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Business History: Redefining Entrepreneurship In Indian Context

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Abstract

The concept of entrepreneurship is having certain complex tradition within the economic and business activities thus formulating a sufficient definition is extremely difficult since this concept has a long and rich tradition within economic theory. There are some scholars tried to analyze this concept in different dimensions are continuously having been changing from time to time along with its scope. But India is having certain unique entrepreneurial roots which need to redefine the concept entrepreneurship in indigenous context.

Key Words : *Entrepreneur, Invention, Innovation, Capitalist, tradition*

Introduction

Entrepreneurship is one of the potential areas of the economic progress. There are many countries proved that the progress in the entrepreneurship leads to development. After liberalization policies India also showed a tremendous progress in global business. It cannot be denied that, the notion of the business in India broken the chains of age long social structures in post liberal period. More over the modern and the post-modern periods are seems to be witnessed in shaping the features and characteristics of entrepreneurship. It is true that India made a transition from agriculture to an industrial economy further to service sector during post independent period. Recently our entrepreneurs and their undertakings are underwent a great deal of modifications as a result of their interactions with the global companies. Indian businessman also started following in western foot steps and began to spread their tentacles across the world. Interaction between Indian and western business became a critical factor in the recent past. Though the existing business opportunities have already been pre-occupied by some mercantile classes the new business class from land owning rural gentry, professionals and first generation entrepreneurs making their sway in Hyderabad business. It could be understand by knowing their social out look and perceptions that have been redefining the entrepreneurship.

Objectives of the study

To understand the true meaning and Historical discourse of the concept Entrepreneurship.

To appraise the possibility of application and to draw the scientific definition of the concept entrepreneurship.

Methodology

Concept oriented theoretical discussion is used to meet the objectives of this paper. Chronology of the concept development also indented in this discussion. Prominent scholar's views are reviewed in this paper. This paper concluded with some research questions on the scientific definition of the concept Entrepreneurship.

Discussion

The root of the word entrepreneurship can be traced back to 800 years to the French verb "Entrepreneur" which means "to do something". Three hundred years later a noun form of the term appeared and soon thereafter both the verb and the noun entered the English language. The term entrepreneur first appeared in the French language and was applied to leaders of military expeditions in the beginning of the 16th century (Long.W.1983). In 1730 Richard Cantillion, an Irishman living in France was the first person to use the term Entrepreneur to refer to economic activities(Long.W.1983). Richard Cantillion used the term entrepreneur to mean a self employed person with a tolerance for the risk he believed was inherent in providing for ones own economic well being. Moreover he defined entrepreneur as a person who buys factor services at certain prices for selling his product at uncertain prices in future. He views an entrepreneur as a bearer of non-insurable risk(Long.W.1983).

Towards the beginning of the Industrial revolution (1830), (J.B. say) Jean Baptists say a French economist further expanded the definition of a successful entrepreneur to include the possession of managerial skills. He made distinction between the function of an entrepreneur and the function of a capitalist(Long.W.1983). An entrepreneur may or may not supply capital but he must know the art of superintendence and administration. Further extending this concept that Long(1983) viewed in historical perspective that three traits in varying degrees have been included in the definition of Entrepreneurship, Uncertainty and Risk Complementary managerial competence and creative opportunities. He argues that to ignore any of these areas is to risk repeating rather than learning from the History of the concept of entrepreneurship (Long.W.1983).

In 1920, Prof. Knight added the possession of courage in the face of uncertainty to the definition of a successful entrepreneur and highlighted the importance of managerial skills. According to his theory the entrepreneur earns profits because he undertakes risks. The manufacturers produce goods with a view of selling them at a profit. It is the entrepreneur income which is unknown and uncertain(Long .W.1983). It is uncertain because it is left behind in character. Since the assumption of risk is a disutility it must be paid for and Profit is the reward for the exhumation of such risks. According to Prof. Knight the main function of entrepreneur is to act in anticipation of future events. He produces goods in anticipation of demand and purchase goods in anticipation of resale. Moreover according to Knights theory uncertainty bearing is essential to production, therefore it is a factor of production and the reward for it is a part of normal cost of production (Long.W.1983). The risk theory sieves to suggest that the more risky the nature of an enterprise the greater must be the profit earned by it. But uncertainty bearing is only a part of the duties of the entrepreneur. He has other duties also e.g. Organizing, Bargaining and innovating. Moreover it is not possible to measure uncertainty in concrete terms. The theory seems to suggest that the more risky the nature of an enterprises the greater must be the profit earned by it, but really speaking, there is no such direct correlation between the rate of profits and the degree of risks inherent in different types of business(Long. W.1983).

Joseph A. Schumpeter has seen that the function of entrepreneurs is to reform or revolutionaries the pattern of production by exploiting an invention or more generally as untried technological possibility for producing a new commodity of producing an old one in a new way by opening up a new source of supply of materials or new outlets for products, by reorganizing an industry and so on (Joseph A. Schumpeter 1976). Rail road construction in its earlier stages, electrical power production before the First World War, steam and steel, the motorcar, colonial ventures afford spectacular instances of a large genius which comprises innumerable humbler ones such as making a particular kind of sausage or toothbrush. This kind of activity is primarily responsible for the recurrent 'prosperities' has revolutionize the economic organism and the recurrent recession that are due to the disequilibrating impact of the new products or methods(Joseph A. Schumpeter 1976).

According to Joseph Schumpeter, an entrepreneur is an innovator who brings economic development through new combination of factors and production, an entrepreneur is the man who sees the opportunity for introducing a new technique or a new commodity for an improved organization or for the development of newly discovered resources. He raises the money to launch new enterprises, assembles the factory of production and chooses top managers and not the organization to get going. He need not be a capitalist he may not provide any funds of leis own. Schumpeter argues that inventions or discoveries by themselves have little economic effect for inventions or resource discoveries to be significant; instead some one with special talent brings them into use. That man is an entrepreneur. Sometimes the entrepreneur is treated also as a capitalist but there is a difference between the two terms (Joseph A. Schumpeter 1976).

The capitalists furnish the funds. It is leadership rather than ownership that matters on the question of development. The neo classical economists in their theoretical formulations do not stress entrepreneurship to the extent that Schumpeter does. The neo classical view of the economic world development takes place gradually and smoothly, where as Schumpeter emphasizes that entrepreneurship is connected with a view of development as carried by discontinuous spurt in a dynamic world. Another feature of the Schumpeterian model which increases the prominence of the entrepreneur is the development process which is the minimization of the role of consumer sovereignty and the hope of profits was a major stimulant to innovation (Joseph A. Schumpeter 1976).

Schumpeter's theory though logical, seems one sided and over emphasized. The invention itself is only a scientific fact, the innovation as Schumpeter emphasized is the economic fact. Although the hope of profits was a major stimulant to innovation, there was also other pre-requisites technical knowledge which could be utilized. Entrepreneurs recognize the opportunities and respond to them by having adequate ability for the introduction of new techniques (Joseph A. Schumpeter 1976).

Talking on the Invention and Innovation (Dr. Anji Reddy 1996) states the 'invention' and 'innovation' represent the core values that determine the long term success of any organization. As he further says about the distinction between invention and innovation, an 'invention' is the actual idea for a new product or method while innovation is the translation of the idea in to practice'. Thus in the business sense it is the innovator who makes things happen (Dr.Anji Reddy 1996). He is the entrepreneur who champions the idea and brings it to the market place. Without him inventions will remain dry and useless things. He further says that innovation is a trait of successful organization.

In contrast with the above said views Max Weber is different with his own perception in the traditional dimension that the influence of environment and belief systems on individuals and entrepreneurial energies were generated by religious belief. Too much stress on obedience develops entrepreneurial qualities. The main factor contributing to entrepreneurship in Europe was the protestant ethics(Max Weber 2001) .

In the economic point of view Leibenstein's X-efficiency Idea is an extremely simple one that the effective use of inputs leads to greater out put. Suppose the certain inputs have been allocated to a firm these inputs can be used with various degrees of effectiveness within the firm. The more effectively they are used the greater the output, when an input is not used effectively the difference between the actual output and the maximum output attributable to that input is a measure of the degree of x-efficiency. Leibenstein has identified two broad types of entrepreneurship. 1. The routine entrepreneurship which is really a type of management and 2. The Innovational entrepreneurship. By routine entrepreneurship we mean the activities involved in coordinating and carrying on a well established, grow concern in which the parts of the production function in use are well known for a firm which operates in well established and clearly defined markets. By innovational entrepreneurship we mean the activities necessary to create an enterprise where not all the markets are well established or clearly defined and/ or in which the relevant parts of the production are not completely known. In both the routine and the innovation cases, the entrepreneur co ordinates activities that involve different markets and he is an inter mark operator (Harvey Leibenstein. 1978).

Leibenstein's 'x' efficiency theory was originally developed for the purpose, to analyze the role of the entrepreneur and to explain why growth rates differ in different countries, and why growth rates differ in the same country at different periods. Secondly this theory shows that a firm will achieve maximum efficiency when the firm minimizes efficiency as the firm minimizes costs, which is to say when x-efficiency is equal to zero (Harvey Leibenstein. 1978).

David McClelland studied this concept in a psychological point of view. According to him the "N Ach" is the driving force for the birth of leaders and the economic growth (David C. McClelland and David G. Winter. 1971). Among the psychological theories, David McClelland in his book the Achieving Society has established that the achievement motive contributes largely to entrepreneurship and he developed an achievement motivation theory which can be used to explain entrepreneurial behavior. He says that the development depends on vigorous activities of a number of individuals who behave in an entrepreneurial fashion (David C. McClelland and David G. Winter. 1971). If substantial economic development is to occur in poor countries, the number of individuals with the entrepreneurial motivational complex particularly with high achievement will have to be significantly increased (David C. McClelland and David G. Winter. 1971).

McClelland's The Achieving Society (1961) contends that a particular human motive with the need for achievement promotes entrepreneurship which in turn is a key to economic growth. Moreover a society with a generally high need for achievement or 'Urge to improve' produces more energetic entrepreneurs who in turn bring about more rapid economic development the importance of the pioneering studies of McClleland said that the wide spread use of achievement motivation in training programmes seeks to engender entrepreneurs and managers in poor countries. It means thoughts of people deal constantly with doing something better they will, by definition score higher in achievement (David C. McClelland and David G. Winter. 1971). The theory of achievement motivation predicts that it is precisely those with high "n Achievement" who are sensitive to changes in economic opportunities , the high "n achievement leads to more enterprising behavior, where as those with low "n achievement" are not. Those with high "n achievement" are responsive to the economic stimuli and they find the ways of making a better living at various levels and the motivational levels make a big difference in all the ways in getting opportunities, per say the success rate depends up on the motivational levels (David C. McClelland and David G. Winter. 1971).

The Individuals with high "n Ach" shows that in general they behave like successful, rationalizing, business entrepreneurs. They set moderate difficult goals for themselves, neither too easy nor too hard and maximize the likelihood of achievement satisfaction. They are more than normally interested in concrete feedback on how well they are doing. They like assuming personal responsibility for solving problems, because in that way they can get a sense of achievement satisfaction from completing the task, where as they can not if success depends on luck or circumstances beyond their control they show more initiative and exploratory behavior continually researching the environment to find tasks that they can solve their satisfaction. So it was predicted that entrepreneurial business executives should universally score higher in "n achievement" than professionals with similar social and educational background (David C. McClelland and David G. Winter (1971). D.V. Manohar Manohar. (Chairman Shakti Group of Industries Hyderabad) a multi faceted entrepreneur from Hyderabad who gone through many difficulties and bagged many achievements in his entrepreneurial journey express that the entrepreneurial bug and the perseverance are the main ingredients for his achievements. He also some what accepts the "n Achievement" is a key ingredient in the development of entrepreneurship.

Conclusion

The above discussed theories may very well suitable for well advanced countries and is less likely to be appropriate in India. There is substantial limitation on resources availability in India. McClelland high motivation associated with a competitive spirit may be appropriate when an individual can control his activity but not where he faces substantial restraints on decision making. In India apprehensions should be faced from public and bureaucratic economic decision making.

There is a need that entrepreneurship is to be understood in the context of the prevailing environment of that particular country. In Japan entrepreneurship implies abilities to multiply capital. In industrially advanced countries entrepreneurship is associated with innovation. In India entrepreneurship allied with the tradition. In the modern sense entrepreneurs mean inspired individuals who create new ventures that solve problems or create new opportunities.

One should not minimize the traditional constraints in Indian business. The communal and family nexus are important in development of entrepreneurship. The extended family is the basic unit for individual identification and orientation and frequently for business ventures. Through McClelland theory of 'individual achievement and motivation' we can not explain the Indian entrepreneurial behavior. For a large proportion of firms in India, the basic unit of entrepreneurship is the extended family.

There are many traditional aspects need to be analyzed with reference to Indian society. For instance a person is granted credit as a member of a particular Jati or family rather than as an individual in most of the villages India. It develops a kind of relationship between creditor and debtor takes on a 'Jajmani' like character or semi permanent patron, client relationship in which the creditor provides virtually unconditional accuse to credit for goods and services for the customer in return for the customers continuous loyalty and patronage. Social divisions and caste implications had prescribed the occupations of certain communities from the generations.

At the same time it can not be denied the implications of state regulations and the political connections of entrepreneurs in the scenario of the Indian business which has been generating considerable attention in recent years. It has been noticed that the political connections can help a business by getting access to scarce resources and manipulating favorable regulations to improve profitability and to reduce the risk.

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