CHAPTER II

HISTORICAL PERSPECTIVES OF ENTREPRENEURSHIP AND REVIEW OF LITERATURE
Entrepreneurship in India: A Historical perspective

In India entrepreneurship has a long history. It is imperative to study how the traditional and less organized activities gradually developed along with the well-organized and modern activities in the industrial sector. Since the process of economic growth in the western democracies began with industrial revolution, entrepreneurship came to be associated with industry. However, emergence of entrepreneurship in India can be traced back to a peculiar type of economic and social system, the unit of which was agricultural village. The compact system of self-sufficient Indian village community effectively protected artisans from the pressures of external competition.

In general, the industrial activities during 17th century were less organized and manufacturing entrepreneurship did not take place in India. In some areas, however, there was organized industrial activity evident in a few recognizable products. The chief industry was the textile handicrafts. Dacca, Lucknow, Ahmedabad, Nagpur, Madras and Madurai were the prominent and important centres of textile handicrafts. The woollen industry was flourishing up to the end of the 19th century in Kashmir, Amritsar and Ludhiana. Besides textiles, metal industry was in prominence at Banares, Nasik, Poona, Vishakhapatnam and Tanjore. The salient features of the entrepreneurship of this period can be traced as follows:
i. Indian entrepreneurship in this period was markedly affected by the occupational caste system. The entry into industrial activity was greatly influenced by the caste to which a person belonged.

ii. The required skills for manufacturing were inherited from the father. The father’s place of work was the training ground for the new comers.

iii. The entrepreneurial activity in most of the cases was confined to manufacturing only and the mercantile class used to be the caretaker of all other managerial problems such as supply of raw materials, sales and financing. Therefore, the craftsmen were relieved of the other managerial problems and in turn it helped them to concentrate on production only.

iv. There was no formal organization of the manufacturing units. Family members and relatives were working with the chief craftsmen not for money, or wages but for the sake of family relations.

v. Production used to be generally in response to orders and specifications and not in anticipation of demand. The merchant’s help in collecting orders was necessary.

The Indian industry that was basically in the cottage and small sector declined at the end of the 18\textsuperscript{th} century for various reasons. The beginning of the European commercial activities in India in the 17\textsuperscript{th} century did not shake its occupational class structure. But the European investments in Indian trade helped in changing the methods of trading in India. The export trade of textile in 17\textsuperscript{th} century was on an ascending trend. In this period grouping Indian merchants into joint stock
associations for managing the supply of textiles to the European companies was very significant.

Some scholars view emergence of industrial entrepreneurship in India as the latent or manifest consequence of East India Company's arrival in India. It gave a new stimulus to Indian business by injecting various changes in Indian economy and accelerating the export of raw materials and import of finished goods. The company particularly influenced the Parsis, who undertook various trades and operations of the East India Company between 17th and 18th centuries. They acted as brokers, suppliers of the commodities and craftsmen in ship building industry. The first shipbuilding establishment of the company was at Surat, where from 1673 onwards Parsis built vessels for the company. The most important of them was Shipwright Lowjee-Nowshirvan who migrated to Bombay around 1735. He was a member of Wadia family from which came many leading ship builders of Bombay. It cannot however be said that the East India Company did anything deliberately for the growth of entrepreneurship. It was just chance that the people came in contact with it and entered manufacturing; the company only provided the opportunities by creating a market for the same.

In the wake of Industrial revolution in Britain, agency houses started exploiting Indian natural resources and promoted indigo plantation, leather manufacturing and steel making. The managing agents-the businessmen operating in the Agency Houses were the real entrepreneurs in India. They introduced new methods of production, new sources of raw material, new products and market.
Industrial Entrepreneurship

The modern factory system finds its place in India from 1850 onwards. The 1847 Ranchodlal Chotalal, a Nagar Brahmin envisaged the textile manufacturing on modern factory lines. He was the first Indian to think on these lines and directed his efforts to materialize his venture but failed in his first attempt. Against all odds he succeeded in his efforts and opened a mill in 1861 at Ahmedabad. Before this, Cosgee Danar was successful in establishing a cotton textile-manufacturing unit at Bombay in 1854. Parsis gave the lead not only in textile but also in iron and steel. J.N. Tata gave lead in this area in the last quarter of the 19th century.

Besides Parsis, there were also others deserving mention here in the development of entrepreneurship in India. Ranchhodlal Chhotalal’s establishing the second largest textile mill in the country; N.M. Tripathi’s setting up a publishing firm; Rajhinder Nath Mookerjee’s establishing an iron work and Laxman Rao Kirloskar’s starting agricultural machine manufacturing are notable examples.

The second wave of entrepreneurial growth began during and after the World War I. During these decades, cement and sugar industries grew fast. The relative importance of Parsis declined. Gujarat and Marwari Vaisyas emerged. With the decline of the Parsis and emergence of the Vysyas belonging to Gujarat and Marwari a change took place. While Gujaratis concentrated in manufacturing, the Marwaris, Vysyas spread it throughout the country. However a group of self-made entrepreneurs began to emerge who by ploughing back their profits from their small workshops, built up large industrial establishments. By 1939, India was self-sufficient in areas like cotton, textiles, sugar, cement and paper, which got a further
impetus during the World War II. During the war, the entrepreneur got many incentives for setting up industries. An analysis of the situation during this period indicates that much of the foreign enterprise was located in the eastern part of India, which was involved essentially in Jute textiles. Out of 96 mills existing in 1915, British business houses did admirable pioneering work in engineering in collieries and in plantations. In western India, entrepreneurship was essentially local in character and was centered on cotton textiles. In south again based on supplying the needs of handloom industry, a cotton textile yarn industry had come up partly under local entrepreneurship. In the absence of large opportunities in India, Chettiars, Sindhis and Gujaratis migrated to foreign lands – Burma, South Africa, East Africa, etc., in search of business. A review of Indian entrepreneurship before 1947 would not be complete without a mention of “Managing Agency System”. The origin of managing agency system can be traced back to 1836 when Carr, Tagore and Co., promoted and assumed the management of Calcutta Steam Trading Association. The credit for the initiation of this system goes to an Indian, Dwarkanath Tagore who encouraged others to form joint-stock companies and invented a unique method of management i.e., management in the hands of a firm rather than an individual as managing director of joint stock enterprise.

The situation changed dramatically in 1947. The Government of India on realizing the magnitude of the adverse consequences of unbalanced growth of industries, tried to devise a scheme for the growth of a balanced and mixed economy. Government took three important measures.
i. To encourage a proper distribution of economic power between public and private sectors;

ii. To increase the tempo of industrialization by spreading entrepreneurship from the existing industrial centres to other cities, towns and villages; and

iii. To spread entrepreneurship from a few dominant entrepreneurs to a large number of potential people of varied social strata.

To accelerate the industrial growth the government came forward with various incentives. The first industrial policy statement of 1948 provided major guidelines for industrial and entrepreneurial development. Government recognized the need to provide institutional finance to private enterprises. This was clearly manifested in the formation of the Industrial Finance Corporation of India (IFCI) in 1948 and other financial institutions in the subsequent years. In the 1956 Industrial Policy Resolutions (IPRs), the government accepted the overall responsibility for industrial development. The resolution pronounced mixed economy with a division of the sphere of activities with complete coordination and mutual help as its goal.

Under Five Year Plans, particularly in the Third Five Year Plan, the government started providing capital, technical know-how, markets and land at industrially potential places to the capable and interested people of varied social strata to occupy the position of small scale entrepreneurs. Several institutions like Directorate of industries, financial corporations, infrastructure corporations, Small Industry Service Institutes, Small Scale Industries Corporation, District Industries Centres, etc., were established by the government to facilitate the growth of new Entrepreneurs.
On examining the entrepreneurial history of the hundred years before independence, we discern three main entrepreneurial streams: i. the British; ii. The Parsis from Bombay; and iii. The Banias of Hindu and Jain castes from Gujarat and Rajasthan and the Chettiars belonging to the Vaishya order from Tamil Nadu. There were also instances of members of other communities participating in industrial activity. But it is true that apart from the Parsis, the Bania caste whether from Gujarat or Rajasthan or Tamil Nadu, has dominated the industrial scene and its influence over the period became strong.

The kind of entrepreneurial development India had in the initial phases of industrialization was quite in conformity with the experience in other countries. Despite nearly a century of industrialization, on the eve of independence, the industrial structure was a lop-sided one and lacked balanced integrated development; that the trading and financing backgrounds remained almost in exclusive source of entrepreneurship; that the entrepreneurs mainly came from certain small geographic areas of this vast country; and that economic power was concentrated in a few families. India, therefore, lacked an entrepreneurial upsurge.

The post-independent era witnessed remarkable change in the entrepreneurial activities in the country. The expanding level of education and exposure to modern organizations motivated people from backgrounds other than financing and trading also to enter industrial sector. Thus, a desirable trend despite the continuing importance of the traditional industrial communities evolved. In recent times, since the onset of the ‘new’ globalization and the advent of information revolution the entrepreneurial ethos has undergone a remarkable transition. The entry of MNCs
notwithstanding, Indian entrepreneurship of a wide class structure has emerged strong, especially in the sunrise sector of the economy - IT-led and ITES sector. (Kaliyamurthy and Thangamuthu, 2002).

REVIEW OF LITERATURE

I General studies on Entrepreneurship

McCrory (1956) made case studies of 17 small scale firms in “Chopur” (14 firms) and Moradabad (3 firms) in U.P. with a view to discovering whether there are typical patterns of growth in the small machine industries and to isolate, by comparing the case histories of individual enterprises, the factories that seem most commonly associated with growth, decline or stagnation. He focused his attention on the craftsman-entrepreneur whom he regards as a needed source of good industrial entrepreneurs. He analysed the reasons for the high mortality rate and lack of growth of their firms and made policy recommendations for providing them an opportunity to grow, especially through provision of capital.

Baldwin (1959) attempted to gain understanding of the problems facing medium and large-scale manufacturing industries in India. He selected 37 companies for the purpose of case studies and included representative of firms the principal type of ownership (public and private) and of major industries in South India, three-quarters of which are located in erstwhile Mysore state. These case studies ranged from the comprehensive and lengthy treatment of entire enterprises. Three broad problems confronting each firm viz. the sources of finance, the managerial structure and the handling of certain universal labour problems were his major attention. Most of the negative and uncomplimentary second-hand stereotyped images about Indian
entrepreneurs and managers’ business behaviour given by him were found to be misleading and wrong.

**Berna (1960)** conducted a study of 52 medium-scale manufacturing firms engaged in various kinds of light engineering production in and around Madras City and Coimbatore. He investigated the background of a group of entrepreneurs, the way in which they made the transition to industry and the problems they faced in establishing and building up their enterprises. He also attempted some evaluation of their performance as industrial entrepreneurs on the basis of the growth of firms and technology and entrepreneurs’ mobility in adapting to changing circumstances. Surprisingly, he finds that these firms have mostly grown from small beginnings and his entrepreneurs have come from a wide range of social and economic backgrounds. Interestingly, the largest single group of entrepreneurs (exceeding 23 per cent) is composed of graduate engineers, most of them young, and nearly half of them possessing foreign engineering degrees. In the face of formidable obstacles, their enterprises have grown, but they show little awareness of the need for closer contact with workers or of the need for improving working conditions. The entrepreneurial mobility displayed by diversifying production and shifting into new lines of activity, is much less impressive. He also makes recommendations for policies.

**Shoji (1966)** concerned himself with the formation of business combines by members of the Nattukottai Chettiar community. He elucidated the peculiarities seen in the process of the formation of business combines and argued that fundamentally the rationale of the characteristics of the Indian industrial structure - of the extremely early and rapid formation of the business combines - cannot be grasped in the
dimension of the individuals. Through an analysis of the business combination movement among the enterprises formed by members of the Nattukottai Chettiar community, he found a tendency for the familiar bonds to be strengthened and consequently, as an objective result, for the group to be strengthened. But it is not that the traditional familial bonds caused the formation of business combines in India but some other factors caused both the formation of the business combines and strong survival of the familial bonds. He suggested that enterprises or groups of enterprises which adjust themselves in response to this pressure would go on expanding at a more rapid rate than other enterprises. On the other hand enterprises which prove incapable of responding to it would relatively be forced into a decline. He feels a thorough study of the total history of the formation of the Indian business combines is required to answer this question.

Gaikwad and Tripathy (1970) conducted a study of Tanuku region of West Godavari district in Andhra Pradesh. Apart from the Mullapudi family of Harischandra Prasad and their growing large-scale concern being the main focus of the study, they selected ten other entrepreneurs who had started industries after 1947 and a purposive sample of 15 entrepreneurs in trade. After examining the enterprise of the Mullapudi family, they identify 11 elements essential in entrepreneurs for achieving high level of growth. None of the entrepreneurs possess all the elements but this is not indicative of dearth of ambitious persons with high initiative and motivation. The lacunae that they notice are: lack of expert technical advice and guidance, exposure to modern technology and methods and timely financial help. They find that among these other entrepreneurs, none has any technical qualification
and definite idea about the governmental policies or a visit abroad and most of them
did not have strong economic base or contacts at a higher political and administrative
level. These entrepreneurs have no doubt expanded their industries manifold but none
have diversified the product or started new industries or come anywhere near
Harischandra Prasad’s industry. The tradesmen feel that the industrialists enjoy a
better status and some of them would like their sons to go into industry.

Ashish Nandy (1973) has analysed on an exploratory basis, some of the
psychological and social correlates of entrepreneurship in an urban community of
Howrah and compares two subcultures—actually two caste groups within the
community—on the magnitude of these correlations. The respondents are 36 small-
scale entrepreneurs and 25 non-entrepreneurs from amongst the Mahisyas and 31
small-scale entrepreneurs and 23 non-entrepreneurs from amongst the upper castes
like Brahmins, Baidyas and Kayasthas. Operationally, the entrepreneurs are defined
as men who had started factories and had survived in business for five years. Non-
entrepreneurs are men, who were not in business and had not tried to start a business
in the previous five years. His study shows that the abilities and characteristics,
which are prerequisites of entrepreneurship in one subculture, can be irrelevant to or
dysfunctional for entrepreneurship in another. On the other hand, some variables can
be equally important or unimportant in more than one subculture.

Krishan Lal Sharma (1975) has examined entrepreneurial performance in
UP through role frame analysis. His sample includes 100 small-scale units of Kanpur,
Agra, Firozabad, Varanasi and Meerut. The role, the behaviour and value pattern of
the entrepreneurs in a manufacturing unit as prescribed by the society or significant
individuals or groups of individuals – is treated as the criteria for evaluation of entrepreneurial performance. He considers those role expectations, which are supposed by the role partners to lead the focal persons to the achievement of the core goals. The entrepreneurs, the government officials concerned with entrepreneurial activities, the trade union leaders and the secretaries of employers’ associations have been considered the prescribers of the entrepreneurial roles, also termed as the members of entrepreneurial role set. Evaluation of entrepreneurial performance in terms of selected roles or evaluative standards have been done at three levels i.e., value orientation, behavioural commitment and achievement of entrepreneurs. The study has explicited four stages of entrepreneurial growth, viz., entry into manufacturing, efforts to establish markets, establishment of business and sustained growth of unit after the proper establishment of business. Sharma analysed the effect of the socio-economic background of entrepreneurs on their performance in the theoretical frames provided by Weber, McClelland and other scholars.

Mars, Z (1975) surveys 70 heterogeneous enterprises drawn from two city estates and two medium town estates and from two non-estate areas, one being the central area of Ernakulam city, and the other a small town. The survey shows the distributional effects of the small industries programme to have been somewhat narrow and concentrated. The medium town estates are recruiting entrepreneurs quite heavily from among the landed families and plantation owners, whereas the urban estates recruit much more heavily from among the cosmopolitan group. There is some mobility on the part of low-caste Hindus from non-professional and non-landed parental background to ownership of workshop type units through educational
enrichment, as engineering courses have expanded rapidly. But the prominence of plantation interests among successful entrepreneurs represents a reinforcing of the economic power of an agrarian capitalist class.

Ramakrishnan P (1975) surveys 94 small-scale units employing five or more persons in 11 important industry groups, mostly covering non-traditional items of manufacture, in urban Delhi. The study is confined to those units that came into operation in 1965 or after and those who operate them have been designated as new entrepreneurs. Apart from statistical details regarding the units, a good deal of information concerning entrepreneurs themselves, their social, educational and occupational backgrounds, their motivations, expectations and reactions to governmental schemes of assistance has been presented. Ramakrishnan has also collected data relating to the entrepreneurs who failed to commence production and those who dropped out after production began.

J H van der Veen (1976) focuses on small-scale industrial entrepreneurs and describes two major types; those adopting a commercial and those adopting a production-orientation. He discusses the economic factors which favour the emergence of the less appropriate, commercially oriented, industrial entrepreneurs and also delineates some of the ways in which the ‘quantitative restrictions’ method of implementing an import substitution strategy reinforces these economic factors. This strategy ultimately degenerates into a system of unintended incentives encouraging a commercial orientation on the part of small-scale industrial entrepreneurs. This is more true of politically well connected ones. In order to foster production orientation, the goal should be to increase the size of the expected stream.
of small but steady profits relative to the size of the expected stream of infrequent but large profits. For this purpose, the government should review, carefully and continuously, the implications for entrepreneurial behaviour not only of its strategic decisions but also of the means it chooses to implement these decisions.

Nafziger (1977) conducts a study of 54 entrepreneurs of small scale manufacturing enterprises in the southeastern port city of Visakhapatnam, Andhra Pradesh. He compares data on the distribution of entrepreneurs by caste and class (parental, economic and occupational status) with information of the population at large and relates to the educational attainment, occupational background, entrepreneurial and managerial experience, initial capital, and access to governmental assistance and business success of the entrepreneurs. He uses the value addition of the firm and the income class of the entrepreneurs as the major indicators for business success. He finds that a highly disproportional number of the entrepreneurs (especially successful ones) are from twice-born castes and from families with a high economic status. His data contradict the Horatio Alger myth of Western business and economic thought and suggests that the socio-economic class status of businessmen is substantially higher than that of the general population not only in India but probably also in a large part of the rest of the non-socialist world.

Oommen (1981) has examined the emerging pattern of entrepreneurship in the small-scale sector of Kerala by studying the origin and growth of firms in the light of engineering industry and the impact of government programmes like industrial estates and rural industries project on entrepreneurship. For this purpose, he chooses forty-five entrepreneurs and studies their social, economic and technical backgrounds.
To examine the performance of each entrepreneurial class, he compares employment, investment and annual turnover over by the different categories of entrepreneurs. Some of the interesting findings are that 10 out of 45 units are run by entrepreneurs from outside the state. The single largest group of entrepreneurs consists of engineers and technicians as in the case of Berna’s study. Most of the merchants who have taken to industry are Muslims. Relating the number of registered small-scale units in Kerala to its population, he finds that the availability of entrepreneur-managers (0.17) falls considerably short of the normal requirements of industrialization (5 entrepreneur-managers per 1000 total population).

Gangadhar Rao (1986) stressed that the communal background was a predominant factor in entrepreneurship development. In this study, he found that a significant number of entrepreneurs hailed from the socially forward communities such as Vaisyas, Kanmas and Brahmins and only a few numbers from the backward communities.

Narasimha Murthy (1989) has stated that the majority of the entrepreneurs belonged to the Hindu religion. Muslim and Jain religion entrepreneurs’ involvement in entrepreneurial activity seemed to be very low at Anakapalle Guidavada in Andhra Pradesh state. Christians have chosen teaching and service jobs and have not undertaken entrepreneurial activity in the area.

Thangamuthu and Manimekalai (1989) have concluded that the majority of the industrial estate and outside industrial estate entrepreneurs belong to the Hindu religion, but Muslim and Christians covered a meagre percentage in Tiruchirappalli district of Tamil Nadu. The main reason for the domination of Hindu entrepreneur in
IE and OIE (Industrial Estate and Outside Industrial Estate) is due to the fact that the majority of the sample may be attributed to a Hindu concentration in the region.

Nath (2000) has undertaken a brief survey of Indian entrepreneurship in terms of regional, caste and religious differentiation and points to the need for further research into factors promoting entrepreneurial qualities among communities. He states that the states in which entrepreneurs are concentrated have noticeably higher levels of economic and social development than those in which there is a relative absence of entrepreneurs. Most of the industrial entrepreneurs have a tradition of trading within India and with foreign countries, both western and eastern neighbourhoods of India. Others have a tradition also of migration. Some groups such as the Maharastrians and certain groups in Karnataka have become industrial entrepreneurs where opportunities were offered to them, with growth of industries in their home state. Some of the Tamil Brahmins have participated increasingly in manufacturing and service industries after being debarred from their traditional occupation of government service in their home state of Tamil Nadu. To him, entrepreneurship will appear among groups and regions in which it is virtually absent at present. Its appearance is essential for rapid economic development and social change in India.

Takashi Shinoda (2000) compiled data relating to mode and process of entrepreneurial development among different social groups and derived interesting results. As for the type of organization, 52 per cent took the form of sole proprietorship and 44 per cent partnerships; 3.5 per cent limited companies and 0.2 per cent co-operatives. The data on capital investment per unit shows that fixed
capital investment in rural areas appears slightly higher than that of units in urban and metropolitan areas. The cross-sectional analysis on manufacturers reveals that some social groups are quite concentrated in particular type of industry. The distribution pattern of industry seems to be determined by the socio-economic mobility of each social group, embodied in the levels of education, enterprise, network systems, capital accumulation, etc. Among the more highly mobile social groups, the distribution pattern of industry has been family diversification.

**UNIDO (2003)** the world body involved in the Cluster development in number of countries, conducted a diagnostic study on the nature of the cluster as evolved by the fabrication units in Trichy and came to the conclusion that engineering cluster can be formed. The report elaborates on a number of issues and the SWOT analysis has been applied. This analysis is a pointer for development of the cluster.

**Sivaloganathan K and others (2004)** have analysed the various problems faced by the entrepreneurs right from the time of searching for concept till delivering the goods on services to the ultimate consumer as desired by him. He broadly categorized three problems, namely, personal, managerial and external problems.

**Muralikrishna S (2006)** in his article on “Entrepreneurship in small-scale engineering units” has come out with a view that the emergence and development of entrepreneurship depends on a number of socio-economic factors for the development of entrepreneurship. He has examined 80 entrepreneurs in Vishakapatnam area. Age has been found to be one of the important factors associated with the success of entrepreneurs. Majority of the entrepreneurs started their ventures relatively at an early age. It has also been found that the level of technical education, apprenticeship
or previous job experience in the same line of activity helped the entrepreneurs to run their units smoothly and successfully. Most of the entrepreneurs were the members of different traders associations. Ambition of creating employment opportunities for others and giving shape to their ideas and skills were important in motivating more than 80 per cent of the entrepreneurs. It was found that most of the entrepreneurs did not avail themselves of subsidies, incentives or concessions provided by the central or state governments either because of lack of knowledge about those facilities or they could not go through the procedures and formalities of different government agencies. He has identified shortage of skilled labourers and shortage of working capital and inordinate delay in the supply of raw materials as major problems in the study area.

II Studies related to behavioural traits

Christopher, K J (1969) described the profile of a typical small entrepreneur as: young in age with formal education, having urban background and experience in industry. According to him, the entrepreneurs exhibited a high level of aspiration and risk taking with high scores on adoption propensity. But, he did not find significant association with factors like technical education, contact with influential people high scores in inter-personal trust and achievement.

Collins and Moore (1970) laid emphasis on independence and creativity as vital characteristics of entrepreneurs. However, on dimensions like expedience vs. conscientiousness, shy vs. venturesome, tough-minded vs. tender-minded, practical vs. imaginative, far-sighted vs. shrewd, conservative vs. experimenting, group dependent vs. self-sufficient and relaxed vs. tense, the differences between successful and unsuccessful entrepreneurs were found to be negligible.
Venkatarao (1975) revealed that psychologically the entrepreneurs reflected creative urge with enthusiasm to try new things. He found his sample of entrepreneurs to be self-reliant, intelligent and hardworking. While previous training, business experience and facilities for assistance were found to have marginal effect in making entrepreneurs successful or unsuccessful, personal contacts and interaction with officials played a more decisive role.

Venkatapathi (1983) attempted to identify the distinct biographical characteristics of the First Generation Entrepreneurs (FGEs) and Second Generation Entrepreneurs (SGEs) based on personal, social and variables relating to industry. A sample of 75 FGEs and 58 SGEs registered with DIC, Coimbatore were taken as samples. The results of the investigation confirmed that the following is the profile of FGEs. i. between 31-40 years of age; ii. having technical education; iii. a first-born; iv. perceives father as a loving person, v. attributes greater importance to friendship; vi. views training as most essential followed by education and vii. considers social involvement and awareness. SGEs are contrary to the qualities possessed by the FGEs.

Bhattacharya Hrishikes (1984) visualized the behavioural pattern of an entrepreneur. Entrepreneur must possess the drive of self-actualization and urge for achievement. The achievement forces to create something new i.e., a new product, a new order, another way of doing things and a newer standard for him and society. He is a visionary by himself and creates his own standards and also he is never satisfied with the present and always looks ahead for more challenging jobs. The above behavioural patterns of these high achievers were empirically tested.
He acts out of desire and not out of necessity. He is pro-active but not reactive in nature. He hardly adopts himself to a situation but he is influenced by the environment to suit his designs. Entrepreneur creates the demand for his product and if he is a writer and he will force the people to think in his own way.

He feels himself emotionally attracted to his activities. If this attachment continues long he will be able to achieve his goal. If the goal is not achieved, he will switch over to new ventures.

He consistently insists on quick feedback about the results based on his actions. He is conscious about time, committed to his work and efficient. He has a tendency to go straight to the top man in an organization to get his job done. He loves to deal in one-to-one basis and abhors bureaucratic levels. In an organization he will have tremendous following from below, mixed feelings in the line, strong feeling at the top level depending upon whether the structure is vertical or horizontal. He accepts responsibility for his actions. He is hopeful about future and sees opportunity in crisis. He acts and learns. He does not reject an idea before being thorough with it. He will try to explore truth towards the attainment of his goal.

John G. Burch (1986) gave a list of in-born traits of an entrepreneurs. They are the push to conquer problems and give birth to a successful venture, workaholics, willing to take charge of, and watch over a venture until it can stand alone, morally, legally, and mentally accountable for their ventures. Some entrepreneurs may be driven more by altruism than by self-interest, desire to achieve, work hard and take responsibility, but also want to be rewarded handsomely for their efforts; rewards can be in forms other than money, such as recognition and respect, live by the philosophy.
that this is the best of times, and that anything is possible, desire to achieve something outstanding they can be proud of, good at bringing together the components (including people) of a venture and want to make profit; but the profit serves primarily as a meter to gauge their success and achievement.

John Pearce (1989) has given certain characteristics associated with entrepreneurship. The list is exhaustive and multidimensional.

- Endless commitment and determination.
- Strong desire to achieve.
- Orientation toward opportunities and goals.
- Internal locus of control.
- Tolerance for ambiguity and stress.
- Skill in taking calculated risks.
- Little need for status and power.
- Ability to solve problems.
- High need for feedback.
- The ability to deal effectively with failures.
- Additional characteristics of entrepreneurs creating innovativeness.
- High intelligence and conceptual ability.
- Vision and the capacity to inspire.
- Good mental health and strong will.

Satya Raju (1998) observes that several attempts were made to promote entrepreneurship in India. The entrepreneurs possess different traits. All these traits are acquired through their experience, interaction with people and also inheritance. Though the government of India has introduced several measures, still it has to play a greater role in encouraging entrepreneurship in different activities by imparting
education at various levels of study on the skills and traits required for successful management. The support should be continuous at all levels. There is the need to establish a separate Ministry for entrepreneurship development at the central and state levels. As most of the enterprises are growing concerns, appropriate strategies are to be adopted for diversifying business activities. Depending upon environmental analysis, they have to adopt appropriate strategies. Entrepreneurial development is required in India by following the Panchsheel of development, which includes awakening; education; organization; empowerment; action and programme. The entrepreneurs should understand that they cannot do today’s job with yesterday’s method and be in tomorrow’s business.

III Literature related to diversification aspects

There are many empirical studies on diversification and vertical integration. The studies so far concerned with finding the extent of these activities in manufacturing and related business at the firm and industry levels, and their impact on performance variables like stability, profitability, growth, market-power and R&D, etc. Most of the studies have been conducted during the past twenty years beginning with Gort’s (1962) pioneering work on diversification and integration in American industry. This work was closely followed by Amey’s (1969) study for U.K. industries. Thereafter, interest in research on diversification and vertical integration with leaps and bounds and in the due course of time many important studies appeared on the scene among which the studies conducted by Berry (1971), Gorecki (1975) and Utton (1977). The studies on diversification largely revealed positive relationship with the extent of diversification and size of the firm, that is, larger firms were found
active in a great number of industries but not necessarily in terms of the proportion of activity undertaken outside the primary activity. The studies also shows diversification and growth of the firm somewhat linked though it is not yet fully established whether growth is an outcome of size of the firm or of diversification.

Intuitively, one may argue that diversification is a way of for further growth of the firm. About the relationship between profitability and diversification also there is no conclusive support from the empirical studies. There is however considerable support from such studies about the favourable impact of diversification on stability of earnings, i.e. a reduction in the risks and uncertainties which make profit rates of the firm to fluctuate widely. About market power and efficiency again the situation is not clear whether diversification affects them positively or not. Through more diversification one may see a firm facing more competition (i.e. enlarged sphere of activities means more competition) but the reverse may also be valid, i.e. it leads to concentration in the market. On the whole there is more scope for empirical work on diversification in order to test the various behavioural hypotheses and come at some definite conclusion.

The empirical work on vertical integration is very much scanty. There are some interesting theoretical propositions about the effect of vertical integration on market price, quantity and profit but none of them has been tested and verified empirically.

**Pathak (1972)** examined 12 units over a period of two years - seven during 1969-70 and five during 1970-71 with a view to evaluating entrepreneurship. All these units have been selected from industrial estates enjoying almost identical
overhead facilities and are engaged in different lines of manufacture. He studied expansion / diversification and delineates the requirements of entrepreneurial / managerial abilities at different stages. He threw considerable light on how an entrepreneur in the field of small-scale industry perceives an opportunity and starts an industrial unit. He finds factors like contacts, education and finance playing an important part. Inevitably, the problem at the inception stage receives relatively more attention than at the remaining two stages. He also indicates some policy implications of his conclusion.

Bhatia (1974) investigates into the history and present situation of fifty manufacturing firms located in Punjab state. The firms are small, having less than 50 workers. He studies the socio-economic background of entrepreneurs, their attitudes towards industry, the ways in which they have made the transition to industry and the problems they have faced in establishing and building up their enterprises. He finds that entrepreneurs belong to all sectors: services, trading, factory workers, students, manufacturers and farmers in this order. The percentage distribution of entrepreneurs ranges between 22-14 excepting for farmers 8%. The local community of Khatris is found to be predominant (46%) followed by Aggarwals (12%). Brahmins and Jats contribute 8% each. He does not find any relationship between the growth of the firms and the socio-economic background of the entrepreneurs. However, he notes that merchants established the firms, which continuously expanded, had gradual growth and were started with a relatively favourable capital base them. The entrepreneurs have shown the tendency to diversity instead of expanding after a particular point since they lack vital information about wider markets.
Richard Rumelt (1974) in a widely quoted research study reached the following conclusion. Companies, which branch out somewhat yet stick very close to their central skill, outperform all others.

Rao, D.S. (1981) made an exhaustive study of corporate diversification took place in the recent past taking into account various firms, namely, ITC, DCM, Escorts and so forth by showing their initial area and new areas. They are mostly unrelated fields while some are related fields.

Rumelt (1982) examined the return on capital in 187 businesses and found that the unrelated diversification, i.e. diversification in unrelated lines of business were the worst performers of all. The returns to three groups, namely, related diversifiers are dominant in their industries and unrelated diversifiers (UDs). The levels of diversification and performance show that the difference between return on capital and group return on capital adjusts the firm’s return for its industry group. The difference with UDs takes the difference between these estimates of performance for the dominant related and the non-dominated related diversifiers and compares it with the performance of the unrelated diversifiers. The conglomerates under-perform both in their own industry and in the related diversifiers by a significant amount.

Sharma (1985) has examined the strategic alternatives chosen by entrepreneurial types. The strategies include expansion, diversification, promotion of new unit, amalgamation of other companies and modernization. The cases of conglomerate diversification - moving into an unrelated line - are quite common among the companies of smaller old families and new families. He proceeded to examine how entrepreneurial characteristics affect performance. An attempt was
made to draw a relationship between economic, social, geographic and educational backgrounds of the entrepreneurs and financial performance of their companies.

Two recent studies Palepu (1985), Varadharajan & Ramanujam (1987) employed different methods of diversification measurement, but concluded that, consistent with Rumelt’s earlier assertion, related diversifiers outperformed unrelated diversifiers. Varadarajan and Ramanujam urged caution regarding the interpretation of their results, however, because their most extreme cases of diversification did not have an exact counterpart in Rumelt’s scheme and were not associated with low performance. Unfortunately, these methods did not provide substantial improvement over Rumelt’s scheme for researchers. Palepu’s approach based on Jacquemin and Berry’s (1979) entropy measure, demand detailed business level data that are often difficult, if not impossible, to obtain. Varadarajan and Ramanujam’s measures, based on SIC participation, are subject to the vagaries and numerous failings of SIC classification procedures (Montgomery, 1982, Rumelt, 1982).

In general, business economic performance has been treated in terms of historical accounting based measures. However, two recent studies (Dubofsky and Varadarajan, 1987; Michel and Shaked, 1984) included market based measures. Their results suggested that on market measures unrelated diversifiers demonstrated relatively better performance compared to related diversifiers and that the diversification-performance relationship was different for accounting measures more than for market based measures. One hundred and ten firms were included in the study. They were fortune 500 manufacturing firms, which met all criteria. These firms were classified into single, dominant, related and unrelated business.
A structural equation methodology was used to assess the relationships between the diversification categories and the performance dimensions. The results revealed that related diversification exhibited significant relationships with both dimensions of performance. Both the related and unrelated categories exhibited significant relations with the MB performance dimension, the only significant relationship for the unrelated category. The dominant business category did not exhibit a significant relationship with either performance dimension. He concluded that diversification and its implications for strategic management are important topics of research. In terms of theory building the field of strategic management is sufficiently well developed and accepted as a research domain to support a comprehensive unified theory of diversification. Economic theory can provide important insights and contributions to such theory development.

Barbara W Keats's (1990) study brought relationship between diversification and multiple performance dimensions which were reframed in the context of time-ordered causal model. The results suggest that both diversification and performance are multidimensional constructs and that identification of appropriate criteria for performance assessment depends on the strategy pursued. The results also raise some intriguing questions regarding the conceptual definitions of diversification and performance constructs.
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\(^{a}\) restricted range of diversification categories; \(^{b}\) single or multiple, undifferentiated performance measures; \(^{c}\) performance data concurrent with or diversification data. \(^{b}\) did not use Rumelt category scheme.

Balasubramaniyam, V N (1993) in his article ‘The entrepreneurship and the growth of the firm: the case of the British food and drink industries in the 1980s’ opined that the British food and drink companies have registered an impressive performance in terms of growth and productive efficiency in recent years. They appear to have successfully met the challenge posed by the overall demand ceiling for their products in domestic markets. They have achieved this through product diversification, product differentiation and increased productive efficiency.
Davis and Devinney (1996) in their study stressed the need for forward and backward integration of firms so as to take advantage of the economies of scale and scope.

Palich E. Lelie and others (1999) opined that while an extensive literature examines the diversification-performance relationship, little agreement exists concerning the nature of this relationship. The study synthesized findings from three decades of research to address major theoretical issues that remain open to debate. They derived three competing models from the literature and empirically assessed these using meta-analytic data drawn from 55 previously published studies. The results of the study indicate that moderate levels of diversification yield higher levels of performance than either limited or extensive diversification. Thus, we provide support for the curvilinear model; that is, performance increases as firms shift from single-business strategies to related diversification, but performance decreases as firms change from related diversification to unrelated diversification. The results also indicate major effects from variation in diversification and performance operationalizations.

Miguel (2003) has outlined that no matter how far media companies integrate vertically or horizontally, access is essential. Access to inputs, access to contents and access to infrastructure remain fundamental to ensure the freedom of choice.

Lichtenthaler, Eckhard (2005) has pointed out that companies with mature businesses struggle to deliver the growth rates demanded by analysts and shareholders and often opt for diversification. In the years of downsizing and refocusing on core competencies, many companies have lost the ability to generate new businesses. This
contribution discusses the process of the organization within a diversified firm. The article takes a corporate strategy perspective and analysis with inputs required from corporate strategy and states what the role of R & D and other groups within the firm should be in this process. Firstly, different diversification strategies are distinguished and related to the business life cycle and corporate strategies. Secondly, the article describes the process of the systematic identification and assessment of diversification opportunities within a diversified firm. It also describes how the diversification opportunities can be gradually filtered out through increasingly detailed assessments. Thirdly, it shows how the process can be focused by identifying adequate search fields. This systematic approach distinguishes between competence and market driven search strategies. It shows how these strategies should differ depending on how related the search is to existing markets and competencies. Fourthly, the article discusses the organization of the process. It describes the coordinating role of corporate planning and the particular roles of R & D, venture funds and other contributions in the process. Finally, a conclusion is drawn and directions for future research are given.

Maia Lordkipanidze, Han Brezet, Mikael Backman (2005) pointed out that tourism is one of the economic sectors in which a great degree of involvement is needed by the entrepreneurial sector: diversification of tourism products and services is needed to cope with increased demand for new types of tourism needs. These include opportunities for more sustainable tourism. The So “dersla” tt region of Sweden, which is used as a case study, is a newborn tourist destination with lots of natural and cultural characteristics. It is also one of the most agriculture intensive
areas in Sweden where a potential for rural entrepreneurship development can be identified. However, the entrepreneurial culture and climate were poor in the region. This is due to the social pressure that is characteristic of this rural community. This paper shows the results of a SWOT analysis of So “dersla” tt tourism entrepreneurship development, which gives an overview of their current entrepreneurial situation. The case of a family-based enterprise, “Healthy Pig Farm” is presented as an example of a successful, innovative entrepreneur in farm tourism. Moreover, based on the findings and analyses, several recommendations are proposed to overcome obstacles for sustainable entrepreneurship development in rural tourist areas. They concluded that the need for developing the entrepreneurial sector in rural tourism is related to the decline of agriculture in the region, outward migration of population and diversification of tourism activities due to tourism growth and increased demand for new, sustainable types of tourism.

**Sharma R A and Saxena, Anand (2005)** opined that an alternative of entrepreneurial continuum would be the diversification of activities into related or unrelated lines. A perusal of their performance in this factor shows that a) 48.3 per cent of the respondents had diversified their business within 5 years of their existence; b) 15.3 per cent in 6-10 years; c) 12.7 per cent in 11-15 years; and the remaining 21.4 per cent of them it took more than 15 years’ time to diversify their businesses.

Recourse to diversification especially in unrelated lines is akin to founding new business and therefore, a challenging task on the entrepreneurial continuum. Comparatively speaking, diversification has been a less preferred course for the entrepreneurs of the study.