## Chapter – 2

### Innovation and Entrepreneurship

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2.1 Introduction

India accepted new economic policy in July, 1991 under the observation of then Prime Minister, Mr. P. V. Narasimha Rao and Finance Minister, Dr. Manmohan Singh. This policy is mainly known by the name of ‘LPG’ policy where ‘L’ stands for liberalization, ‘P’ stands for Privatization and ‘G’ stands for globalization. Under liberalization, government minimized their restrictions on trade which gave more freedom to business units. Privatization allowed private players in those sectors where previously government kept their main hold. Globalization was the major move where Government of India opened the doors of Indian market to foreign business units. According to the globalization policy any foreign business unit allowed to start their business in India which was not possible before acceptance of this policy. This LPG policy made tremendous impact on Indian business units. This policy was an opportunity for private business players. There was a chance for business organizations to prove their potentials with a freedom given by this policy. Accordingly many Indian business firms started to make their plans for expansion and acquisition of business. Many good ideas from business organizations started to come ahead. This also increased competition among business firms. But on another side this new economic policy brought challenges to those units who were stuck in their tradition approach of business. Because of new challenges like new technology, methods of production, business practices etc. traditional thinking firm started to lag behind.

This new economic policy was beneficial directly to the customers, government and society. Customers started to get new attractive products with new features. Foreign business organizations started to introduce innovations in their processes, products and daily business activities. Such innovations started to drag attention of consumers towards their products. This resulted in increase in sales, market share and goodwill in the market. This started to put impact on Indian business firms and therefore willingly or unwillingly they also started to think about new ideas.
in their business. Many new ideas started to get success in the market. Therefore businessmen started to think about compulsory innovation in business activities.

Before economic reform of 1991, Indian economy was closed economy to outside world. The Rupee, Indian currency was inconvertible. Foreign goods were prevented to reach in the Indian market through import licensing and high tariff. Firms required licenses to invest and develop under a system of central planning for the Indian economy.

Business firms had to satisfy requirement of up to 80 firms to get license to initiate its production activities. Decision regarding production, quantity of production, price of product and sources of capital to be used was in the hand of government. Downsizing of human resource and business liquidation was also prevented by government. Import substitution was the objectives of the economic policy existed before 1991. India wanted to depend on internal market for its development. Less or no dependency on international market was the objective of this policy. Indian government was decided the requirement of investment in various sectors as per planning and state of demand from respective sector.

But when India government remove such restriction in the form of new economic policy, business organisations in India started to breath freely. This free business environment started to motivate entrepreneurs. Because of this, entrepreneurs started new business units. Effective business activities started to run with the help of four factors of production.

Now a days many people are looking positively towards entrepreneurship as a career option. Psychology of common person is shifting from employment to entrepreneurship. Now they want to become employment provider instead of employee of an organization. With the growing unemployment, this option has now become an important choice for each individual.

Cultures are powerful phenomena. However, research in entrepreneurship has revealed that some cultures ‘produce’ higher level of entrepreneurial activity, in terms of innovation, opportunity recognition and exploitation, creativity, productivity, search from business support and actualization of the business plan. Culture of country also contributes towards thinking of people. This thinking decides their point
of view towards entrepreneurship. Culture could be a major factor for supply of entrepreneur.

2.2 Innovation and Entrepreneurship – A Conceptual outline

Entrepreneurship and innovation are related with each other. Entrepreneur use innovative practices in his/her business to achieve desired goal. Entrepreneurs try to introduce innovations in their business activity to make it distinguished from competitors. Because of this innovation can be identified easily in products, advertisements, process, human resource management etc. Basically ‘Innovation is about finding a better way of doing something’. Many individuals have studies these concepts and put their significant attempt to elaborate these concepts.

‘Entrepreneurs identify and develop business enterprise building opportunities. Entrepreneurs are risk takers. They are people who recognize well the Strengths, Weaknesses, Opportunities and Threats (SWOT) of a business/enterprise building opportunity. Their decisions are based on better information and experience than an average observer. What is perceived as risky by others may not, be as great a risk to those who have more information. Entrepreneurs are free thinkers which imply a combination of a large element of creativity coupled with experience, the knowledge of economic, social, psychological and demographic trends, plus the experience base for comparison and being comfortable with new technology and change. Entrepreneurs are agents of change who can effectively live with uncertainty and stimulate and implement lasting changes. Entrepreneurs can have a high status in society as leaders of industry and of the nation. It is necessary to create employment and to contribute to the growth of the economic wealth of a country. There are different concepts on which many authors, management scientist and researcher has put emphasis. It is important to study these concepts.

2.2.1 Innovation

Innovation is new technique or idea which is to be used for better solution and desired result.

‘Schumpeter (1934) placed his main emphasis on the qualitative disjunction side—"Innovation is that kind of change arising within the system which so displaces its equilibrium point that the new one cannot be reached from the old one by infinitesimal steps. Add successively as many mail coaches as you please, you will
never get a railway thereby". Schumpeter also gave a role to adaptive technical change and the importance of the accumulation of small changes over time.4

Innovation is adoption of new ideas. Scott Anthony has also discussed about innovation in his book. According to Scott Anthony innovation is ‘something different that has impact’.5 Entrepreneur always try to introduce different ideas in his business for better result. Such ideas make change in the process. Therefore ideas which make impact can be treated as innovation. Dictionaries also convey meaning of innovation. According to Oxford Dictionary, ‘innovation is crucial to the continuing success of any organization’.6 This dictionary also conveys impact of innovation on organizational success. Innovation is important for success. This dictionary further explains about the word innovate that ‘make changes in something established, especially by introducing new methods, ideas, or products’.7

Government of India also considered importance of innovation and therefore Indian Government established National Innovation Council under the Chairmanship of Mr. Sam Pitroda. This council tries to inspire new innovations. These innovations either could be in small businesses or it big organizations. According to National Innovation Council, ‘Today innovation can mean new and unique applications of old technologies, using design to develop new products and services, new processes and structures to improve performance in diverse areas, organizational creativity, and public sector initiatives to enhance delivery of services. Innovation is being seen as a means of creating sustainable and cost effective solutions for people at the bottom of the pyramid, and is being viewed as an important strategy for inclusive growth in developing economies’.8

Jon Sundbo talks about innovation. He says, ‘Fundamentally, innovation means a renewal of elements in production organizations. For example, Everett Rogers has defined the concept in one of the classics of innovation theory. Rogers sees innovation as a process which starts with the invention of a new element. The invention leads to the idea of practical development of the element for commercial use. Persons, groups or institutions implement this process, which is usually associated with a struggle to get the new element recognized by the surrounding world and to develop it for commercial use — which means that it has to be both practically useful and economical (i.e. it must make a profit). After this a single
company or very few companies begin to introduce the new element, and gradually others begin to imitate these first companies and introduce the new element.¹⁹

2.2.2. Invention

Invention is the unavoidable part of innovation. Innovations will be incomplete without invention. Innovation is the practical application of new inventions for products and services having marketable value. Carlos M. Correa in his books says that ‘an ‘invention’, in contrast, entails developing a solution to a problem by the application of technical means’.¹⁰

Invention is done with the purpose of solving problem. It means problem is the origin of every invention. Keeping this in mind Mr. Richard Rowe says that ‘An invention comprises a novel solution (s) to one or more specific problems. Further he says that such problems get reduced in future due to invention and can be describe in detail.’¹¹

As per oxford dictionary to invent means to ‘Create or design something that has not existed before.’¹²

2.2.3 Enterprise

Thomas E. Miller, Daryle W. Berger wrote in their books about enterprise. According to them enterprise is ‘a unit of economic organization or activity; especially a business organization.’¹³ Enterprise performs all business activities related to its aims and objectives. Enterprise is the outcome of organization of four factors of production and this combination of factors of production is required to attain economic objectives.

2.2.4 Entrepreneur

Basically entrepreneur is the person who takes the risk and starts the business. He is called as a leader who takes care of all the business activities. As per many authors and researcher entrepreneur is the person who should pusses all the qualities in himself. Entrepreneur is the person who can put his impact on consumers, society, government, economy and market. Many authors have discussed about this concept in their books.

According to J.B. Say: ‘An entrepreneur is the agent who unites all the factors of production and who finds in value of the products the re-establishment of the entire
capital he employs, and the value of wages, the interest and the rent which he pays as well as the profits belonging to himself. He may or may not supply capital but he must have judgment, perseverance and the knowledge of the world of business. He must possess the art of superintendence and administration.

F.H. Knight, in his article on Risk, Uncertainty and Profit propounded the maxim that entrepreneurs are a specialized group of persons who bear risks and deal with uncertainty. He also identified social, psychological and economic factors which govern the supply of entrepreneurship. Leon Walrus, in his papers, The Theory of Social Wealth pointed out that entrepreneur is the coordinator of basic factors of production. He treated entrepreneur as the fourth factor of production who combines other factors such as land, labour and capital.

With J.A. Schumpeter, the term entrepreneur had received a wide acclaim. He defined the entrepreneur as an innovator who carries out new combinations to initiate the process of economic development through introduction of new products, new markets, conquests of new source of raw materials and establishment of a new organization of industry. He said, the carrying out of a new combinations we call enterprise; the individuals whose function is to carry them out we call entrepreneurs. He has put emphasis on profit, which is the product of innovation and the prime mover of economic development.

According to Schumpeter, The process of development is a deliberate and continuous phenomenon which is actively promoted by the escort services of a change agent who provides economic leadership. This change agent is what is called entrepreneur.14

Oxford English Dictionary (1897) defined entrepreneur simply as the director or manager, of a public musical institution; one who 'gets up' entertainments, especially musical performance. Not until its supplement appeared in 1933, did the dictionary recognize that the word has a place in business, and would mean "One who undertakes an enterprise especially contractor... acting as intermediary between capital and labour."15 It shows that meaning of entrepreneur changed with passage of time. Angle of Authors, institutes and society changed with the expansion of business activities.
2.2.5 Entrepreneurship

Entrepreneurship is the process of identifying business opportunities and beginning new business organization. Entrepreneur find new economical avenues, take risk and start new venture. In this process he organizes four factors of production and manages them skillfully. Many authors have put their significant remarks on entrepreneurship.

‘According to J.A. Timmons Entrepreneurship is the ability to create and build something from practically nothing. Fundamentally, a human creative activity, it is finding personal energy by initiating, building and achieving an enterprise or organization rather than by just watching, analyzing or describing one. It requires the ability to take calculated risk and reduce the chance of failure. It is the ability to build a founding team to complement the entrepreneurial skill and talents. As per Heggins Entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top managers of day-to-day operations. Peter Drucker has given a very comprehensive definition of entrepreneurship. According to him Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed, what constitutes knowledge in practice is largely defined by the end that is by the practice. Entrepreneurship is not just about making money.

It is about imagination, flexibility, creativity, willingness to think conceptually, readiness to take risks, ability to mobilize agents of production and the capacity to see change as an opportunity. It is also about marrying passion and process with a good dose of perseverance.’

Most of the authors have significantly noted their remark on innovation and entrepreneurship. Today, many new generation writers also try to present their views on recent trends in entrepreneurship and innovation. They discuss new tools and techniques used by the entrepreneurs. Present entrepreneurs and their innovation is the part of their writing.

2.3 Evolution of Innovation and Entrepreneurship

Emergence of entrepreneurship is as old as human civilization. Barter exchange was one of the system of trade where goods is to be sold for the sake of
another goods. Under barter exchange system, excess production is to be sold by producer for the sake of other required product. Any person who was making a particular product used to sell that product in the market. But he always tried to seek another required product. The word entrepreneurship is derived from the French word ‘Entreprendre’. It means the person who takes the risk of new enterprise. This word appeared in French language in the sixteen century. Richard Cantilon who was Irish but living in France, referred this word as an economic activity.

2.3.1 Period I: Ancient Period and Entrepreneurship

The review of ancient literature proved that ancient Indians took up a variety of commercial vocations akin to present-day entrepreneurial activities. Aryan conquerors settles down in this country by having hold on non – Aryans. This was the phase of emergence of entrepreneurship. They started to exploit products and resources from village community. This left little portion to the villagers. This started conflicts India society. The problem of innovating new products was faced by Aryans. Aryans started to deal with division of labour, breeding of cattle and cultivating land. Such occupations were not available at the time of victory of Aryans. This was the start of entrepreneurial actions.

Commenting on the earlier phase of entrepreneurial evolution Walter Ruben observes: The problem was to evolve some kind of law and order to regulate this division of products. The question was: Who had to till the field, breed the cattle and to work in handicrafts and what part of the product would be given to the various social classes. Aryans started to establish states and laws immediately after the victory bagged by them. The oldest Dharma Sutras were followed which was mentioned in oldest Upanishad. Terminology of four ranks i.e. Varnadharma was presented which was the feature of despotism.

In the same period, science began in India especially medicine and astronomy. Astronomy was connected with religion and magic, but medicine stood in some kind of conflict with it. The Ashvins were regarded by the Brahmans as somewhat impure and there was some competition between magician and the physician both claiming to the proper healer of the diseased. But in this long run Brahmans succeeded in uniting most of the branches of science and religion. Clear idea of entrepreneurial class is provided in ancient literature like Manusmruti. This is information is provided during
ancient period or pre-Vedic period. It is given in Manusmruti that people from Vaisya are belongs to the entrepreneurial class. These people were specialize in giving charity, maintaining livestock, studying scriptures, to give sacrifices, perform activities of banking and business. Therefore, in these days, Vaisya class can be seen doing entrepreneurial activities. They carried on trade in agriculture, industry and banking sectors. In Gupta and post – Gupta period, the basic sources of revenue for the people was Agriculture, handicrafts and crafts. The occupational development during this period comprised ownership of land pasture grounds, trees, forests, water reservoirs, mines. etc. There is clear evidence about the use of technical knowledge in water use namely, Persian water (Arahatta) in Northern India during the early medieval period. With introduction of entrepreneurship, the towns and cities developed.

2.3.2 Period II: Entrepreneurship before 1850 A.D.

During pre-Independence era, agriculture was the main-stay of the people of India. It is said that besides agriculture, a class of businessmen specialized in manufacturing of handicrafts, metalwork, stone carving and jewelry designing, etc. had dominated the industrial entrepreneurship sector in rural areas. Those communities were known as Banias (Hindu and Jain), Parsis, Chheriars and Gujaratis. etc. These communities actually laid the foundation of entrepreneurship by carrying on trade and commerce at initial stage and later they started establishing manufacturing centers. These centers were located either near river banks or near ports for ease of transportation. The following types of industries were found in that period.


(ii) Village industries comprising handloom and textile production, brass and bell metal works developed in clusters Indian handicrafts, which were once considered the best in the world, had received a severe blow due to the British colonialism. Industrial revolution in Great Britain had reduced in India to the status of materials supplier and a consumer market for the finished products manufactured in Britain,
Manufacturing entrepreneurship in India did not develop till 1840. The introduction of railways in 1840 led to the beginning of industrial entrepreneurship through factory system. In India in 1854, the first and foremost textile mill was established. Before this, in 1847, R. Chotulal, a Nagar Brahmin envisaged to manufacture textile on the basis of modern factory system. From the very beginning, the Britishers devised a discriminatory economic policy for the Indian entrepreneurs, as a consequence of which industrial entrepreneurship suffered a great deal. The following reasons are attributed to the slow growth of entrepreneurship in India during this period:

(i) The enterprises were not given proper protection by the British Government.

(ii) Special encouragement is given to those industries in which British Government has invested their capital.

(iii) Railway transportation charges for other locations than ports were higher. This shows that goods transportation for Indian manufacturers in Indian market was higher than the goods which were produced for the purpose of export.

(iv) High tariffs were imposed by the British Government on India-made goods.

(v) Entrepreneurs were constantly harassed for getting licenses and finance to establish and run industries.

(vi) Technical education was lack of any facilities. This education could have been strengthening Indian industrial entrepreneurship.

(vii) Machine made goods started to get exported to India. This started to give fierce competition to Indian domestic entrepreneurs.

(viii) Industrial growth in India were started to face hurdles due to lack of communication and transportation facilities.

(ix) Demand or consumption of steel and iron decides growth of any country. It requires for industrial and infrastructural development. Encouragement to heavy industries was not given by British Government.

(x) Growth of entrepreneurs was discouraged by political instability.
(xi) Business environment of India was affected by impact of multi-currency system. This blocked the growth of industries.

Above problems were existed in the system but apart from these problems export trade from textile industry was increasing. In this period, grouping of merchants in India for managing the supply of textiles to European countries was significant. This assisted to export huge volume of textiles to European countries.

But in subsequent years, the demand for Indian textiles decreased due to discriminatory custom policies adopted by the British Government. Till 1850, growth of entrepreneurship means only growth of British private enterprises like plantation, coal mines, banking and insurance.

2.3.3 Period III: Entrepreneurship during 1830-1947

The mid-nineteenth century opened up the path for rapid industrialization. With the introduction of railways in 1853 in the country, the scope of industrial entrepreneurship had gone up. Britishers started harnessing the natural resources of India to their own advantage simultaneously developing the roads, railways ports and other infrastructural facilities. In course of time, Britishers along with mercantile class of India have built a conducive atmosphere for investment of trading as well as manufacturing activity. However, during 1850-1947, entrepreneurship in India can be analyzed in the following manners:

(i) Entrepreneurship in eastern part of the country.

(ii) Entrepreneurship in western part of the country.

In eastern past of India, the entrepreneurship was mainly European who engaged in export-oriented industries like jute, textiles, tea, coal, etc. But the entrepreneurship in western part of India was mostly among the Indians. It is, of course, due to its relatively longer political independence and the advantages availed by all the communities of western India. British exploitation was not directly imposed when East India Company started its political and commercial activities. Indian merchants were not eliminated from the field of finance and trade. Entrepreneurship was in abundance in Indian businessmen but it could not offer sufficient scope for its exercise. However, Indian history indicates, that Indian traders had trade relations with Greece, Yemen and other Arabian and African countries.
2.3.4 Emergence of Parsi’s as Entrepreneurs

In India, an emergence of manufacturing entrepreneurship is viewed by some social scientist as the consequence of arrival of East India Company followed by colonial British rule. It gave new stimulus to businessman by injecting various changes in economy and accelerating the exams of raw materials and import of finished goods. However, the Parsis were great influenced by the East India Company. During this period, Parris established a good rapport with East India Company. They acted as brokers, suppliers of commodities and craftsmen in shipbuilding industry. Parsis built vessels for the company. In 1852, a Parsi foreman of a gun factory belonging to the company established a steel industry in Bombay. All the above examples prove that the starting point of manufacturing entrepreneurship laid with emerging entrepreneurial talents among the Parsis in the country. On the strength of the historical evidences produced by Brimmer, Lamb, Gadgil and Tripathy, the illustrious historians, it could be observed that Parsis, along with Marwaris and Gujaratis trading castes, took to entrepreneurial behaviour in the last decades of the 18th century, in Calcutta, Bombay and Madras. Britishers and Parsis observed the impact of Industrial revolution in Britain and thus they started exploiting Indian natural resources and promoted indigo plantation, leather manufacturing and steelmaking.

2.3.5 Swadeshi Movement and Birth of Indigenous Entrepreneurship

In 1905, Indian leaders adopted concept of Swadeshi and boycott to counteract the discriminatory policy of the British Government. Theswadeshi method was based on Aatmashakti (the principles of self reliance) which meant manufacturing and using indigenous goods by the Indians. The basic objectives of the Swadeshi Moment were the following

(i) To promote indigenous industries by the Indian entrepreneurs.

(ii) To rejuvenate the cottage and handicraft sector.

(iii) To provide employment opportunities to the craftsmen of India.

(iv) To open up a vast captive market for sale of products manufactured indigenously through a network of Swadesh stores.
2.4 Entrepreneurship: An Indian Scenario

After independence of India, Indian entrepreneurship emerged with a more role. They are not just self-employed people who are doing business but they are the supporter of economy of India, employment generator and motivator to next generation. End of this century is called as century of entrepreneurship because they have put significant impact on Indian society. Till the end of this century many great entrepreneurs showed their meaningful existence in Indian society. Mr. Azim Premji who inherited Vegetable Oil Company became richest Indian and owner of one of the leading software company. On another side India also witnessed another person who has family background of school teacher father, afterwards became the owner of India’s most valuable company ‘Infosys’. These examples show entrepreneurial spirit to not only young generation but other classes of society. These entrepreneurs showed that, even in the normal financial condition of the family one can be a successful businessman. Media also started to put limelight on their life. All these happened because of their ‘out of the box thinking’. According to Alvin Toffler terminology, ‘India has moved from essentially being a primary a primary economy through a secondary phase to a tertiary one. In other words, it has moved from an agricultural economy to an industrial one to a service driven one.’ This also made significant impact on Indian GDP. ‘According to the statistical outline of India, 1999 – 2000, agriculture contributes 55.8 percent and in 1950 – 51, industry 15.2 percent and services 29 percent. Today the figures tell another story – the contribution from agriculture has halved to 25.3 percent, that from industry a has doubled to 30.1 percent and the share of services has gone up to 44.6 percent.’

Indian industry was one of the neglected industries during British Period. Many rules and regulations were in favour of British Industry. In such scenario Birla family started Birla Jute Mill in the year of 1919. After World War II, reconstruction of cement, steel and other infrastructural industry was done. After independence Indian industry started to develop. Vertical and horizontal developments were seen due to improving business environment. Some entrepreneurs became dominant businessmen. In 1970, Foreign Exchange Regulation Act (FERA) and MRTP came into existence. MRTP restricts the attempt of Indian industries of having global size plants and economies of large scale. Some industrialist saw hurdles to their growth because of this reason. G.D. Birla and J.R.D. Tata are the example of this. But inspite
of all this, some businessman started their business with small scale industry licenses and then became growing ventures. Karsanbhai Patel and his soap manufacturing company Nirma is suitable example of this.

In the decade of 1980 – 1990 Dhirubhai Ambani and Aditya Birla realized public as a important source of finance. They thought Equity based finance from public as one of the better source because government financial institution, banks and mutual funds occupy 35 to 40 percent of the equity share capital issued by the blue chip companies. Accordingly, Reliance issued its first IPO in 1977. Many businessmen identified this as one of the convenient and successful way of raising capital. This was seen in 1990 where Hindalco raised premium of Rs. 100 per share in Indian market. This company was the first company who did this kind of activity.

India declared economic liberalization in 1991. This put its effect on Indian industries. Another side Indian capital market also showed significant movement during this period as foreign investment started to flow inside of such market. Likewise Indian business units also became capable to collect their funds from foreign capital markets. This was a good chance for Tata, Birla and reliance for their growth. With the permission to raise funds from outside markets, Grasim raised $90 million Global Depository Receipt (GDR) in the year 1992. This was the second company after reliance. Hindalco also followed the same rout after Grasim and raised $110 million Euro Issues. This economic policy after 1991 showed many mergers and acquisition. Coca cola as one of the foreign company acquired ‘Parle’ which was Indian based company showed another side of the coin.

Many financial institutions started to operate in India. This became helpful to those who want to start their business and raise their funds. These financial institutions helped them to raise funds. Now condition had been changed from personal finance to bank or public finance. This is general observation of last 60 years in which entrepreneur not only got good business conditions but also started to learn how to start business in different non tradition conditions. Such conditions are raising capital from public and start a big venture, good management for effective business and so more. With the change in time new invention took place in the business. In which, introduction of computers was one of the important inventions. With the help of this business activities reached to new heights. Through such inventions entrepreneurs started to go for new innovations. Use of computers in productions and
management helped entrepreneur to handle his business effectively. This also contributes in the success of business. This branch was Information Technology sector. Later on this sector create India as one of the Information Technology hub. Many entrepreneurs with their firms started to come ahead and achieve new heights of success.

Today India is talking about success stories of its present entrepreneurs like Ambani, Sunil Mittal, Ratan Tata, Azim Premji and Naray Murthi and on the other side next generation of entrepreneur is coming ahead with different and innovative ideas. These entrepreneurs are selling their products with innovative techniques. They have captured latest technology for their business. They are using virtual markets. Snapdeal, flipcart, janglietc are some of the examples of these ventures. They are online stores. Instead of going in the market, these virual stores are making product available through websites. Initially it was new for customers and difficult to trust on product quality as well as guarantee. But heavy promotion, big discounts, prompt service, customer care help lines and product replacement system attracted large number of consumers towards them. The way of innovation they used in doing this business made their ventures as profitable venture. They use innovation in their service, back office activities and promotions. In promotion popular Medias are identified by them and propaganda was started by such business organizations. Social media, blogs, email accounts, other websites etc. are used by online stores for their advertisements.

2.5 Theories of Entrepreneurship

Entrepreneurship has developed with the passage of time. Various authors and researchers have also studies this concept and contributed in terms of various theories on entrepreneurship. Entrepreneurship got affected by various aspects like economical aspect of country, social aspect, business aspect and psychological aspect. Therefore it becomes important to make study of theories of entrepreneurship. Theories of Entrepreneurship are outcome of the continuous efforts of researchers. Various authors presented their views from observation. Because of this, those theories moved towards more perfection.
2.5.1 Sociological Theories

'There are different theories comes under sociology. These theories explain the relation between sociological factors and entrepreneurship development. Following are sociological theories:

2. Theory of Entrepreneurial Supply.

2.5.1.1 Theory of Religious Belief—Max Weber

The theory of Religious belief has been propounded by Max Weber. According to him, religious beliefs significantly impacts on entrepreneurial activities. Religious beliefs give shapes to entrepreneurial culture. Max Weber said that religious belief supply energies to entrepreneurship activities. The central feature of Weberian theory of social change, therefore, consists in his treatment of the protestant ethic and the spirit of capitalism. Important contents of this theory are discussed as under.

1. Spirit of Capitalism: Weberian theory is motivated by capitalism. Capitalism is the economic system in which economic freedom is to be availed to the enterprises which are privately owned. This economy includes business culture. Capitalism mainly focuses on entrepreneurial activities and therefore it always assists to entrepreneurs for their business success in terms of growth and profit.

2. Adventurous Spirit: According to Weber, capitalism can sustain only when there is conducive attitude of people for capitalism. According to him adventurous spirit is free force of impulse.

3. Protestant Ethic: Max Weber talks about attitude of society for capitalism. This attitude comes from protestant ethic irrespective of the cultural background, personality type of the individual and the experiences in the society. As per him Hinduism face blockage in their way of entrepreneurship because of this attitude.
4. **Inducement of Profit**: Profit is the motive behind acceptance of entrepreneurial activities. According to Weber, with low prices and high turnovers, entrepreneurs take benefits of profits. This motive resulted into start up of new enterprises. Weber said that, profit is the true spirit of capitalism.

This theory suits with the atmosphere of British rules in India. British government encouraged European entrepreneurship in India. This theory is based on assumption. Many researchers have criticised because of the unrealistic assumption. These assumptions are as follows.

i. There is only one system of Hindu value.

ii. The Indian community internalized those values and translated them in to daily routine.

iii. These values remained immune to and insulated against external pressures and change. But rapid growth of entrepreneurship and emergence of a large number of entrepreneurs in the post-Independence era proved that Hinduism is neither a stumbling block nor a demotivating religious belief to the spirit of capitalism and to the spirit of adventure to start innovative enterprises.

**2.5.1.2 Theory of Entrepreneurial Supply—Thomas Cochran**

The theory, propounded by Thomas Cochran, centres round the sociological aspect of entrepreneurial supply. Thomas Cochran says that cultural values, social beliefs and expectations of role decide entrepreneurial supply. These are non-economic factors which impacts on economic activities of entrepreneurship. The basic elements of Thomas Cochran’s theory are depicted further.

1. **Entrepreneur as a Society’s Modal Personality**: According to T. Cochran, entrepreneurs are not super humans or deviant individuals. Entrepreneurs are role models of the society and can also represent noble personality to society. Personality of entrepreneurs possesses skills, motives and styles.

2. **Modal Personality as a Derivative of Social Conditioning**: The entrepreneur, being the Chief Executive of his business, plays a social role.
His personality is directed by the generation of his time. This leaves tremendous impacts on building his modal personality.

3. **Role Expectations and Entrepreneurial Role**: Cochran pointed out that in corporate organizations, senior officers or the Board of Directors have well-defined expectations. They are known as defining groups and entrepreneurial role is closely defined by them.

4. **Effect of School Education on the Personalities**: According to Cochran, entrepreneurial and executives personalities are affected by schooling conditions and cultural factors.

5. **Dynamics of Entrepreneurs and Thrust upon the Social Factors for the Major Changes**: According to Cochran, the demonstration of this model of dynamics of entrepreneurs gives thrust upon the social factors for the major changes. He pointed out that the model is based upon the American Economic History which proves that American economy has experienced major changes during 19th century due to entrepreneurial dynamism. The changes are ascribed to the following factors:

   a. Quick adoption of mechanical devices in the first half of the 19th century.

   b. Growth of professional management in the corporate sector that started in the second half of the 19th century

   c. Widespread application of mass production techniques in the 19th century.

In each of these major transformations, the social factors operating through entrepreneur appear to be well marked. Under the above backdrop, Cochran pointed out that individual’s performance as entrepreneur is governed by the following elements:

   a. Attitude of the entrepreneur towards his own occupation

   b. The role expectation held by sanctioning groups

   c. The operational requirements of the job
In fact, both the first and the second elements are determined by the societal values whereas the last element is governed by the changes over a period of time in extraneous parameters such as population, technology, consumer demand, tastes and preferences of the customers, etc.

2.5.1.3 Theory of Social Change—EL Hagen

In this theory Everett Hagen explains how traditional society changes into modern society. In this transformation technical progress is treated as key element. In this social change, entrepreneurial activities are treated as important factors for bringing change in the society. Following are the features of this theory.

1. Society’s General Model:

   General model of the society is presented in this theory. This model assumes interrelationship among personalities, physical environment, social structure and culture.

2. Economic Growth:

   According to Hagen, economic theories presented by many authors and researchers are inadequate. These economic theories are underdevelopment theories. He looks toward entrepreneur as a problem solver and creative personality. Entrepreneur brings economic development in the society which is the base to social change and political change.

3. Rejection in respect to syndrome of followers:

   Hagen does not believe in acceptance western technology. According to him, economic development do not lies in acceptance of western technology. Implementation of the technology in different sociocultural structure may effect on delivery of goods. As per Hagen, technology is internal part of sociocultural setup.

4. Historic Approach in Social Change:

   As per Hagen, historical approach plays vital role in economic growth. Technological progress helps to emerge entrepreneurial class from different communities and caste. Historical shift causes social change through entrepreneurship and technological factors. In this
historical shift, some groups may feel that they may lose their position what they were previously held. To overcome this circumstance, these groups may kindle their urge for formation of ventures through their personality formation. This makes them competent to take or form ventures in the process of historical shift.

5. Status Withdrawal:

It is related with some social groups who feel withdrawal of status because of social change through historical shift. These groups are creative, have traditional values and high desires to prove them for themselves and for their followers. They seek areas in which they can gain their powers and overcome their problems caused for withdrawal. They innovate in the process of their entrepreneurship. In theory, example is given of Samurai in Japan as an innovator and entrepreneur. When withdrawal occurs, it resulted into four different responses and creation from four different personalities’ types. These are as follows:

(i) **Retreatist:** He is the person who constantly performs his work in the society but remains neutral to his own position.

(ii) **Ritualist:** Retualist adopts a kind of defensive personality. He also works in the ways accepted and approved in his society without any hope of improving his opposition.

(iii) **Reformist:** He initiates rebellion and attempts to establish a new system in the society.

(iv) **Innovator:** Innovator is a creative individual who converts all odds into opportunities. He preferably to become an entrepreneur.

Creative personality of Hagenisis the combination of Mc Clellandis high need for achievement and Schumpeter’s innovation theory. Hagenis theory fails to give policy measures for less developed countries which are taking efforts and in need of economic development. In this theory disadvantages minority groups is itself is a limitation. In case of India, many disadvantaged minority groups did not supply good quantities of entrepreneurs.
2.5.1.4 Theory of Group Level Pattern: F. Young

Frank Young, in his theory, A Micro-sociological Interpretation of Entrepreneurship, points out that entrepreneurial initiative is a function of group level pattern. Young has explained the shortcomings of psycho generic interpretation of entrepreneurship. He suggested a causal sequence where transformation codes are developed by the solidarity groups to improve their symbolic position in their larger structure and thus become entrepreneurs. The theory has the following important features:

1. **Deficiencies in Psychogenic Mediation Model:** Prior to depicting a micro sociological interpretation of entrepreneurship, Young deals with the shortcomings of psychogenic mediation model. While stating that development is an organizational phenomenon, he points out the deficiencies to explain the emergence of new kind of organization. He states, without exception, that they are mute on the question of how individual tendencies, special abilities, unusual motivation or perception of particular opportunities is transformed into emergent property that is social organization. According to Young, if entrepreneurs in particular, imitative time taken by the development process are some of the demerits of psychogenic interpretation of entrepreneurship.

2. **Solidarity Groups:** Frank Young regarded the solidarity groups as the main agencies for building entrepreneurship. He interprets individual level entrepreneurism as the underside of group level pattern. He maintains that entrepreneurial characteristics are found in clusters, ethnic communities, occupational groups or politically-oriented factions. According to Frank Young: if these groups, those who show a certain reactiveness or solidarity define the degree to which members create, maintain a coherent definition of their situation that size upon the rhetoric of religion or politics as a vehicle for expressing their deviation view of the world.

3. **Disregarding Single-Handed Concept of Entrepreneurship:** Young disregards the claim that entrepreneur works single handedly or solely. According to him, entrepreneurial activity is the product of family background, experience and exposure of the individual as a member of the
group and as a reflection of general values. Thus, entrepreneur as a member of a particular group does not work alone. In his own words, he is simply the most visible member from an economic point of view what is typically a cluster of families whose activity is mutually reinforcing and coordinated by a coherent outlook on the world.

4. Reduction of Complex Economic Problems: The solidarity of entrepreneurial groups reduces a number of economic problems that crop up in case of individual entrepreneur. This effort is likely to reduce the economic problems through the device of recombination of factors related to the production, higher standards of labour, search for new resources, technology and markets and a more effective management of money and time. As such, the entrepreneur builds confidence which he derives from the concept of solidarity in a pragmatic manner by the solution of economic and social problems. Young conducted a Thematic Apperception Test (TAT) on a group of entrepreneurs. The following findings are derived from the test:

a. The test revealed the tendency to depict the situation as a problem to be solved.

b. An awareness of pragmatic effort required.

c. Confidence on their ability to solve the problems

d. Willingness to take the views of each individual in turn and analyse the situation as he perceives before suggesting any outcome.

To be more clear, Young discussed the sociogenic explanation of solidarity structure of entrepreneurial supply'.

2.5.2 Economic Theories

Economists have stated their thoughts on entrepreneurship. Classical economists like Knight, J.B. Say and Marshal have specially worked on these concepts. According to them, economical factors and economical environment significantly affects production capacity and growth of entrepreneurs. If economical factors are favourable then only entrepreneurial growth, start of new ventures, investment of huge capital, acceptance of risk and expansion of business becomes possible. There are various motivations to entrepreneurship but financial motivation is
one of the important motivations for entrepreneurs. Profit maximisations, economical growth, to become financial power, to create Business Empire etc. are the financial motivation. Impact of financial motivation put its effect on entrepreneurs for long term.

Many economists have study about growth in developing countries. Gunar Mirdal, Ragnar Narks, William Rostov are the economist who were included in this study. Theories stated by these economists are the part of Economic Theories.

Modern economist also put their thoughts on entrepreneurial theories. These modern economists were G.F. Papnek and J.R. Haris. According to those economists even financial motivation in the society exists and motivates entrepreneurs for their economical activates, but economical environment of the country and different policies of the government also affects on entrepreneurship. Here it will be important to refer thoughts of Flevia Derosi in connection to the above sentence. According to him economical and political power, willingness to occupy power and close relation with power are the important factors which affects entrepreneurial performance in developing countries. An economical thought includes factors which put significant impact on business condition. These factors are financial factor, economical environment, financial motivation and economical policies.

Mark Casson also discussed about entrepreneurship in his book of ‘An Entrepreneur – An Economic Theory’. This deals with functional behaviour and qualities which are necessary for his success. In this theory demand and supply relationship is discussed. Further he says that demand is to be created as per need of the persons and supply depends on qualities of entrepreneurs. Therefore supply could be scare but demand becomes more as per availability of need. M. Casson also states that entrepreneur becomes available because of his/her qualities. These qualities are inherent. According to Casson entrepreneurship will be developed successfully if

i. Demand of entrepreneurs adjusted according to changing need as per time.

ii. Qualities of entrepreneurs should be preserved by personal attention and care.

At the end of this theory Casson says that, entrepreneur is a person, who specialises in taking judgemental decision about coordination of scare resources.
Harvard school also developed theory on entrepreneurship. This theory explains that entrepreneurship includes deliberate action that initiates, maintain and develop profitable venture for production and distribution of economic goods. This activity consistently maintains repo with internal and external entrepreneurial forces. Internal forces include qualities of entrepreneur. These qualities include skill, experience, exposure, intelligence, knowledge, intuition etc. These qualities affects on entrepreneurial activities. External forces include political, cultural, economic and social factors. These factors influence on inception and growth of entrepreneurship in an economy. A.H. Cole has taken extreme efforts in setting up Entrepreneurship Research Cell in Harvard School. According to him, some conditions definitely affects on growth of entrepreneurship. These conditions are:

i. Stability of the government.
ii. External safety from war, invasion etc.
iii. Internal safety from revolution, change in law, disputes settlement.

On another side this theory states that gathering resources, entrepreneurial opportunities and environmental conditions are also equally important.

M. Kirzner, a economist, also explain his theory on entrepreneurship. This theory on entrepreneurship is well-known by the name of ‘M. Kirzner's Theory of Adjustment’. This theory gives importance to alertness of information. This alertness is connected with market. According to him, enterprise should alert itself with the disequilibrium in the market. This theory discuss on alertness of price in the market. Enterprise should adjust their prices as per marker situation. Wrongly decided price may decline profit of the venture. Price differentiation in the market may provide opportunity to maintain profit margin. Such change in prices also helps to control disequilibrium in the market.

In the year 1940, David McClelland developed theory with his associates. This theory named by David McClelland’s Theory of Achievement Motion. This theory concentrates mainly on three important areas. First one is need of achievement. Achievement means strong inner feelings to get something. This inner feeling helps the individual to get something even in the difficult situation. This helps to build entrepreneurs. This is one of the important qualities of entrepreneurs. This quality not only gives birth to the entrepreneurs but also helps the economy and society at large.
This quality builds the attitude of the person for excellence. Excellence leads the person towards better quality. This resulted in better performance of business through profit. Through this, entrepreneurs can achieve vertical and horizontal growth of his venture. Second area deals with expectation of power. Power comes with authority and rights. Individuals like to be leaders in business group or in various fields like education, arts and politics. Individual under this need becomes satisfied when they observe their number of followers. On another part, some individuals like to keep affiliation with society. Therefore it becomes third area on which David has put his attention. Persons under this part seek friendship, popularity and socialism. They used to believe on give and take policy. And therefore they give love and affection with expecting same in return. According to this theory, above mentioned three areas work as a motivator for achieving something special in the business. This also becomes a cause for entrepreneurship development.

As discussed initially, Knight also stated theory of Profit. This theory is explained in his book, 'Risk, Uncertainty and Profit'. Knight discuss with variety of points under this theory. While discussing about pure profit he says that entrepreneur is the person who receive pure profit. Pure profit bears the cost of uncertainty. According to him, uncertainty is the situation which is not defined in advance with the help of some tools like statistics. Knight further explain that with techniques entrepreneur can reduce his risk and increase his profit. Entrepreneurs are people who take a risk of such uncertain situation and for this he never get insured or salary. While chasing this uncertainty, he has to employ human power and capital. For human resource entrepreneurs has to give assurance in terms of wages and interest for capital borrowed. This is guarantee to them for given assignment. Knight also put his attention on social, economic and psychological factors. These factors influence supply of entrepreneurship, motivation to entrepreneur and ability. These factors affects on entrepreneurs for long run period. If these factors work together positively then it can make good impact on entrepreneurs. This theory at last reveals that self confidence of entrepreneur can determine level of profit and size of the business. This also helps to overcome uncertainty over business.

Under the category of Economic Theories of entrepreneurship, Hayek’s Theory of Market Equilibrium adds one more feather of knowledge. This theory explains that full information is helpful in full equilibrium. Full information helps to
take final decision and do not require further information for modification of decision. Further this theory says that market is the medium through which entrepreneur convey his idea to others. This helps to maintain equilibrium in the market. According to Hayek entrepreneur do tasks like collection of means and resources together for the sake of production at one central place, observation and execution of planning, scheduling and decision making and at last guarantee of profit, fixed income rate and interest.

2.5.3 Cultural Theories

While discussing about entrepreneurship, it becomes necessary to discuss about various factors which belongs to culture. It is observed that cultural values significantly affects attitude of entrepreneurship. In India, some states have cultural background of business. Instead of selecting employment as a career they used to select role of employer. Role of employer comes with various important qualities. Culture of respective region or religion creates background for qualities of entrepreneurs. Various authors and researchers have put their views on entrepreneurship with keeping a view of cultural background.

Hozelitz explains in his theory about entrepreneurship. According to him, supply of entrepreneurs depends upon cultural sentiments. Cultural factor not only ignite entrepreneurial spirit but also economic growth. While expressing his economic development point in his theory he took examples of some groups like, the Lebanese in West Africa, the Indians in East Africa, Jews and Greeks in Medieval Europe, the Chinese in South Africa.

Hoselitz have used ‘Marginal Men’ in his hypothesis. According to him, marginal men are creative in nature and try to make innovations. It happens due to their dubious position in the culture. Further he adds that entrepreneurs brought talents in the society by his extra ordinary skills. ‘Hoselitz noted that a person who is to become an industrial entrepreneur must have additional personality traits to those resulting from a drive to amass wealth.’

Entrepreneur should have capability to lead apart from motivation of profit earning. Leadership qualities in entrepreneurs come with socio economic background. While presenting this view, Hoselitz have given examples of Samurai in Japan, Yoruba in Nizeia, Family pattern in France, Christians
in Lebanon, Marwaris and Parasi in India, Halai Memon in Pakistan, Kikiyu in Kenya.

Stoke also have propounded theory on entrepreneurship. This theory explains emergence of entrepreneurship in social sanctions, culture of the society and economic conditions. ‘He suggests that personal and societal opportunities and the presence of requisite psychological distributions may be seen as conditions for an individual movement to get changed into industrial entrepreneurship’

2.5.4 Psychological Theories

Psychology of an individual significantly impacts on entrepreneurship qualities. Psychology decides attitude of an individual towards entrepreneurship. This attitude decides whether person wants to be an employer or employee. Psychology helps in building of entrepreneurship skills and qualities. Risk taking ability, future prospect and creative thinking are the important qualities of entrepreneurs. These qualities come with a specific mindset of a person. If person is not ready to take risk and do not want to possess creative abilities then he may not become a successful entrepreneur. Therefore it is necessary to understand psychological factors for entrepreneurship development. Some authors understood this and explained their thoughts on psychology and entrepreneurship.

Theory of personal resourcefulness is one of the theory which deals with psychological factors of entrepreneurship. According to this theory, entrepreneur should have mediated behaviour like sentiments, thoughts, emotions, inner feelings and actions. Because of this entrepreneur becomes fully appraised over the situation which is covered by risk.

Various authors in connection with this theory have given their thoughts. Schumpeter talks about innovation, Carland present his views on entrepreneurship development. Bygrave and Hoffer talk about human volition.

While discussing this theory, it is observed that merely economic factors are not important for entrepreneurship development but psychological factors are also equally important.

John H. Kunkel correlates psychological factors with supply of entrepreneurship. According to him, psychological and social factors significantly affects on entrepreneurship development. This theory states that entrepreneurial
talents can be found in minorities, religious, migrated etc. These minorities supplies most of the entrepreneurial talents. Entrepreneurship depends upon demand, limitation, labour and opportunity structures. Demand structure includes economic demand which is in relation with economic development and government policies. Limitation refers to the restrictions put by the society on entrepreneurs, because entrepreneurs are treated as a most deviant element of the society. Labour includes skilled and willing labours which are governed by the mobility of the workers, alternatives, rationalism etc. Opportunity includes chance to entrepreneurs in the form of managerial and technological skills, techniques of production, supply of capital and market structure.

J.H. Kunkelhas also discussed supply of entrepreneurs in his behavioural model. This model states that entrepreneurial supply depends upon social structure and physical conditions. It is discussed that Internal state of man is important and beyond any kind of measurement. Human spirit is also considered in this behavioural theory.

All above theories present different thoughts of authors. These theories discuss about different patterns of entrepreneurs. Some authors talk about entrepreneurship from cultural angle while others talk about economic factor. Other authors also discussed impact of social and psychological factors on entrepreneurship. While discussing these theories, one can analyse various types of entrepreneurs. Therefore it is necessary to understand these types of entrepreneurs after understanding above theories.

2.6 Types of Entrepreneurs

Entrepreneurs get divided in to various categories according to their nature of job. These categories reflect their different segment of work. Following are the different categories and entrepreneurs included in it.

2.6.1 Nature of Business

This category includes:

1. Business Entrepreneurs: Business entrepreneurs are those who start their business with considerable risk. They take risk and get reward of profit against their risk.
2. **Trading Entrepreneurs**: Person who is engaged in trading business comes under this category. Business like wholesale trade, retail trade, mall trade, export, import, stock trading and real estate comes under this category.

3. **Industrial Entrepreneurs**: Person who starts new industry is called as industrial entrepreneur. Industry means large, medium, small and tiny industry.

4. **Corporate Entrepreneurs**: Corporate is a business organisation. Any person who starts this corporal body is called as corporate entrepreneur.

5. **Agricultural Entrepreneurs**: Any person who starts his own economic activity in agricultural sector is called as agricultural entrepreneur. This activity involves plantation, horticulture, dairy, forestry, floriculture, animal husbandry, poultry and seeds.

6. **Retail Entrepreneurs**: Retailing is the sector in which person either produces or buys products from another producer and sells these products directly to the customers. These business activities could be either large or small in nature.

7. **Service Entrepreneurs**: Individual who are engaged in providing services to customers are called as service entrepreneurs. Such entrepreneur starts their new business and provides services only.

8. **Re – Engineering Entrepreneurs**: It means creating new structure and maintenance old one. Such entrepreneurs keep them engaged in these activities.

9. **Health Entrepreneurs**: Healthcare sector is one of the important sector in India. This sector includes delivery of medical facilities, healthcare equipments production and distribution. Person who is doing these activities is called as health entrepreneurs.

**2.6.2 Nature of Technological Use**

1. **Technical Entrepreneurs**: Entrepreneurs who use technology in his maximum business activities is called as technical entrepreneurs.
2. **Non Technical Entrepreneurs:** Opposite of above entrepreneurs, these entrepreneurs do not use technology and retain on manual system of work.

3. **Professional Entrepreneurs:** They use technology as per requirement of profession. Use of technology depends upon compulsory use of technology.

4. **High Technological Entrepreneurs:** Even in minimum or basic business activities maximum or latest technology is to be used by such entrepreneurs.

5. **Low Technological Entrepreneurs:** Such entrepreneurs either use minimum technology in business activities or keep less knowledge of technology.

6. **Business Process Outsourcing:** It is an outsourcing a particular activity from business to other firm. A person who accepts such particular task from other business called as a entrepreneur under the category of business process outsourcing. Such entrepreneurs do particular business activity of other organisation on behalf of them.

7. **Knowledge Process Outsourcing:** This activity deals with delivering expertise knowledge in specialised field.

8. **Information Technology Entrepreneurs:** A person who starts his business which comes in Information and technology sector becomes IT entrepreneur.

2.6.3 **Nature of Region**

1. **Urban Entrepreneurs:** These entrepreneurs start their business in developed areas like city, state capital, metropolitan cities etc. Main objective behind commencement of these businesses is to gain infrastructural advantage and supportive services like suppliers and markets for product.

2. **Rural Entrepreneurs:** Entrepreneur who starts his business in less developed area is called as rural entrepreneur. These areas include villages, tribal parts and less developed regions. Rural entrepreneurship includes
Artisans, Handloom, Sericulture, Caso, Khadi, Village industry, Handicrafts, Rural services.

3. **Global Entrepreneurs**: Some entrepreneurs do not restrict themselves to specific boundary of countries. They operate their businesses in more than one country and therefore they are called as global entrepreneurs.

4. **Local Entrepreneurs**: New ventures initiated by entrepreneurs at local regional level. They occupy local markets for their products and try to focus more on local markets. These entrepreneurs are to be categories as a local entrepreneur.

### 2.6.4 Genderwise Classification

1. **Women Entrepreneurs**: Women entrepreneurs are gaining their status in business world. It is uncommon thing that women are showing their capabilities in business as a entrepreneur in men influenced society. Women entrepreneurs are further classified in young women entrepreneurs, old women entrepreneurs and middle age women entrepreneurs.

2. **Men**: Men who initiate entrepreneurial activity are classified as men entrepreneurs. In society, numbers of these entrepreneurs are more than women entrepreneurs.

### 2.6.5 Other Types of Entrepreneurs

Further entrepreneurs are to be classified according to their nature of work which could not be a major part of business activities but somewhere it influenced on entrepreneurship.

1. **Edupreneurs**: Edupreneurs is the person who work for educational institution and take a responsibility of creating and developing a curriculum, programme, product, technology for educational enrichment. His and his organisational goals and objectives remain same.

2. **Innovative Entrepreneurs**: These entrepreneurs like to make new innovations in their business. They accept new profitable thoughts and always try to implement in their organisation.
3. **Intrapreneurs:** Entrepreneur is the person of organisation takes direct responsibility of profit. For this he takes risks and executes innovative policies.

4. **Joint Entrepreneurs:** When two or more than two persons come to gather and start new enterprise, it is called as joint entrepreneurs.

5. **Skilled Entrepreneurs:** A person with a specific knowledge of branch or skill start organisation, he is called as skilled entrepreneurs.

6. **Unskilled Entrepreneurs:** These entrepreneurs start venture with normal skills or no skill. They do not posses technical knowledge and hence they are called as unskilled entrepreneurs.

Entrepreneurs get classified in above categories according to his attitude towards business, nature of business, gender etc. Sometimes entrepreneurs may get classified in one or more than one category e.g. Entrepreneurs may be women Entrepreneur and she could be skilled Entrepreneur also.

### 2.7 Innovation and Entrepreneurship

There is close relationship between innovation and entrepreneurship. Entrepreneurs cannot sustain in the market without applying innovation in their business. Entrepreneurs have to think on implementation of innovation in various elements of the business. Some innovations are directly associated with customers whereas some put indirect impact on customers. Direct innovation are innovations used in product, service, customer care department, marketing etc. whereas indirectly used innovations are used in production process, material handling activity, storage, material procurement etc. These activities significantly put its impact on final product and profit but do not be the part of consumer attention.

These innovations can be used by entrepreneurs in many filed of business. Some innovations has been took place in the business with the change in time. These innovations could be common amount entrepreneurs but they are new as compare to past business activities e.g. use of new technology in car (power window, power steering etc.) which is new as compare to past techniques but are common in case of other manufacturers. On the other side, some innovations are unique and only introduced by single entrepreneurs. These innovations are uncommon and cannot be
seen in the market easily e.g. techniques used in mobile based operating system ‘Android’. These techniques are unique as compare to other mobile based operation systems.

Following are the areas of business where use of innovations by entrepreneurs can be analysed.

2.7.1 Product

Product is the end result of production process. Any business firm earn profit by the way of selling its product to customers. If product is attractive and feature oriented then there is great chance that consumer may buy product. Therefore entrepreneurs have to put his attention toward attractiveness, quality, features and packaging of product. Dell is one of the leading company in computers and laptops has identified this need. They have not only concentrated on their distribution channel but also they provide laptops in different colours as a part of their innovation. Again consumers can change these colours with variety of back covers which are provided by Dell. Now a days structure of laptops are changing. Laptops come with more powerful chips with light weight. Not only this, one can turn his laptop in tablet having screen touch sensation. These things are available in the market just because of new innovations in the products. While discussing innovations in products one can easily identify examples like Samsung for their multitasking Note, Bournvita milk powder for its different flavours, Colgate for its variety of products, Xolo and other mobile brands for their smartphones, super phones, tablets and Sensor technology. Automobile industry is also continuously busy for bringing new products in the market with latest innovations. These innovations have brought new designs, inner facility and variety of features in car models. Consumers get attracted towards these features and finally they buy the product. When Apple Pvt. Ltd. launched Iphone in the market, there was long que outside of the shop from a day ago. Innovations are continuously taking place in FMCG market where products come with new design and features. When Dettol and other brands launched hand wash, it was new idea for those who were using soap for their hand wash. But this concept widely accepted with a tag line of ‘wash hand with every fresh drop of soap’. This is the example how innovation in product can attract consumers and set a benchmark in the market. Innovations definitely affects on entrepreneurial performance. Ford’s Mustang car is
the example for this. Just because of innovation in design and features sale of this car again increased.

2.7.2 Marketing

According to traditional approach of marketing, consumer will purchase those products which are produced by manufacturer but according to modern approach of marketing producer has to manufacture those products in which consumers are interested. This is either because of the competition in the market. Therefore competition in the market has changed marketing strategies. Innovative marketing replaced with old marketing practices. Now a days marketing starts with even before manufacturing of product starts. Tata’s Nano is the best example for this. People were very much aware and interested about Nano even before the commencement of Nano’s production.

Manufacturer’s do not want to leave any stone unturned when it come to the marketing of product. Even packaging of a product is to be utilised in such a way that it can convey message of marketing. Jars of Bournvita and others come with embossing, which convey name of a brand. When consumers use it after finishing the product, it indirectly recalls name of the product. Even some other plastic or paper packaging are also attractive which drag attention of consumers towards them. Manufacturer also seek opportunities in small but important things like Coca Cola or other cold drinks offer refrigerator to retailers having their name and colour on the same, providing flex of a company, store box for keeping the product safe company etc. Advertising is one of the part of marketing. Innovative practices are also introduced in advertising. Sellers do not want to miss single opportunity of marketing. They advertise with television, radio, flex, hording, moving advertisement with bus or rickshaw, sky writing and so on with innovative practices. Therefore sometimes consumers prefer to see advertisements just because of their innovativeness. New inventions are also included for the sake of innovativeness in marketing. Internet, mobile and kiosk are used for the sake of continuous streaming of brand image. By keeping innovative pricing, seller tries to attract consumers.

2.7.3 Service

Some organisations provide only service to their customers but for some organisations service is the supplementary part which comes with physical product.
Organisations like banking, insurance, consultations, coaching provides services. On the other side organisations who belongs to the area of Electronics, mobile, automobile etc. offer services to the customers with their core physical product. If service is not satisfactory then consumer can move towards another organisation. Therefore it is not only necessary to maintain standard of service but also to implement new ideas in delivering of service. It is called as innovation in service. While buying the product consumer think about location of service centre for having benefits of guaranty and warrantee period. But instead of starting retail outlets of service centre Dell Ltd. offered after sale service at customer's doorstep just with a single call to customer care. Eurekaforbes salesmen come at customer home to demonstrate product. If customer gets satisfied then further he can purchase order to that salesman. It means many organisations started to focus before and after sales service. Organisations not only provide service to customers but also ensure by telephone calls whether they are satisfied with the service or not. Core service organisations are purposefully concentrating on their services because it is their core business through which they get their business.

2.7.4 Manufacturing Process

Innovation in manufacturing is required to maximise production quality in minimum cost and time consumption. Some organisations have co-ordinated their production line with the material which is coming from outer side. Organisation never manufactures all the equipments required for product. Business organisations have to take decision about 'make or buy'. This decision is to be taken as per cost effectiveness and profitability. If organisation is buying component from outside vendor then manufacturer make sure that respective equipment is available at respective stage of production e.g. seats of a car which is purchased from outside vendor is made available at a stage where it is required on production line. Producer takes care about quantity of material which producer purchases from other vendors. More quantity increases storage cost whereas low quantity may stop production. Manufacturer uses tools like 'just in time technique' for achieving equilibrium between demand and production. Glaxo Ltd. uses six sigma techniques for their production, which has already reduced their wastage. Ultimately, many organisations have already started to think upon implementation of innovative practices in their business process.
2.7.5 Customer care

Customer care department is also known as customer handling department. Work of this department is important to maintain business reputation in the market, understanding performance of the product, consumers’ expectations, knowing their complaints and identifying new customers. Many organisations have already executed these practices through their customer care department but out of them, some are implementing this by very innovative way. Organisation like Lenovo Ltd. calls to its customers after purchasing their computers. Through this they ask about their product performance and customer satisfaction. Cellular and other companies maintain regional language option for communication with customer care executive. After having communication with executive there is supervisory support system which tries to understand whether customer is satisfied from the communication with executive. Information from this support system is generated with the help of SMS and calls. For better and complete communication many organisations have introduced toll free numbers for customers e.g. washing machine user can dial 1800-180-9999 in case of any query. Customer can also send feedback and register their product on given web portal. Business firms do not want to lose their concentration on young generation and therefore they are now connected with this generation on social media like facebook, twitter etc.

2.8 Service Area of innovation – Den Hertog's Model

Den Hertog model explains four dimensions of service innovation. These dimensions are explained as follows:

1. The Service Concept:

Many business firms in their service innovations include services having intangible characteristics of services. It is new way for finding solutions to the problems arises in the process of business activities. Examples of service innovations are new type of bank accounts, information services, and organization of shops by innovative ways in retail sector.
2. **The Client Interface:**

Interaction methodology between service provider and customers is called as client interface. Innovations are introduced in this interface to make interaction more comfortable for both service suppliers and customers. Many times this also saves time and reduces cost. Role played by both parties can be changed due to this. Example may include change in the level of self service for visiting customers. French literature on service innovation is available which focuses on type of service innovation and its identification.

3. **The Service Delivery System:**

It is part of interface between service provider and customers. It is designed and introduced by the service provider for making delivery system more efficient and economic. Service workers perform their jobs as per designed service delivery system. Service Delivery System (SDS) is internal arrangements made by organizations. Service worker is one of the parts of this internal arrangement. Electronics is related with many SDS but transportation and packaging innovation is also concerned with SDS. Pizza delivery system is considered as one of the example in this model.

4. **Technological Options:**

Use of technology is one of the mostly used elements in the process of manufacturing. It is also important in service sector. Technology assists in processing information with reliability, accuracy and within a time. Service alongwith products are also get benefited from the technology. It helps to make service innovation successful. Providing smart cards with core services is the example.

2.9 **Theories of Innovations:**

Innovation theories also offer some ideas on how the innovation process takes place at the micro level – in a particular company or at the level of the individual. Research has also been done and models created at the micro level. Theory of innovation is the process where new theories replace thoughts with old one. But still the contribution done by the previous researches in their theories are important to consider while framing new theories. In this regards, old thoughts presented in
theories becomes the base for further research. Hence it is important to consider theories of innovation presented timely by the researchers.21

2.9.1 Diffusion of Innovation:

Everett M. Roger defines diffusion in will know theory 'Diffusion of Innovation'. According to him, diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system.22 Diffusion of Innovation explains reasons behind spreading new ideas and technology through cultures. This theory also explains the rate of expansion of new ideas and technology through the medium of culture. Professor of Communication Studies, Everett Roger explained this theory in his book Diffusion of Innovations. This book was firstly published in the year 1962 and now it is in its fifth edition. According to Roger, participant in a social system get communicated through particular channels over a period of time through the process of diffusion. Roger explained four main elements in his book which put effect on spreading of new ideas. These elements are innovation, communication channel, social system and time. Human capital is considered important under this theory. For self-sustenance of innovation, it should be adopted widely. Speed of adoption includes certain categories of adopters. These categories of adopters are innovators, early adopters, early majority, late majority and laggards.

Key Elements

Definition given by Everett M. Roger includes four key elements which are necessary in the process of diffusion. These elements are innovation, Communication, time, and social system. Following are the explanation of given elements.

1. Innovation:

New ideas in the innovation can be termed from the aspect of knowledge behind adoption, persuasion and decision behind adoption. Innovation is the new idea, business practice or any object which is adopted by individual or any other unit. Newness of new idea depends on the perception of the person at the time of adoption. According to this theory, as per individual if idea is new then it can be called as innovation. Innovation may not be a new knowledge. But sometimes it depends upon the perception towards it. It also depends upon the positivity and negativity of the individual
towards new idea. Therefore newness in the new ideas depends aggregately on knowledge, persuasion and a decision to adopt. Everett M. Roger stated five characteristics of innovations. These characteristics are:

a. **Relative Advantage**: it is a relative advantage innovation persuasion over supersedes of idea. The degree of relative advantage may be measured in economic terms, but convenience, social prestige factors, and satisfaction are also often important components.

b. **Compatibility**: it is degree in which innovations get suitable with the past experiences, values and needs of the prospective adopters. Innovation which is not compatible with the values and norms of social system will not be accepted as an innovation.

c. **Complexity**: complexity is related with the degree of difficultness in the innovation. If innovations are difficult and complex to understand, it is adopted slowly in the social system. New ideas are to be adopted more rapidly than the innovations which require development of new knowledge and understanding.

d. **Triallability**: it includes degree of experiments which should be on limited basis. Those innovations are mostly accepted in which trials are available on instalment basis rather than those innovations in which divisibility is not available. Ryan and Gross (1943) observed that every respondents of Iowa farmers adopted hybrid seed corn firstly trying it on the partial basis. According to them if the available seed would not be for partial trial basis then in this situation rate of adoption of innovation would be lower.

e. **Observability**: it is related with the degree of observation of the results for the undertaken innovations. If result of the innovation is possible to observe then rate of adoption of innovation would be higher. Observation also resulted into visibility of results to others. Others can be adopters. In the survey of solar panel on households' roof done in California found most observable.
2. Communication Channel:

In this theory, communication is defined as the process by which participants create and share information with one another in order to reach a mutual understanding. Diffusion is also a particular kind of communication in which is related with exchange of new ideas. In this process of communication, individual communicated new ideas to one or many persons. The requirement of diffusion process is the exchange of information of new ideas. This process includes:

a. Innovation.

b. Individual: Individual is the person who adopts innovations and also keep knowledge and experience of use of innovations.

c. Another Individual: This person is the third element of the process. Another individual do not possess knowledge and experience of innovations.

d. Communication Channel: it is most important element in the process of communication. Without this effective transmission of the information would not be possible. According to this theory, communication channel should be effective to deliver information and it should be popular also. Popularity of the communication channel helps to deliver information of new ideas to the large number of receiver.

3. Time:

Time is one of the important elements of diffusion process. Most of the non-diffusion theories did not consider time or its importance. But this theory has considered time as one of the important element in the process of diffusion.

The time dimension is involved in diffusion

a. In the innovation decision process by which an individual passes from first knowledge of an innovation through its adoption or rejection,

b. In the innovativeness of an individual or other unit of adoption that is, the relative earliness/lateness with which an innovation is adopted compared with other members of a system, and
c. In an innovation's rate of adoption in a system, usually measured as the number of members of the system that adopt the innovation in a given time period.

The innovation decision making process is also considered in the important element of time. Time is considered important factor in the process of innovation decision. It plays vital role. This theory has pointed out some important steps in innovation decision process. These steps are:

a. **Knowledge**: Knowledge exists when individual knows about existence of innovation or otherwise come to know about functionality of innovation. This step includes other decision making units also.

b. **Persuasion**: Persuasion is the stage where individual or other decision making units form their attitude towards innovations. Attitude includes favourable and unfavourable opinion towards innovation.

c. **Decision**: In this stage individual takes the decision regarding adoption and rejection of innovation. This action backed by after formation of positive and negative opinion regarding innovation.

d. **Implementation**: Implementation is the phase of actual adoption of innovation in the decision making process. Implementation may also include re-invention.

e. **Confirmation**: Confirmation is the stage in which individual reinforce his implementation decision of innovations which is taken previously. In this stage, previous decisions may get reversed.

Innovativeness is the degree of adoption innovations by individual adopters. Acceptance of innovations depends upon categories of adopters. Five categories of adopters are innovators, early adopters, early majority, late majority and laggards.

a. **Innovators**: Innovators are the persons who adopt innovations. They take risk and keep highest social status. Innovators are financially sound persons. Financial resources allow them to coup up upon failures in innovations.

b. **Early Adopters**: early adopters have highest degree of opinion than innovators. These persons kept enough resources for high cost innovations.
c. **Early Majority**: This class of adopters accepts innovation after consuming large number time which could be higher than innovators and early adopters.

d. **Late Majority**: Late Majority adopters accept innovation after the acceptance of innovation by large number of society. Acceptance of innovation by this class of adopters is done with the high level of skepticism.

e. **Laggards**: Laggards are the last persons to adopt the innovations. They carry very low to zero degree opinion with them. They keep repulsion to change agents. Laggards like to follow traditions, lowest financial positions and lower social status. They remain in contact with their family and close friends.

4. **Social System**:

   A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal. Individuals, organizations, informal groups and sub systems are the possible members of the social system. Diffusion of innovation takes place in the social system. It is social structure of the system which leaves its effect on the diffusion of innovation through various ways. Social structure affects on the diffusion, norms of diffusion, change agents, opinion of leaders, types of innovation decisions and impacts of innovations.

**Criticism**:

Diffusion is difficult to measure because of the complex and critical network of humans. It is difficult to measure the causes of innovation. This is specially related with health care. Individuals adopting new medical technologies need to get aware about many forces which affects on the technological innovations in health care. Pro – innovation bias is one of the contribution and criticism placed by Roger. According to him, it is stated in pro – innovation bias that all innovations are positive and all innovations should be accepted, which could be the point of criticism. In this theory, one way flow of information from sender to receiver is presented. This is another weakness point in this theory. One way communication model is insufficient where complex environment exists where adopters make feedback to senders.
2.9.2 Schumpeter Theory of Innovation:

Joseph Schumpeter is American economist and political scientist. He has borne in Austria 1883. He was professor at Harvard University and also served as Finance Minister of Austria.

Schumpeterian theory of innovation used three basic areas for industrial growth. These three areas are creative accumulation, creative destruction and adjustment mechanism. Key ingredients for innovation theory are to be provided by profit expectations, market dynamics and long run growth.

Creative Accumulation:

New combination, entrepreneurship, dynamic flexibility and banker’s role are the four most important features of creative accumulation. The effective implementation of new combinations can be done in different forms. New firm establishment, development of a new source of supply and change in the production function are some of the examples. New combinations help to use unused capacity and reallocation of resources which ultimately assist to increase economic efficiency of the firm. New combinations may use innovations which help to the firm to stand perfectly against competition in the market. According to the theory, the person who performs the activities of innovation is called as entrepreneurs. In other sense the person who undertakes innovation is entrepreneur. Profit is one of the drives for innovation. According to Schumpeter, profitability from innovative activities depends upon conservatism of the firm and velocity depends on the emergency of the old firm or merged firms. Creative accumulation includes five types of innovations. These five types are:

a. **Product Innovation**: Product innovation is the addition of new product in the existing line of production. Addition of the new product could be either in the form of design, utility, other features or architecture.

b. **Process Innovation**: It is introduction of new ideas between the stages of input and output.
c. **Organizational Innovation:** Organizational innovation involves implementation of new ideas in the working methodology, structure and decision making process.

d. **Market Innovation:** Changes done innovatively in the structure of markets is the example of market innovation. Market segmentation either done by virtually or physically through new ways is also market innovation.

e. **Input Innovation:** Use of new raw material for the process of production is input innovation.

**Creative Destruction:**

According to Schumpeter, selling price of any commodity remains high above the cost or average price of a product over a long period of time shows positive trends. This pricing behavior is supported by the demand which is created by the group of innovative projects. Disappearance of demand results fall of prices below cost. Another kind of creative destruction takes place through economic competence. Firms do innovations for expanding their competencies and efficiency. If firm get success in this regards, then it becomes difficult to sustain old firm in the competition.

**Adjustment Mechanism:**

According to Schumpeter, innovation includes new routine at the place of old routine. New methodology of production or new technology and creating new market with the help of new product are the two important sets of innovation on which Schumpeter has put focus. Importance of investment in Research and Development has specially emphasized by Schumpeter. Firm also may get success by launching new innovation in the market and making them copyright with the parallel action of undercutting of prices. Therefore, through this, successful innovators enjoy his success of innovation until the introduction of further innovation.

**2.10 Innovation and India**

Awareness of entrepreneurs towards adoption of innovative practices are increasing. This trend is increasing since the adoption of new economic policy. Reason behind this could be increasing competition and customer satisfaction. No one can sustain in the market without satisfying customers. Today, to bring the innovation
in the product design and feature is not the only way of innovation. Entrepreneurs are bringing innovation in other fields of businesses also. This affects directly and indirectly performance of the organization and satisfaction of customers. Innovative practices in large scale organizations are supported by their R&D (Research and Development) department and staff. They keep themselves continuously engaged to find new ideas through research activities. But one always cannot find activities of R&D department and their staff in medium, small and micro organizations. Some organizations try to make innovations without having research on it. ‘Jugaad’ is also one of the processes of finding something new but without formal research. It is also innovation. This, ‘Jugaad’ can also be found in these organizations.

In last few decades, many industrial organizations are established to support industrial growth and to create healthy environment for innovations. Central Government and State Governments are also initiated assistance to industries for the adoptability of innovative practices in their business activities. National Innovation Council, State Innovation Council and District Innovation Council are the recent decision taken by the government for the development of innovative practices in the industries. Financial assistance schemes for the promotion of innovations are also made available. Any innovative practice should not to get demotivated just because of the finance is the Purpose behind this financial assistance. Recently, established government organizations are also motivating social elements for contributing themselves in terms of their creativity, new ideas or suggestions so that it will help to industries in terms of innovations.

The world position of India in innovation is also showing positive trend in terms of scores. This shows that with the increasing awareness of entrepreneurship in India, awareness towards innovation is also increasing. May this could be comparatively less than other developed countries but it is increasing. Reports generated from Global Innovation Index shows positive trend of innovation of India at absolute terms. Data generated and presented in the report from the year 2008 – 2009 is increasing from the score 03.44 to 36.17.
Table No. 2.1: Score of India in Innovation

<table>
<thead>
<tr>
<th>Year</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 – 2009</td>
<td>03.44</td>
</tr>
<tr>
<td>2009 – 2010</td>
<td>03.10</td>
</tr>
<tr>
<td>2010 – 2011</td>
<td>34.52</td>
</tr>
<tr>
<td>2011 – 2012</td>
<td>35.70</td>
</tr>
<tr>
<td>2012 – 2013</td>
<td>36.17</td>
</tr>
</tbody>
</table>

(Source: Global Innovation Index)

Graph No. 2.1: Exponential Trend of India’s Innovation Score

Status of innovation in India is shown with the help of above graphical presentation. India’s performance in innovation is presented with the help of score. This score is calculated out of one hundred total score. From the year 2008 – 2009, this score is showing upward trend. This trend continues till the year of 2012 – 2013. In the year of 2009 – 2010 score of India in innovation reduced to 3.10. But after considering the overall position, this shows positive trend.

2.11 Hurdles in Innovations

Entrepreneurs experience various hurdles while implementing innovative practices in their business organizations. Some entrepreneurs become successful to overcome on these problems and implement innovations in their organizations. But other entrepreneurs unable to find solutions to the problems occurred in the process of
innovation. This results into non-acceptance of innovative practices. Probable
hurdles in the process of innovation implementation can be discussed as follows.

1. **Absence of R&D**

   R&D department and staff help to conduct research. This continuous activity provides strong support for innovative practices. Many medium to micro organizations do not have R&D facility. This increases chances of failure in innovation adoption.

2. **Lack of Resources**

   Resources include finance, infrastructure, material etc. Entrepreneurs with new and good ideas of innovation cannot get success, if resources are not available with them. This is one of the reasons behind failure of most of the innovations. Some innovations need testing facility. This happens in case of product innovation and process innovations. If this facility is not available with the organization then innovation may face failures in the open market. This not only results withdrawal of innovation from market or process but also results into loss of goodwill.

3. **Failure Mechanism**

   It is not necessary that all the innovative practices in the business may get success. In case of unsuccessful innovation, business organizations require proper measures. Some business organizations do not keep Innovation Failure Mechanism which helps to keep control on unsuccessful innovation and helps to save organizations from adverse effects.

4. **Market Research**

   Lack of market research is another hurdle behind implementation of innovative practices in the business. There should be equilibrium between market expectations and supply. Innovative practices also may face failure if wrong innovation is approached to wrong market. Searching for new market can be a part of market research. Sometime new ideas require new market or group of customers. These customers accept innovation. In case of old market or group of customers, new ideas may
not be accepted easily. Therefore market research is required to understand the possibilities to develop new ideas.

5. Competitors

While doing innovations, innovators may face cut throat competition in the market. Financially strong competitors may give enough competition to innovator. One’s innovation can be less effective against the competitor who is large in size and financial strong.

6. No Updates

Innovations demand continuous up-gradation. Present innovation can be outdated if it is not upgraded to replace with new one. Innovation can get rejected if entrepreneurs are not engaging themselves into finding out new solutions.

7. Unrealistic Expectations

 Unrealistic expectation towards the results of innovations can create hurdles into further innovation. Unrealistic expectations are the gap between actual output of innovation and expected output. Sometimes expected desires are based on imaginary condition. This lowers the performance of innovation and results into finding of further innovative practices.

2.12 Innovation and Creativity:

Innovation requires base of creativity. Creativity is the process of finding or creating something new. It also includes finding of new ideas. On the other hand innovation is the invention which is commercialized. Not all inventions come in the process of commercialization and therefore it cannot be said that all invention can become innovation.

Creativity is the outcome of imagination. Creative minds can resulted into various attractive creations. These creations can either relate with arts, fine arts or may these creations get utilized for commercial purpose. Commercial use of creativity can be used in number of business areas. It could be in marketing, advertising, product design, use, brand designing, logo design etc. creativity is not one time activity. Rather it is continuous process. Imagination and creativity can result in
successful innovation if healthy atmosphere is kept. Habit of creative thinking can be inculcated right from primary education to corporate culture. More the freedom of thinking, more creativity can be seen. Therefore space should be given to students and employees to try new instead of using old, traditional and routine methodology of work.

Combination of imagination, creativity, empathy and innovation results into value creation. Today’s innovation may become outdated after specific period of time. Therefore it requires continuous process of finding new ideas. Innovations require creative individuals who can dream new ideas and turn them into reality.

2.13 Drivers of Innovation:

Innovation drivers decide adoptability of innovative practices in the business firms. Industries can be treated as most innovative industry if innovation culture is nurtured in the industry. Performance delivered by drivers of innovation impacts on implementation of innovative practices in overall business areas of the firm. Drivers are internal and external factors of business environment which positively and negatively leave its impact on firm’s ability to do innovations.

Number of driving elements is depending on the nature and type of business firm that decides innovative activities. Some common drivers of innovation are identified and presented as follows:

1. Individual Employees

   It is very basic and important element of the business. Chances of having innovative culture is more if business firm is going to focus on their employees individually.

2. Team or Groups of Employees

   Individual employee cannot handle all tasks individually. Some tasks are needed to be performed in team only. Skills, team spirit and proper direction thinking creates favorable atmosphere to build innovation culture.

3. Business Enterprise

   Individual employee and team of employees after a success may lead towards rigid and monotonous job work. They may show resistance to change. In this case, their focus should be shifted from their routine job to the growth of enterprise.
4. Process

Innovativeness of business firms depends upon ability to modify its process which can deliver optimum results. Process includes decision making process, production process, process of human resource training etc.

5. Offerings

It includes what entrepreneurs are offering to the society in the form of their products and services. Innovations in offering can change the dimension of society to look towards the business firms. It also facilitates to increase standard of living.

6. Psychological Freedom

Highly restrictions on employees in the working culture can reduce ability of employee to think for innovations. Psychological freedom helps to build creative environment and results into innovativeness in business.

7. Physical Environment

It is the atmosphere where employees can meet with each other and can have communication. This helps to exchange ideas. In this way, new ideas may get circulate and can assist to maintain innovativeness in the organization.

8. Organizational / Corporate Culture

Organizational policies, objectives, vision, working methodology creates organizational culture. Innovation growth through organizational culture can be done.

9. Available Market and Economic Condition

This is external factors of business environment. Organization can innovate if market condition and economic condition of the country is favorable. If market is not ready to accept new ideas brought in front of them, then growth rate of innovation may reduce. In case of economic conditions of the country, growth rate of innovation may change.
10. Demographic Culture

Regional language, standard of living, religion, population etc. leave its effects on working condition of the organization. This also put impacts on innovative activities.

2.14 Process of innovation

New ideas are the root for innovation. New ideas turn in to innovation with a systematic process.

1. Systematic Thinking

Thinking starts keeping specific objectives in the mind. In this first stage, it is kept in the mind that what kind of advantage organisation should have and whether it is going to add value in strategies.

2. Balance between Success and Failure

While implementing innovations in the business, business unit think for positive. But organisations should always think for another side of the coin i.e failure. There should be balanced plan for success and failure which can come from implementation of innovation. Balance between success and possible failure may reduce risk of new innovation.

3. Research

Systematic thinking provokes new ideas which can be implemented for better success but research can answer to the questions arising from thinking. Research presents possible end result of innovation. This is the purpose of research to think upon practical implantation of innovation and its consequences. Research fills the gap between known ideas and new ideas. Also organisation comes to know about possible actions which can help to develop present ideas to new one.

4. Exploration

After having research on new ideas, organisation explores possible target market. Possible customers can be grouped according to their age, likes, religion, region etc. In this stage of innovation, organisation thinks widely for their strategy.
5. Development

In this stage every element from manufacturing to sales is to be developed. Under manufacturing, management pay proper attention towards material procurement procedure and on actual production process. Distribution is one of the important tasks. Organisation makes sure that product is made available at all market places. Shortage or unavailable product can result in innovation failure. In branding, innovation plays its important role. It should be decided by producer what kind of branding he deserves for this product i.e. umbrella branding or single branding. Effective innovations in branding can attract large number of consumers. Marketing and selling development with innovative practices is also vital task as it reaches at consumers directly. Marketing try to capture attention of customers continuously. If marketing is innovative then customers can easily pay their attention towards product information. On the other hand, seller tries to maintain their interest for purchasing in future too. Therefore it is the important step to develop all the elements with new ideas.

6. Development of Market

Seller has to pay his proper attention towards his market where he is going to sell his product. After developing all the elements in business process, it is important to develop targeted market. If this is not done properly, innovation cannot be effective.

7. Selling of The Product

This is the last stage where seller achieves success of innovation. Actual results of innovation come in front of seller. These results could be positive or negative. In case of positive results, producer earns profit and can maintain this profit making situation for long term. But in case of failure, producer has to rethink on his ideas. In this situation organisation again execute process of innovation for better results.
2.15 Types of innovation

1. Incremental Innovation

Christensen defines incremental innovation as 'a change that builds on a firm’s expertise in component technology within an established architecture.' Incremental innovation improves existing system and makes it more accurate, faster and reliable. However it is important to note that improvement in the system takes place instead of bringing new things. Components in the system are to be changed gradually. Washing machines and vehicles are the examples of this type of innovation. Incremental innovation gradually improves knowledge. Improved knowledge gradually develops or replaces components in the system instead of changing them.

2. Radical Innovation

In Henderson and Clark’s (1990) terms, ‘Radical innovation establishes a new dominant design, and hence a new set of core design concepts embodied in components that are linked together in a new architecture.’ Radical innovation is associated with introduction of new technology. Instead of developing old components in the system, radical innovation tries to bring new components. Telephone and television are the examples of this innovation.

3. Modular Innovation

Modular innovation use configuration and architecture of existing system of product but introduce new components with new design. As compare to incremental innovation, modular innovation does not involve whole new system. Examples of modular innovation could be radio system in which initial power source was electricity but afterwards companies introduced battery backup facility. Other parts were unchanged.

4. Architectural Innovation

In this type of innovation, design and components of the system remain unchanged but configuration changes. Henderson and Clark say about this innovation that ‘the essence of an architectural innovation is the reconfiguration of an established system to link together existing components
in a new way. Computers are the examples of this kind of innovation in which inner configuration.

2.16 Innovations that Turned Business Into Entrepreneurial Success

Following are some success stories of innovation which resulted into great success for organisations. These innovations are not only taken into consideration by reviewer but also made significant impact on society. If innovations are properly planned and properly processed then they can ultimately turned into success.

2.16.1 Tata’s Ace

This vehicle is of Tata Motors Ltd which is also known by the name of ‘Chhota Hathhi’. This was risky and innovative decision of this company to introduce small size truck in the market. This vehicle was the unique and very new in its own segment because no company even tried to launch such type of vehicle in the market. The small truck may have a stranglehold in the market but the Tata Group Company faced significant challenges in developing it. Cross function team under Mr. Girish Wagh studies the sub-4 tonne market and submitted its recommendation for developing a small truck. Sceptics in Tata Motors’ management asked why they should manufacture a small, less than one tonne payload truck that did not exist in the market till then instead of a 3-wheeler. But Mr. Ratan Tata’s interest in the project gets it going. But no engine was available anywhere in the world that suited the company’s requirement. Development team decided to make a 2-cylinder version of the 4-cylinder Tata Indica engine. This was the bold decision as no one has ever done this before. The carmaker adopted, for the first time, a new product development process designed by Warwick Manufacturing Group. The process divided product development into seven stages. Every stage had a gateway before the development passed into the next stage. The process failed more than once and in one instance, the concept had to be re-worked to meet costs parameters. Meanwhile, the company struggled to keep vehicle costs at planned levels as commodity prices rose. Tata Motors outsourced a larger share of product development and thus benefited from suppliers innovation prowess. Tata Ace was developed on time and at the cost it was originally envisaged (after factoring in inflation).
2.16.2 One paisa per second billing of Tata DoCoMo

This is about innovative strategy about per second mobile billing accepted by Tata DoCoMo. DoCoMo launched one paisa per second on June 24, which started a price was within a year. This offer changed telecom industry. For many operators, close to 50 per cent of new subscription was on per second tariff. Hyper competition led to falling average revenue per user and lowering profit margins for all operators. India’s mobile subscriber base went up by 60 per cent to 800 million in five years. Fierce price was forced operators to lower cost of operations. Manufacturing minute plummeted – fell by 96 per cent in 10 years since 1998. Operators started sharing infrastructure cost, like sharing towers, reducing tower expenses by 25 per cent. All these things happened just because of innovative strategy by Tata DoCoMo in the form of per second billing.29

2.16.3 Narayana Hrudayalaya

Narayana Hrudayalaya set a new example in medical profession by introducing innovative practices in their hospital. Rs. 90,000 is the cost of open heart surgery at Narayan Health. Junior doctor do suturing, opening and closing of chest and harvesting of arteries/veins. This helps to specialist doctors to do more surgeries per day. Because of this, cost of surgery decreased. Centralized purchasing of all consumables is to be done which resulted in cost reduction by 15 to 40 percent with quality. A working model of Narayana Hrudayalaya also ensures that a specialist does only the critical part of the surgery, which is grafting the by-pass. But in some cases Narayana Health does not buy all the equipments. Some it leases and pays on per-use basis. This was beneficial for those equipments which do not have regular use. The multi-specialty hospital chain also strives to extend the life of the machines used in its hospitals. This also helped to reduce cost on equipments. Narayana Hrudayalaya also worked on structure of building, which helped them to lower their cost on infrastructure. Design of hospital also helps to reduce cost. Narayana Health's Mysore hospital succeeded to reduce cost from Rs. 18 lack per bed against the market cost Rs. 50 lacks per bed. They have also adopted 'asset light' growth model. The model helps keep capital costs low by sharing of assets, instead of purchasing them. Narayana Hrudayalaya has optimally used technology. Adoption of technology to smoothen the flow of information is done by Narayana Health. This also found helpful in decision
making. Innovation is constantly done for reduction of cost by chain of hospital. Hospital also used cold sea water for air conditioning instead of refrigeration process.

2.16.4 HUL Pureit

Unilever has developed a water purifier named ‘Pureit’ at their Bangalore based research centre. This product is developed for Indian market. Filter initially tested in Chennai in 2004 and then after started for selling in Indian market in next four years. Today it has market in Brazil, Bangladesh, Mexico, Indonesia, Sri Lanka and Nigeria. Eureka Forbes’s Aquaguard was the main competitor since a decade when Pureit was launched in the market. To get success in the market, Pureit had to be innovatively different than its competitors. First difference from others was that, it was half of the price than other similar kind of products i.e. Rs. 2,350. It was performing its operation without electricity and this was the second important difference. HUL also declared challenge of Rs. 1 crore for those who can prove that other purifiers can do better job than HUL Pureit. According to General Manager of HUL Product Development, till date no one has claimed this amount. More than 45 million purifiers have been sold worldwide, including India. By the year-end, the brand will enter some emerging markets in Africa. It is seemed that trust in Pureit is growing - clearly. After this new product from HUL, other purifier companies also started to launch their products in the market.

2.16.5 Financial Inclusion Network & Operations Ltd (FINO)

FINO has banking software technology which helps to deliver banking at doorstep of poor people. According to FINO, some customers get their subsidy from government or cash from other sources but many cases it never becomes possible for them to be in the bank. FINO brings such customers in banking system by proving them banking services at their doorstep. Account holders were asked to place their thumbs on a machine known as biometric identifier, a handy machine by Financial Inclusion Network & Operations Ltd (FINO). This machine is known as Point of Transaction (POT) which works as a bridge between banks and millions of households. This concept changed the traditional concept of banking. This system was proved useful for those people who were able to go in the bank for the sake of transactions. Banking heads or agents took financial services at the doorstep of people. POT is a standard hardware but innovativeness lies in the software. This
software is developed by FINO. This software runs on the GPRS enable machine. Customers get connected with their banks just by punching their Adhar Identification Number in this machine. After punching communication process starts from POT machine to FINO server and then FINO server connects with the bank server. Customer gets his money with real time recording of transactions. In the year ICICI Bank set up FINO. To fill a gap in the banking software market was the motive behind this. Taking millions of poor people in the flow of banking through this software was the motive behind this activity. This software got success due to rapid increase in mobile numbers and reduction in the cost of POT machines. According to RBI, accounts opened by banking correspondents through information technology increased over five fold in the last three years to 67.7 million accounts.

FINO is listed in advocacy group of Microfinance India's directory. This listing is out of 33 organisations. According to FINO, 40 million saving accounts have been opened in the year 2012 – 13. These saving accounts has 60 percent market share. Considering its success in India, it is now using in Nepal, Bangladesh, Tanzania and Nigeria since last three years.

2.16.6 Nokia Life Tools

Nokia was the one of the leader company in the last decade. SMS service through Nokia Life Tool was one of the innovative services by Nokia. Market based service was launched by Jawahar Kanjilal from Nokia. Jawahar Kanjilal made some research on SMS based information service known by Nokia Life Tools. Nokia Life Tools was helpful for farmers, students and general people. For farmers it was possible through NLT to get weather reports, crop information and crop prices through SMSs. For students, it was easy to get knowledge about English language courses. This pilot project was started in Maharashtra. Nokia teamed up with the Maharashtra State Agricultural Marketing Board for updates regarding prices of crops from around 300 mandis. This information proved useful to thousands of farmers. After agriculture, Nokia extended their service for health and education. They got more than 100 million users. These users were not only from Indian market but also from China, Nigeria, Indonesia and Kenya. Nokia made agreement with 20 mobile operators, 100 content partners with availability of service in 20 languages in India. To get benefits of this service, users had to subscribe on monthly basis. After selection of language, company started to send information on their mobile. Nokia
also started collaborative activity with UNESCO in Nigeria to provide educational service to primary teachers. In Jakarta, NLT service was started to use by about 8,000 women. This service is known by the name ‘Usaha Wanita’. This became helpful to women for running their small business.

2.16.7 The Panchayat Union Primary School, Kumaran Kottam village, Tamil Nadu

This village has a distance of 55 Km from Coimbatore. This school is known for its different way of teaching. There are not tables, chairs and regular classes. Teachers and students seat on a floor. Students seat in circular position. Students from different grades seat together in one allocated room. Students use to get busy in different activities like use of abacus, musical learning of mathematics etc. this is called Activity Based Learning (ABL). This transforms elementary education in the state of Tamil Nadu. Tamil Nadu launched ABL in their government and government aided schools in the year 2007-08. Before launching ABL, class III average score of students were just 53.48 per cent in mathematics test. But after implementation of ABL this score increased upto 75.20 per cent. This score was highest in the country. This also happened in case of other subjects too. This activity was carried out with no extra expenditure and provision of finance from the state government.

This condition was not same in the year 2005 when NCERT made survey in these schools. According to this survey, 65% students from standard V were incapable to make basic mathematical operations like additions and subtractions. Over 40,000 teachers were brought to Chennai to train, and to watch ABL at work in the Corporation schools. And teachers from the Corporation schools were sent across the state to train other teachers. From Activity Based Learning teaching performance of the students improves. This was innovative decision taken implemented in school and later on widely accepted.31

2.17 Conclusion

Entrepreneur is the person who can probe in the future and try to analyse future opportunities. Entrepreneurship is the job of risk on which entrepreneur gets reward in the form profit. Entrepreneurship has very long history. Many experts have also stated theories of entrepreneurship. These theories are bases on some factors like social factor, economical factors, cultural factors and psychological factors. It is
assumed that these factors affects significantly on the birth of entrepreneurs. Accordingly there are also some types of entrepreneurs. These types also taken into consideration as per available environment in which entrepreneur is created. Person can be called entrepreneur as per the nature of business. Even business is small, medium or in big size, the person is to be treated as an entrepreneur. Technological habit also makes further classification of entrepreneurs. Entrepreneurs can emerge from such regions which has past history of business. In such cases regionwise classification is done for understanding entrepreneurship supply. At present women entrepreneurship is also became important topic for discussion. From such discussions it is seen that women entrepreneurs can be role model for society special for those women who deserves to be an entrepreneur.

In past, employment was assumed to be a safer avenue for career. Many families were in the interest to stick their young generation in the government or other permanent job. Starting a business was not in the prime interest of these people. On the other hand, source of finance was limited. Interested entrepreneurs had to face challenges of finance from banks as they had strict lending policy. Now time has changed. Society is not only looking towards entrepreneur as a role model but also many individuals are trying to be entrepreneur. Many institutions introduced curriculum for the same, so that new generation can look towards entrepreneurship as a way of career. New generation is ready to take risk. Families are also looking forward and supporting their sons and daughters for starting a new business. Society is creating new entrepreneurs.

Entrepreneurs are coming ahead with new ideas of business. They want to do business with innovative practices. Entrepreneurs believe that without innovation they cannot sustain in the market. To face competition in the market and grab new customers from the market innovation is necessary. Entrepreneurs have to follow strategic steps for introducing new ideas in the business. If it these steps are not followed strategically then innovation can be an unsuccessful innovation. Innovation is not only accepted by entrepreneurs for the sake of new customers but also to retain old customers in the business. It is upto entrepreneurs, how he is using tools of innovation. The way of innovative practices used in the system results into different kinds of innovation.
Entrepreneurs have used these innovative practices in many elements of their system. Innovation could be in material procurement, production process, marketing, product, services etc. Tata Motors, Tata DoCoMo, Narayana Hrudalaya, FINO Ltd and others have already introduced innovation in said areas. These smart innovations have given them success in their business activities.

2.13 References:


