logical Skills
- \* Reasoning ability
- \* Different Thinking
- \* Initiative
- \* Assertiveness
- \* Flexibility
- \* Creativity

A GD is a methodology used by an organization to gauge whether the candidate has certain personality traits and/or skills that it desires in its members. In this methodology, the group of candidates is given a topic or a situation, given a few minutes to think about the same, and then asked to discuss the topic among themselves for 15-20 minutes. Freshersworld.com brings you an elaborate section for GD as you had ever seen anywhere else. It is a very useful tool to screen the candidates' potential as well as their skills.

Managers have to work in a team and get best results out of teamwork. That is the reason why management institutes include GD as a component of the selection procedure.

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### **13.12 SELF ASSESSMENT QUESTIONS**

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1. Discuss the methods to prepare for a Group discussion.

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2. What is meant by a group discussion? Discuss the characteristics and elements of a Group discussion.

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3. Discuss the initiation or introduction phase of a Group discussion.

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4. Explain the positive and negative task roles of a Group discussion.

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5. Describe the ways a candidate can emerge as a leader in a Group discussion.

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**13.13 FURTHER READINGS**

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- Anand Ganguly – Group Discussions for Admissions & Jobs ( PustakMahal)
- Nitin Sharma – Group Discussion (Unicorn Books)

**STRUCTURE****14.0 Learning Objectives****14.1 Meaning****14.2 Planning Effective Presentation****14.3 Anxiety****14.4 Using Appropriate Visuals****14.5 Managing Questions and Answers****14.6 Technology@ Work- Presentation Software****14.7 Let's Sum Developing Presentation Content****14.8 Rehearsing a Presentation****14.9 Delivering a Presentation****14.10 Building Rapport****14.11 Managing -up****14.12 Self-Assessment Questions****14.13 Further Readings**

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**14.0 LEARNING OBJECTIVES**

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After completion of this unit, you should be able to:

- Understand the meaning of Presentation.
- Plan an Effective Presentation.
- Develop Presentation Content.
- Deliver a Successful Presentation.
- Build Rapport with the Audience.
- Manage Anxiety.
- Use Appropriate Visuals.
- Manage Questions & Answers.

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**14.1 MEANING**

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A business presentation is an important means of obtaining and exchanging information for decision making and policy development. Because several people receive the message at the same time and the audience is able to provide immediate feedback for clarification,

presentations can significantly reduce message distortion and misunderstanding.

Many of the presentations you give will be formal, with sufficient time allowed for planning and developing elaborate visual support. You may present information and recommendations to external audiences such as customers and clients whom you have never met or to an internal audience made up of co-workers and managers you know well. You can also expect to present some less formal presentations, often referred to as oral briefings. An oral briefing might entail a short update on a current project requested during a meeting without advance notice or a brief explanation in the hallway when your supervisor walks past. Sales representatives give oral briefings daily as they present short, informal pitches for new products and services.

Regardless of the formality of the presentation, the time given to prepare, the nature of the audience (friends or strangers), or the media used (live, distant, web, or DVD delivery on demand), your success depends on your ability to think on your feet and speak confidently as you address the concerns of the audience. Understanding the purpose you hope to achieve through your presentation and conceptualizing your audience will enable you to organize your content in a way the audience can understand and accept.

What makes a good business presentation? Bombarding your audience with information isn't it. Neither is boring them to death with charts and figures. And forget about reading every one of those 20 bullet points you've crammed into each PowerPoint slide (note: this is definitely a big NO). What really makes a good business presentation boils down to one thing: engaging your audience.

Granted, getting an audience involved and truly tuned in to a business presentation is easier said than done. Nonetheless, the quality of your presentation can mean the difference between persuading your audience and wasting their time.

Check out ahead of time where you will be presenting, find out about the setup, make sure you have tested all your AV. Move the chairs, if needed. Check the room temperature. Remember, hot rooms put people to sleep.

A good business presentation contains only the necessary information. It has one main point and everything is structured around that point. It doesn't rely heavily upon PowerPoint or slides filled with text, and it allows time for discussion and asking questions.

Your audience will pick up quickly on the fact that you simply enjoy hearing yourself talk if your presentation goes on too long. You should also provide a takeaway. Even if it is a link to a website that gives a free report, if you leave the audience with something, you increase the value

that you've provided.

Remember, when making a business presentation, PowerPoint is not \*the\* point. Your job is to present the information. If your audience can take away just as much by reading it, you are superfluous. Also, I'm sure there is a special room in hell for presenters who merely read their slides to the audience. They deserve it.

Use body language to connect with your audience. Dynamic presenters use their hands, facial expressions, and eyes to keep the audience engaged. If possible, use props and stage movement to keep the audience interested. — *Matt Reischer, chief information officer, Legal Marketing Pages Corp.*

The presenter should be the star, not his or her slides. You want to be a critical part of the presentation. Focus more on what you will say and how you will say it rather than on having the coolest slides. Not everything you say should be on your slides. Focus on your best insights and ideas, or the coolest thing about what it is you are trying to sell. No more than 3 sentences per slide. Present your best data, or no data, not all your data. — *Michal Ann Strahilevitz, Ph.D., professor of marketing, Golden Gate University*

The best way to improve a business presentation is to exceed audience expectations. Sometimes, less is more. The best presentations I have done to buyers for my company at Royce Leather have been presentations in which I used no technology at all. If using technology, the key is to utilize high definition images and short, less than 60 second videos to convey your point. — *Andrew Royce Bauer, CEO, Royce Leather.*

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## 14.2 PLANNING EFFECTIVE PRESENTATIONS

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You need to carefully plan and prepare your oral presentation when asked to speak. Time invested in planning will pay off as you develop, rehearse, and finally deliver your speech. Regardless of your topic, audience, or forum the following guidelines will help you craft an effective presentation.

**Keep the following guidelines in mind when you are asked to speak publicly**

❖ **Refine your message**

As you start planning your presentation, write your main idea in a piece of paper the size of a business card. If you can't fit your message in that space, it is too complicated. A good presentation includes a simple main theme that can be supported by several points or ideas. Know the purpose of the presentation so you can refine the message.

❖ **Anticipate your audience**

As you begin your planning, carefully consider who your audience will be. Who are they? Why are they listening to you? How familiar are they with your topic? What will their interest level be? What should they take



away from your presentation? Answer these questions before you begin, and keep the answers in mind as you develop and deliver your speech.

❖ **Ask what your manager wants**

Your manager or meeting planner asked you to speak for a particular reason. Meet with them to identify what they want you to accomplish. Clarify the expectations of your speech or presentation, including detail such as the number and type of people in the audience, how long you should speak, and the scope of your content. If appropriate consider the other topics on the agenda to be sure your material fits with the rest of the program.

❖ **Budget enough planning time**

Inexperienced speakers tend to underestimate the amount of time it takes to develop and rehearse a formal presentation. Professional speakers often budget 10 or more hours of preparation for one hour of actual delivery. A formal presentation to a large audience requires more time than a casual speech to a small group. However, you should start planning well in advance for any presentation you are giving.

❖ **Anticipate the extras**

As you develop your speech, plan for the materials you will need to support your presentation. Don't assume that a projector, laptop, or microphone will be automatically be set up. Find out who is responsible for these and notify them of your needs in advance. Check on your support materials before the meeting starts and have a backup plan in case something falls through. Enlist the help of a colleague to distribute handouts, dim the lights and assist you as needed.

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## 14.3 DEVELOPING PRESENTATION CONTENT

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Unlike the President of any country or executives from major companies, who rely on professional speech writers to develop their presentations and press releases, you are your own speech writer and develop your own material. Fortunately, effective presentations follow a simple formula you can adapt to your situation. The following guidelines will help as you develop your ideas and refine them into a professional presentation.

### **Essential Elements**

#### **Include the three major parts of a speech**

Most well developed presentations include three main sections i.e. the introduction, the body, and conclusion. In the opening, start by catching your audience's attention and offer them a preview of your topic. In the body section, you should deliver your main message along with supporting ideas and information. The conclusion summarizes your main ideas.

- Introduction
  - Catch the attention of the audience
  - Ask question
  - Tell humorous story
  - Provide a startling fact
  - Preview your topics
  - Identify three main points
  - Show slide with outline
  
- Body
  - Main Message
  - Organize logically, such as pro/ con or problem/ solution
  - Supporting ideas
  - Cite evidence as in a written report
  - Use comparisons, statistics, and anecdotes
  
- Conclusion
  - Recap the main ideas and theme
  - Use language such as “in conclusion”
  - Repeat memorable line

### **Show your organization to the audience**

Give your audience simple map to follow so they can anticipate the format of your presentation. Doing so helps them understand what you are going to say next. Use a simple introduction and then conclude with ideas for developing the particular program. Outlining the organization lets people know what your topic is and how you will cover it.

### **Create a storyboard of your presentation**

Most speakers change their presentation several times as they develop it. A storyboard is a planning tool that makes it easy to visualize your speech and edit it. Write each of your ideas on an index card and arrange them in order so you can quickly see your topics. To change the presentation you simply reorder the business cards.

### **Write for the ear**

Most of the preparation will involve visual material. You will be reading and writing as you develop your speech. However, your audience will be listening to your presentation and absorbing most of your message as oral communication. Nearly everyone processes information they hear more slowly than images they see. Keep your language simple, direct, and easy to understand.

### **Include attention getters**

It is difficult for an audience to stay attentive, especially if you are giving presentation in a darkened room. Their attention will drift in and out as you are speaking. Help maintain their focus by including attention

getting devices every three to four minutes in your presentation. Attention getters are different from your normal speaking and catch the attention of your audience, such as pictures, props, video clips, stories, and short activities for the audience to participate in.

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#### **14.4 REHEARSING A PRESENTATION**

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An interesting paradox about public speaking is that it takes a lot of preparation to sound spontaneous. Effective speakers know that the more they practice their material, the more naturally they deliver the speech. When you master the content of the speech, you will feel more comfortable adjusting your rate of speech, adding pauses, and including suitable gestures and movements.

##### **Essential elements of rehearsing a presentation**

###### **Practice as though you are delivering your speech**

Reading your material quietly at your desk does have some value, but it can't take the place of active rehearsal. If you will be on your feet when you deliver your speech, stand up when you practice. Rehearse out loud as often as you can. Find a place where you can move, gesture and experiment.

###### **Record yourself (audio)**

Record yourself delivering your speech on a portable device, such as an MP3 or DVD player. Listen to this recording as often as you can. Review your delivery while driving, working out, or shopping to become more familiar with the material and it also helps you memorise key parts of your presentation.

###### **Record yourself (video)**

Record a video of yourself practicing your speech. Use a simple camcorder or a digital video recorder, which is a camera that records video in a format you can play on your computer or laptop. Recording yourself with a camera is a powerful rehearsal technique because it provides candid feedback. The camera records everything you do, good or bad, so you can review your facial expressions, gestures and nervous habits.

###### **Ask someone to critique you**

It is often hard to see the problems in your own presentation. Enlisting someone to critique your performance helps you to polish these rough spots. Have a trusted friend, colleague, or family member watch you rehearse your entire presentation. Try to deliver your speech as you would in front of an audience. Ask them to be honest and constructive with their feedback. In particular, have them rate your opening and conclusion because these are the most important parts of the presentation.

###### **Use visualization**

Visualization is the technique of forming a mental image or vision of yourself performing a task and can be a useful tool as you prepare a

presentation. Imagine yourself delivering your presentation. Close your eyes and develop a mental picture of being introduced, speaking confidently and your audience applauding. Psychologists have found out that your brain interprets the visualizations as real events, which will help you to feel more comfortable when you make your speech.

### **Rehearse a dry run**

If you can access the room where you will make your presentation, rehearse there before anyone else arrives. Go through your presentation and make sure everything is working properly. Walk around the speaking area, and sit in the seats. Seeing yourself from your audience's perspective helps you decide where you stand, move, and how loudly you need to speak.

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## **14.5 DELIVERING A PRESENTATION**

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The moment of truth arrives when you finally stand to make your presentation. This is where you reap the benefits of the time and effort that you put into careful planning and rehearsal. When you start your delivery, remember that your speech is partly a performance. The way you speak, move and interact with your audience influences how people react to what you say. Keep the basic principles of speech delivery in mind as you rehearse and deliver your presentation.

### **Essential Elements of Delivering a Presentation**

#### **❖ Gesture appropriately**

Your hands can help you communicate an idea if you use them appropriately. Most people use their hand in everyday conversation. Gestures help reinforce what you are saying and make you more visible when speaking to a large audience. When gesturing, let what you say trigger the action. For example, shrug your shoulders when you are asking a question, or extend your fingers when counting to add a visual dimension to your words.

#### **❖ Dress formally**

You should dress formally and be well groomed. You should always have your minds that you will never get a second chance to make a good impression. You are advised to use simple accessories like simple jewelry, watches, ties, etc. Scents, perfumes and after shave lotion should be avoided. Precisely, you should dress appropriately for the presentation. Dress for success.

#### **❖ Use the power of pauses**

Pausing occasionally during your presentation can dramatically increase the impact of your words. People pay more attention when the incoming information suddenly stops. You can use either short or long pauses.

#### **❖ Speak naturally – don't read your speech**

Inexperienced speakers often write out their speeches and recite them to audience. Others copy their speech to power point slides and read the

bullet points from the screen. Both approaches are painful for the audience and reflect poorly of the presenter. Instead, write notes on index cards that you can glance at occasionally. If you have properly rehearsed, a simple guideline should be enough to guide you.

❖ **Use a sound system or public address system**

If people can't hear you, they won't understand your message. Using a microphone and sound system or the public address system, if one is available, makes it easier for everyone to understand what you are saying. Don't assume that your voice is loud enough for all to hear. People seated in the back of the room or who have hearing difficulties appreciate the added volume.

❖ **Walk as you talk**

Move around as you speak, but not so much that you are distracting. Your movements and body language can evoke interest, reinforce the emotions of your stories and punctuate a change of pace or topic. If a lectern is available, use it to hold your laptop, water bottle, and speaker's notes. Don't stand behind the lectern unless it has the only available microphone or the formality of your presentation requires it.

❖ **Have a backup plan**

In case of power failures, equipment malfunctions, and other unforeseen problems, have a backup plan. Bring visuals and support materials that don't require the use of an electrical outlet. A second laptop, spare bulb for the projector, and a copy of your presentation on a USB drive can help you recover quickly if the unexpected happens.

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## 14.6 BUILDING RAPPORT

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The people in your audience pay more attention to you when you take steps to develop a sense of rapport with them. **Rapport** is a mutual trust, emotional similarity, and natural personal attraction. When you establish rapport with your audience, they become your allies, are more cooperative, and will be interested in what you have to say.

### Essential elements

❖ **Interact before the meeting starts**

If possible, mingle with people in the audience before the meeting begins. Some speakers stand by the door and greet people as they enter. This interaction helps you feel more comfortable with the audience and makes you more visible and familiar to them.

❖ **Follow the three-second rule**

Making eye contact with members of your audience helps you connect with people as a whole. Follow the three-second rule while making the eyecontact. To do this, look directly at a single person and then maintain

your gaze and speak for at least three seconds. When you pause to take a breath, look at someone else and begin the process again. Move your attention to different sides of the room so everyone feels involved. Avoid shifting your gaze while you are speaking.

❖ **Minimize the distance**

When speaking, position yourself as close to the audience as you can. Distance between you is a barrier to interaction. Avoid using a riser or podium unless it is necessary for you to be seen. If you are speaking from a podium or stage, connect with the audience by frequently moving to face different people.

❖ **Illuminate your face**

People in the audience want to see you as you speak. In particular, they want to see your face and will not develop a connection with you until they can see your eyes and sense your emotion. If you are not showing slides, make certain that all the lights are on. If you do need to dim the lights, try to stand away from the screen in a part of the room that is still lit. Some speakers arrange for a soft light to be set up that will illuminate. Avoid talking to your audience from their face in an otherwise dark room or a dark part of the room.

❖ **Make your examples personal**

When appropriate, use stories and examples involving you or someone else in the audience. If you are the subject of the example, be careful not to paint yourself as the hero or expert. Explaining how you struggled with a problem or poking fun at yourself in a self-deprecating way endears you to your audience. Sharing a story about someone in the group that others recognize and respect can be very powerful. Be sure to ask the person's permission before including them in your speech.

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## 14.7 MANAGING ANXIETY

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**Performance anxiety**, often referred to **stage fright**, is a psychological reaction to a person's fear of public embarrassment. People often feel stage fright when they are required to perform in front of an audience, especially if they are inexperienced public speakers. **Glossophobia** is the fear of public speaking and is the most common of all human phobias. Most stage fright actually arises while you are anticipating your performance. When you start to speak, much of the fear quickly goes away.

### Essential Elements

❖ **Be well prepared**

Performance anxiety is caused by our fear of making a mistake in front of other people. When you are unfamiliar with your material, you are more likely to be nervous. Careful preparation and practice helps to reduce your anxiety, though it cannot completely eliminate it. Keep in

mind that nearly all public speakers experience anxiety, even the best ones.

❖ **Loosen up before you speak**

When you start to feel anxious, your body tightens in response. This can impair your ability to move, gesture and speak. Exercise is an antidote to stress. Arrive early and take a brisk walk for at least five minutes. Stretch your legs, move your arms, and rotate your head and neck. Some speakers chew gum or yawn repeatedly to loosen their mouth and throat beforehand.

❖ **Remember to breathe**

Many speakers forget to breathe when they start to speak. Take some deep breaths before you begin to oxygenate your body. Pause occasionally during your speech and take a deep breath or two. Not only will this add effect to the presentation, but it will calm your nerves and improve your energy level.

❖ **Keep some water handy**

A dry mouth is a common symptom of stage fright. It also makes it difficult to speak which can lead to more anxiety. Keep a glass of water or water bottle handy when you present. Drink a small amount before you begin. Pause your speech to take a sip if necessary. Avoid drinking milk, caffeinated drinks, or alcohol. Tepid water or herbal tea is the preferred drinks of professional speakers.

❖ **Don't apologize**

Never tell your audience you are nervous or apologize when you make a minor mistake. No one but you knows the script and few people will notice if you don't call attention to yourself. Try to act confident instead. Eventually, you will feel more confident as you get into the body of your presentation.

❖ **Remember the audience wants you to succeed**

Performance anxiety is due in large part to a subconscious fear of how your audience will react to your presentation. Keep in mind that the people you are speaking to want you to succeed. They hope that you will do a good job and will overlook small mistakes that you make.

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## **14.8 USING APPROPRIATE VISUALS**

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As you develop your speech, prepare visual aids that reinforce your major ideas, stimulate your audience and work well in the physical setting of your presentation. Psychologists and educator have found that people learn more readily and retain more information when learning is reinforced by visualization. Popular visual aids include flip charts, overhead transparencies, slides and video clips. If visual aids are poorly done, they distract from what you are saying. Well – designed visuals can

significantly enhance your presentation.

### **Essential elements**

#### **❖ Include one message per visual**

Keep your visuals simple by limiting each to a single message. The dominant idea of each visual should be obvious to the audience immediately. If it takes someone five seconds to understand what a visual is communicating, it is too complex. Pictures, graphs, and images should make up most of your visual content.

#### **❖ Let your audience read or listen (not both)**

Visual aids should not provide reading material while you talk. Use them to illustrate or highlight the points that you are talking about. Avoid the phenomenon known as “Death by PowerPoint” where you display slide after slide of bullet points to your audience. Visuals should not be used as a script or a substitute for a well rehearsed delivery.

#### **❖ Keep the effects simple**

Presentation graphics programs such as Microsoft PowerPoint and Apple Keynote include a variety of visual effects that you can use with the slides. The most common effects add visual interest to transitions (the animation between different slides) and builds (the animation used to display elements on a particular slide). Most of these are too involved and should be avoided. If you need to include effects, stick with quick fades and basic dissolves.

#### **❖ Manage your colours**

Colour is effective for capturing attention and emphasizing important ideas, but you can overdo it. Don't use more than three colours as a visual. Try to use the same three colours throughout your presentation for consistency. Use colours to contrast, differentiate categories, separate data, or highlight a key point. Clearly contrast your background and foreground colours.

#### **❖ Use minimalist backgrounds**

Don't let the background of your visuals become the foreground. Complex graphics or patterns often have areas where the background colour shifts between light and dark. These create a background without a uniform shade and makes contrasting text very difficult to read.

#### **❖ Proofread carefully**

Displaying a visual with an obviously misspelled word can sink your presentation. An error makes people think you are an amateur and distracts the audience. People will focus on your mistake and stop listening to what you have to say. Proofread every visual carefully and have a trusted friend provide a second opinion.



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## 14.9 MANAGING QUESTIONS AND ANSWERS

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Your business presentation does not end when you finish what you have to say, you are expected to respond to from the audience. You can request questions from the audience during your presentation or in a period at the end of your presentation during a question and answer session. Handling these questions with authority is part of making a successful presentation; you should prepare for and rehearse as you do other parts of the session.

### **Essential elements**

#### **❖ Establish the ground rules**

Explain at which points during the presentation you will take questions and how participants will be recognized to speak. Make this clear at the beginning of your presentation if you want people to wait until you have concluded your remarks. Smaller groups expect you to take questions anytime during your speech.

#### **❖ Kick start the questions**

It is awkward to invite questions and not have any asked. You can help start the process by asking your own questions. Start with a statement such as, “A question I am often asked is”. Follow this with your question and answer.

#### **❖ Listen to the entire question**

Wait for the audience member to finish asking the question before you begin your answer. The only exception is when it becomes necessary to interrupt a rambling question or lengthy statement. Instead of letting one person assume control of the session, break in tactfully to keep the entire audience involved. Acknowledge the question or statement and move to the next questioner.

#### **❖ Repeat each question**

Look the questioner in the eye while they are speaking. Restate the question to make certain that you have understood it correctly. Repeating the question helps those in the audience who may not have heard it initially and gives you extra time to think about your response.

#### **❖ Answer to the entire audience**

After you have restated the question, break eye contact with the questioner and turn towards the audience. Give your answer to the entire group. Avoid creating a two-person conversation that others in the audience will not feel a part of.

#### **❖ Don't answer if you don't know**

Sometimes you don't know the answer to a particular question. In such cases, avoid trying to bluff or invent a response. Doing so will cost your credibility. Instead, acknowledge that it is a good question, indicate that you will look into it, and then follow up directly with the questioner.

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## 14.10 TECHNOLOGY@WORK– PRESENTATIONSOFTWARE

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You use presentation software to create and deliver electronic slide shows. Presentation software, Microsoft Office PowerPoint in particular, has become the standard way to make and give business presentations. Released in 1990, PowerPoint is easily the most well established of the presentation software tools. Infact, Microsoft estimates that more than 30 million PowerPoint presentations are given each day. You can also use other presentation software, some of which is designed for special circumstances

### **Essential elements**

#### **❖ Microsoft Office PowerPoint**

Part of the Microsoft Office suite of programs, PowerPoint is widely used in business and education. Detractors say that it dictates the way you communicate by reducing ideas to short bullet points. However, the real culprits are ineffective communicators, not the software tool itself.

#### **❖ Adobe Flash**

If you want to use sophisticated animation effects and import video, Adobe Flash is an excellent choice. However, Adobe Flash requires training and expertise to produce the effects you want. One advantage of using Adobe Flash is that you can easily publish a presentation online.

#### **❖ Google Docs**

One of the applications available from Google Docs is called Presentations, a basic tool for creating slide shows. The strength of Presentations is not its features, which are more limited than PowerPoint's. Like other Google applications, Presentations is designed for online collaboration and sharing.

#### **❖ Apple Keynote**

If you use a Macintosh computer, the tool of choice for presentations is Apple Keynote. One impressive feature is called Keynote Remote, which you can add to an iPhone or iPod Touch so you can use it as a wireless controller. You can then move around a room in which you are presenting, using your iPhone or iPod touch to control slides and read your slide notes.

#### **❖ OpenOffice Impress**

A free open source presentation tool, Open Office Impress contains some features for editing graphics not available in PowerPoint. For example, Impress provides tools for precisely positioning graphics, adjusting colour resolution, and creating and applying styles to graphics. It is also distributed under an open source license, which means it is available for download without charge.

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## 14.11 LET'S SUM UP

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In an age where listeners can obtain information through simple Internet research, keep your message simple, succinct and to the point. Avoid going off in different directions or over expanding on your presentation

topics. The more clear and concise the message, the better you can deliver the message to the audience. Prepare to answer questions only after you have presented each topic or subsection. Allowing the audience to take control of a presentation usually results in the presenter going off topic. The presenter loses his audience's attention and focus.

### **Important Presentation tips**

- Plan the presentation effectively
- Develop presentation content
- Rehearse and practice
- Communicate effectively
- Build rapport with audience
- Manage anxiety
- Use appropriate visuals
- Manage questions and answers session properly

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### **14.12 SELF ASSESSMENT QUESTIONS**

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1. What is meant by business presentation? Explain methods to deliver a successful presentation.

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2. Describe the ways of developing presentation content.

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3. Explain the ways to manage anxiety while delivering a presentation.

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### **14.13 FURTHER READINGS**

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1. Lehman, Dufrene, Sinha – Business Communication: An Innovative Approach to Learning and Teaching (Cengage Learning Pvt.Ltd.)
2. Jeff Butterfield – Soft Skills for Everyone (Cengage Learning Pvt.Ltd.)

## યુનિવર્સિટી ગીત

સ્વાધ્યાય: પરમં તપ:  
સ્વાધ્યાય: પરમં તપ:  
સ્વાધ્યાય: પરમં તપ:

શિક્ષણ, સંસ્કૃતિ, સદ્ભાવ, દિવ્યબોધનું ધામ,  
ડૉ. બાબાસાહેબ આંબેડકર ઓપન યુનિવર્સિટી નામ;  
સૌને સૌની પાંખ મળે ને સૌને સૌનું આભ,  
દશે દિશામાં સ્મિત વહે, હો દશે દિશે શુભ-લાભ.

અભણ રહી અજ્ઞાનના શાને, અંધકારને પીવો ?  
કહે બુદ્ધ આંબેડકર કહે, તું થા તારો દીવો;  
શારદીય અજવાળાં પહોંચ્યાં ગુર્જર ગામે ગામ  
ધ્રુવતારકની જેમ ઝળહળે એકલવ્યની શાન.

સરસ્વતીના મયુર તમારે ફળિયે આવી ગહેકે  
અંધકારને હડસેલીને ઉજાસનાં ફૂલ મહેકે;  
બંધન નહીં કો' સ્થાન સમયનાં જવું ન ઘરથી દૂર,  
ઘર આવી મા હરે શારદા દૈન્યતિમિરનાં પૂર.

સંસ્કારોની સુગંધ મહેકે, મન મંદિરને ધામે  
સુખની ટપાલ પહોંચે સૌને પોતાને સરનામે;  
સમાજ કેરે દરિયે હાંકી શિક્ષણ કેરું વહાણ,  
આવો કરીએ આપણ સૌ  
ભવ્ય રાષ્ટ્રનિર્માણ...  
દિવ્ય રાષ્ટ્રનિર્માણ...  
ભવ્ય રાષ્ટ્રનિર્માણ

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