

PROMOTING ENTREPRENEURSHIP

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The importance of entrepreneurial commitment as a crucial input to national development has now been widely recognised. With growing emphasis on the role of medium and small scale enterprises in view of their contributions to employment generation, regional development and economic growth, a wide range of schemes and programmes have been devised in many developing countries aimed at accelerating the tempo of such.

It has been found from experience that entrepreneurs do not respond spontaneously to available business opportunities, even when there are various incentives and inducements. An effective mechanism is therefore needed to enlarge the pool of new entrepreneurs and help them to face the risks and uncertainties involved in establishing new ventures.

India is traditionally reckoned as an agricultural country. Even after implementation of seven Five Year Plans, the scenario of a predominantly agricultural population has altered but marginally. The programme of land reforms and redistribution of landed estates and properties has resulted to some extent in the creation of a new class of owner cultivators. Legislation has transformed a tenant/share-cropper earning landless labourer to an entrepreneur land owner.

It is an observed phenomenon in some developed countries that the population in the farm sector decreases when the population is diverted from agricultural and allied employment to employment in other sectors of the economy. Yet, in a number of developed countries, a modern farm sector does continue to support a substantial section of the workforce.

This specific point is made because contrary to general belief, entrepreneurship is not something which is as confined to any particular sector of activity as is commonly supposed.

As Schumpeter has pointed out:

"An enterprise is essentially a function in which new combinations of economic activity are tried and a person who manages such a combination very well becomes an entrepreneur"

The cottage and small scale sector of industry sector is a fertile area for entrepreneurship and employment generation throughout the country. Industrial policy resolutions have repeatedly stressed the importance of the small-scale sector in the development process. In the last four decades of development, the small scale sector has proved itself as a major instrument of creation of self-employed and employing entrepreneurs and of dispersal and decentralisation of industry in the country. Today the small scale industry sector can claim 1.8 million entrepreneurs who in turn have directly created jobs for more than 12 million workers

Entrepreneurship development: A new horizon

The first major systematic effort to identify and develop new entrepreneurs, especially from among people of non-conventional community backgrounds, began in India in 1970. Only one or two Entrepreneurship Development Programmes (EDPs) were organised in the initial year. Since then, considerable progress has been made: the country now having 775 agencies involved in EDPs.

The concept of the EDP originated and developed out of encouraging results of two innovative schemes of financing 'new entrepreneurs' introduced by the Gujarat Industrial Investment Corporation Limited in Gujarat, one of the states of India. A wide variety of technical and non-technical employees, artisans and craftsmen were financed under these schemes during the period 1970-73, when some 300 new business units came to be set up. By 1988, more than 6000 units had been set up.

The impact of such schemes is not to be measured merely in terms of the numbers, however impressive they may be. What was more important was the revelation of vast entrepreneurial potential among communities and castes traditionally not involved in business particularly in middle and low income groups. The existence of such a rich entrepreneurial resource had remained almost unknown and untapped for a long time.

In order to accelerate the formulation of such new enterprises, imaginative programmes and policies backed up by sound institutional support are called for to identify, motivate and strengthen the new breed of entrepreneurs from non-traditional groups, thereby breaking the monopoly of dominant business groups and communities and diversifying the entrepreneurial resource base of a country. The programmes also makes a contribution towards individual growth as a part of a national drive for human resource development. Finally, the programmes are also tackling the problems arising out of unemployment and the 'sick industry' phenomenon in the small scale sector.

The purpose of this paper is to share experiences of EDPs in India and also to draw lessons from it which may be of use for those who are engaged in this exciting new developmental activity in developing countries. What has been achieved in the last five years on this front has trebled what was achieved in the initial 10 years. There have been tremendous changes in terms of improvements in EDP course content, in approaches for different target groups, and in a more active approach to identifying new entrepreneurs and providing them all assistance to take up new ventures.

These efforts to develop more new entrepreneurs are based on the hypothesis that there are many more managers, supervisors, salesmen, skilled workers, artisans and others, frustrated in their present careers or dissatisfied with their prospects who are inclined to break away from their current moorings and launch out in new directions on their own. In addition, potential entrepreneurs get frustrated because of: the absence of motivation to take risks; non-availability of information as to what a good business opportunity is; or lack of knowledge about how to set up a new enterprise. Some may know how to produce, repair or service a product but are ignorant

of how to set up and manage an enterprise or market or sell the service or product; some may lack confidence to stand on their own feet due to lack of personal or family business experience; some may be discouraged by formalities and procedures and fear of dealing with government organisations. Why not tap them also? But how? The answer that has emerged is this: the EDP.

The EDP

The EDP consists of a package of inputs made up of:

- motivation/skill-competency development;
- entrepreneurial attitude development;
- project counselling;
- management orientation;
- information on sources for making project plans; and
- overall confidence development through constant counselling.

For delivery of the package, skilled entrepreneur/trainers are recruited and given the necessary orientation/training before being asked to take up their field assignments. This well-rounded package for EDPs has been implemented with excellent results, with 60-70% of entrepreneurs in each course establishing their enterprises. The length of an EDP varies from 3 to 6 weeks for different target groups.

As they were developed, EDPs spread from one or two city centres in the states to small towns and then to villages. While the programmes were being extended to cover a growing number of centres, more and more potential entrepreneurs were identified and developed from diverse backgrounds. In the course of this expansion, care was taken to see that performance was not in any way impaired nor quality sacrificed. Thus, the EDP experience resulted in a number of well-selected, motivated and trained potential entrepreneurs whose latest business performance has proved to be generally satisfactory.

National spread

Encouraged by the success of the original EDP activities in Gujarat, a number of official and semi-official agencies took up the EDP concept in their respective areas. By 1992 it was estimated that EDP work was being undertaken by over 40 different agencies in 25 states all over the country.

These agencies can be grouped as follows:

- 8 specially set up Institutes of Entrepreneurship Development (IEDs) and Centres for Entrepreneurship Development, at state and regional level
- 13 Technical Consultancy Organisations (TCOs) jointly sponsored by all-India financial institutions (Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India Limited (ICICI) and Industrial Finance Corporation of India

(IFCI)), along with state level financial institutions. TCO programmes for entrepreneurship development are meant for young graduates, educated unemployed people, and in some cases, experienced employees, traders and women.

- 20 other agencies such as nationalised banks, management institutes and voluntary organisations are now exclusively involved in EDPs.

With such a burgeoning of EDP activities, it was felt that the time was ripe for the emergence of some apex, central, all-India institutions to help and guide the next phase of consolidation and development of EDP work in the country. In this connection three national level apex organisations came into existence: the National Institute for Entrepreneurship and Small Business Development (NIESBUD), set up in Delhi in 1984; the Entrepreneurship Development Institute of India, set up in Ahmedabad in 1984; and the International Centre for Entrepreneurship & Career Development, Ahmedabad set up in 1985 exclusively for women entrepreneurship.

Entrepreneurship development strategy

Underlying the extended range of EDP work and activities in the country, one can observe the steady evolution of an EDP strategy. In the subsequent sections, the following key components and features of an EDP strategy are described:

- Stages of EDP
- EDP process model
- EDP training package

Entrepreneurship development objectives

An EDP strategy has the following objectives:

- Accelerated industrial development by enlarging the supply of entrepreneurs
- Industrial development of rural and less developed areas where local entrepreneurship is not readily available and to which entrepreneurs from nearby cities and towns are not easily attractable
- Enlarging the small and medium entrepreneur sector (employment ranging from 5 to 50 as a thumb-rule), which offers better potential for employment generation and wider dispersal of industrial ownership
- Providing productive self-employment to a number of educated and low-educated young men and women coming out of schools and colleges
- Improving the performance of small industries by enlarging the supply of carefully selected and trained 'well-rounded' entrepreneurs; and
- Diversifying sources of entrepreneurship, thereby promoting the dispersal of business ownership.

Stages of an EDP

There are three main stages to an EDP:

- I: Pre-training: identification, selection and initial motivation of potential entrepreneurs
- II: Training of potential entrepreneurs
- III: Post-training support and follow-up services.

Some programmes have suffered because of lack of integration between the three stages and by too much concentration on the second stage.

Stage I: Pre-training

This stage covers:

- Selecting potential entrepreneurs;
- Target groups
- Sensitising the environment/target group/support system

The entrepreneur identification and selection mechanism is based on the following key assumptions:

- Not everyone can be an entrepreneur: they must have certain traits
- Such traits are identifiable and measurable through some psychological and behavioural tests and by social indices
- People possessing these traits or showing evidence of them (entrepreneurial competencies) can be developed to acquire the necessary qualities of entrepreneurship.

This has led to a 3-step selection process which begins with preliminary screening of those responding to the intensive promotional effort undertaken in the location by the trainer/motivator. A specially devised form which screens out those with only a casual interest in the programme is used. This is followed by an assessment of a candidate's entrepreneurial trait-level by applying behavioural science techniques. The process ends with individual interviews for overall assessment of a candidate's suitability to undertake manufacturing activity or business, together with the development of understanding of his/her specific needs for training.

In the selection process, people possessing a minimum (developable) level of entrepreneurial traits (normally decided by a cut-off point in the scores) are selected. However, there are no conditions of minimum education and length of experience, occupational background or income. Even less educated people with no work experience are selected if their entrepreneurial potential is encouraging and if they are ready to undertake smaller simpler projects consistent with their overall background and know-how. Such people should, however, be willing to undertake technical training or obtain work experience, if necessary.

The main target groups, disregarding castes, communities, religion, family background, sex or

traditional occupation groups are: technical and non-technical employees in industry, trade and commerce such as mechanics, machine operators, supervisors, salesmen, store-keepers, middle-level managers and accountants, small traders; fresh graduates from technical and non-technical colleges; college drop-outs; artisans and craftsmen; government employees; teachers; ex-servicemen; women, tribals and under-privileged castes.

The profiles of new entrepreneurs reveal a diverse mix of characteristics in terms of education; age (18 to 45); occupation and family background (from unemployed people to doctors and chartered accountants and from agricultural workers to skilled technicians); and financial position.

This diversity results from a key belief underlying the programme's foundation: that latent entrepreneurial spirit is lying dormant in a wide variety of men and women and that a desire to be on their own and to improve their economic lot is human and widely spread. Many, however, lack self-confidence to come out of the shell. Their enterprise is not fully developed or nurtured and the motivation to take risk is not strong enough despite the frustrations of current economic position, employment or occupation. Some need opportunity counselling (what business to take up) while others need the information or know-how for setting up an industrial enterprise. These needs are met by the EDP, which fills the gaps in the information, motivation and skill base. When and where this task is performed effectively, many new entrepreneurs have been developed.

Stage II : Training

The duration of an EDP has varied from 15 days to 3 months among various organisations involved in them across the country. Typically, the training stage consists of either:

- a 6-week full-day programme (145 hours) for new graduates and unemployed people; or
- a 3-month evening programme for mixed groups of working and non-working target groups (also about 145 hours).

Follow-up subsequent to training lasts between six months and two years. All the programmes are conducted in the regional language of the respective centres.

The comprehensive training package is based on conceptual understanding of the process of entrepreneurship development. There are various stages through which an entrepreneur has to pass before s/he establishes the new venture. The key decisions concerning product, investment, location etc and the corresponding action links can be summarised in the following table.

<i>Decision areas</i>	<i>Action links</i>
To become and entrepreneur	Motivation and awareness
Product decision	Business opportunity study
Investment decision	Project formulation and preparation
Location (infrastructure) decisions	Assessing requirements and their availability
Policy decisions	Establishment of the venture

The following are the topics which are covered during the training programme

- Environment analysis and self-awareness for entrepreneurial competencies
- Business opportunity guidance
- Preliminary business plans - market survey
- Achievement motivation training
- Final business plan
- Skill/competency development
- Technical orientation and training
- Pre-break-even management
- Field visits and assignment

Normally, no full-time faculty are used for the training programme, except the trainer supported by project formulation experts. Most of the business inputs are given through management/professional practitioners, business and industry executives; experts from state industrial agencies, bankers, technical consultancy organisations and small-scale entrepreneurs. In-house core teams are formed from the group of trainers or experts where resources from industry or trade are not locally available.

A full time project leader in charge of the training centre is the backbone of the EDP. He/she acts as a friend, philosopher, guide and personal counsellor, looking after individual trainees' problems, development needs and progress. He/she organises and administers the programme and is responsible for the entire training process.

The organisational capability of an agency which runs an EDP had to be geared to enable it to carry out promotional and co-ordination tasks as well as teaching; to conduct research; and mobilise consultancy resources. The advantage of this strategy has been that EDPs have benefited from a large number of specialists, practising professionals, experienced executives and entrepreneurs. Such involvement of local people from educational, business and government sectors has given the EDP concept wide acceptance and support and kept the cost of training low.

Involvement of key industrial promotional corporations and development banks comes also from sponsorship of EDPs: this gives confidence to the entrepreneurs. Their financial strength provides budgetary stability and continuity of operations.

Lack of co-ordination among various promotion and assistance agencies, the multiplicity of forms to be filled up and procedures to be carried out create frustrating situations for the new entrepreneurs. Effective organisational arrangements have been made when programme planning and monitoring is guided by those who, by their position, convey commitment to the activity, possess authority for decisions and bestow prestige to an EDP organisation.

Stage III: Post-training

As noted, each group of entrepreneurs in an EDP is looked after by the entrepreneur trainer/motivator. S/he is also responsible for organising post-training support. This involves:

- Follow-up on loan application for finance
- Facilitating infrastructure such as, land, factory sheds, power etc.
- Trouble shooting

The task of the entrepreneurs and the trainer is considerably eased in those states where entrepreneurship programmes are initiated in collaboration with other mainstream organisations. The involvement of commercial banks from the stage of selection of entrepreneurs, through counselling them during training and then taking the banks into confidence in finalising project plans also helps the success of EDPs. Experience clearly indicates that unless finance is available adequately and in time, even the best of entrepreneurs, however well trained, may lose in the battle of launching enterprises.

In the EDPs with experienced employees, small traders and young graduates, the average project investment has been Rs.150,000 with an output of Rs.200,000 and direct employment of 8 to 10 people. For the EDPs targeted at inexperienced and unemployed people, the size comes down to Rs. 75,000 in project costs and employment of 3 to 5 persons including the entrepreneurs. Overall, then, each productive job is therefore created with an average investment of about Rs. 15,000 (US \$ 500). What is equally significant is the contribution of EDPs to diversifying the sources of entrepreneurship. Everywhere, the conventional domination of traders and owners of industries is significantly reduced. The new EDP entrepreneurs have emerged from employees (45%), traders (20%), young engineers and unemployed (25%), and farmers and others (10%).

Some lessons

These lessons can be drawn from the successful experience of conducting EDPs:

- *Comprehensive as against partial approach:* There is an easy temptation to take a quick, practical partial approach. This must be avoided. More specifically, a total EDP strategy covering all stages must be taken, and within each stage, a similar comprehensive approach needs to be followed.
- *Integrated approach:* All the elements of EDP activity must be looked upon as an integrated whole. More specifically, pre-training and post-training stages need to be woven into one single strong fabric.
- *Development approach:* While some inputs of the training, pre-training and post-training processes have technical aspects, their developmental orientation should not be overlooked. Otherwise, behavioural tests or selection procedures or technical training inputs may well become specialised activities, thereby losing sight of the developmental direction into which they all need to be propelled.

- *Goal-oriented concerns:* The entire process should have (right from the first day) an implicit goal-oriented concern. It is necessary not to overlook the importance of equipping entrepreneurs to make the project a success by helping them with the required financial assistance and by providing other needed inputs for success.
- *Individual Counselling:* Apart from formal class-room group training which, of course, is inevitable, EDPs must stress the need for individual counselling. To the extent to which resources are provided for individual counselling, EDPs will become really successful.

Summary

International development agencies which extend assistance to less developed and developing countries have often lacked a mechanism to ensure that individuals who receive funds or resources are able to use them effectively. National or state level development banks are also faced with the problem of a large number of business failures in the small scale sector. Analysis suggests that the root cause of the trouble lies in the lack of entrepreneurial/managerial capabilities of the persons concerned rather than in any inherent defects of their enterprises.

In the search for an effective mechanism to enlarge the pool of new and strong entrepreneurs, the Indian experience indicates that success rests on proper emphasis on the following important elements:

- 1) A substantially enlarged supply of competent entrepreneurs is required for enterprises which create direct and indirect employment opportunities. It is time our plans and development strategies gave due weight to such human resource factors.
- 2) Entrepreneurship Development Programmes have proved their effectiveness as strategic interventions to widen the base of entrepreneurship, improve performance of small and medium enterprises for sustained production and employment generation, develop backward regions and convert educated and uneducated surplus manpower from a liability to asset.
- 3) Enlarging the scale of entrepreneurship development programmes and improving their effectiveness in maximising start-ups and improving the socio-economic and support environment for all entrepreneurs (induced or spontaneously emerging) are two strategic thrust areas.
- 4) Not anybody or everybody can be made into a viable entrepreneur. EDP training should be directed in favour of 'developable' people. Careful selection does help to identify such potential sound entrepreneurs.
- 5) Without proper counselling based on strengths and weaknesses of individual entrepreneurs, it is not possible to make real progress. Statistical progress reports of numbers alone may well be misleading. Real progress is measured in terms of actual new projects started as a result of EDPs. Those projects must not only survive but grow. For this purpose, a down-to-earth

practical, goal-oriented approach is as necessary as imaginative and innovative training.

6) Work experience, especially in industry or business, is a key element in the process of industrial entrepreneurship formation as 'profiles' of new emerging entrepreneurs reveal. Experience as an employee prepares them for successful self-employment and self-employment experience is equally advantageous to successful entrepreneurship. If, however, the experience inputs are weak or absent, a programme package suitably evolved, and a sound choice of relevant business opportunity can make up for this disadvantage if the person possesses entrepreneurial 'raw material'. The selection of such 'developable' people is therefore crucial to the success of EDPs.

7) Careful selection and sound training under EDP alone may not yield satisfactory results unless adequate and timely financing and other support is provided to the new breed of entrepreneurs who offer enterprise and competency, but may not have substantial finance of their own. Expedient implementation of the projects also depends upon the availability of essential infrastructure, such as factory premises. Entrepreneurship training, finance and infrastructure must be treated as a complete package while at the same time removing various bottlenecks in the small enterprise promotion environment. Such a package calls for sound and timely institutional and organisational arrangements and effective coordination among industrial agencies to avoid frustrations and delays.

8) Finally, Indian experiences suggest that while entrepreneurs can indeed be developed, the developmental task is complex. It requires substantial inputs of training expertise, organisational resources and institutional support. The rewards are also equally substantial, though they may not all come in one go!
