Chapter III
Conceptual Framework
3.1: The Entrepreneur: Evolution and Meaning of the concept:

An entrepreneur is one of the important segments of economic growth. Basically entrepreneur is a person who is responsible for setting up a business or an enterprise. The entrepreneur is the critical factor in socio-economic change.

The word Entrepreneur is derived from the French word “entrepredre” which means, “to undertake”.

**EARLY PERIOD:** The earliest definition of the entrepreneur as a go-between is Marco Polo. He tried to establish trade route to the far East. He used to sign a contract with a venture capitalist to sell his goods. The capitalist was the risk bearer. The merchant adventurer took the role of trading. After his successful selling of goods and completing his trips, the profits were shared by the capitalist and the merchant.

**MIDDLE AGES:** The term entrepreneur was referred to a person who was managing large projects. He was not taking any risk but was managing the projects using the resources provided. An example is the cleric who is in charge of great architectural works such as castles, public buildings, cathedrals etc.

In the early 16th century, the Frenchmen who organized and led military expeditions were referred to as “entrepreneur”.

It was extended to cover civil engineering activities such as construction and fortification in the 17th century T.C.Cohran as quoted by (S.S.Khanka, 2007).

Later on, 18th century, this term got associated with persons who started their own enterprises. Richard Cantillon, an Irish man from France, was the first economist who
introduced the term ‘entrepreneur’ referring to the risk taking function of establishing a new venture.

19th CENTURY: The entrepreneurs were not distinguished from managers. They were viewed mostly from the economic perspective. He takes risk, contributes his own initiative and skills. He plans, organizes and leads his enterprise.

20th CENTURY: During the early 20th century Dewing equated the entrepreneur with business promoter and viewed the promoter as one who transformed ideas into a profitable business. It was Joseph Schumpeter who described an entrepreneur as an innovator. According to him an entrepreneur is an innovator who develops untried technology.

21th CENTURY: Research Scientists live De Bone pointed out that it is not always important that an individual comes up with an entirely new idea to be called an entrepreneur, but if he is adding incremental value to the current product or service, he can rightly be called an entrepreneur (SREEVIDYA, 2011).

Frenchman, Jean Baptiste Say, an industrialist expanded Cantillon’s ideas and conceptualised the entrepreneur as an organiser of a business firm. According to him, ‘an entrepreneur is the economic agent who bring together all means of production, the labour of one, the land of another and the capital of yet another, thus produces a product. By selling in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit.

The New Encyclopaedia Britannica considers an entrepreneur as an individual who bears the risk of operating a business in the face of uncertainty about the future conditions.
Joseph A. Schumpeter, for the first time put the human agent at the centre of the process of economic development and assigned a critical role to entrepreneurship in his theory of economic development. He is the person who has added new dimension to the entrepreneur. According to him the entrepreneur is a person who introduces innovative changes and he is an integral part of economic growth. He defined the entrepreneur in an advanced economy as “an individual who introduces something new in the economy – a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like”.

Knight described entrepreneurs to be a specialised group or persons, who bear uncertainty; and uncertainty is defined as the risk which cannot be calculated. The entrepreneur, according to Knight, is the economic functionary who undertakes such responsibility which, by its very nature, cannot be insured or salaried. He also guarantees specified sums to others in return for assignments made to them.

Peter F. Drucker, in his book “Innovative Entrepreneurs” defines entrepreneurs as innovators. Entrepreneurs search for change and exploit opportunities. According to him “Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation”. He further said that an
entrepreneur is one who always searches for changes, responds to it, and exploits it as an opportunity.

3.2: Concepts of Entrepreneurship:

Entrepreneurship is a discipline with a knowledge base theory. It is an outcome of complex socio-economic, psychological, technological, legal and other factors. It is a dynamic and risky process. It involves a fusion of capital, technology and human talent. Entrepreneurship is equally applicable to big and small businesses, to economic and non-economic activities.

Entrepreneurship is a process. It is not a combination of some stray incidents. It is the purposeful and organized search for change, conducted after systematic analysis of opportunities in the environment. Entrepreneurship is a philosophy- it is the way one thinks, one acts and therefore it can exist in any situation be it business or government or in the field of education, science and technology or poverty alleviation or any others.

Entrepreneurship can be described as a process of action an entrepreneur undertakes to establish his enterprise. Entrepreneurship is a creative activity. It is the ability to create and build something from practically nothing. It is a knack of sensing opportunity where others see chaos, contradiction and confusion. Entrepreneurship is the attitude of mind to seek opportunities, take calculated risks and derive benefits by setting up a venture. It comprises of numerous activities involved in conception, creation and running an enterprise.

In the words of Stevenson and others, “Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity.”
According to A.H. Cole “Entrepreneurship is the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods or services”.

According to Peter P. Drucker “Entrepreneurship is neither a science nor an art. It is a practice. It is knowledge base. Knowledge in entrepreneurship is a means to an end, that is, by the practice”.

According to Higgins, “Entrepreneurship is meant the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, raising capital hiring labour, arranging the supply of raw materials, finding site, introducing a new technique and commodities, discovering new sources of raw materials and selecting top managers of day-to-day operations of the enterprise”. In this definition entrepreneurship is described as the function of handling economic activity, undertaking risk, creating something new and organising and coordinating resources.

Jaffrey A. Timmons defined entrepreneurship as “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 organisation rather than by just watching, analyzing or describing one. It requires the ability to take calculated risk and to reduce the chance of failure. It is the ability to build a founding team to complement the entrepreneur’s skills and talents. It is the knack for sensing an opportunity where others see chaos, contradiction and confusion. It is the know-how to find, Marshall, and control resources and to make sure the venture does not run out of money when it is needed most”.
According to Peter F. Drucker, “Entrepreneurship is neither a science nor an art. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed, what contributes knowledge in practice is largely defined by the ends, that is, by the practice”. In Drucker’s view, entrepreneurship is considered less risky, if the entrepreneur is methodical and does not violate elementary and well known rules.

John Kao: Entrepreneurship is an attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicative and managerial skills to mobilize human, financial and material resources.

All activities undertaken by an entrepreneur to bring a business unit into existence are collectively known as entrepreneurship. It is the process of changing ideas into commercial opportunities and creating values. In short, entrepreneurship is the process of creating a business enterprise.
3.3: Entrepreneurship Development Programmes

Meaning:

As the term itself denotes, EDP is a programme meant to develop entrepreneurial abilities among the people. In other words, it refers to inculcation, development, and polishing of entrepreneurial skills into a person needed to establish and successfully run his / her enterprise. Thus, the concept of entrepreneurship development programme involves equipping a person with the required skills and knowledge needed for starting and running the enterprise.

Small Industries Extension and Training Institute (SIET 1974), now National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as an attempt to develop a person as entrepreneur through structural training.

The main purpose of entrepreneurship development programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society.

According to N. P. Singh (1985), “Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour for this purpose.” Now, we can easily define EDP
as a planned effort to identify, inculcate, develop, and polish the capabilities and skills as the prerequisites of a person to become and behave as an entrepreneur.

**Need for EDPs:**

Entrepreneurs possess certain competencies or traits. These competencies or traits are the underlying characteristics of the entrepreneurs which result in superior performance and which distinguish successful entrepreneurs from the unsuccessful ones.

Then, the important question arises is: where do these traits come from? Or, whether these traits are in born in the entrepreneurs or can be induced and developed? In other words, whether the entrepreneurs are born or made? Behavioural scientists have tried to seek answers to these questions.

A well-known behavioural scientist David C. McClelland (1961) at Harvard University made an interesting investigation-cum-experiment into why certain societies displayed great creative powers at particular periods of their history? What was the cause of these creative bursts of energy? He found that ‘the need for achievement (n’ ach factor)’ was the answer to this question. It was the need for achievement that motivates people to work hard. According to him, money-making was incidental. It was only a measure of achievement, not its motivation.

In order to answer the next question whether this need for achievement could be induced, he conducted a five-year experimental study in Kakinada, i.e. one of the prosperous districts of Andhra Pradesh in India in collaboration with Small Industries Extension and Training Institute (SIET), Hyderabad.
This experiment is popularly known as ‘Kakinada Experiment’. Under this experiment, young persons were selected and put through a three-month training programme and motivated to see fresh goals.

One of the significant conclusions of the experiment was that the traditional beliefs did not seem to inhibit an entrepreneur and that the suitable training can provide the necessary motivation to the entrepreneurs (McClelland & Winter 1969). The achievement motivation had a positive impact on the performance of entrepreneurs.

In fact, the ‘Kakinada Experiment’ could be treated as a precursor to the present day EDP inputs on behavioural aspects. In a sense, ‘Kakinada Experiment’ is considered as the seed for the Entrepreneurship Development Programmes (EDPs) in India.

The fact remains that it was the ‘Kakinada Experiment’ that made people appreciate the need for and importance of the entrepreneurial training, now popularly known as ‘EDPs’, to induce motivation and competence among the young prospective entrepreneurs.

Based on this, it was the Gujarat Industrial Investment Corporation (GIIC) which, for the first time, started a three-month training programmes on entrepreneurship development. Impressed by the results of GIIC’s this training programme, the Government of India embarked, in 1971, on a massive programme on entrepreneurship development. Since then, there is no looking back in this front. By now, there are some 686 all-India and State level institutions engaged in conducting EDPs in hundreds imparting training to the candidates in thousands.

Till now, 12 State Governments have established state-level Centre for Entrepreneurship Development (CED) or Institute of Entrepreneurship Development (IED) to develop entrepreneurship by conducting EDPs. Today, the EDP in India has proliferated to such a
magnitude that it has emerged as a national movement. It is worth mentioning that India operates the oldest and largest programmes for entrepreneurship development in any developing country.

The impact of India’s EDP movement is borne by the fact that the Indian model of entrepreneurship development is being adopted by some of the developing countries of Asia and Africa. Programmes similar to India’s EDPs are conducted in other countries also, for example, ‘Junior Achievement Programme’ based on the principle of ‘catch them young’ in USA and ‘Young Enterprises’ in the U. K.

**Objectives of EDP:**

**The major objectives of the Entrepreneurship Development Programmes (EDPs) are to:**

a) Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.

b) Analyze environmental set up relating to small industry and small business.

c) Select the product.

d) Formulate proposal for the product.

e) Understand the process and procedure involved in setting up a small enterprise.

f) Know the sources of help and support available for starting a small scale industry.

g) Acquire the necessary managerial skills required to run a small-scale industry.

h) Know the pros and cons in becoming an entrepreneur.

i) Appreciate the needed entrepreneurial discipline.

j) Besides, some of the other important objectives of the EDPs are to:

k) Let the entrepreneur himself / herself set or reset objectives for his / her enterprise and strive for their realization.
l) Prepare him / her to accept the uncertainty in running a business.
m) Enable him / her to take decisions.

n) Enable to communicate clearly and effectively.
o) Develop a broad vision about the business.
p) Make him subscribe to the industrial democracy.

q) Develop passion for integrity and honesty.
r) Make him learn compliance with law (Sinha, 2014).

**Importance of EDP’s**

Entrepreneurs are considered as agents of economic growth. They create wealth, generate employment, provide new goods and services and raise the standard of living. EDP is an effective way to develop entrepreneurs which can help in accelerating the pace of socio-economic development, balanced regional growth, and exploitation of locally available resources. It can also create gainful self-employment. An EDP equips entrepreneurs and makes them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneur to face uncertainties and take profitable risks. It prepares them to deserve and make good use of various forms of assistance.

EDP can be beneficial in the following ways:

- **Economic Growth:** EDP is a tool of industrialisation and path to economic growth through entrepreneurship.
- **Balanced Regional Development:** EDP helps in dispersal of economic activities in different regions by providing training and other support to local people.

- **Eliminates Poverty and Unemployment:** EDPs provide opportunities for self-employment and entrepreneurial careers.

- **Optimum use of Local Resources:** The optimum use of natural, financial and human resources can be made in a country by training and educating the entrepreneurs.

- **Successful Launching of New Unit:** EDP develops motivation, competence and skills necessary for successful launching, management and growth of the enterprise.

- **Empowers New Generation Entrepreneurs:** EDP, by inculcating entrepreneurial capabilities and skill in the trainees, create new generation entrepreneur who hitherto was not an entrepreneur.

### Phase of Entrepreneurship Development Programme

An entrepreneurial development programme consists of three broad phases:

**(A) Initial or Pre-Training Phase:**

This phase includes the activities and the preparations required to launch the training programme. The main activities are:

(i) Creation of Infrastructure for training

(ii) Preparation of training syllabus

(iii) Tie up of guest faculty

(iv) Arrangement for inauguration of the programme
Designing tools and techniques for selecting the trainees

Formation of selection committee

Publicity campaign for the programme

Development of application form

Pre-potential survey of environmental opportunities.

Thus, pre-training stage involves the identification and selection of potential entrepreneurs and providing initial motivation to them.

(B) Training or Development Phase:

During this phase the training programme is implemented to develop motivation and skills among the participants. The objective of this phase is to bring desirable changes in the behaviours of the trainees. The trainers have to judge how much, and how far the trainees have moved in their entrepreneurial pursuits. A trainer should see the following changes in the behaviour of participants:

(i) Is he attitudinally tuned very strongly towards his proposed project ideas?

(ii) Is he motivated to plunge for entrepreneurial venture and risk that is expected of an entrepreneur?

(iii) Is there any change in his entrepreneurial outlook, role and skill?

(iv) How should he behave like an entrepreneur?

(v) What kind of entrepreneurial behaviours does the trainee lack?

(vi) Does he posses the knowledge of technology, resources and other related entrepreneurial knowledge?
(vii) Is he skilful in choosing the right project, mobilizing the right resources at the right time?

**Content of Training Programme:** The main training inputs are as follows:

(i) **Technical Knowledge:** Once the entrepreneur selects a particular enterprise the technical aspects of the trade is essential. He needs to also know the economic aspects of the technology including costs and benefits.

(ii) **Achievement Motivation Training:** In order to develop human resources, development of achievement motive is essential. The purpose of AMT is to develop the need to achieve, risk taking, initiative and other such behavioural traits. A motivational development programme creates self awareness and self confidence among the participants and enables them to think positively and realistically.

(iii) **Market Survey:** The participants should be given opportunity to actually conduct market surveys for their chosen project.

(iv) **Managerial Skill:** Once a participant is able to start the enterprise he requires managerial skills. Managerial skills are particularly essential for a small scale enterprise who cannot afford to employ specialists in different areas of management. The aim should be to enable the participant to look at an enterprise in its totality and to develop overall managerial understanding.
(v) Project Preparation: A lot of time needs to be devoted to the actual preparation of project. Their active involvement in this task would provide them necessary understanding and also ensure their personal commitment.

(C) Post Training or Follow-Up Phase:
Entrepreneurship Development aims at making potential entrepreneur a real one and real entrepreneur into a successful one. It means that the object of Entrepreneurship Development is not only making entrepreneur, but making him successful entrepreneur. It is equally essential to uphold the development of entrepreneurship by making the existing entrepreneurs successful. From that point of view, post-training stage is equally important. Under the stage, the follow-up and nursing activities are undertaken. Searching prospective entrepreneurs and to train them and make them real entrepreneur is a continuous process of Entrepreneurship Development. Further the new entrepreneur with his new business must sustain himself with the business under adverse and uncertain situations also. Post-training activity decides the rate of success of the Entrepreneurship Development programmes.

Under this stage, following activities are conducted:

- Follow-up activities are done to transform trained prospective entrepreneurs into real entrepreneurs.
- Follow-up for launching a new business or undertaking by the participants of the training programme.
• Assisting the prospective entrepreneurs to prepare the project report and see that it is approved by the concerned authorities.

• Guiding the prospective entrepreneurs to prepare the necessary documents, comply with the legal and technical formalities for starting a business.

• Providing the assistance for registration of the undertaking with competent authority.

• Assisting to organise all necessary resources including machineries, raw materials, technical knowledge etc.

• Assisting for making available the required funds and finance.

• Providing managerial and technical advice for launching and managing the new business.

• Marking available the market for the proposed products and guiding in marketing problems.

• Expert counselling for expansion and growth of the existing business of a new entrepreneur.

• Providing guidance and assistance for rehabilitation of the sick unit launched by new entrepreneurs (Sinha, 2014).