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8.2 Theoretical Framework

Many theories about ‘entrepreneur’ and ‘entrepreneurship’ have been developed in the past; and each of these theories emphasizes one or the other particular aspect of entrepreneurship. The theories propounded by economists attempt to define: Who is an entrepreneur? What the role played an entrepreneur? The psychological theories describe the circumstances in which the quality of entrepreneurship takes roots in the mind of the people. An analysis of the entrepreneurial theories propounded by different experts provides an interesting study and will help understand the complex nature of entrepreneurship.

8.2.1 Knight’s Theory of Uncertainty (1957)¹

Knight considers that the main function of an entrepreneur is to act in anticipation of future events. He also recognizes that an entrepreneur earns profit because he undertakes risks. He classifies risk into two types, i.e. insurable risk and non-insurable risk. Knight argues that taking suitable insurance policy can insure some risks; while taking suitable safeguards one can protect others that may not produce any profit. The burden of facing those risks that are non-insurable falls on the entrepreneur and he earns his profit for bearing the non-insurable risk. While fire, accident, theft, etc., are some of the insurable risks; changes in demand or fashion, entry of competitors, depletion of raw material and change in political situation of the country are some of the non-insurable risks. Knight calls the non-insurable risk as uncertainty. According to him, uncertainty bearing is an essential element of entrepreneurship.

8.2.2 Schumpeter’s Theory of Innovation (1959)²

Schumpeter considered the entrepreneur as an innovator if he acts as a catalyst by his innovative ideas and introduces dynamism in the economy. He would then bring about development by interrupting and altering the stagnant circular flow of the economy. He considers that innovation can take the following forms:

- Introduction of a new product.
- Introduction of a new, improved technology for the production of an already existing product.
- Opening up of a new market into which a specific product has not been introduced so far.
- Discovery of new sources of supply of raw materials.
- Introduction of new form of organization.

Schumpeter also makes a distinction between an inventor and an innovator. While the inventor finds out new methods, techniques, materials, product, the innovator uses such inventions and discoveries to produce and offer new products to the economy. He calls an entrepreneur as an innovator.

8.2.3 McClelland's Theory of Achievement (1961)³

David McClelland concerned himself with economic growth and the factors that influence it. He wanted to find the 'internal factors', i.e. 'human values and motives that lead men to exploit opportunities and take advantage of favorable trade conditions'.

His theory on *achievement motivation* is regarded as the most important psychological theories of entrepreneurship. According to McClelland, individuals whose need for achievement is high will have the drive to excel and win. They will take personal responsibility for solving problems and will be high achievers. In view of the inner urge for personal achievement they will always try to be better than others. He stressed that the need for achievement is the directly relevant factor for explaining economic behavior. People having high need for achievement are more likely to succeed as entrepreneurs. McClelland explains that entrepreneur's interest in profit growth in terms of sales is an expression of their need for an achievement.

McClelland applies his n-achievement approach to study the relationship that exists between n-achievement scores and economic development. The n-

achievement approach suggests promotion of achievement-oriented ways of thinking to hasten the economic development in underdeveloped countries.

McClelland says that high level of n-factor will motivate an entrepreneur to take on greater responsibility and also to take bigger risks. They prefer to shoulder tasks that involve real challenges.

8.2.4 Everett-E-Hagan's (1962)⁴

Hagan put forth the view that psychological consequences of social changes are responsible for nurturing entrepreneurship qualities among those subjected to the social changes. According to him many social groups experience a radical loss of status at some point of time. When this happens, it responds to such a loss in the following 5 ways, which he categorized as the response patterns, viz : (i) "retreatism", (ii) "situationalism", (iii) "innovation", (iv) "reformism" and (v) "rebellion".

Out of these five response patterns, 'retreatism' aids in promoting entrepreneurship. In the initial stages, there is confusion in the ranks of those people who have lost their social status. Later on, the mothers of such groups start holding out high expectations to their progenies. The sons, who would be brought up with encouragement to aim high and achieve much, would acquire 'high need for achievement' urge. In spite of their high achievement urge, they would be prevented from seeking the usual form of achievement like political office, owning land, etc., due to the prevailing social and legal restrictions. Under such circumstances, business would happen to be the only outlet available to satisfy their craving to achieve high positions. This would lead to the emergence of highly motivated and achievement-oriented individuals who would reach greater heights in view of their entrepreneurial urge.

8.2.5 John H. Kunkel (1965)⁵

Kunkel's is a behavioral model, which starts with the premise that man's internal state is beyond the scope of presently available means of measurement and

objective analysis, and, knowledge of it is largely unnecessary for the explanation and prediction of behavior. The model is concerned, instead with the overtly expressed activities of individuals and their relations to the previously and presently surrounding social structures and physical condition.

"According to this behavioral model, the determinants of an individual's activities are to be found largely in the conditioning procedures both deliberate and accidental to which he has been subjected in the past and in the sets of reinforcing and discriminative stimuli which become part of his behavioral chains and are part of present social context."

- (a) His own attitude towards his occupation.
- (b) The role expectations held by sanctioning groups.
- (c) The operational requirements of the job.

The determinants for the first two factors are the society's values. Changes over time in such variables as population, technology and institutional drift will impinge on the role structure by creating new operational needs.

He tried to demonstrate the dynamics of his entrepreneurial model by selecting instances from the American economic history. He points to important changes that have taken place in last 150 years in the US economy: (i) the rapid adoption of industrial mechanization in the first half of the 19th century; (ii) the rise of professional management in the large corporations since the second half of the century; and (iii) the spread of assembly line production techniques. In each period of these major changes, the social factors in American culture, operating through the entrepreneur, appear to be well marked. The analysis may also be used to answer questions as to why corresponding changes did not occur in the economies of other countries.

8.2.6 Thomas Cochran (1971)⁶

The key elements in Thomas Cochran's theory are: cultural values, role expectations and social sections. In his theory on the process of economic development, entrepreneurs are

not seen as being deviant or super normal individuals, but rather as representing the society's model "personality". Prevailing child-rearing practices and schooling, common in a given culture, mold this model personality. The performance of a businessman, according to him, will generally be influenced by three factors:

- (a) His own attitude towards his occupation.
- (b) The role expectations held by sanctioning groups.
- (c) The operational requirements of the job.

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8.2.7 Frank Young (1971)⁷

Young deals with the deficiencies of Psychogenetic Mediation Model. There is general agreement in regard to the point that development is an organizational model. Stating that there is general agreement in regard to the point that development is an organizational phenomenon, he points to the inability of the psychogenic interpretations to explain the appearance of a new kind of organization. Without expectations, they are mute on the questions of how individual tendencies, special abilities, unusual motivation or perception of particular opportunities are transformed into the emergent property that is *social* organization.

Young claims that many entrepreneurial functions are implied in his concept of solidarity. Given a group that is bent on finding a suitable reformulation of its outlook on the world, it is likely that recombination of economic factors, higher standards of labour, the search for new resources, technology, markets and a more disciplined management of money and time will emerge as part of this effort. This solidarity of entrepreneurial group also avoids many economic problems that crop up in the case of an individual entrepreneur.

Young then discusses the similarities and *differences* between his 'socio-genic explanations of entrepreneurial supply'. He claims: "The approach to measurement and analysis that comes out of macro sociological perspective will in the long run be its most attractive feature."

8.2.8 Peter Ducker (1985)⁸

According to Peter Ducker, the entrepreneurial role is one of getting and using resources. The difference is that, in entrepreneurial role the resources must be allocated to the opportunities, whereas, in the managerial role the resources are allocated to solve the problems. Entrepreneurship occurs when resources are redirected towards progressive opportunities and are not used for ensuring administrative efficiency. This redirection of resources distinguishes between the entrepreneurial and managerial personnel.

According to Peter Drucker, an entrepreneur is one who always looks for change, responds to it and exploits it as an opportunity. Innovation is an instrument of entrepreneurship. An entrepreneur innovates and creates resources because there is no such thing as resource until someone finds a use for it and ascertains the economic value of it. Entrepreneurs convert a material into resource or combine the enlisting resources in a new or more productive configuration. Drucker is of the opinion that entrepreneurs need not be owners of their businesses. A professional manager who mobilizes resources and allocates them to make a commercial gain from an opportunity is also an entrepreneur.

8.2.9 Modern view

Modern Scholars have adopted a practical approach in understanding the concept of entrepreneurship. They have taken into consideration the existing conditions of developing countries. Developing countries often face problems like imperfect markets and shortage of skilled labour and capital, etc. They cannot afford to have large-scale operations at the inception level.

8.2.10 H. N. Pathak⁹

According to Pathak, entrepreneurship involves a wide range of areas regarding which a series of hard decisions are to be taken. There are number of entrepreneurs emerging from diverse activities having multiple dimensions.

- Profession based – like engineering, medical, agricultural and industrial entrepreneurs.
- Behavior based – like innovation, imitative, Fabian and drone entrepreneurs.

In behavior-based categorization, there could be as many categories as there are traits; however, the term entrepreneur increasingly is crossing the occupation boundaries and getting associated with the set of behavior characteristics. There are several studies dealing with various aspects of industrial entrepreneurship that deal with the socio-economic background of the different types of entrepreneurs, their problems, and attitude of the government towards industries.

8.3 Theoretical Analysis

8.3.1 Implications with Reference to Data

Entrepreneurship has been discussed from various points of view such as psychological, economic, and managerial and so on. Various authors have analyzed entrepreneurship behavior from varied approaches. But no single factor works as the only determining variable for the phenomenon of entrepreneurship.

J. A. Schumpeter, D. McClelland, E. Hagen and John Kunkel advocate theories, which fall within the framework of psychology. Those having sociological basis are advocated by Marks, Weber, Cochran, and Frank Young. E. F. Papaneeck and J. R. Hanis propound other theories favoring the economic approach.

Now we will take a brief review of these three approaches.

8.3.2 Psychological Factors in Entrepreneurship

Some authors have explained the entrepreneurship phenomenon from the psychological angle. The few studies carried out emphasize ‘achievement-motivation’ as one of the important characteristics of entrepreneurship. In 1975, Bhattacharjee and Akhouri¹⁰ made an effort to summarize the various characteristics of an entrepreneur pointed out in different research studies. In this study, they did not arrive at any conclusions regarding the definite characteristics that are essential for becoming an entrepreneur. At the same time, the main findings of these studies can be summarized as follows.

(a) Need for Achievement

According to McClelland and Hagen, motivation is the critical factor that leads one towards entrepreneurship. Entrepreneurs are broadly found to be people with a high drive and high activity level and constantly struggling to achieve something new, which they could call as their own achievement. They like to be different from others, but do not like to undergo the struggle to achieve things that are practically impossible to achieve.

Several experiments have proved that achievement motivation can be infused into a person by proper training. In India various organizations have now started imparting achievement motivation training programmes, viz. the Small Industry Extension Training Institute (SIET) at Hyderabad and Maharashtra Small Scale Industries Development Corporation (MSSIDC).

The researcher found that 33 women entrepreneurs had undergone some training; of these, 16 stated that the training was very useful to them, while 3 felt otherwise.

(b) Need for Influencing Others

Need for achievement leads one to become an entrepreneur. But when an enterprise is started, the entrepreneur is not able to operate it efficiently and achieve success. It depends on his ability to influence the people who come in contact with him in his business.

(c) Sense of Efficiency

A person who wants to become an entrepreneur must be self-confident and determined. He must be able to solve the problems that are bound to be there. He should be proud of his past achievements, live in the present, be involved wholeheartedly and set achievable goals for the future.

(d) Risk Taking

An entrepreneur must have capacity to bear risk, shoulder challenges with due care, take calculated risks and make strenuous efforts to draw up realistic plans and execute them efficiently.

(e) Self-introspection

Introspection is one of the important qualities of a successful entrepreneur. An entrepreneur should take feedback, make corrections and modify his decisions and actions in the light of self-analysis.

(f) Hope of Success

An entrepreneur must be optimistic always. He should have the tendency to approach his work with confidence to succeed. Such an attitude raises his level of performance.

The researcher observed that 110 (83.33%) respondent women entrepreneurs felt that they were successful because they had a strong determination to succeed. This determination motivated them to work hard to achieve their dreams. While 89 (67.42%) women entrepreneurs were *very* satisfied with the progress of their enterprise, 29 (21.96%) were *just* satisfied.

(g) *High Need for Power*

An entrepreneur is motivated to achieve power. He makes every effort to get it. In his study, Sharma¹¹ classified all the factors that motivate the entrepreneurs to achieve power into two types as follows:

(a) ***Internal factors***: These included the following:

- # Desire to do something new,
- # Educational background, and
- # Occupational background or experience.

(b) ***External factors***; these include

- # Government assistance and support,
- # Availability of labor and raw material,
- # Encouragement from big business houses, and
- # Consumer demand for the product.

In this research study, it was observed that for 35 (26.52%) women “having an independent career” and for another 37 (28.03%) women, “utilization of talent” were the compelling factors to foray into the arena of entrepreneurship.

Educated women are career-oriented and ambitious; their urge to use their skills drives them to start their own enterprises and motivates them to launch their own independent careers. Keeping this in view, the entrepreneurs were asked: What are your motivations for entering into entrepreneurship?

Their response data were compared with the levels of education the women had received.

- Out of 132 respondents, 37 (28.03%) Jain women entrepreneurs had become entrepreneurs for utilization of their own skills; of these, 12 (32.43%) had completed post-graduation and taken technical education; 11 (29.73%) were graduates, 9 (24.32%) were between 8th and 10th standards, 3 (8.11%) were between 10th and 12th standards and only 2 (5.40%) were below 8th standard.
- 35 (26.52%) respondents became entrepreneurs to start independent careers. Out of this group, 11 (31.43%) were graduates; 8 (22.86%) were post-

graduates and had technical education; 8 (22.86%) had education between 8th and 10th standards; 7 (20%) were between 10th and 12th standards and 1 (2.86%) was below 8th standard; and no one was below 5th standard.

- 26 (19.70%) respondents became entrepreneurs compelled by their family needs or due to some situational factor. Of these, 17(63.38 %) had education below the 10th and 9 (34.62%) above 10th standards.
- 13 (9.85%) respondents entered into business to fulfill self or husband's desire; out of this group, those below 10th standard education were 9 (69.23%) and above 10th standard were 4 (30.76%).
- 7 (5.30%) respondents took the business to acquire social status; out of this group, 5 (71.42%) had education below the 10th and 2 (28.57 %) above the 10th standard.

The above analysis of motivational factors suggests that entrepreneur as a class has distinct characteristics and personality traits. The individual's motivation occupies an important place in this analysis of entrepreneurship career. It is obvious that one should possess certain unique qualities to be successful. The question often asked is: Is an individual entrepreneur 'born' or 'made'. It is said that individuals with certain innate qualities are born entrepreneurs; but some individuals can develop those qualities and become successful entrepreneurs; others with training and experience become successful in business. A person who has the urge to do something different and the ambition will make utmost efforts to acquire the necessary knowledge and skills and become successful in any profession, so too ambitious entrepreneurs.

8.3.3 Sociological Factors Influencing Entrepreneurship

Several studies have been carried out from the angle of sociological dimensions of entrepreneurship. Some of them suggest that a good proportion of entrepreneurs emerge out of families with business or entrepreneurial background.

In a businessman's house, the parents tend to train their children towards self-reliance and independence. This motivates, inspires and inclines an individual to become an entrepreneur. It is said that early socialization in the family plays a significant role in 'pushing' (inspiring) a person towards entrepreneurship.

Thus social and cultural environment influences a person's mental attitude towards a particular goal or profession. According to experts in this field, the training in the school, in the college, the habits of the people around and religion are some of the factors in the realm of socialization. Normative behavior influences the various patterns of behavior a person adopts in his life. These norms are formed by several factors that influence an individual from childhood. The major forces are the family and the community traditions. Some communities are business communities from yore. A child born into such a family generally gets automatic training from childhood and develops positive attitudes towards business. They also get a good deal of support and cooperation from the family members and community. It may be said, "Business is in their blood".

According to sociological approach, social institutions, cultural attitude, family background, practices and values play an important role in shaping and developing a future entrepreneur.

Cochran¹² stressed those cultural values and role expectations in the process of entrepreneurship development to be important. According to him, an entrepreneur represents the society's model personality. His performance is influenced by three factors: *viz.* (i) his own attitude towards his occupation, (ii) the role expectations held by the sanctioning groups, and (iii) the operational requirements of the job. Society's values are the most important determinants of the first two factors.

In our study:

- 115 (87.12%) respondent Jain women entrepreneurs hold the view that being a Jain was an advantage for them as they had the experience of growing up in business families and thereby having an innate understanding of the problems and the nuances and prospects of running a business.

- It was seen that the husbands of 43 (32.58%) women respondents were running industries, while 32 (24.24%) of them had some trading firms. Moreover, fathers of 81 (61.36%) Jain women already owned trading firms. Thus, one can see the important role played by a family business background that almost automatically makes them successful as entrepreneurs.

8.3.4 Economic Factor in Entrepreneurship Development

In the opinion of PapanEEK and Harnis,¹³ what matters is the economic environment. The economic incentives are regarded as sufficient preconditions for the emergence of industrial entrepreneurship. These include industrial policy of the government, taxation policy, supply and demand situation, infrastructure facilities, sources and availability of finance, process for getting financial accommodation, opportunities for profitable investment, avenues of marketing, availability of raw materials, competition in the field, adequate knowledge of technology, etc.

Development of entrepreneurship depends on the facilities to acquire knowledge and skills required, so that an individual can take full advantage of them. Economic policies of the government are one of the major factors that promote the development of entrepreneurship. Support systems in the form of education, training institutes/colleges may promote entrepreneurship through emphasizing values, which favor taking initiatives, introducing innovativeness and encourage risk-taking capacity. Government can create an atmosphere for the growth of entrepreneurship by creating awareness of the importance of entrepreneurship for the development of the country, by promoting a climate which values entrepreneurial behavior through media, press, mass education programmes, by setting up industrial R&D institutes, by introducing favorable labour policies and by creating allied infrastructure facilities and services.

8.3.5 Managerial Point of View

According to Peter Druker,¹⁴ the entrepreneurial role is one of getting and using resources. The differences are that in the entrepreneurial role the resources

must be allocated to the opportunities, whereas in the managerial, role the resources are allocated to solve problems. Entrepreneurship occurs when resources are redirected towards progressive opportunities efficiently and are not used for administrative convenience. This redirection, allocation and repurposing of resources distinguishes between the entrepreneurial and managerial functions.

Udai Pareek and Manohar Nadkarn¹⁵ have given a conceptual model for the development of entrepreneurship. In the first place individuals generate entrepreneurship in a society. According to them entrepreneurship is a function of several factors. At least four sets of factors that mainly influence it could be identified. An entrepreneur initiates, (i) establishes, (ii) maintains, (iii) expands and (iv) diversifies into new enterprises. It is observed that entrepreneurs grow in the tradition of their families and the society and internalize certain values and norms from these sources.

Each of these aspects, viz. Psychological, Sociological, Economical and Managerial, focuses on one point of view. These various factors responsible for the emergence of entrepreneurship are interrelated. These cannot be clinically separated but blend and fuse in a conducive environment to encourage and sustain entrepreneurship. Insight into all these aspects will therefore help to build a conceptual framework for evolving policy package for development of entrepreneurship. An entrepreneur is therefore a multi-functional multi-dimensional personality and hence no single isolated approach can provide a conceptual framework in order to understand the process of entrepreneurship.



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