CHAPTER I
ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

The first chapter is divided into five sections. First section attempts to focus on necessity of entrepreneurship in the economic development of any country. Classical approach and New Austrian school of thought on economic development has briefly been reviewed. The second section attempts to review the conceptual explanation of the term 'Entrepreneurship' and various definitions and concepts developed by a number of social scientists have been surveyed. After reviewing the conceptual framework, this chapter tries to focus on the supply side of the entrepreneurship, in the third section. Three basic explanations, namely, economic, social and psychological — are reviewed in this section. The fourth section deals with the development of entrepreneurship. This section attempts to study two approaches, Environmental approach and Systematic approach, which are related with the development of entrepreneurship in any region. The last section attempts to review origin and development of entrepreneurship—a theoretical approach.

Necessity of Entrepreneurship Development

The role of entrepreneurship in economic growth has consistently been emphasised in the literature on economic development. The role played by the small industry in the economic activity of advanced industrialised countries like
Japan, Germany, Great Britain and the United States of America is significant. Many nations, both developed and developing, see the entrepreneurial growth as a useful vehicle for development, as complementary to the large industry and in the latter for the creation of new employment opportunities on a wide scale in the shortest possible time.

Japan, for instance, began as a developing country in the latter half of the 19th century and was quick to appreciate the importance of small entrepreneurship for generating economic growth. Small industry comprises a significant portion of the Japanese economy and forms an important part of it. The Government of Japan has always attached considerable importance to this sector and has formulated policies to exist in its development. The result of these efforts are productive. A sizeable proportion of the exports are produced in the small scale sector through trading companies or through well known brand names of large companies and 80% of the private sector industrial workers are from this sector. Small and medium enterprises play an extra ordinary important role as nucleus for regional economic development and it contributes to improve the quality of life through providing the local communities with goods and services.

Even the developed countries like Western Europe, United Kingdom and U.S.A have recognised role of small
entrepreneurship in complementing the large industry and in providing opportunities for creative energies of the skilled people. The watch industry in Switzerland - the largest in the World - is based on the work of a multitude of small, almost cottage industry units. So important were small firms considered in United Kingdom that a report (Boiton Committee, 1971) parodied the famous saying of Voltaire that "if small business doesn't exist, it would be necessary to invent it".

A wellknown management thinker Peter Drucker³, explains "What is happening in the United States is something quite different: a profound shift from the "managerial" to an "entrepreneurship" economy.

According to him, in the two decades 1965 to 1985, the number of Americans over sixteen (thereby counted as being in the work force under the conventions of American statistics) grew by two-fifths, from 129 to 180 million. But the number of Americans in paid jobs grew in the same period by one half - from 71 to 106 million. The labour force growth was fastest in the second decade of that period, the decade from 1974 to 1984, when total jobs in the American economy grew by a full 24 million. He gives credit of this achievement to the "Innovative Entrepreneurship". These people have not only started their own units and generated the rate of employment, but also have started innovative activities in business and industry.
Role of Entrepreneurship in Developing Economy

The biggest challenge before the developing countries is to accelerate its economic growth rate. The pace of economic development initiated by these nations couldn't bring fruitful indices of growth due to inflationary pressures. Therefore, it became a twin-edged problem to curb the ever increasing inflation. Keynesian economic philosophy stresses upon full employment of resources for growth and development of economic system. The multiplier accelerator impact brings boom coupled with additional consumption leading to savings, investment and production which ultimately gives more employment opportunities to the resources. This process threatens the purchasing power of people caused by inflation or stagflation resulting in less production with reverse gearing of the economic cycle.

The new world economic order calls for economic growth through production and productivity and not only through creation of demand. It is desirable to seek growth and balanced regional development through productivity alone. The need of the hour is to explore new avenues of production. Two options are open for the production process. Firstly, to invite foreign hands, technology and capital to install a new system of production. Alternatively, the second option is to adopt and upgrade the exiting system by employing the available human and non-human resources.
The first option, i.e. the alien participation has become almost inevitable for the third world countries. It seems to be more lucrative for the short term. But there is always fear of another colonial rule of Multi-National Companies, if judicious mix of strategy is not adopted as happened with countries like Mexico and Brazil.

The second alternative is very slow, initially to bring total change in the economic spectrum of the country. But, in the long run, it is the only sustainable choice which can protect the economic sovereignty for the third world developing countries.

Therefore, it is preferable to explore innovative techniques within the existing system. In this context the development of entrepreneurial talents in the available human resources becomes the thrust area. If the human resources are developed in this direction, it will further develop the non-human resources. History witnesses that accumulated wealth tends to perish unless it rotates. The entrepreneur is the real agent to change or revolve the entire economic scenario of the third world countries provided it is explored within the existing human resources. For Schumpeter\(^4\), 'the whole process of economic changes being ultimately on the person who makes it happen - the entrepreneur'.\(^3\)
The entrepreneur is either the originator of a new business venture or a manager who tries to improve the organisational unit by initiating productive changes.

A Gap in Economic Theory

It may be said quite categorically that at present there is no established economic theory of the entrepreneurship. The subject area has been surrendered by economists to sociologists, psychologists and political scientists. In fact, except economics, almost all the social sciences have a theory of the entrepreneurship.

Orthodox economics, that is the neoclassical school of economic thought, is based in the very extreme assumptions about access to information. Simple neoclassical models assume that everyone has free access to all the information they require for taking decisions.

The assumption reduces decision making to the mechanical application of mathematical rules of for organisation. It trivializes decision making and makes it impossible to analyse the role of entrepreneurs in taking decisions of a particular kind. Secondly, the Austrian School of economics, which takes the entrepreneurship more seriously, is committed to extreme subjectivism - a philosophical stand point which makes a predictive theory of the entrepreneurship impossible. They argue that everyone who has the sort of information necessary to predict the behaviour of the entrepreneurs has a strong incentive to
stop theorizing and became an entrepreneur himself. They suggest, furthermore, that by entering the system himself the theorist may well generate behavioural response which would satisfy his own prediction. This argument however, really applies only to the prediction of entrepreneurial success; it may be much easier to predict entrepreneurial failures. The argument also fails to recognise that many economic laws refer to the aggregate behaviour of populations of individuals and that it may be possible to predict the behaviour of a population of entrepreneurs even if it is impossible to predict the individual behaviour of any of them. In any case, the inability to predict the individual behaviour depends crucially on the absence of barriers to entry into entrepreneurship.

Despite its interdisciplinary nature, it is in the field of economics that the entrepreneur has been the subject of much study. The entrepreneur and his unique risk bearing function was first identified in the early 18th century by Richard Contillon⁵, an Irishman living in France. He called the entrepreneur as one who buys factor services at certain prices, thereby bearing a noninsurable risk. He went to argue that as risk-acceptors, "all entrepreneurs seek to secure all they can in their State." (and hence maximise income).

J.B. Say⁶, who had an unpleasant practical experience expanded the term risk bearing together the factor of
production, provision of continuing management and included
them in entrepreneurial function. In order to be successful,
Say maintains, the entrepreneur must have the ability to
assess further demand (a factor of judgement), to determine
the appropriate quantity of goods and their timing (market
research and analysis), to calculate probable production
costs and selling prices and to possess the art of
administration (management).

Walras\(^7\) probably gave more exalted position to the
entrepreneurs by calling them the 'fourth factor of
production'. The role and functions assigned to them
consisted principally of hiring others. In this capacity,
they were buyers of productive services from the market and
sellers of the goods produced. This was compatible with the
General Theory of Equilibrium propounded by Walras whereby
under free competition, the entrepreneurs as profit
maximisers ensured that free markets move forwards
equilibrium. Walras thus provided a blending of the French
School of Thought, which had until then considered the
entrepreneurs as workers charged with the special task of
managing firms, with that of the English economists, who
equated entrepreneurs with capitalists.

Although Walras had managed to bridge a significant gap
between the English and French economists, few English
economists have written on the concept of entrepreneurship.
The classical economists did not distinguish between
interests and profits and therefore, didn’t differentiate the capitalists from the entrepreneur. The belief of the classical school that economic relationship were dependent on natural laws may well have been responsible for this attitude and lack of identification of the entrepreneur as an acceptable concept.

Ricardo thought of economic problems largely from the point of view of the capitalists, or landowners, who could invest his income in various ways, organise production, rent his land, advance wages on investment guided his decisions to behave in one way or another. For Marx, too, the so-called "profit motive" necessarily became the "prime mover" for the bourgeois capitalist class.

Neoclassical economists like Marshall (1930) placed great emphasis on the important of saving so that profits could be reinvested in the expansion of business, but Marshall, though marginally, recognised that thrift isn’t something which people automatically practice when it is in their interest to do so. Propensities to save and invest and other attitudes necessary for economic growth appear in the end to be not economic but psychological variables. As early as 1904, the great German sociologists Max Weber was stressing the fact that such attitudes as economic rationality and the enterprising spirit of modern capitalism were the consequences of certain religious world views stressed particularly by Protestant Calvinist sects.
The modern economists have become even more insistent in his belief that the ultimate forces underlying economic development lie, strictly speaking, outside the economic sphere. As Meier and Baldwin put it, half humorously, economic development is much too serious a topic to be left to economists.

Further, in criticizing the neoclassical economists, they point out that the neoclassical economic model simply takes for granted too many non-economic factors, such as political stability, the "will to develop", thrift, fixed tuges, adequate supply of trained labour and managerial skill, factor mobility, rapid flow of knowledge etc. While such assumptions make it possible to give fairly adequate account of what did happen at a particular period in the growth of a particular country, they do not produce a general model which has much value for underdeveloped countries or even for different time periods in the same country when any one of these key factors is different.

Joseph Alois Schumpeter (1883-1950) is the first economist to put the human factor at the centre of the process of economic development and assigned a critical role to the entrepreneurship in the "Theory of Economic Development".

In the Schumpetarian system the entrepreneur engineers change and it is a special type of co-ordinator in that he provides new services notably, (a) introducing new goods or
an improvement in their quality, (b) discovering new methods of production, (c) finding new ways of marketing goods, (d) discovering new sources of raw materials supply and (e) recognising production methods.

According to Schumpeter, an entrepreneur is the Agent who provides economic leadership that changes the initial conditions of the economy and causes discontinuous dynamic changes. By nature, he is neither technician nor a financier, but he is considered an 'innovator'. Entrepreneurship is neither a profession nor a permanent occupation and therefore, it can not formulate a social class like capitalists or wage earners.

Frederick Harbinson had a different concept. According to him an entrepreneur isn't an 'innovator' but an 'organisation builder'.

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Section II

What is Entrepreneurship?

The spirit of enterprise makes man an entrepreneur. Such a spirit transform him from a nomad to a cattle rearer, to a settled agriculturists, to a trader and to an industrialist. Thus, entrepreneurs are persons who initiate, organise, manage and control the affairs of a business unit. They combine the factors of production to supply the goods and services, whether the business pertains to agriculture, industry, trade or profession. Entrepreneur is the central figure of economic activity and propeller of development under free enterprise. Agricultural or industrial development is brought out by entrepreneurship. The development or underdevelopment is the reflection of the development or underdevelopment of entrepreneurship in the society. Thus the entrepreneurial activity has assumed prime importance in the economic growth.

The word 'entrepreneur' appeared in the French language long before the emergence of concept of entrepreneurial function. The entrepreneur and his unique risk bearing function was first identified in the early 18th century by Richard Cantillon, an Irishman living in France. He called an entrepreneur as one who buys factor services at certain prices and sells his product at uncertain prices, thereby bearing a non-insurable risk. The 'classic' definition, which was to survive for almost two centuries, was given by
an aristocratic industrialists, J.B. Say. According to him an entrepreneur is the most important agent of production who provides continuing management and brings together the factors of productions. Both, Cantillon and Say, defined entrepreneurship in the most general terms. Cantillon extended his concept of entrepreneurship to every economic activity and regarded everybody as an entrepreneur. But both the economists failed to relate entrepreneurship with the general economic development of any region.

The concept of entrepreneurship did not find any place in early economic thought. According to Adam Smith, the father of Political Economy, the entrepreneur was a proprietary capitalist, a supplier of capital and at the same time working as a manager intervening between the labour and the consumer. David Ricardo, a contemporary of J.B. Say, supported Smith’s approach and treated the industrial manufacturer and agricultural farmer synonymously as entrepreneurs. According to him (Ricardo), the prime motive of the entrepreneur is to accumulate wealth to facilitate capital formulation and economic development. Alfred Marshall described him as an organiser. According to Marshall, entrepreneur was a person who organised factors of production and managed it in such a way that he should get profit. Alfred Marshall too not only followed Smith – Ricardian path but reaffirmed it by treating profit as a single indifferential income flow.
The first major work on entrepreneurship came from Joseph A. Schumpeter (1934) who for the first time put the human agent at the center of the process of the economic development and assigned a critical role to the entrepreneurship in the 'Theory of Economic Development'.

In Schumpeter System, the entrepreneurship is essentially a creative activity. The entrepreneur is the innovating individual who introduces something new into the economy, a method of production not yet tested by experience in the branch of manufactured concern, a production with which consumers are not yet familiar, a new source of raw materials or of new market hitherto unexploited, and other innovations in the strict sense of the term.

According to Schumpeter, an entrepreneur is the agent who provides economic leadership that changes the initial conditions of the economy and causes discontinuous dynamic changes. By nature he is neither a technician nor a financier, but he is considered an 'innovator'. Entrepreneurship is neither a profession nor a permanent occupation and therefore, it can not formulate a social class like capitalists or wage-earners.

Frank W. Young is not ready to accept the entrepreneurial characteristic at the individual level. According to him, instead of individuals, one must find clusters which may qualify itself as entrepreneurial groups, as the groups with higher differentiation have the capacity to
react. A group will become reactive, as per Young's theory, when the three conditions coincide. The conditions are firstly, when a group experiences low status recognition, secondly, when the denials of access to important social networks and thirdly, when the group has better institutional resources than other groups in the society at the same level.

Frederick Harbison\textsuperscript{15} had a different concept. According to him an entrepreneur isn't an 'innovator' but an 'organisation builder' who must be able to harness the new ideas of different innovators to the rest of the organisation. Harbison maintains that the ability to create an organisation is the most crucial skill which facilitates the economic use of other innovations. If this skill is absent then other innovations fail to stimulate economic development.

Bert F. Hoselitz\textsuperscript{16} states that, managerial skills and leadership are the important facts of entrepreneurship. He identifies three types of business leadership in the analysis of economic development of underdeveloped countries. The merchant money lender type, the managerial type and the entrepreneur type.

Hoselitz has explained one more characteristic to entrepreneurship which is absent in money lending type, namely liquidity of wealth. The commodity with which a money lender deals is acceptable to every one but an industrial

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entrepreneur creates his own commodity and its acceptability is uncertain. Therefore, the entrepreneur assumes more risk than those in trading and the lending professions. Hoselitz suggests that entrepreneurship can develop in a society when its culture permits a variety of choices and where social processes aren't rigid and in a situation which encouraged the development of personalities interested in enterprise.

David McClelland\(^17\) (1961), like others, identified two characteristics of entrepreneurship. Firstly, doing things in a new and better way and secondly, decision making under uncertainty. McClelland implicitly introduced the concept of need for achievement as a psychological motive. McClelland, more explicitly, emphasised the need for achievement or achievement orientation as the most directly relevant factor for explaining economic behaviour. McClelland also explains the entrepreneur's interest in profitability in terms of a need for achievement. People with high n achievement are not influenced by money rewards as compared to people with low n achievement. For people with high n achievement, profit is a measure of success and competency.

Libenstein\(^18\) identified "gap filling" as an important characteristic attributable to entrepreneurship. There are many deficiencies so far as the production function is concerned. These gaps arise because all the inputs in the production function can not be marketed because some inputs
like motivation, leadership, etc. are vague in their nature and whose output is undermante. This "gap filling" activity gives rise to the most important entrepreneurial function, namely "input completing".

Everett Hagen\textsuperscript{19}, while describing the process of change in any society as the transition to economic growth searched for the causes of the transition. He states that the transition to economic growth has been very gradual and typically occupies a period of several generations. He suggests that growth has been led not by individuals from some distinctive group. He identifies creative innovation or 'change' as the fundamental characteristic of economic growth.

Hagen argues that disruption in traditional societies is necessary to have creative personalities. Hagen's principal theme is that such creative personalities or groups emerge when the members of some social group experience, what he calls, "the withdrawal of status respect".

Hagen's work has an important merit unlike McClelland and other entrepreneurial theorists, his work is based on the experience of backward areas of Asia and Latin America.

Religion and its impact on enterprising culture was first analysed by Max Weber\textsuperscript{20} in the Western context. According to Weber the "spirit of capitalism" is a set of attitudes towards the acquisition of money and the
activities involved in it. Weber states that this "spirit of capitalism" can not generate in itself where widely spread mental attitude favourable to capitalism is absent and according to him the 'Protestant ethic" provides this mental attitude. Max Weber extended his analysis to Indian conditions. According to him the "spirit of capitalism" was absent in religious belief system of Hinduism.

After examining the above explanations, the concept of entrepreneurship undoubtedly is the cause of much confusion and itself is a result of different stages of definitions, imperfectly differentiated from one another. Kilby, very rightly, has described the entrepreneur as an animal called "Heffalump" hunted by many individuals but all enable to capture him. All claim to have seen him and variously described him but wide disagreements still exists among them on his peculiarities.21

Thus, the term "Entrepreneurship" has a plethora of definitions, but consensus has to date emerged on what skills and abilities a person should possess to become an entrepreneur, how an entrepreneurial class can be developed or how the supply of the entrepreneurs in a particular society can be increased. It may appear a little surprising that despite the subject of entrepreneurship having been under discussion for more than two centuries, the concept still remains as little clouded.
Section III

Contributory Factors to Entrepreneurship

Historical development of entrepreneurship in different societies emphasised various factors as determinants of entrepreneurship. Entrepreneurship is a function of various factors. The several concepts and theories propounded by the researchers seem to indicate that the emergence of the entrepreneurs in the society depends upon closely interlinked economic, social, religious, cultural and psychological variables. At least four sets of factors which mainly influence it could be identified. In the first place, entrepreneurship is generated in a society by individuals, who, for some reasons, initiate, establish, maintain and expand new enterprises. The second factor is socio-cultural traditions because the traditions of the families and the society have its impact on the emergence of entrepreneurship. In addition to the above, two factors, directly influence entrepreneurship: The socio-political and economic policies of the Government and functioning of the support systems.

Entrepreneurial Development Models:

a) The psychological Model:

McClelland\textsuperscript{22} has given a significant lead in identification of determinants of entrepreneurship. McClelland attributes the inculcation of the achievement orientation to child-rearing practices which stress
standards of excellence, maternal worth, self-reliance training and low father dominance. But in his recent book with D.G. Winter he has altered his earlier proposition on the importance of the child rearing as the intrinsic determinant of the achievement motive and now change in motivation is seen primarily as a result of the ideological arousal of latent need of achievement among adults.

It was assumed that, the achievement motive is a relatively stable enduring characteristics of an individual. Hence one doesn’t expect a later event to change the achievement motive and behaviour. But the Kakinada experiment shows that achievement orientation courses have shown significant improvement in many aspects of entrepreneurial performance. Therefore, it can be concluded that to become an entrepreneur one should have a driving need or motive and with a pronounced achievement mental make-up. McClelland suggests motivation training programme as the policy measure which will make them really willing and eager to exploit the new opportunities provided.

Everett Hagen believes that a key factor in economic development is the presence of "creative" personalities – individuals who are willing and have the capacity to bring about technological change. Hagen’s theory of social change lays emphasis on ‘creative personality’ as a casual link in entrepreneurial behaviour and "status withdrawal" as the determinant of "creative personality". Hagen postulates that
four types of events can produce status withdrawal -
a) displacement by force, b) denigration of value symbols,  
c) inconsistency of status symbols with a changing  
distribution of economic power and d) non-acceptance of  
expected status on migration to a new society. Once status  
withdrawal has occurred the sequence of change in personality  
formation is set in motion. But his model of  
entrepreneurship fails to give any policy variable for the  
development of entrepreneurship.

John Kunkel\textsuperscript{26} considered the entrepreneurial supply by  
suggesting a behaviouristic model. His model suggests that  
entrepreneurial behaviour is a function of the surrounding  
social structure both past and present, and can really be  
influenced by manipulable economic and social incentives.

According to Kunkel the supply of entrepreneurs depends  
on the existence and extent to which four factors (i.e.  
limitation structure, Demand structure, Opportunity  
structure and Labour structure) are found in a society and  
proposes the hypothesis that “the incidence of  
entrepreneurship depends on both the objective and perceived  
configuration of the four structures”. He suggests that by  
manipulating these sociological variables, it is possible to  
foster entrepreneurship.

b) The Sociological Models:

Frank W. Young’s\textsuperscript{27} theory of entrepreneurship is a  
theory of change based upon society’s incorporation of
reactive sub-groups. The reactivity of a sub-group which experiences low status in the larger society will lead to entrepreneurial behaviour if the group has better institutional resources than others in the society at the same level. Young’s model of entrepreneurship suggests creation of supporting institutions in the society as the determinant of entrepreneurship.

A group will become reactive, as per Young’s theory, when the three conditions coincide. The conditions are firstly, when a group experiences low status recognition, secondly, when there exists denial of access to important social network and thirdly, when the group has better institutional resources than other groups in the society at the same level.

S.N. Bhattacharya studied industrial and agricultural entrepreneurship of eleven South-East Asian countries. Based on his analysis of problems, features and prospects of those entrepreneurs – he gave a model of entrepreneurial development for these countries. He suggested an appropriate policy-mix needs to be formulated and implemented in which, land reforms, appropriate factor pricing, efficient allocation of resources, wellconceived industrial dispersal programme, reform in the education and training system etc. these types of measures are included.
Hoselitz\textsuperscript{29} study of French and British entrepreneurs gave prime importance to capital formation and work experience, among factors influencing entrepreneurship.

Johannes and Yamamura\textsuperscript{30} observed that after the Meiji Restoration in Japan, Puritanism came to be interpreted. This provided a religious sanction to the development of entrepreneurship, which the most confucian ethics hadn’t done.

Yusif\textsuperscript{31} evaluated the role of business entrepreneurs in the Lebanon economy and observed that, lack of supportive measures such as adequate and timely finance etc. affected their rational expectations of profit and also their awareness of social responsibility.

Harris\textsuperscript{32} studied 250 urban-based industries in Nigeria. He found that entrepreneurial development depended upon several factors such as education, work experience, technical information, profitability, access to capital and management.

In India:

R.N. Hadimani\textsuperscript{33} in his book "Dynamics of Industrial Entrepreneurship" reviewed briefly 70 studies in the forms of papers and books related with entrepreneurship development in India. He classified it in 10 categories.

a) Castes succeeding in Entrepreneurship

b) Family background

c) Religious background
d) Educational and technical know-how

e) Contacts and Networks

f) Regional and cultural factors

g) Personality traits

h) Financial and other amenities

i) Government policies and measures

j) Miscellaneous

The Integrated Models:

T.V. Rao suggested the following model for entrepreneurship development:

Entrepreneurial Disposition: Perceiving factors Acquisition of personal resources
Acquisition of material resources Starting the business

Entrepreneurial Disposition:

i) Need For Motive: The dynamic which for the prospective Entrepreneur has the greatest possibility of achieving the goals if one performs these activities.

ii) Long Term Involvement: It is the goal either at thinking level or at activity level in the Entrepreneurial activity that is viewed as a target to be fulfilled.

iii) Resources: Personal, social and material resources which he thinks are related to entry and success in the area of Entrepreneurial activity.

iv) Socio-Political Systems: It is to be perceived as suitable for establishment and development of his enterprise.
All these factors are addictive in nature and its optional presence lead to entry point of entrepreneurship which leads to acquisition of material resources and starting the business.

B.S. Venkata Rao\textsuperscript{35} has described five stages for promoting small entrepreneurship: namely, 1) Stimulation 2) Identification 3) Development 4) Promotion 5) Follow-up.

Dr. M.M.P Akhouri\textsuperscript{36} has suggested a cycle for the promoting and development of entrepreneurship. This cycle consists of three parts i.e.

1) Simulatory
2) Support
3) Sustaining

K.L. Sharma\textsuperscript{37} has described four stages of entrepreneurship, namely, a) entry into manufacturing, b) expansion of business, c) perceived stability in the business and d) commitment to sustained growth. The entrepreneurial growth is governed by three stages of entrepreneurial determinants, namely, i) need for 'n' arch, ii) socio-background of entrepreneur (family occupation, caste, religion and region) and iii) political milieu. The interaction of these two factors, stages of entrepreneurial growth, take place not in vaccum but with the existence of entrepreneurial prerequisities like material resources, entrepreneur's vision and confidence to run an industry and the general infrastructure available to entrepreneur.
According to this model and empirical analysis, K.L. Sharma suggests that family occupation is more effective for entry into manufacturing and that political factors make positive contribution in the expansion of unit and these factors are more important at the third stage i.e. perception of business stability.
Section IV

Development Of Entrepreneurship

Environmental Approach:

Entrepreneurship development has three dimensions namely, psychological, Social and Economical. Social and economical dimensions include in the broad term 'Environment'. It covers mainly social, political and economical factors influencing entrepreneurship and entrepreneurship development.

Those who support environmental approach, argue that, though the achievement motivation is an important input in entrepreneurial development, it may not be enough to induce persons having higher n arch to take up entrepreneurial as career. The examples of France (before 1789) and Russia (before 1917) are often quoted. The recent developments in Soviet Russia, Eastern European countries, East and West Germany etc. have demonstrated that the government's role and economic system are two important factors which affects the entrepreneurship development.

Even in Asian countries like Hong kong, Taiwan, Singapore, South Korea, Thailand, Malaysia, Philippines etc., it is now accepted by the developmental scientists that the environmental situation and the level of development of entrepreneurship are positively correlated in these countries. In Singapore, South Korea, Thailand entrepreneurship development has flourished because of the
favourable environmental factors and in the countries like China, North Korea entrepreneurship and industrial activity can not flourish because the rulers were indifferent towards the economic development of the nation, that resulted in the lack of opportunities for the creative personalities to materialise their creativity.

Particularly, in developing countries, like India, where industrial activity is not traditional, the political system can play an important role by providing incentives and establishing institutions to initiate and substantiate this activity. Not only the commitment of the government to economic development but its active role is necessary for the development of entrepreneurship. The political structure can support to create favourable environmental situation which requires for entrepreneurial growth, in the following ways:

a) Laws, Regulations and Procedure:

As the government has the legislative powers it can create legislation to facilitate the industrial growth. The entrepreneur has to work in a society where multiple relationship exit and grows always have conflict of interest. If their relationships are governed by laws and regulations it becomes helpful in creating favourable industrial climate. This also provides security to all the partners who are actively engaged in industrial development. In India, there are number of legislations that are related
with industrial activities, for e.g. Factories Act, Industrial Disputes Act, Trade Union Act, MRTP Act etc. Whether they help for the entrepreneurial growth or not is a million dollar question. Marxist and Socialist thinkers not only supported this types of legislations but also suggest to extend the scope of its. On the other hand supporters of capitalist criticise and demand for liberal environment with least government control.

Not only the legislations but the general law and order situation in a region or even in a city affects the entrepreneur’s decision in locating his industrial unit. Example of West Bengal - Jyoti Basu's recent efforts.

b) Government Policy:

Any government interested in economic development, must have its own expressed industrial policy. The government has always played a role, either positive or negative, in every industrialisation. The economic history of the world gives instances where government had put obstacles in the way of industrialisation. The role of State in industrialisation via its industrial policy is conditioned by its ideology and extent of power entrusted with the State. Here we have a very interesting example of a country like China. Its past rulers were strong supporters of government's control over economy and so private entrepreneurs had no scope. But now a days, though the rulers advocate the same ideology have changed their approach and private entrepreneurs -
(Chinese, non-residential Chinese and foreigners) are taking interest to start their industrial activities very enthusiastically.

There should be a continuity in government's industrial policy. Though, assuming of risk is to be considered as an essential entrepreneurial function, but the expressed government policy with consistancy and continuity helps to reduce the degree of risk that an entrepreneur has to encounter. Unfortunately, in India, from the year 1977 to 1991, seven times, ruling party has been changed and so also the industrial policy. Naturally it increases uncertainty and affects entrepreneurial growth of the country adversely, especially small scale entrepreneurs because their experience, resources and span of diversification is very limited.

c) Infrastructural Facilities:

It is again government that has to play an active role in providing basic facilities, utilities and services to a region devoid of industrialisation. The committee appointed by Ministry of Industrial Development, Government of India, on Development of Small and Medium Entrepreneurs stress the importance of infrastructural development in the backward regions. From the last few years the government has been announcing five years tax holiday for those industries who starts their units to create infrastructure facilities in backward area. In Maharashtra, government has been
announcing package scheme of incentives and special incentives are given to those entrepreneurs whose units that are related with infrastructural development. This is necessary for adequate entrepreneurial dispersal within the country and shortage of such inputs will make it difficult for the economy to utilise entrepreneurial talents.

d) Supporting Institutions:

The supporting institutions have a significant place in the development of entrepreneurship in general and small entrepreneurship in particular. In the country like India, where the socio-economic disparity is tremendous, the role of supporting institutions becomes important. In addition, the very nature and smallness of entrepreneurship necessitates the existence of supporting institutions. The smallness acts as a constraint in creating certain facilities, services etc. within the industrial firms vis-a-vis large scale units.

At present, developmental agencies are rendering various types of assistance to the entrepreneurs in India. It includes giving training to the potential entrepreneurs and assisting to them to secure land, raw material, machinery, capital, skilled workers, technical know-how, market etc. For this purpose various institutions have been established by the Central and the State governments. According to the Desai\(^1\) there are various institutions at the national and state level and are working in the various
areas mentioned above. In the state like Maharashtra there are at least 10 supporting institutions and four Regional Development Corporations are working.

Systematic Approach:

David McClelland\textsuperscript{42} states that merely providing help to poor would not solve the problem of development. There are clearly plenty of opportunities for the poor that are not exploited because of their low achievement orientation.

According to McClelland entrepreneurial growth can be explained in terms of need for achievement (n/Ach) which is the major determinant of industrial and economic growth. McClelland tried to answer a simple question as to why it is that groups respond differently to similar conditions and he introduced the psychological concept of achievement motivation, or n achievement, to account for the differences in responses to similar conditions. The laboratory research on n achievement shows that different achievements and fear of failure levels will leads to very different responses to situations and incentives which are extremely identical. Certain motive patterns have actually led to withdrawal from "Improved Incentives".\textsuperscript{43} Therefore, he suggested that motivation is an important variable which has to be taken into the account in practice as well as theory.

Singer stated that," We must consider again what many anthropologists have long claimed that change usually is
consolidated not by the disruption and destruction of so-called traditional values, but rather by their reinterpretation or resynthesis together with the new actions." Quoting the above statement in his book "Motivating Economic Development", McClelland made various experiments and summarised an interlocking series of empirical studies suggesting that a particular human motive, "The need for Achievement" promotes entrepreneurship, which intern is a key to economic growth.

David McClelland is called as the father of the concept "Systematic Entrepreneurship Development". He got his position because of the well-known experiment known as "Kakinada Experiment" all over the world. McClelland made the experiment with the help of Small Industries Extension Training Institute (SIET) Hyderabad. In this experiment, they had selected some existing entrepreneurs and gave them Achievement Motivation Training. After some period of this training programme they found that, these trainees made more progress in their commercial activities than the other entrepreneurs from that area. Not only that but there had been qualitative change in themselves between before and after training period.

After getting the success in above experiment, it has been followed all over in the world. The Entrepreneurship Development Programme became an important tool of Entrepreneurship Development. In fact it is now assumed that,
if any country or region wants to develop entrepreneurship, the better way is to conduct EDPs.\textsuperscript{45} The motivational input given in this programme is not meant to bring about personality change, its purpose is limited to the extent of influencing the thinking of prospective young men in a manner so as to encourage them to look upon industrial entrepreneurship both as rewarding and challenging.

Therefore, it can be concluded that, to become an entrepreneur one should have a driving need or motive and with a pronounced achievement mental make-up and to create this type of mental make-up we should conduct EDPs in various regions of the country. In short, systematic approach of Entrepreneurship Development pronounced by David McClelland is called as the best measure for the Entrepreneurship Development than the Environmental approach.
Section V

Origin And Developments in EDP

After accepting the role of Entrepreneurship Development in the economic development and the opinion that the entrepreneurship development can be made systematically by conducting EDPs in various parts of the country, the next very important question arises, is, what will be the model/design that should be adopted for it? For this purpose adequate appreciation of the process which matures entrepreneurial function, however, would be necessary for developing clarity about the relevant training inputs. This section briefly outlines the process of making of an entrepreneur, discusses the corresponding behavioural patterns, examines appropriate training needs and presents training models suggested by various researchers or adopted by various institutions in this area.

According to Schumpeter, entrepreneurship means an innovative function. An entrepreneur starts a new activity by his business venture. Generally, this is like adaptation of new idea, or a new practice. Therefore, Christopher (1970) has used one model known as "innovation adoption model" to study small industry entrepreneurs. This model represents a specific application of the 3-stage Lewinian model of change—viz. unfreezing, moving and refreezing. But according to Uday Pareek, Dr. Manohar Nadkarni,\textsuperscript{46}
'entrepreneurship is not simply adoption of a new activity or practice. It is transformation of a person, acquiring a new identity. Therefore, they have suggested a model of identity formation, transformation of a person from one role to another role having distinctly different identity. Identity formation can also be described as 'role formation'. According to them three main stages i.e. Identity Crisis, Identity Formation and Identity Establishment are required in sequence for this 'role formation'. Keeping in mind these three stages, characteristics and function an entrepreneur has to do, they have suggested an integrated model for entrepreneurial development.47

**Training Model for Entrepreneurial Development**

<table>
<thead>
<tr>
<th>Stages</th>
<th>Behaviour</th>
<th>Training Needs</th>
<th>Training Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identity Search</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identity Crisis</td>
<td>Experiences dissatisfaction with present identity</td>
<td>Understand dissatisfaction</td>
<td>Selection</td>
</tr>
<tr>
<td></td>
<td>increase positive dissatisfaction</td>
<td>Identification EMD</td>
<td></td>
</tr>
<tr>
<td>Exploration</td>
<td>Looks for ways of reducing dissatisfaction</td>
<td>Understand strength and weaknesses</td>
<td>Simulation exercise (risk taking business games etc.)</td>
</tr>
<tr>
<td>Transitional stress</td>
<td>Experiences conflicts and apprehensions of stresses</td>
<td>Become aware</td>
<td>Who am I?</td>
</tr>
<tr>
<td>Search</td>
<td>Searches entrepreneurial alternatives</td>
<td>Become aware of alternatives</td>
<td>Self study, talks</td>
</tr>
<tr>
<td>Deliberation</td>
<td>Weighs pros and cons of each alternative</td>
<td>Get insight into various aspects including values and norms</td>
<td>Small group discussions, simulation exercises, values (tower building)</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Choice</td>
<td>Makes a tentative choice of alternative</td>
<td>Share with significant persons</td>
<td>Discussions</td>
</tr>
</tbody>
</table>

**Identity Formation:**

<table>
<thead>
<tr>
<th>Pre-enterprise preparation</th>
<th>Makes preparation (acquiring relevant knowledge, skills etc.)</th>
<th>Knowledge, Skill, practice</th>
<th>Self study, talks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise building</td>
<td>Takes steps for establishment of enterprise</td>
<td>Project planning action planning</td>
<td>Action Plans, Project planning</td>
</tr>
<tr>
<td>New Identity</td>
<td>Acquires new identity of an entrepreneur</td>
<td>Self examination</td>
<td>Process group</td>
</tr>
</tbody>
</table>

**Identity Establishment:**

<table>
<thead>
<tr>
<th>Enterprise Management</th>
<th>Manages the enterprise Learn management skills</th>
<th>Managerial skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role stress</td>
<td>Experiences entrepreneurial and deal with conflict and stresses</td>
<td>Be aware of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the stress</td>
</tr>
<tr>
<td>Identity Integration</td>
<td>Establishes linkages with entrepreneurs</td>
<td>Belong to a group of entrepreneurs</td>
</tr>
<tr>
<td>Linkage Building</td>
<td>Establishes linkages for effective functioning</td>
<td>Be aware of support systems and develop a style of establishing adult transactions</td>
</tr>
</tbody>
</table>

37
Models of Entrepreneurship Development Programmes adopted by various Institutions

After realising the role of entrepreneurship development in the economic development, various countries have adopted different models to develop entrepreneurs systematically. Because of these efforts, there is now a great deal of experience throughout the world in the development and delivery of programmes designed to promote, motivate and assist entrepreneurship. Such experience is not confined to developed countries. Developing countries are also sharing this experience. As, it is not possible to give various models adopted by the various institutions in different countries and also it is not necessary for the research purpose, some models are given on the sample basis:

Center for Innovation and Entrepreneurship

1) University of Twente, Enschede, Netherlands

**Organisation**: Centre for Innovation and Entrepreneurship Twente (CIDT)

**Address**: C/o University of Twente
PO BOX 217
7500 A ENSCHEDE
The Netherlands.

This programme deals with the knowledge, skills and attitude that trainees need to be able to produce their business plan and present and defend it in front of a panel. Furthermore, the trainees become conversant with several aspects of entrepreneurship. An important aspect of the programme is that it helps trainees to realise whether they
have entrepreneurial capacity or not and also what are their strong and weak points. The target group of the programme consists of

a) Persons with a university of higher vocational degree, having vague ideas or thinking seriously about starting their own innovative enterprise and wanting to write a business plan.

b) Students of the Department of Management Studies who want to become familiar with entrepreneurship and want to write together with starting entrepreneurs a business plan.

The aim of the ED programme is that trainees

i) Become aware of their personal strong and weak points with regard to entrepreneurship.

ii) Have the necessary knowledge and skills to write their business plans and realise a business start-up.

iii) Become conversant with entrepreneurship.

Based on the basic needs of the target group a rational for the programme was written and central questions were formulated which formed the focus of the course. The objectives were clustered in a concept-related manner into units. The training inputs were based on these units and the needs mentioned above.

The Organisation:

The CIOT was established in 1987. It is part of the Department of Management Studies of the University of Twente, which is a government funded University. In 1991 the
CIOT become a part of the Twente School of Management which is a foundation of the same department. This foundation provides post-graduate studies and management development programmes. The philosophy of the organisation is that, successful entrepreneurship depends on business administrative know-how and practical experience of the entrepreneur.

The main activities of the CIOT are training, supervision and consulting in the area of entrepreneurship. The ED programme is part of the training package that the CIOT offers.

THE PROGRAMME PACKAGE:

The members of the CIOT deliberated in a number of meetings about the most appropriate sequence in which the training inputs can be delivered. The final decision about the sequence is based on the order in which the different aspects of the business plan has to be worked out.

Core Curriculum for the Entrepreneurship Development Programme of the CIOT

Description of Several Meetings:

Meeting 1: Independent entrepreneurship and business plan

Objectives:

1. Trainees know the factors that determine the success of an enterprise.
2. Trainees know the requirements of a business plan.
3. Trainees have an idea of the practical side of entrepreneurship.
4. Trainees are able to formulate their personal goals with regards to their enterprise.
5. Trainees know the problems of a new enterprise.
6. Trainees recognise the importance of writing a business plan.

Meeting 2: Independent entrepreneurship and business plan

Objectives:

1. Trainees know the general format of a business plan.
2. Trainees know the evaluation criteria of the business plans.
3. Trainees know the steps evolved in starting their enterprise.
4. Trainees recognise the importance of knowledge and skills with regard to starting their own enterprise.
5. Trainees know their own strong and weak points.

Meeting 3: Formulation of a business concept and market survey

Objectives:

1. Trainees are able to formulate their vision and objectives with regard to their enterprise.
2. Trainees are able to develop a strategy for their enterprise.
3. Trainees know the framework of a market survey.
Meeting 4: Marketing and Market survey

Objectives:

1. Trainees are able to choose the right product / market combination for their enterprise.
2. Trainees are able to develop a marketing plan.
3. Trainees have experience with regard to market survey.

Meeting 5: Finance

Objectives:

1. Trainees know the four central aspects of finance and their relationship.
2. Trainees are able to interpret a financial plan.

Meeting 6: Fiscal aspects and administration

Objectives:

1. Trainees know the fiscal aspects that play an important role in starting their enterprise.
2. Trainees know the administrative framework of an enterprise.

Meeting 7: Juridical aspects and subsidies

Objectives:

1. Trainees know the juridical aspects that will have to be taken into account while starting their enterprise.
2. Trainees know relevant subsidies are for their situation.
Meeting 8: Proof presentation

Objective:
1. Trainees are able to present and defend their business plan and ideas before their own group consisting of their colleagues and course manager.

Meeting 9: Final presentation

Objective:
1. Trainees are able to present and defend their business plan before a panel which consists of an accountant, an experienced entrepreneur and a bank representative.

PROGRAMME MANAGEMENT:

A] Pre-training phase:

The planning exercise for launching the programme is primarily based on the basic need that the managing director of the CIOT found among starting entrepreneurs. Those starting entrepreneurs were primarily graduate students of the University of Twente who wanted to start their own enterprise. The final decision about the launching of the programme was based on both the identified basic need and the philosophy of the University Twente to stimulate entrepreneurship.

The ED programme are marketed by:

a) the University magazines,
b) information meetings,
c) personal contact with students of the department who are interested in entrepreneurship,

d) The TOP programme (Temporary Places for Entrepreneurs, University programme for stimulating entrepreneurship).

Until now, no formal screening is applied for selecting trainees. The main reason is that most of the potential trainees are university undergraduates and graduates with the idea of starting their own enterprise in the near future. After potential trainees have enrolled they fill in a questionnaire in which they indicate what business idea they have and how familiar they are with the different aspects of the programme. Based on this information the programme management can determine which aspects must be given more attention in performing the programme.

B] Training Phase:

The objectives are clustered in units as much as possible in a concept-related style. These units are the training inputs for the programme. These units forms the basis for the different meetings that will be held. Every instructional plan for a meeting consists of:

i) a summary of the content

ii) the objectives

iii) the instructional foci

iv) a time scheme
v) an instructional strategy
vi) an indication of optional parts.

For objectives that refer to cognition, the following instructional foci are being used:

i) presentation by trainer
ii) presentation by students
iii) presentation by guest trainer
iv) supplying learning material
v) case study
vi) activities (homework)
vii) working in couples
viii) fictive examples.

For objectives that are related to cognitive skills, the following instructional foci are being used:

i) presentation by students
ii) tasks / assignments
iii) activities in practice or simulations.

For objectives that are related to attitude, the following instructional foci are used.

i) discussion
ii) film about entrepreneurs
iii) working in couples
iv) confrontation with experienced entrepreneurs.

The overall training methodology that is applied through the different sessions is the interrelation of theory and practice.
C] Post-programme follow-up support phase:

Because of financial constraints until now, no post-programme follow-up support is given by the CIOT. In the future, an evaluation form will be sent to ex-trainees to seek the major problems they have encountered in practice. This information is an important input for eventual curriculum revision in the future.

The CIOT is starting with a modular follow-up programme. This programme consists of ten modules, of which the first is a basic one dealing with strategic planning. The other modules can be attended optionally. This means that a trainee can decide himself in which of the modules he wishes to participate. This programme is developed in cooperation with the regional Business and Innovation Centre.48

2] Helsinki School of Economics and Business Administration

Small Business Centre, Mikkeli, Finland

Organisation: Small Business Centre, Mikkeli.

Address: Puistokatu 1 SF-50100 Mikkeli, Finland.

The small Business Centre, in Mikkeli was established by the Helsinki School of Economics in 1980 as an integral part of the school. For the past ten years, the Centre has successfully served the interests of small and medium-sized business, promoted entrepreneurship and economics. The centre offers a comprehensive range of management training
courses tailored for the needs of the small business, maintains an active research programme aimed at enhancing the decision making of entrepreneurs, offers information services and administers the international BBA programme.

In the 1970s, in Finland, most training programmes for companies were aimed at businessmen of big companies. The businessmen of small companies who participated in these programmes were quite frustrated because they could not find answers to their own problems during the training periods.

At the same time, the importance and usefulness of small companies also became more and more obvious. This lead different organisations to organise and plan more training programmes for small companies. The Small Business Centre started with the management training programme for those entrepreneurs who already had much experience in managing small companies. This management training started in 1980.

After financial negotiations with the Ministry of Trade and Industry, it was decided that the Small Business Centre would start a new long term training programme for those entrepreneurs who were setting up their own industry. This new programme was called START UP YOUR OWN BUSINESS and the first programme was started in 1982.

The programme package:

The length of the programme was fixed at two years divided into 15 seminars with homework between seminars. The first six seminars are of four days (Wednesday to Saturday)
and the last nine are two days (Thursday to Friday). Thus the total length of the programme is 42 days and 360 hours. The seminar take place once a month and they are held in the Small Business Centre in Mikkeli.

The content of programme contained basic business subjects: business idea, marketing, accounting, financial accounting, finance, management, logistics, product development, computer science and law.

Some homework is given after every seminar and homework is completely concentrated on applying the subjects learnt in his or her own business. Homework is discussed in the next seminar.

The usefulness of the seminars and the homework is analysed at each seminar and after every six months a more detailed analysis with questionnaires is organised.

In 1985, a major modifications were carried out in the programme as follows:

a) The programme was shortened to a one year programme so that the number of days was limited to 24. This meant that there were 210 seminar hours and 8 three day seminars (Thursday to Saturday).

b) At the same time, the content of the course was changed and made more intensive and concentrated more on the basics of starting a business. After the changes the course content was as follows:
<table>
<thead>
<tr>
<th>Business Success</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business idea</td>
<td>20</td>
</tr>
<tr>
<td>Marketing</td>
<td>20</td>
</tr>
<tr>
<td>Management accounting</td>
<td>12</td>
</tr>
<tr>
<td>Financial accounting</td>
<td>5</td>
</tr>
<tr>
<td>Taxation</td>
<td>5</td>
</tr>
<tr>
<td>Leadership</td>
<td>10</td>
</tr>
<tr>
<td>Business law</td>
<td>5</td>
</tr>
<tr>
<td>Computer Science</td>
<td>5</td>
</tr>
<tr>
<td>Performance Skills</td>
<td>3</td>
</tr>
<tr>
<td>Overview and a test</td>
<td>5</td>
</tr>
</tbody>
</table>

The sequence of subjects varies somewhat depending on the wishes of the group. In this new model the structure is more fixed than in the previous one. All these changes were done after careful consideration and discussions with previous participants and using analyses of the earlier programmes.

Management of the Programme:

A) The pre-training phase:

The programmes are conducted in the Small Business Centre in the city of Mikkeli. Participants come from different areas in Finland, which means that they are rather far from their companies.

Marketing of the Programme

Now a days, with the programme rather well known in Finland, not as much marketing is needed as in the beginning.
Now it is also possible to use the help of earlier participants in marketing. Marketing medias can be classified as follows -

a) information to those organisations / persons who are helping entrepreneurs to start up their businesses (bank managers, community business agents),
b) advertisements in local and national newspapers,
c) information to earlier participants who will also be requested to inform their friends about the programme.

Selection of trainees:

Everyone who has shown interest in the programme has to fill in an application form and return it to the Small Business Centre. There are many questions in the application about the respondent’s business and the reasons why he is interested in the programme. The first screening in the selection process uses the application form to estimate whether the person and his company have real possibilities for business success. About 10 to 30 per cent of applicants are rejected at this screening stage.

The second stage includes personal interviews and these are done in the Small Business Centre or at some other location in Finland. The main objective of the interviews is to make sure that the candidates have strong potentiality for business success. About 20 to 30 per cent of the applicants are rejected or placed in reserve for another programme at this second screening stage.
B] The training phase:

The leader of the programme belongs to the staff of the Small Business Centre and he/she as a training manager is completely responsible for the success of the programme.

Very important for the success of the programme is the learning environment. From the very beginning of the programme the leader has to put a lot of emphasis on building a good atmosphere and feeling among the group. The leaders do not normally do a lot of teaching, except for a few topics. Their main duty in this field is to co-operate with trainers and make sure that the trainees really understand the process in the programme. Depending on the subject the training methodology varies.

The evaluation process

The programme is continuously evaluated by the trainees. At the end of every seminar there is general discussion and everyone comments on the programme and completes a questionnaire. The programme leader attends all lectures. In this way the programme leader is able to understand the real reasons for programme criticism. Before starting a new programme all this information is evaluated by the leader and it is discussed by the programme team.

C] The follow-up support phase:

The follow-up is meant to ensure the long-term success of the company. At the end of the programme the group agrees to meet again after 6-9 months. At this meeting the
success of companies is evaluated and discussed. The structure of the training programmes in the Small Business Centre is arranged in such a way that long-term training support is available for all those entrepreneurs who have participated in this Business Start Up Programme.49

3] Dade County Entrepreneurial Institute Miami, Florida, USA

**Organisation:** Florida International University
College of Business Administration
Division of Entrepreneurial Studies.

**Address:** University Park Campus, Miami,
Florida 33199, USA

Supported by Metro-Dade County, the Dade County Entrepreneurial Institute provides small business training and technical assistance to minority business owners and operators as recommended in the Metro-Miami Action Plan (MMAP). This plan is a locally funded programme developed to reduce the disparity between the black community and the mainstream population in such areas as housing, education, economic development and the criminal justice system.

Now an Entrepreneurship Development Organisation is co-ordinated by the Florida International University and operated in conjunction with four other local institutions of higher learning: Barry University, Miami-Dade Community college and Florida Memorial College, and the University of Miami.

The organisational structure encompasses a public/private partnership designed to address community
economic development needs. The programme is financially supported by a grant from Metro Dade County and should continue to receive support as long as it is relevant and appropriate.

The Programme:

A comprehensive business education programme designed to encourage the skills necessary for effective competition was also needed. In addition, a support system of on-going technical assistance was required to help minority-owned businesses succeed. Thus, specific objectives of the programme are as follows:

Objectives:

1. To furnish individuals with the necessary training to start a small business by offering short-term courses that are relevant to local entrepreneurial opportunities and at accessible locations.

2. To provide individuals currently owning a small business with more precise continuing business education courses so that they can properly manage and further expand their business in the local community.

3. To enable loan recipients from predominantly public lending institutions to take courses aimed at improving their entrepreneurial skills and increasing their chances for success.
Target Population:

While the majority of the participants represent individuals who plan to go into business, approximately 40% of the participants are existing business owners. These individuals are motivated by expansion plans and increased their probability at success by attending to the main requisites necessary for a successful business.

The specific target group is Black Entrepreneurs who comprise about 54% of the population served in the programme to date. The rest of the participants included Hispanics (30%) and other white Americans (16%). The project serves adults as well as high school students. Approximately 80% of the technical assistance is delivered to clients who are Black.

The Programme Package:

The training model for the Dade County Entrepreneurial Institute was conceptualised by the director and a group comprised of the coordinators of the four other participating institutions of higher education.

The model has remained essentially the same, except for modifications in course offerings and the addition of new elements such as the banking forums and the summer high school programme. Courses are modified or added each year. This is done through a sampling of the previous year's participants to determine how courses were received and to obtain suggestions for new courses.
The five schools deliver three non-repeating five-week courses representing 15 classroom contact hours in each course. The classes are held in the evening or on weekends and are offered over a 12 months period with no overlap. Interested persons can therefore enroll in all of the courses if they so desire. The following types of courses offered over the period of one year:

a] Developing a marketable business plan
b] Planning a profitable business
c] Managing for greater profits
d] Starting a bankable loan package
f] Accounting for the small firm
g] Financial management for the small firm
h] Marketing and sales

Management of the Programme:

A] Pre-training Phase:

The programme’s Central office has been located at the University of Miami for the past eight years and has recently been moved to Florida International University. The programme is marketed in many ways:

a] Advertisements are placed in local newspapers.
b] Bouchers sent to over 6,000 potential participants.
c] Bouchers sent to appropriate agencies.
d] Radio and Television presentations.
e] A special attempt at dissemination is directed towards the local churches where ministers announce the programme at services and meetings.

f] On occasion, the Dade County Entrepreneurial Institute advertises in magazines and includes a list of all courses.

g] Twice a year, a half page advertisement listing all courses is placed in a local newspaper that is primarily read by the Black population.

h] Each participating university or college is encouraged to list the courses in its outreach communication efforts to the community and to be sure that all local business interests are informed of the programme.

i] The participants themselves are probably the best advertisement.

B) Training phase:

The courses are selected through a process of interaction among former students, co-ordinators, project staff and representatives of various agencies. The innovation lies in the mode of delivery, in the practicality, and in the networking opportunities that are available to each of the participants. It goes beyond information sharing.

The number of faculty members involved in the programmes varies from institution to institution. Each
campus has an approved list of instructors. Some instructors are selected from the faculty on each of the campuses, but about 25% instructors come from the community itself. Guest speakers are also involved in many courses at the discretion of the instructor.

C] Post-Programme follow-up

The follow-up in this programme is offered in different ways. The main area of follow-up involves those who take courses in the programme. Individuals taking courses, as well as any other Black entrepreneur referred to the programme can call on any of the co-ordinators or the director for assistance in any aspect of business start-up or business expansion. The institute provides, at no cost, the following.

a] Counselling and guidance in any aspect of business.

b] Help in developing a business plan.

c] Help in finding additional resources and in networking business opportunities on an individual basis.50

4] Hawaii Entrepreneurship Training and Development Institute (HETADI) Honolulu , USA

Organisation : HETADI

Address : 1750, Kalakaua, Avenue, Suite 808, Honolulu, Hawaii

The Hawaii Entrepreneurship Training and Development Institute (HETADI) is a private non-profit United States
educational corporation that conducts New Enterprise Creation (NEC) programmes throughout the world. Since its beginning in 1978, it has trained over 3,000 persons in eight different countries, either to start or expand business.

After four years of involvement in the East-West Centre programme, the founders of HETADI formally launched the company in February 1977 and shifted the focus of the programme from a research and development programme to an active entrepreneurship training programme in the US and Overseas. Since HETADI established itself in the private sector in 1977, the East West Center has been only marginally involved entrepreneurship development.

The major activity of the Institute is to conduct the "HETADI Entrepreneur Training Programme" for start-up entrepreneurs, or to conduct training of trainers programme for other institutions. Its programmes are either residential or part-time. It has written its own text on "How to start a business" and "How to write a business plan".

The Programme

The programme originated in the early 1970s at the US State Department's East-West Centre International Entrepreneurship Development Project located in Honolulu, Hawaii. Eight Asian and Pacific nations were engaged in a project to identify methods and materials for identifying and training new entrepreneurs. However, after four year of
association with East-West Centre, the promoters of HETADI branched off and initiated this new institution as a private organisation in 1977.

Following its formation, the HETADI programme began immediately to focus on the socially and economically disadvantaged as its target clientele. The target group included the unemployed, underemployed and group with short entrepreneurial traditions and histories. What most commonly characterises HETADI’S target group is their past low participation rates in business as a group, but their high motivation to get into business as individuals.

The Programme Package:

To HETADI’S way of thinking, entrepreneurship training is arguably the next best thing to being born into a family of entrepreneurs and must therefore contain as many of the ingredients of the entrepreneurial family.

The HETADI programme was thus designed with the family in mind where a variety of educational, market opportunities, values, attitudes, and resources intersect to guide entry into the market place.

The major subject areas of the workshop include:

a] Entrepreneurial character development.

b] Business plan development.

c] Business skills and knowledge development.
Programme Management:

A] Pre-training Phase:

HETADI’S experience indicates that a 1-2 month period of advertising is needed to get a sufficient number of qualified candidate entrepreneurs. Newspaper, radio, posters, public speaking and newsletter are most commonly used to attract applicants. The ideal class size to be recruited is 20 participants. However, due to illness or personal circumstances, usually 5-10 discontinue the programme. Therefore, a class of 25 persons is always recruited.

To fill these 25 seats in the entrepreneurship training workshop, however, at least 75-100 persons will have to be recruited for the programme. According to HETADI’S experience, about 40% of the success of an entrepreneur training programme is attributable to its recruitment effort. The role of the selection process is to sort out who has either existing or developable entrepreneurial talent.

HETADI does this in two step process. An applicant is first screened by way of a written test. This test looks like a usual application but contains various psychographic and demographic variables correlated with entrepreneurial potential.

After an applicant’s selection, questionnaire is scored and meets the minimum criteria established for the area or group, the applicant is called for an interview.
In the selection interview, "motivation" accounts for a possible 40 points, "business" resources 30 points, "business and market knowledge" 20 points and "overall readiness" to start a business 10 points.

B) Training phase:

In the HETADI programme, a participant first told he or she will be in business in the next three to six months and that everything that is said or done in the workshop is for that single purpose. Participants changing their minds about business are free to discontinue at anytime, or they may be screened out by weekly "entrepreneurial check-ups".

Participants are required to keep a set of books (usually single entry cash books) throughout the course, interview a successful entrepreneurs to present to the class, write a comprehensive business plan, read two text books, and present a completed business plan to a banker's pannel at the end of the course.

Most HETADI courses are either full time for 3 weeks, 12 to 16 hours per day, or part time for 3 months with meetings in the evenings from 6 pm to 9 pm. In either workshop, contact hours total between 125-175 hours. The full-time 3 week programme is usually a residential workshop. The training methodology of the workshop is practical participation and strictly related to getting participant (called "Candidate Entrepreneurs" or CE's) into
business. Only if a trainee completes a business plan is he or she awarded a certificate of completion.

The training workshop model was developed in Hawaii and refined over the course of many years and in many different country programmes.

C) Post-programme follow-up support:

HETADI’S experiences indicate that an intensive follow-up programme is protection of the training investment already made in the trainee. Without follow-up, the tendency to revert back to past “non-entrepreneurial behaviour” increases. A strong follow-up is advised especially in the five areas, i.e. money, motivation, monitoring, business plan and financing.

HETADI’s experience indicates that results of a programme will vary in direct proportion to the degree of integration of the programme elements. Obviously the fewer ingredients the lesser one can expect of the results. ⑤

5] PSYTECH MANAGEMENT INTERNATIONAL, MANILA, PHILIPPINES

Organisation : Psytech International

Address : 64, Dansalan, Manolaly Young, METRO MANILA, Philippines.

Established in 1982, but purchased by its present owner in 1985, PSYTECH operates with in the framework of a simple functional organisation, being privately owned by a sole proprietor. For the implementation of each project, a lead consultant is identified by the senior consultant and is made responsible for the project.
The main activities of the organisation revolve around training and development (designing, implementing, managing, evaluating and monitoring training activities); productivity improvement programmes, organisational development and related management areas, small and medium enterprise development, project development, etc.

Since the major objective of the organisation is to strengthen enterprise promotion and management, EDPs fit very well into its overall operational framework.

THE PROGRAMME:

PSYTECH implemented Entrepreneurship Development Programmes initially under different names. All used a combination of lectures / discussions, case-studies, workshops and related approaches as applicable. All programmes included sessions on motivation, creative thinking, business plan preparation skills and some management skills as budget and time allowed. The programme could be described as orientation programmes since most were of a very short duration.

In 1984, PSYTECH experimented with the process consulting approach to teaching entrepreneurship which led participants to a process of thinking through and planning a business project within their own personal value systems and objectives. The programme was named as EXCESS (Experience Centred Entrepreneurship Sessions) for which it acquired a copyright in 1989.
PSYTECH addresses a variety of target groups which includes educated unemployed, women, rural youth, artisans, released civil servants, traders, students, existing entrepreneurs, sons and daughters of SME entrepreneurs etc., who are considering starting a small or medium sized business.

The expected outcome of EXCESS is that, on completion of the programme, participants will be able to

i] develop and present a simple but feasible plan to a panel of key representatives of the government finance, and industry;

ii] access a network of contacts, market linkages and various existing small and medium enterprise support systems, and

iii] start and operate a small or medium-sized business with the help of follow-up and assistance in the various business management areas through a secretariat which shall be manned by ex-participants.

THE PROGRAMME PACKAGE:

Though modified over time according to the needs and profile of the trainees, the programme uses a modular format consisting of seven modules, as follows:

Module 0 : Unfreezing / expectation setting

Module 1 : Orientation to the unstructured "process consulting" approach of teaching entrepreneurship.
Module 2: "Thinking for opportunities"

2.1 Creative and lateral thinking
2.2 Critical and rational thinking
2.3 Business opportunity identification

Module 3: SWOT, industry, market analysis

Module 4: Critical success factors for Philippines based SMEs

4.1 The Philippines Government support system for SMEs
4.2 Political and legal realities for Philippines SMEs
4.3 Financing available to SMEs from the Government and the private sector.
4.4 Resource profile

Module 5: The Business plan preparation process

Module 6: Business plan presentation and critique by a panel of experts.

PROGRAMME MANAGEMENT:

A] Pre-training phase:

The training centre or location is identified usually by the EDP sponsors. However, whenever there is some flexibility the decision is taken on the basis of a centre feasibility study which involves desk as well as field study. The study is carried out by internal experts with the help of the sponsoring agency.
At the pre-training phase, the selection of participants takes up most of the Excess Lead Consultant’s (ELC) time and energy. The selection methodology used to select the trainees consists of group discussions and interviews in addition to a registration form evaluated against the candidate’s manner of response during interviews/meetings. The registration form is evaluated by the ELC. Generally, the ELC, a representative of the sponsors and a faculty member from the ED programme constitute a typical interview committee. A maximum of 30 participants are selected. Four to six weeks are needed to complete the entire pre-training phase depending upon the target group.

B) Training phase:

The programme is organised by an EXCESS Lead Consultant who works as the training manager. The programme consisting of classroom lectures and group discussions.

The programme starts with a presentation by each participant about his reasons for attending the programme. After being given a lecture on how to identify situational/intrinsic/operational personal assets, the participant is asked to list all these on three yellow sheets of papers.

From such lists, he is able to identify a possible business opportunity making most use of his personal assets, i.e. personality, character traits, network of contacts, other resources etc.
Next, a business opportunity guidance session is held as a follow-up to finalising the lists (above). This session deals with the environmental / macro basis / level.

Market surveys – also called industry analysis sessions – are carried out to make trainees aware of the strengths and weaknesses of the identified opportunity.

Information is provided on the procedures, rules and regulations required in the country when launching a venture; technical orientation; legal aspects; implementation related aspects; etc. This is done through classroom lectures by guest faculty or resource persons.

A lecture on how to prepare a Business plan is also given. Actual preparation of the Business plan is done by the participants outside the classroom. Also he may work with or without a consultant. The Business plan presentation to a panel of experts and financing representatives invited from various private and government agencies is the last component of the programme.

C] Post programme follow-up support:

PSYTECH provides the follow-up support to its trainees for a period of 6 to 12 months with the objectives of collecting information on the progress, helping them to prepare their Business plan and acquire infrastructural facilities besides giving them technical support. A secretariat is formed (prior to the last day of the programme) composed of class officers, sponsoring group

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representative, PSYTECH faculty. This secretariat assists any graduate of that specific programme in any area specially in networking. Every trainee is provided counselling for an average of 21 hours. After three to six months, as preferred by the group, ex-participants are invited to a "class reunion" by the secretariat to share experiences.52
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