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# **The Dynamics of Entrepreneurial Development and Management**

**Planning for Future Sustainable Growth**

**Vasant Desai**

**Himalaya Publishing House**

ISO 9001:2008 CERTIFIED

# **THE DYNAMICS OF ENTREPRENEURIAL DEVELOPMENT AND MANAGEMENT**

**Planning for Future Sustainable Growth**

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**ENTREPRENEUR  
ENTREPRENEURSHIP  
ENTREPRENEURIAL DEVELOPMENT  
PROJECT MANAGEMENT  
FINANCIAL ANALYSIS  
BUDGET AND PLANNING  
SOURCES OF FINANCE  
QUALITY STANDARDS  
MARKETING STRATEGIES  
SETTING UP NEW ENTERPRISE  
PROBLEMS OF ENTREPRENEURS  
PROJECT WORK  
SUCCESSFUL ENTREPRENEURS**

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**VASANT DESAI**



**Himalaya Publishing House**

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**New Delhi** : "Pooja Apartments", 4-B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi - 110 002.  
Phone: 011-23270392, 23278631; Fax: 011-23256286

**Nagpur** : Kundanlal Chandak Industrial Estate, Ghat Road, Nagpur - 440 018.  
Phone: 0712-2738731, 3296733; Telefax: 0712-2721216

**Bengaluru** : Plot No. 91-33, 2nd Main Road, Seshadripuram, Behind Nataraja Theatre, Bengaluru - 560 020.  
Phone: 080-41138821; Mobile: 09379847017, 09379847005

**Hyderabad** : No. 3-4-184, Lingampally, Besides Raghavendra Swamy Matham, Kachiguda, Hyderabad - 500 027.  
Phone: 040-27560041, 27550139

**Chennai** : New No. 48/2, Old No. 28/2, Ground Floor, Sarangapani Street, T. Nagar, Chennai-600 012.  
Mobile: 09380460419

**Pune** : First Floor, "Laksha" Apartment, No. 527, Mehunpura, Shaniwarpeth (Near Prabhat Theatre), Pune - 411 030.  
Phone: 020-24496323, 24496333; Mobile: 09370579333

**Lucknow** : House No. 731, Shekhupura Colony, Near B.D. Convent School, Aliganj, Lucknow - 226 022.  
Phone: 0522-4012353; Mobile: 09307501549

**Ahmedabad** : 114, "SHAIL", 1st Floor, Opp. Madhu Sudan House, C.G. Road, Navrang Pura, Ahmedabad - 380 009.  
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**Ernakulam** : 39/176 (New No. 60/251), 1<sup>st</sup> Floor, Karikkamuri Road, Ernakulam, Kochi - 682 011.  
Phone: 0484-2378012, 2378016; Mobile: 09387122121

**Bhubaneswar** : Plot No. 214/1342, Budheswari Colony, Behind Durga Mandap, Bhubaneswar - 751 006.  
Phone: 0674-2575129; Mobile: 09338746007

**Kolkata** : 108/4, Beliaghata Main Road, Near ID Hospital, Opp. SBI Bank, Kolkata - 700 010.  
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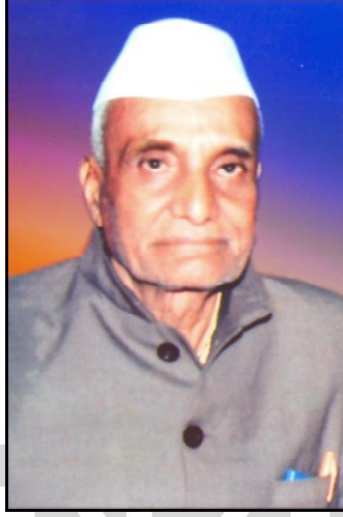
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कर्मण्येवाधिकारस्ते मा फलेषु कदाचन।  
मा कर्मफलहेतुर्भूर्मा ते संगोऽस्त्वकर्मणि

— Bhagavad Gita (Ch 2 - Text 47)

The right is to work only;  
But never to its fruits;  
Let not the fruit of action be thy motive  
May you not have any  
attachment to inaction.



*With great love and respect,  
this study on Entrepreneurship is dedicated to my father  
**late Ranganath Balwantrao Mutalik Desai**  
(August 16, 1909 – August 23, 2006)  
whose birth centenary is being observed in the year 2009.*

*A true Karmayogi in words and deeds  
a progressive innovative farmer and visionary*

*His vision of life, progressive thoughts  
emphasis on reading and imbibing  
wisdom as a means to see  
the true nature of things and then making choices,  
are the guiding spirits for all of us to follow in life.*

*His vision continues to guide us.  
His words continue to encourage us.  
His deeds continue to inspire us.  
His achievements continue to motivate us.  
His presence continues to surround us.*

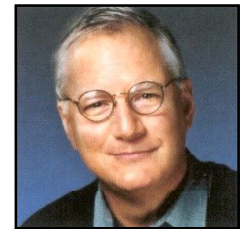


## Code of Honour

### CREDO OF ENTREPRENEURS

#### THE WORLD NEEDS

The World Today is looking for  
Entrepreneurs who are visionaries  
Entrepreneurs who are honest  
Entrepreneurs who are innovative  
Entrepreneurs who are optimistic  
Entrepreneurs who are enterprising  
Entrepreneurs who are foresighted  
Entrepreneurs who are trustworthy  
Entrepreneurs who practice fair play  
Entrepreneurs who stand integrity  
Entrepreneurs who are tolerant  
Entrepreneurs who are inspirers  
Entrepreneurs who are dynamic  
Entrepreneurs who are transparent  
Entrepreneurs who recognise talent  
Entrepreneurs who have a fixed aim  
Entrepreneurs who are ambitious  
Entrepreneurs who are committed  
Entrepreneurs who are compassionate  
Entrepreneurs who are good time managers  
Entrepreneurs who are good strategists  
Entrepreneurs who are empowering people  
Entrepreneurs who are customer friendly  
Entrepreneurs who neither brag nor run  
Entrepreneurs who neither flag nor flinch  
Entrepreneurs who know their message and tell  
Entrepreneurs who know their place and fill in  
Entrepreneurs who know their business and attend to it  
Entrepreneurs who will not lie, shirk or dodge  
Entrepreneurs who are not too crazy  
Entrepreneurs who are not too lazy to work  
Entrepreneurs who will prosper with society  
Entrepreneurs who will lead and motivate  
Entrepreneurs who always dream for change  
Entrepreneurs who live for their principles  
Entrepreneurs who will stand for the right  
Entrepreneurs who care for the society  
Entrepreneurs who stand for values  
Entrepreneurs who set ambitious goals  
Entrepreneurs who strive for quality products  
Entrepreneurs who practise business ethics  
Entrepreneurs who have sound knowledge  
Entrepreneurs who lead by caring and sharing



**TOM PETERS**



**ADI GODREJ**



**KISHORE BIYANI**



**KIRAN MAZUMDAR  
SHAW**

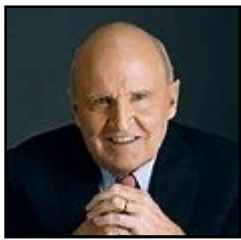
# THE DYNAMICS OF ENTREPRENEURIAL DEVELOPMENT & MANAGEMENT

Designed to encourage entrepreneurs to seize an unique opportunity and make a profitable career through self-employment. This study provides a wealth of information on entrepreneurs, entrepreneurship, projects and related issues.

- Divided into Twelve comprehensive units, each unit comprising of theory, illustrations, objectives and inputs.
- Enriched with schematic diagrams to understand the issues.
- Discussed in a lucid style the process of entrepreneurial development and management.
- Projects, financial appraisal and marketing are discussed extensively.
- Case studies provide an insight into the process of entrepreneurship.
- Wealth of up-to-date statistics goes a long way in critical analysis.
- An ideal for entrepreneurial students, the teachers and instructors.
- Acts as a motivator to launch new enterprises and translate one's dreams into a reality.

## The Perfect Chemistry

The success of a business organisation depends on many factors. But the one factor that's key to achieving success is a chemistry between the CEO and the promoters of the organisation. This chemistry is established when the CEO pursues and acts on a work ethic that yields only positive results. The work ethic must also encourage co-operation from different layers within the organisation. My work ethic revolves around simple parameters. You have to continuously take up work worth doing. And you have to work with a sense of integrity, but with a lack of attachment.



**JACK WELCH**

Creativity, freedom of operation, are vital for entrepreneurial work. Similarly, innovation, technology and good governance add value to entrepreneurial culture. Communication also plays a critical role.

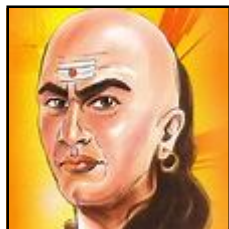
Jack Welch created a huge amount of value and was a truly transformational leader of the 20th century. GE Gospel stressed on the 4Es: Entrepreneurship, Energy, Edge and Execution.

Great leaders have personal Energy, they Energise others, they have an Edge when it comes to being strong competitors, and they Execute strategies superbly.

Here are a few samples of the Welchisms:

- Distinctions between leadership and managing are “academic hogwash.”
- “Don’t take a job because your mother wants you to. Don’t be a victim. You own your decision.”
- “In the end, winning companies are the only thing that sustains societies like ours, Governments create nothing.”

To conclude, I feel a positive approach, team work, multi-tasking intuition, gut feel play, courage, tough decisions, excellence, and a congenial environment are important for continuous growth. Our focus on a holistic perspective has helped us in taking balanced decisions. At the same time, vision is critical to the entrepreneurship and ongoing success of any enterprise/projects.



**KAUTILYA  
'CHANAKYA'**



**MICHAEL PORTER**

## SUCCESSFUL TRANSFORMATIONS NEED WISDOM

Transformation is thought of as requiring a lot of directive effort, driven by a leader. Transformation is an end result. The process is always turbulent. A leader expects turbulence and he minimises or even suppresses it. Societal attitudes and professional training make managers lean towards efficiency. Paradoxically, those who lead through complex transformations find that the effective path may not be efficient, because their problems appear foggy and unclear. This is what makes transformations uniquely challenging.

Every organisation views its priorities through a compound eye (like a fly) rather than through a simple eye (like a human being). The eye of a fly has over 4,000 lenses, each of which captures a picture. The summation is a fuzzy image. To reach its goal, the fly has to repeatedly turn its body towards the goal, move, reassess by looking again, and then turn its body again. The fly's journey is effective, though it does not appear efficient.

The organisation too sees issues from different angles and interests, it sees its goals as a fuzzy image. Transforming organisations approach their goals in a circular and spiralling way. Such a movement frustrates managers.

The desire for a secure future makes managers want to eliminate uncertainty around them. When employees join a company, they reward those who complete tasks on time or within the budget. They pass through their career, prizing efficiency.

Linearity, stability and suppression of turbulence are artificial ways of dealing with an increasingly complex world.

Nature demonstrates that very few things occur in a straight line. The spiral lies at the core of life's first principles, that of growth. The structure of shells, plants, periodicity of atomic elements, the double helix DNA, all of them adduce to this point of view. The spiral of turbulence is the natural companion of complex problems. Leaders of the future must instinctively learn how to leverage the turbulence they will face, rather than rely on the traditional instinct to suppress turbulence. Nature teaches managers how to do things effectively; nature's way may seem inefficient, but, in fact, the least effort is expended.

Nature's intelligence functions effortlessly, without friction, and spontaneously. Managers also must not try to lead; they must just lead, naturally and spontaneously. They must make the trend their friend. Natural leadership means managing with instinct and values. In the quest to achieve, managers suppress their sense of instinct and values.

We should remember what Gandhiji had said, "Beware of politics without principle, and commerce without morality." JRD Tata had said, "To lead people, you must lead with affection."

The great and more satisfying thing in life is a sense of purpose beyond oneself. If the progress in our society is small compared to the effort, the problem lies within ourselves. Perhaps, we work against our instinctive sense of values and principles. Values are at the vortex of the spiral of turbulence.

The greatest mistake that leaders of the future can make is to assume that results alone matter, and that morality and goodness have gone out of style.

*IN EVERY work of genius, we recognize our own rejected thoughts; they come back to us with a certain alienated majesty.*

— *Ralph Waldo Emerson*

*Vitality shows not only in the ability to persist but in the ability to start over.*

— *F. Scott Fitzgerald in The Crack-Up, edited by Edmund Wilson*

Peter Drucker advocated that business should be managed by balancing a variety of needs and goals, rather than subordinating an institution to a single value.

"People who don't take risks generally make about two big mistakes a year. People who do take risks generally make about two big mistakes a year."

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# P R E F A C E

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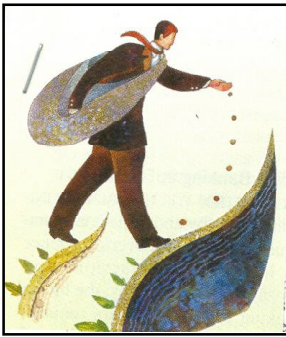
The concept of 'Entrepreneurial Studies' has appreciably changed in nature and content over the years. It is no longer considered an assortment of all sorts of arbitrary facts and figures to choose from. Instead, it is now increasingly becoming more of a systematic, purposeful and objective study of a wide range of disciplines, cultural variances, value systems and environment around us.

Entrepreneurial development and management has come to be recognised globally as the key to rapid and sustainable economic development as well as the welfare and progress of mankind.

More so, it is the entrepreneurs who have been largely instrumental in forming a strong link between agriculture and industry. Indeed, the entrepreneurs with their vision and innovative qualities lay down a strong foundation for sustainable growth, industry. Indeed, the entrepreneurs

with their vision and innovative qualities lay down a strong foundation for sustainable growth, be it the industry, agriculture, trade or the service sectors. Moreover, sustainable growth is most conducive for a healthy society, i.e., an entrepreneurial society.

I have immense pleasure in presenting to my esteemed readers the 21st Century edition of this very popular book. The book consists of new innovative presentations to cope up with the next millennium challenges and opportunities. The study was first published in 1992. Since then it has undergone change in contents, insight, analyses and depth.



Successful new business ventures and economic development do not just happen. They are the result of the combination of right environment, planning, effort, and innovation. And this right mix can only be achieved by the entrepreneurs. They provide a clear blueprint for stimulating research, technology, finance to help promote matured enterprises. At the same time, they enrich the eco-system and give a boost to economic growth. Economic growth refers to an increase in a country's production or income per capita, with economy's total output of goods and services being measured by Gross National Product (GNP). At the present juncture, the country needs much more than growth. Economic development, on the other hand, goes beyond economic growth to include changes in output, distribution and economic structure, which may affect such things as improvement in material well-being of the poor, technical breakthrough, increase in economic activities, increase in the educational level and improvement in health.

## Contributing Factors

The factors contributing to economic development are labour, technology, natural resources, capital and entrepreneurship. New business formation is the result of harnessing human skills with the developed technology, added by available capital as well as other infrastructure to set in a development process. The key factor in this development process is the entrepreneur. This is the forte of the entrepreneur whose policies and strategies cover such broad areas as production, marketing, financing, pricing and personnel relations. The growth of entrepreneurship largely depends upon effective policies and their efficient implementation.

Whose contributions as an innovator and coordinator will go towards the economic development of the country. Thus entrepreneurship is the coordination of the production elements.

Entrepreneurship management is basically concerned with the development, and coordination of entrepreneurial functions. An effective organisation, sound planning, proper coordination of business activities and rational decision-making are the important aspects of entrepreneurship management. The foundation of effective management needs both policy and strategy to be determined and made known.

Literature on entrepreneur development and management has been growing in recent years. Though there have been numerous articles in various journals on entrepreneurial development, especially in India and quite a few edited books containing articles on different aspects of the subject by different authors, there remains an imbalance in the coverage of topics. It is, therefore, no exaggeration to say that there has not been a single comprehensive book on the subject, explaining, analysing and assessing the various aspects of the subject. This book is intended to help evolve a perspective of development of the vital sectors of the national economy and furnish the much needed information on this subject.

The purpose of the book is to describe the essential features of an entrepreneur and entrepreneurship to provide a sense of direction for planners and policy-makers, on the one end, and the emerging crop of young entrepreneurs, both men and women, educated, uneducated, professional and non-professional, to reap immense benefits and decide the future course of action, on the other. In fact, this book is not a fresh beginning. Nor is it the last word. Subsequent studies will elaborate on many of the issues raised here.

The study can be read by any one interested in economic revitalisation, rapid industrialisation, growth and development of an area, economic planners, big and small entrepreneurs, bankers, industrialists, members of chamber of commerce and industry and every concerned citizen, who is an entrepreneur at heart. It is hoped that the book will stimulate entrepreneurs to actively participate in the economic growth of the country. It serves as a tool kit to all entrepreneurs with a new vision and a new insight.

It makes an in-depth analysis of various facts of entrepreneurial development, particulars in establishing innovative enterprises, and creating employment opportunities for millions in urban and rural areas.



It underscores the fact that the process of management development, research and consultancy should be entrepreneurially oriented, which would churn out professional entrepreneurs who will contribute to the country's economic growth.

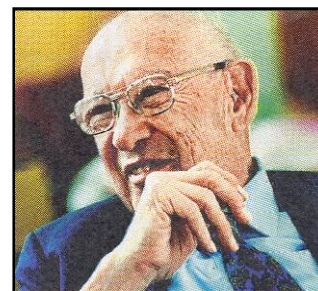
### A Creative Study

The present study is not only creative, but also cohesive and integrated. And, it will assist in right policy formulations with an eye on an ideal environment for entrepreneurial development in India and other developing countries. It will offer entrepreneurs a rich fair of stimulating ideas, a new vision and challenging insights. People engaged in entrepreneurial development, entrepreneurial management and the training of professionals in industry, agriculture and trade, administrators, planners, economists, consultants, bankers, project officers, financial institutions — all these will find these three volumes to be quite stimulating and interesting. The study will assist in accelerating and steering the process of economic growth in the right direction.

### Outline of the Book

The study consists of **Fifty-Two** chapters grouped into **Twelve** units:

- Unit 1: Entrepreneur
- Unit 2: Entrepreneurship
- Unit 3: Entrepreneurial Development
- Unit 4: Projects Management
- Unit 5: Financial Analysis
- Unit 6: Budget and Planning
- Unit 7: Sources of Finance
- Unit 8: Quality Standards
- Unit 9: Marketing
- Unit 10: Setting up a Small Enterprise
- Unit 11: Problems of Entrepreneurs
- Unit 12: Project Work



**PETER DRUCKER**  
(1909-2005)

I do not make any claim to originality or comprehensiveness. Rather I have sincerely attempted to bring together the scattered literature on the subject. However, the presentation of the subject is my own creation.

In the preparation of this book, I have drawn heavily from the published works in the sphere of entrepreneurial development and management.

I hope that the students, teachers, the policy makers, entrepreneurs, and others interested in the subject will find the study quite useful.

I look forward to receiving suggestions from them for improving the contents and presentation of this study.

### Acknowledgements

I am grateful to those who have helped me in compiling the matter for this book. While I take this opportunity to thank all of them — they are too numerous to be mentioned in this brief preface — I would like to acknowledge my deep sense of gratitude to the many veteran professional entrepreneurs and consultant economists for their precise guidance. Thanks are also due to Shri K.N. Pandey, Anuj Pandey, Niraj Pandey, Phalguni Ravi and M.V. Desai for their suggestions for effecting a number of stylistic improvements.

I take this opportunity to express my sincere appreciation and gratitude to Ms. Pratibha Choudhary for reading the book carefully and suggesting changes to make it more crisp, lucid and informative. If the book spontaneously arouses the attention of the students, entrepreneurs, faculty members of entrepreneurial studies, policy makers and researchers, the credit naturally goes to Pratibha for her studied help in presenting the 21st Century Revised Edition in a new look and newer format.

I sincerely extend my sincere thanks to Shri Sudhakar Shetty for bringing out this unique study in a lucid and unique way, Shri M.K. Krishnan for reading the voluminous book meticulously, Mrs. Archana Gupte for efficient coordination and Bahadur S. Karki for providing much needed logistic support in the preparation of this Sixth edition.

Lastly, no words can adequately express my debt of gratitude to my father, late Shri Ranganath Balwant Mutalik Desai (1909-2006), and my mother, late Smt. Laxmidevi (1914-2000), for generating in me a perennial interest in higher studies. I will be failing in my duty if I do not mention here the tremendous co-operation I received from my wife and my daughter in the completion of this voluminous work, in particular, whose patience, support, encouragement, understanding and love helped to bring this effort to fruition.

*Sowbhagya Sadan,  
Banjara Hills,  
Hyderabad-34.*

**VASANT DESAI**



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# ENTREPRENEURISM

Entrepreneurism, entrepreneurship are the lifeblood of any economy, more so in the developing economy. In India, entrepreneurship is in its cultural ethos. Entrepreneurship and enterprises are a continuous process and it is growing from centuries to centuries.

Information and communication technology make it easier for companies to serve the world from any place they choose. Overnight package delivery-service allow companies to get parts from nearly anywhere within a day or two; so, they don't necessarily need supplies to be nearby. Highspeed, low-cost communication systems link companies to offices anywhere in the world, giving even small or remote communities opportunities to compete. Therefore, just as the acquisition and application of knowledge will differentiate winners from losers in business, the adoption of a global outlook will mark those communities and individuals who thrive in the next century. In addition to bringing jobs, any business moving into a community is also likely to bring new services, technologies, and equipment that can help it grow. And cosmopolitans who come to a community can help raise the standards of schools, government, public services, and its businesses.

In 1990, six people threw up their jobs and set out to form a venture which would provide anything and everything required in the infotech arena. Under the banner IT&T, the company's activity termed 'facilities management' has grown over the years to clock a turnover of ₹ 30 crore. The initial phase was quite testing for the team and three of them ran out of steam when the future looked bleak.

Perseverance paid rich dividend. Once the three promoters were able to service reputed companies and deliver results, things automatically started looking up. The troika of Karan Puri, managing director, Hemant Kohli (CEO) and K. Ganesh (director), have not only proved the other three friends wrong by achieving results but also have recently roped in another partner — Rohit Chand — as executive chairman. The incumbent, who has 30 years of experience, has imparted a cutting edge to improvisations in facilities management and creating a niche of networking systems and systems integration. IT&T's latest venture, the IT&T Global Services Ltd., is his first contribution to the company. The first client of the company is Siemens, which is setting up a power plant in Brazil.

The focus of the company from now on is going to be high margin business particularly smart sourcing and global services. This may reduce our turnover a bit but will increase our profits in addition to reducing a lot of unwanted workload. Despite competitors like IBM Global Services, Wipro, Compaq OMS and Microland, IT&T has constantly thrived by offering innovative services.

The smart sourcing business model deals with contractual acquisition services for customers' hardware, software and networking requirements to ensure highest possible quality at the optimal costing of IT infrastructure. The idea is to provide single window supporting system for companies which can utilise the strength of procuring the best out of many vendors with each catering to their strength rather than going for the easy route of getting everything from a single point. In the first phase, the company is tapping mature buyers for whom infotech systems are crucial for day-to-day operation. Ranbaxy, Castrol, Dabur, Reckitt & Coleman, British Council are some of the big clients.

Offering IT services and support, launch of three new service streams (facilities management, mail and messaging services and network management services), smart sourcing services, implementing solutions on these services and the launch of IT&T Global services are some of the highlights for IT&T this financial year. IT&T has targeted 1999-2000 as the year for its highest growth in both the domestic and foreign markets. Last fiscal, the largest portion of the company's sales came from the sales of Compaq and IBM workstations. IT&T has, since inception, positioned itself as a key distribution and systems integration company.

The whole idea of smart sourcing came from the clients themselves. Each company needs to remain focused on its strengths. But the strengths in this business alter so rapidly that by the time you become near perfect in that particular service, it becomes obsolete. Technology upgradation and regular R&D in service quality enhancement remains the buzzword in this segment.

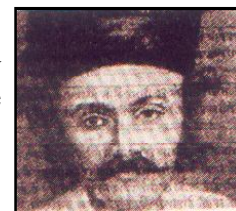
Though IT&T has been performing well over the years despite the entry of formidable rivals, it is lasting the course that matters. Only then would IT&T be an Indian company that not only stood up to the foreign majors but set itself as an example to the next generation of software companies. With innovations as the core competency, IT&T has emerged as a leader in sourcing information technology. The end-target may be clearly visible, but much of the route may be invisible from the starting-point. The only way you are going to see the path ahead is to start moving. Thus, strategy must be as much about experimentation as it is about foresight.

The enterprise must pay more attention to the pre-conditions for innovative strategy-creation. The goal is not to develop perfect strategies, but to develop strategies that are directionally correct, and then, to progressively refine them through rapid experimentation and adjustment. This is the real work of the leader.

## ENTREPRENEURS WHO CHANGED THE FACE OF INDUSTRIAL ENTERPRISE IN INDIA

### Late Cowasjee Nanabhai Davar (1814-1873)

**The Inspiration to Invest:** Cowasjee Davar inaugurated India's industrial revolution. In 1854, he set up India's first steam-powered textile mill in Bombay. Capitalised at Rs. 5 lakh, the Bombay Spinning and Weaving Company paid a 10 per cent dividend for six years straight. Davar set the stage for the safety of industrial capital in India. Galvanised by his example, others too made industrial investments. Among them were: Wadias and the Tatas.



### Late Sir Jamsetji Nusserwanji Tata (March 3, 1839 – May 19, 1904)



**The Father of India's Industrial Revolution:** J.N. Tata was the first Indian to understand the significance of the industrial revolution. At his Swadeshi textile mill, he instituted pension funds and accident compensation. He believed India's progress hinged around steel, hydroelectric power, and technical education. The industrialist in Jamsetji Tata was a pioneer and a visionary, possessed of a spirit of entrepreneurial adventure and acumen never seen before or since in a native of colonial India. The nationalist in him believed unwaveringly that the fruits of his business success would enrich a country he cared deeply about. These attributes, by themselves, would have been enough to mark him as an extraordinary figure. But what made Jamsetji Tata truly unique, the quality that places him in the pantheon of modern India's greatest sons, was his humaneness. He inspired creation of the Indian Institute of

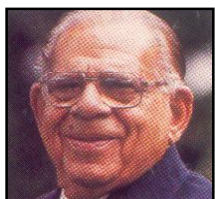
Science, formerly Tata Institute, in Bangalore. In 1900, when he was 60, he set up Jamshedpur Steel Works after learning steel-making in Europe. He was the giant who touched tomorrow.

### Late V.O. Chidambaram Pillai (September 5, 1872 – November 18, 1936)

**The Steamships That Cried Freedom:** Pillai was a nationalist who entered business to prove a point as much as to make profits. His Swadeshi Steam Navigation Company Ltd. broke the monopoly of British shipping in coastal trade with Ceylon. VOC, as he was popularly called, was a radical Congressman who was arrested in March 1908 on charges of sedition. He was finally released in 1912. Pillai inspired an entire generation of conservative southerners to plunge into business.



### Late Rai Bahadur Mohan Singh Oberoi (August 15, 1898 – May 3, 2002)



**The Brown Sahib's Opportunity:** In 1934 Oberoi mortgaged his wife's jewels while scratching together ₹ 20,000 to buy his British partner's stake in the Clarke's Hotel, Simla. He put in money while the Brits pulled their out, and a decade later, he was the first Indian to run a hotel chain. In 1965, he opened the first five-star international hotel in India in Delhi. Thirty-four hotels in seven countries later, Oberoi was the first real Indian multinational.

It is difficult to believe that the man who has established 25 fabulous properties, 13 of them abroad, by the time he passed away at age 104 in 2002, grew up as a charity student in the obscurity of a Punjabi small town, Bhaun. His entry into his ordained orbit was as unredeeming.

### Late J.R.D. Tata (July 29, 1904–November 29, 1993)

**A Visionary of the New Generation:** Late Jehangir Ratanji Dadabhoj Tata (Popularly known as JRD) is a visionary industrialist of the 20th century.

Titan of the Times, J.R.D. Tata left an indelible mark on industry. He built the industry on the cornerstones of integrity and honesty. He played a critical role in increasing India's scientific, medical and artistic quotient.

Born in Paris on July 29, 1904, Jehangir Ratanji Dadabhoj Tata was the second child of Ratanji Dadabhoj Tata and his French wife Soonie. JRD was barely 34 when he took over as the fourth chairman of a 13-company group with sales of ₹ 280 crore. India's industrial revolution mirrored his entrepreneurship as he set up businesses ranging from trucks to locomotives, cement to pharmaceuticals, hi-tech enterprises like TCS to agri-businesses and services including airlines and hotels. When he stepped down in March 1991, the conglomerate earned ₹ 10,627 crore.



Under JRD, the Tata name became a synonym for probity and integrity and was India's most respected business brand. His people-centric model kept Tata workers from going on strike at a time when trade unions ruled industry. JRD also recognised the importance of access to technology and having good managers on board. He founded the Tata Institute of Fundamental Research, funded the Indian Institute of Science, and set up the Tata Administrative Service along the lines of the British Administrative Service.

#### **Late Henning Holck Larsen (July 4, 1907–July 27, 2003)**

**The Dane Who Never Went Home:** One of a small flock of Europeans who refused Quit India, Larsen and his partner Soren K. Toubro — both came here to set up a cement plant for a British employer—set up a company in 1938 that became India's pre-eminent engineering giant. Larsen knew independent India offered much scope for his company and his skills. Worth ₹ 5,400 crore today, Larsen's push to manufacture it all in India sparked off an engineering boom that hasn't quit. From nuclear plants to new expressways, Larsen's stamps on India is indelible. His spirit continues to find expression in the products we make, in the projects we execute, and indeed in everything we do, as we make the things that make India proud.



#### **Late Dr. Verghese Kurien (November 26, 1921–September 9, 2012)**

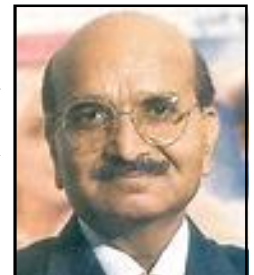


**Father of the Unlikely Entrepreneur:** Dr. Kurien created Operation Flood, the largest dairy development programme in the world. He made India the world's largest milk producer. But most importantly, he put economic power in the hands of the producers, all 10 million families at last count. The Kaira District Co-operative Milk Producers' Union, or Amul, as India knows the giant, is modern and fit enough to lord over an array of multinational competitors. Humble farmers, and cowherds — they all have a stake in one of the world's best dairy operations.

Kurien is known as the 'Milkman of India'. His Operation Flood, launched in 1970, followed a simple structure (called the Anand Pattern): at the core were farmers and the co-operatives and on top was a district-level milk producers' union, and finally there was a state federation that did the marketing. The National Dairy Development Board, which Kurien founded in 1963, today runs a co-operative network composing 170 milk unions and 10.7 million farmer members. He is one man, who continues to inspire generations with his fearlessness to protect the integrity and honesty in the organisations he created.

#### **Karsanbhai Khodidas Patel (March 10, 1944)**

**The Power of the Grassroots:** Patel knew no marketing, had no management qualifications and no collaborator, Indian or foreign, when he created the first Indian brand to humble the best multinationals. The saga of this Gujarat government chemist began with a 12-yard shed in his backyard in 1969. Worth ₹ 2,440 crore today, Nirma's cut-price detergent shook the likes of Lever. Patel, who speaks little English, inspired legions of Davids to do entrepreneurial battle with India's corporate Goliaths.



#### **Late Aditya Vikram Birla (November 14, 1943–October 1, 1995)**



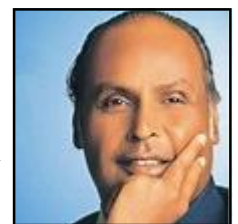
**The First Mogul of Globalisation:** When MIT graduate Aditya Vikram Birla returned to India to be a part of his grandfather G.D. Birla's sprawling empire in the 1960s, he could have gone with the flow. But when it took Indian bureaucrats 11 years to clear a refinery project, Birla did not believe it worth his while to work the licence raj. Instead long before globalisation became a buzzword, he spread outward, setting up a textile mill in Thailand; later the world's largest palm oil refinery in Malaysia. When he died in 1995, his group had 17 companies in 14 countries.

"The late Aditya Vikram Birla inherently believed in the trusteeship concept of management. Simply put, he said that the wealth that one generates and holds is to be held in trust for its stakeholders".

This meant not only rewarding shareholders and employees, but reaching out to communities.

#### **Late Dhirubhai Hirachand Ambani (December 28, 1932 – July 6, 2002)**

**The Saga of New India:** Truly an entrepreneur for the tumultuous, new India. Poor son of Gujarat village school teacher, he reached Aden at age 17 and worked as petrol station attendant. Mixing grand opportunism with extreme guile, he clambered his way up, manipulating the licence raj to his advantage. He created an equity cult by going to millions of small investors when the big bankers refused him money. He adapted as easily to liberalisation. At ₹ 60,000 crore, there's quite simply nothing larger than Reliance in India today.



Dhirubhai always encouraged people to think big, think fast, think ahead. He often said “Our dreams have to be bigger. Our ambitions higher. Our commitment deeper. And our efforts greater. This is my dream for Reliance and for India.”

He was the first Indian to truly understand the term ‘economies of scale.’ At a time when government decided capacities for business, Dhirubhai thought otherwise. He outwitted the system and built capacities that were not based on reasonable projections of demand. When times were good, he had the bandwidth to meet demand. When times were bad, he had the economies of scale on his side or that extent, the global ambition India Inc. now harbours and the beligerence it exhibits, is Dhirubhai Ambani’s legacy.

### **N.R. Narayana Murthy (August 20, 1946)**

**Messiah of the New Middle Class:** How many companies have 1,388 employees that are rupee millionaires and 72 that are dollar millionaires, including drivers and peons? Murthy’s miracle is not just that he and seven professionals built a tech powerhouse from ₹ 10,000 as initial investment in 1981. He did it with middle-class values — hard work, humility, honesty and innovation — and inspired uncountable thousands on the good way to make money. And as the thousands clamouring to get into Infosys indicate, there is no better employer around.



Narayana Murthy is undoubtedly the great Indian middle-class hero, an achiever who proved that merit does matter, that you don’t have to do bad things to make good, that even an engineer from a lower, middle-class family who didn’t inherit a business empire and refused to pay bribes can become a corporate czar.

### **Kiran Mazumdar Shaw (March 23, 1953)**



**Biotech Baroness:** It’s rare for a woman to be the CEO of a company that leads its industry. It’s rarer still for that woman to also have pioneered the industry. But then, Kiran Mazumdar Shaw is no ordinary woman. When she returned from the UK with a master’s degree in brewing (her father R.I. Mazumdar was India’s first brew master), she was all of 25 years old. Her original idea was to take up a job as a brewmistress. But fate willed otherwise. As it happened, she couldn’t find a job. Far from being deterred, the young Mazumdar launched her own company with Biocon, an Irish firm, to manufacture enzymes for packaged fruit juices. Now Biocon is moving into even greener pastures. It will use its technology to manufacture recombinant human insulin. It is a multi-billion dollar market that is expected to revolutionise diabetes treatment and the product will pit Biocon with MNCs like Eli Lilly. Her dream: To propel Biocon into the world’s top 10 biotech firms.

It is Kiran’s people-centric nature that makes her rise above mundane things like gender differentiation. Her style is hands on and she usually puts in 15 hours of work daily.

Today, Biocon (the Irish partner sold out to Mazumdar Shaw in 1999) is India’s largest biotech company with revenues of about ₹ 200 crore, and focused on pharma products such as anti-infectives. It also has a subsidiary called Helix that carries out Biocon’s biopharm operations.

Kiran Mazumdar Shaw, chairman, and managing director, Biocon, has won the ‘Nikkei Asia Prize’ 2009 for her pioneering achievements in the field of Biotechnology. Shaw was nominated for her pioneering work in the field of Biotechnology in India by establishing a business model that believes in innovation and intellectual excellence, her achievements as a first generation entrepreneur and her status as an icon of entrepreneurship in the country.

### **Azim Premji (July 24, 1945)**

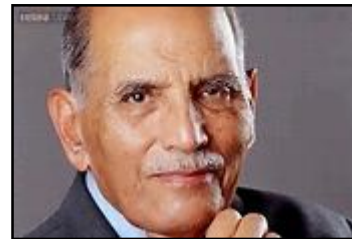
**Creator of the New Wealth:** Azim Premji, who inherited an oil mill from his father Mohammed Hussain Hasham Premji, diversified and entered the knowledge economy in 1979. From there on, he led his way to software superpower status. His vision, determination has created new wealth and newer opportunities.

So it’s remarkable that Azim Premji unwittingly serves as inspiration for hundreds of techies — around the country and within his company — to strike out on their own. Many CEOs of tech startups launched in the late 1990s were once long-serving employees of Wipro.



### **Faquir Chand Kohli (February 28, 1924)**

**Father of Indian Software Industry:** As an electrical engineer, F.C. Kohli was an unlikely candidate to be India's software revolutionary. But, as it turned out, J.R.D. Tata could not have picked a better man to lead the Tata group's foray into the then esoteric software business. When Kohli took over the reins at Tata Consultancy Services in 1969, the electrical engineer from the Massachusetts Institute of Technology only had experience in managing power plants. Worse, computer technology wasn't really a priority for the government. Kohli battled on, managing to get a modest share of the software boom that had begun in the US in the early 60s. The arrival of Rajiv Gandhi and his technology-friendly team opened up opportunities for TCS, and a horde of other software wannabes. Today, TCS is Asia's largest software and services company.



A company with strong heritage, high level of ethics and integrity and respected technology leader with proven track record. People are proud to work on cutting edge technology that transforms people's lives in every corner of the world. The company culture and values provide people a distinct environment where they can focus on making a difference, learning and growing while maintaining a healthy work/life balance.

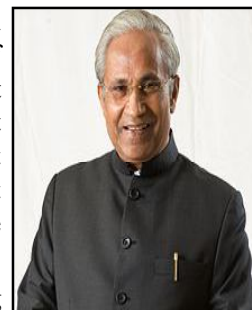
### **Late P.C. Mahalanobis (June 29, 1893 - June 28, 1972)**



**India's Quality Guru:** Prasanta Chandra Mahalanobis was India's answer to the American quality guru Edwards W. Deming. Just like his American peer, Mahalanobis was a statistician. And like Deming, Mahalanobis (called 'Professor' by his friends) sought to create prosperity through the use of statistics. When Mahalanobis was in his late 20s, he set up the Statistical Laboratory within the Physics department of Calcutta's Presidency College. By 1931, it became the Indian Statistical Institute, and in 1959 it was a national institution. Mahalanobis also showed India the use of sample surveys, by employing them to study Bengal's jute production and yield in 1937. Statisticians today consider that Professor's greatest contribution. But in popular memory, the Cambridge graduate is best remembered for his seminal work on the Five-Year Plan. While the decay of Nehru's command capitalism may be at the root of India's economic problems, the Mahalanobis model did give a newly independent India a spring-board to prosperity. It's a pity that the expected leap did not take place.

### **Late Desh Bandhu Gupta (8 February, 1938 - 26 June, 2017)**

**Standing Tall:** His medium build, silver hair and soft spoken manner make him look more like a college professor than a business tycoon. Yet, Desh Bandhu Gupta, the founder and chairman of Lupin Ltd., one of India's most successful pharmaceutical companies, provides ample evidence that one should never judge a person merely by appearance. Though his company now has a market capitalisation of ₹ 6,000-7,000 crore, and annual sales of ₹ 3,775 crore, Gupta has not forgotten that Lupin was started in 1968 with an initial investment of just ₹ 5,000! But his close confidantes point out that the company's CSR programmes give him much more satisfaction than market leadership in one more product, one more country.



In the field of generics (off-patent), the competition will keep on increasing. So, Lupin is trying to carve out certain riches, concentrating on drugs that are technologically difficult to manufacture.

They are also moving towards their own drug molecules, which will help them to stay ahead of the competition. The company is under professional and not a part of the Family.

Lupin is at the very forefront of successful Indian (pharma) companies. Of course, many first generation companies find it difficult to transition to the second or third generation. But Lupin has overcome this hurdle with Gupta's children – son Nilesh and daughter Vinita.





## CHAPTER

# 1

## INTRODUCTION

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*“Industrialisation is an ongoing process which accelerates economic growth and induces social change.”*

— *Energising Lives Through Innovation*

### **IN PERSPECTIVE**

Globalisation is praised for bringing new opportunities for expanded markets and the spread of technology and management expertise, which in turn hold out the promise of greater productivity and a higher standard of living. Conversely, globalisation is feared and condemned because of the instability and undesired changes it *can* bring; to workers who fear losing jobs to competition from imports; to banks and financial systems and even the entire economics that can be overwhelmed and driven into recession by flows of foreign capital.

Localisation is praised for raising level of participation and involvement, and providing people with a greater ability to shape the context of their own lives. By leading to decentralised government where more decisions happen at sub-national levels, closer to the voters, localisation can result in more responsive and efficient local government. However, when poorly designed, decentralisation can result in over-burdened local governments without the resources or the capacity to fulfil their basic responsibilities of providing local infrastructure and services. It can also threaten macroeconomic stability, if local governments, borrowing heavily and spending unwisely, need to be bailed out by the national government.

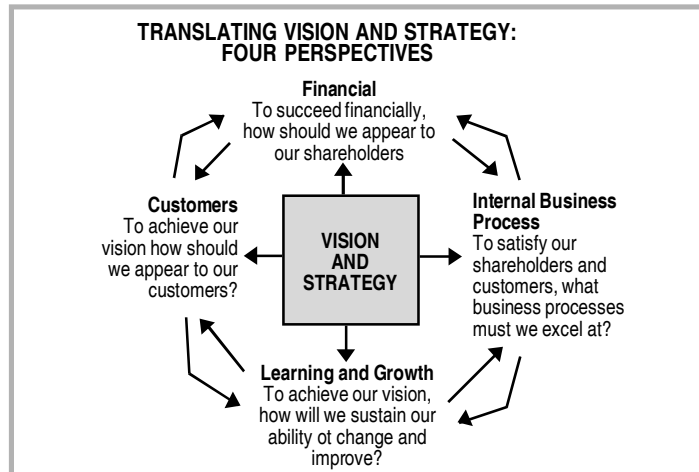
### ***Global Competitiveness***

The vital need for attaining global competitiveness has resulted in widespread restructuring across corporate India. Increasing consolidation — in search of globally scaled capacities, technology of upgradation and focus on core competencies are the cornerstones of this restructuring process. The Government too has recognised the significance of corporate restructuring in a competitive environment and accordingly, several fiscal and legal changes are envisaged to facilitate the process of mergers and de-mergers.

Globalisation has been a two-way process and in the context, globally competitive players have been actively seeking opportunities for wealth creation. The shift from the industrial revolution to the information revolution and now the knowledge revolution has ensured that knowledge intensive industries are poised for tremendous growth. The information technology and pharmaceutical industries are two clear examples. Companies in these sunrise industries have created a sustainable and difficult-to-replicate “intangible” advantage based on their human capital. As Indian industry matures, many of these companies will act as pathbreakers and trendsetters.

As business becomes more global and competition for capital increases, greater emphasis is being laid on corporate governance as a mechanism for effective control and enhancement of stakeholder value.

**Fig. 1.1**  
**Strategy Perspective**



The globalisation of production has created tremendous economic opportunities, but major efforts will be needed to make the India's economy flexible enough to reap the benefits, while minimising the associated dislocations. Adjustment costs are already evident in growing income disparities in the varied spheres.

With India's growing importance in the world economy, India has a unique role. Reforms are needed to balance manufacturing and service sectors, to rebalance growth away from self-reliance towards exports. Such efforts would not only be in India's interest but would also have positive spillovers to the rest of the world.

Following reforms in the early 1990s, India has become a global leader in service exports, eventhough its impact on the regional and global economies has so far been more limited.

### **India's Economic Progress**

The success of India's economic progress is closely linked to its capabilities to manufacture and export quality products in a highly competitive global market. In fact, the changing business scenario in India is influenced by three driving forces — customer, competition and change. The objective of the economic reforms that were initiated in India was to move the economy into a higher growth plane by relying more on market-oriented process.

The Indian economy grew by a sizzling 9.4 per cent in 2006-07, the fastest in 18 years. The growth was delivered by sterling performance in manufacturing and services and despite a lag in agriculture. The Indian economy has shifted to a higher growth trajectory.

The process of socio-economic change is an intrinsic part of human civilisation. Man has been striving ceaselessly to discover the secrets of nature and thereby benefit immensely in creating a peaceful, rich life for himself and his fellow-beings. Man has benefited by agricultural, industrial and information activities. According to J. K. Galbraith, there are three types of economic development that are currently in vogue. These are symbolic modernisation, maximised economic growth and selective growth. Economic growth is the *sine qua non* of change and better living standards. Over the years, a middle-of-the road social democratic thinking is becoming consolidated.

### **Economic Reforms**

The economic reforms initiated in 1991 have had an invigorating effect on various sectors of the economy which is now poised for accelerated growth in the years to come. Industrial production has picked to an impressive rate and in fact is a major contributor to the high growth rates of GDP. Progress has to be made slowly and steadily, but we must continue to move towards transparency, quality awareness and Total Quality Management. If Indian industry is to be globally competitive, then the liberalisation process has to be sustained over the next decade.

### **Sustained Economic Growth**

The primary objective of developing countries like India is to achieve rapid, balanced and sustained rate of economic growth. Hence, efforts are directed towards the creation of conditions in which a fast development of productive resources

can take place. This inevitable necessitates the transformation of social and economic structures which will not restrain the potential productive forces and inhibit the development of resources. The state has, therefore, to devise efficient and effective political, economic, social, technological and cultural strategies so as to ensure a desirable co-ordination of all sectors of the economy and assure deliberate and requisite interest and involvement of the people. With this approach social change can be achieved. This is largely secured by adopting politically the technique of planning and, economically, the tool of management. Country after country in the underdeveloped world is progressively and intensively resorting to liberalised, privatised, globalised and market-oriented economy and to a restructured and neo-cultured society.

## *Economic Development*

Economic development, if conceived without appropriate social changes, soon becomes stultified and stagnated. Comprehensive national planning is increasingly becoming an instrument of socio-economic transformation in developing countries. Planning delineates strategies. It also determines policies consistent with the political philosophy of the party in power. There seems, however, nothing like universal precepts of planning, though concepts of planning are emerging with experience gained all over the world. One does not naturally observe a uniform approach to planning. There is bound to be as much diversity in national planning, as multiplicity of political philosophies and dissimilarity in the state of economies.

## *Objectives of Planning*

There would, however, be no two opinions on the basic objective of planning. Planning must impart dynamism to the process of development. In different developing countries, diverse economic systems exist. Despite the apparent similarities between the different economies, they are at various stages of development. Furthermore, different regions and sub-regions in the same country are also not at the same levels, economically, socially, technologically and culturally. Dissimilarities are wide. The process of planning in one and the same country, therefore, tends to be very complex and, at times, beset with formidable problems obstructing the process of rapid, balanced and sustained economic development. It is, thus, becoming patently evident that planning to become a potent tool and an effective technique of economic development must descend from the olympian altitudes of the national level to the low lands of the regions. Formulation of development plans can be all-inclusive and well-integrated only at the regional and the sub-regional level. Every region and sub-region, due to its distinctive character, demands a special treatment. It is relatively easy and simple to accelerate production, stimulate consumption and motivate transformation of economic and social structure at the regional and sub-regional level, particularly in a vast and diverse country like India. Some of our states and regions are as big as nations. If the creation of conditions facilitating rapid growth of physical and human productive resources is the aim of planning, the peculiarities of the region and sub-regions have to be taken into account — perhaps more than the points of similarity. Rapid and balanced economic development presupposes co-originated and deliberate activity in all sectors of the country.

## *Public Response*

In a country like India, economic development must be consistent with the principles of democracy, ensuring that the economic tasks will be in full accord with the interests of humanity, ground for ages in chronic and abysmal poverty. Poverty has killed interest, initiative and enterprise. The greatest social tragedy in a poor country is the loss of will. There is an urgent need to overcome economic backwardness and cultural weakness and to promote their social and intellectual advance. The challenge to developmental planning in countries like India lies in laying down firm material foundations for a more equitable, equal and egalitarian society. This is possible when backwardness of regions and sub-regions is clinically examined and correctly diagnosed. Prescriptions need be written on the basis of social psychology and economic pathology of the regions and sub-regions and medication, nursing as well as nourishment be provided to gain economic strength and infuse ‘development will.’ The success of planning is closely linked with the readiness with which the people respond to the demand of economic progress. Rapid economic development is largely dependent on the degree of popular response, and the intensity of this response indicates the extent of development which will be generated in the community or the region concerned. The first task, therefore, is to stimulate and arouse the people to action aimed at improving their lot by undertaking productive, economic activity. Such an awakening will facilitate numerous changes in the social and economic fabric of the region concerned and will also catalyse structural transformation. The process of regional and sub-regional development is triggered off by combining all aspects of economic development into meaningful policies, quantified targets and viable programmes. It must be appreciated that planning goes beyond purely economic factors.

## *Laws of Dynamics of Economic Development*

(i) *'Economic development is organically related to the impulse of change, reflecting the developmental urge of the society for self-reliance and willingness to observe rigorous discipline.'*

This is a social law. This explains why there is no economic development in a particular society — regional, national or continental. The impulse to change must lead to action aimed at becoming self-reliant as quickly as possible. Self-reliance demands observance of a rigorous discipline. An urge for development, efforts towards self-reliance and a sense of discipline are the three important elements in the social law of dynamics of economic development.

(ii) *Economic Development is quickened with the degree of appropriate and intimate relationship established between and/or among competing claims, of various apparently conflicting objectives.*

This is a political law. With the growing consciousness, undeveloped and underdeveloped sectors clamour for and claim priority in development plans. Fixing of sectoral priorities and deciding the rate of progress at a given time are political decisions. The conflicting claims are to be resolved by the political leadership of the country by weaving them into supplementary and complementary relationships so as to minimise, if not entirely neutralise, their dissipating influence. The economic statesmanship of a national political leadership is displayed in harmonising the conflicting claims for economic development sectorwise, sectionwise and regionwise.

(iii) *Economic development depends upon the ability to restructure the economy with the identification of and the insistence on the economies of scale and the operational choices of technologies, resolving to the highest degree possible, the seeming or real conflict of capital versus labour.*

This is a technological law. Economy must be restructured, if it is to be balanced and self-sustained. There are economies of scale. It is the economies of scale which should determine the scale of economy. The relationship between large and small-scale industry sectors should progressively settle down on this teleological basis. Technologies change constantly in modern scientific age and consequently, even the economies of scale undergo corresponding changes. This re-adjustment in the large and small-scale industries should be painlessly brought about. So also, the capital-intensive and labour-intensive operations ought to be carefully sorted out, categorised and communicated to the entrepreneurs and managers for compliance. For instance, capital-intensive techniques should give way to labour-intensive techniques in economies where labour is abundant; but this may not apply rigidly to all spheres of the economy.

(iv) *Economic development takes place in proportion to the administrative calibre and motivation and in the direction of the comprehensive infrastructural facilities — social, educational, fiscal, financial, technical, distributional, medical, logistical and others.*

This is an administrative law. Developmental plans founder due to administrative inadequacies and procedures. Demands of development planning outstrip the administrative capabilities — not so much in terms of talent but of skills. For economic development, the administration needs to know and be in tune with developmental processes, techniques and will. The administration must be fully involved and committed to development. It must be motivated so as to feel that it has the highest stake in the participation and execution of the programmes of development. Furthermore, the administration should not forget that economic development is something like a living being. It tends to move in the direction of and relishes to thrive in the location, where comprehensive infrastructure exists or is shortly expected to exist. Again, economic infrastructure and fiscal/financial benefits are not enough. Man brings about development. Economic developmental facilities, without doubt, need be provided. But, many more amenities expected by the modern man are also required to be created. This naturally leads to identification of the growth centres, which when furnished with a comprehensive infrastructure, would initiate industrial and productive activities in ever-widening circles round the potential epicentre.

(v) *Economic development originates and fosters in relation to the strength and health of the local entrepreneurship and depends on the rate of its generation and equally to the intensity of its sense of social responsibility, its innovation quotient and its index of managerial capabilities.*

This is an entrepreneurial law. It is the entrepreneur who powers the process of economic development. The strength of an economy is in one way the strength of the entrepreneur class in the society. Mere mercantile entrepreneurship has different attributes and thrives in an entirely different atmosphere. It has to be cultured systematically in the underdeveloped regions and sub-regions. The higher the rate of genuine industrial and innovative entrepreneurship, faster will be the rate of economic growth. Entrepreneurship must also acquire new managerial skills. Entrepreneurial density, innovative propensity and managerial capability in the society in a particular period determine the character and future of economic development.

*(vi) Economic development is decisively dependent on the state of the balance of trade.*

This is a commercial law. Adverse balance of trade position restricts the development process, particularly in underdeveloped countries importing machinery, raw materials, know-how and even experts. Favourable balance of trade provides considerable latitude in the choice of imports and in the source of imports. International trade brings economic strength and techno-economic self-reliance. Again, mere exports outgrowing imports is not necessarily a sign of commercial strength. Composition of imports and exports is of great importance in this context. Commodities and unprocessed minerals may earn a fairly good amount of foreign exchange for the country; but the share of manufactured goods in the total exports of the country will indicate the degree of industrial progress and strength achieved by that country. While attempting to balance exports with imports, effort should be made to constantly expand the contribution of the manufacturing sector to national exports.

*(vii) Economic development is directly related to the rate of national savings and of national investment in conformity with national priorities and real needs, based on social justice, economic stability and national security.*

This is a financial law. The countries and communities in which the rate of savings is high and where savings are institutionalised and thus made available for investment in productive activities according to the national priorities, are without doubt advancing faster.

Economic stability leads to increased savings. Stability cannot be ensured without growth. In fact, growth and stability can be said to be synonymous terms. National investment must also ensure national security. This is possible if ample investable funds would be available at reasonable rates of interest for desirable productive purposes. It is, therefore, necessary to ensure an adequate rate of savings and institutional investment for productive activities. Mobilisation of public savings is possible when adequate incentives are provided.

The techniques of planning may have to be based on these laws of dynamics of economic development. Their ignorance or non-compliance is likely to retard and restrict the process and pace of economic development, which all the developing communities and countries cherish. Development is essentially a matter of social and economic management. In India the emphasis was and still is largely on the economic aspect rather than on the social. If the social motivation is taken care of, economic development will begin to take care of itself. Perhaps our planners need this advice. But will they heed?

## ***Trends in Economic Development***

There are twelve major trends affecting the direction of economic development:

1. Technology as a resource
2. Competition in domestic and international markets
3. The role of invention
4. Government as stimulator
5. Entrepreneurial and Intrapreneurial development
6. Innovative capital formation
7. Active financial sector
8. Innovative entrepreneurship
9. Progressive management
10. Quality as a goal
11. Supremacy of the customer
12. Collaborative relationships.

Technology is more than a thing, stratagem or even a process. It is a self-generating resource that is not consumed in the process of use. Consequently, it is an important form of economic wealth.

Competition is forcing a reassessment of our individual and collective responses to the marketplace. Fierce domestic and international competition for scientific, technological, and economic pre-eminence, forcing communities and regions to leverage all their resources — human, technological and financial — to compete effectively for vibrant and diversified economies.

The countries are experiencing an unprecedented burst of invention. Myriad technological advances are occurring with incredible speed and frequency. The ability to commercialise these inventions will have direct and immediate economic consequences.

The governments are trying to find positive non-interventionist approaches to encouraging entrepreneurship and technological diversification. They seek to create jobs, provide benefits to the small business sector, and forward technology. The creation of an environment that promotes entrepreneurial activity has become a more important focal point in the government's policy on development.

People with raw energy and a proclivity for risk-taking built and sustained the countries. They are continuing to build it today — in new ways and with new approaches. These entrepreneurs and intrapreneurs are breaking tradition and providing a dynamic source of creative and innovative enterprises.

Innovative capital formation is providing the catalyst for the entrepreneurial process. Mechanisms for providing seed capital and venture capital as well as an expanding venture capital industry are helping to build new ventures. If the entrepreneurial process is to succeed, it is essential to continue to support and expand the formation of capital and its innovative utilisation in new business development.

Finally, creative collaborative relationships being formed between business, government, and academic are forging opening new opportunities for commercialisation and thus accelerating the technology transfer process.

## *Man — A Crucial Factor in Development*

The absence of universal precepts of planning should not worry any planner unduly, because it is still possible to enunciate the basic laws that motivate economic development, drawing on the experiences of planning under different political systems. These should hold good in all economies and for all countries at any time. There is something which can be described as the laws of dynamics of economic development. If they are respected while planning and complied with while implementing, the process of economic development may not prove to be unfruitful and wasteful. Like the laws of nature, these laws of dynamics of economic development are inexorable and the degree of alienation with them will render planning unsuccessful. These laws embrace various aspects of the process of planning. As has been emphasised above, economic development is a multi-lateral and multi-directional movement. In fact, economic developmental potential remains a dormant asset due to the undeveloped or underdeveloped economic man. Man is much more crucial to development than other economic factors. As such, when man plans to initiate change, economic development rolls on. Other factors are ancillary, though quite necessary. Sufficiency of other resources, without the necessary human “development will” does not lead us anywhere. Resources to be developed may exist in plenty but if development-linked human minds are absent, hardly any economic development will take place. So, the creation of the development will is the key factor which engines the economic progress. Once such a will emerges, it is necessary to see that the laws are corrected and co-ordinated action is planned, and whatever is planned is well executed. A humble attempt has been made below to present the seven laws of dynamics of economic development, as they are quite relevant to the regional and sub-regional planning contemplated in India at present.

## *Human Resources*

While the availability of industrial resources is an important advantage for development through industrialisation, responsive human resources are the major conduit for the development and upgrading of technology. After all, the human factor is the greatest factor in the process of its own development.

Among the inputs that go into industrial development, such as capital, industrial resources, scientific research and human resources, social scientists emphasise the last-named factor as the most significant for achieving rapid industrialisation. The human factor consists broadly of individuals with a reasonable level of general education and skills in specific areas. While human skills include manufacturing, technical, supervisory, managerial, administrative and entrepreneurial competence, it is the entrepreneurial quality which is a key ingredient. It often sets the limit to the degree of industrial development and the speed with which it can be achieved in a particular country or region.

In the knowledge economy, Indian entrepreneurs have spread all over the world and are playing a unique role in fostering economic development of the country at an accelerated space. Of late, Indian entrepreneurs have earned their laurels in China too.

## *Lack of Entrepreneurship*

According to the results of the 61st round of NSS, wage employment is falling and self-employment is increasing. Nearly 50 per cent of India's work force is self-employed. But, all these people are not entrepreneurs.

Lack of entrepreneurship inhibits the process of industrialisation in the newly-developed countries. Although there is not such thing as a zero level of entrepreneurship, it is well recognised that entrepreneurs can be developed through appropriately-designed Entrepreneurship Development Programmes (EDP). These programmes broadly consist of three distinct stages: firstly, that of developing achievement motivation, and sharpening entrepreneurial trait and behaviour; second, that of project planning and development; and at the third stage, guidance is provided on industrial opportunities, incentives and facilities, rules and regulations and the development of managerial and operational capabilities. With the growth of technical manpower, it is necessary to organise entrepreneurship development programmes on a wider canvas to attract potential entrepreneurs to small business. While doing so, the characteristics of an entrepreneur have to be kept in the view.

Broadly, they are as follows:

- Development in any walk of life has always depended on individual qualities of entrepreneurship. A study of human history shows ample evidence of the role of individuals in the process of development.
- Industrial development in almost all countries has always started with individual enterprises.
- Even huge multinational and national corporations have mostly received their inspiration from one or a few individuals.
- In the case of small industries, the project is usually centred around a single individual.
- Small enterprises are mostly initiated, managed and developed by one or a few individuals.
- Qualities of entrepreneurship constitute one of the major resources in the promotion of an enterprise.
- An entrepreneur is someone who ventures out; prefers change as a means of growth; and is prepared to take calculated risks.
- While taking a risk, the entrepreneur is aware of the possibilities of success as well as the consequences of failure.
- He analyses the pros and cons carefully before making decisions.
- He is involved in the planning activities, both before and after the decision to start the enterprise.
- He is motivated by an urge to make a success of the project.
- He proceeds to accept the situation as a challenge.
- He equips himself with all the necessary tools.
- He is persistent and is full of perseverance for making a success of himself.
- Entrepreneurship is a product of interaction among a number of factors. Some of these factors are in the individual (psychological) and the rest are in the social, cultural and economic milieu.

In brief the ingredients for a successful entrepreneur are:

- He is confident in facing challenges and is eager to achieve.
- He identifies the product.
- He plans for a venture.
- He selects the technology commensurate with the means available and tuned to the social and economic environment.
- He is eager to improve quality.
- He is able to manage men and material.
- He finds markets.
- He is innovative.
- He is progressive.
- He always strives to climb up.
- He always imbibes new technology for improvement.
- He always strives for modernisation, diversification.



— He is well-informed.

— He strives to meet the changing needs of the customer or hold customer as king.

In India, a large number of institutions and organisations are engaged in the development of entrepreneurship, resulting in the speedy growth of industrial ventures.

The example of India is fascinating. During its First Five Year Plan, technical education was given importance. Industrial training institutes for low-level semi-skilled workers, polytechnics and prototype development and training centres for skilled workers and supervisors, engineering colleges for managers and institutes of technology for the higher managerial group were established all over the country. This resulted in India becoming the third largest technical power.

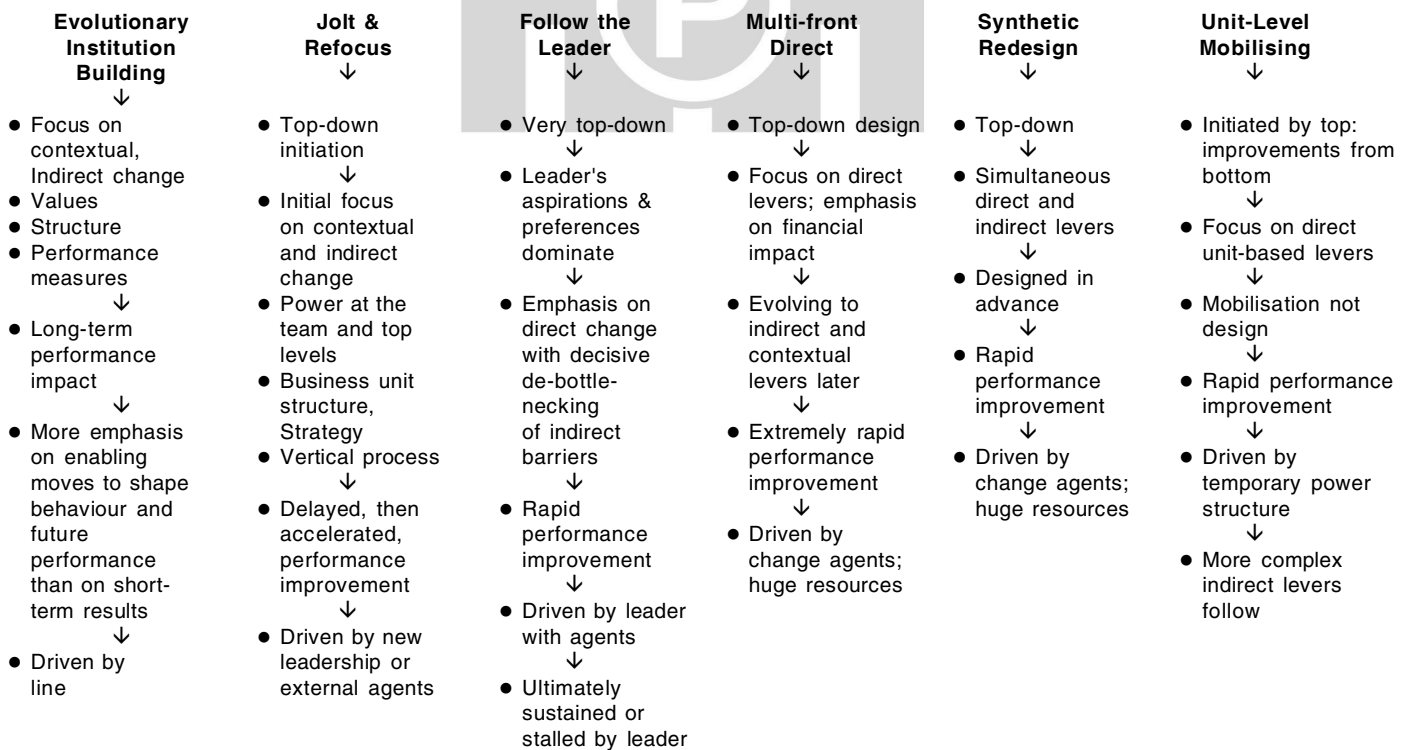
## *Sustaining Momentum of Change*

The dynamics of change have wider implications. It is a continuous process. And, changes inside and outside the enterprise/organisation can move the goal posts.

Transforming an enterprise is not a science: there are no formulae for success. The enterprises studied were not following some masterplan; indeed, much of what the entrepreneur did was intuitive, almost an art form. Examining their experience yields valuable insights into creating a strategy that will realise the promise of transformation. By viewing an enterprise from three perspectives — how performance needs to change and how fast; a leader's aspirations and preference; and the sources of energy available to drive the change — we can gain insight into what strategy will work.

A successful strategy demands effective execution. Choose initiatives that link the sources of energy to the right performance levers. Grouping initiatives into four basic types — executive de-bottlenecking decisions, direction-setting or redesign task teams, mobilising and communicating and coaching — helps simplify the choice. Then, be sure to exploit the interdependent dynamics of the initiatives to keep the change moving ahead.

### *Change Strategy: Characteristics*



## *Be Entrepreneurial*

In an increasingly competitive world, and with greater value created and delivered through intellectual capital, an important pre-requisite of being a successful leader today is to have an exceptionally strong intellect supported by vision, and a passion to add value through ‘thought’ leadership. Ability to spot, develop, nurture and retain talent is another key skill for leaders of today and tomorrow.

With increasing uncertainty and faster pace of change, leaders must have an entrepreneurial streak in themselves even if working for large, diversified and publicly-held corporations. This would enable them to spot trends and opportunities before others can, and then act quickly using a combination of sound business techniques. With flattened hierarchies and a generally younger talent pool, especially in many of the new-economy sectors such as information technology, media, retail, telecom, financial services, biotechnology and entertainment, today’s leader must have the capability to understand and communicate at all levels. She or he must be able to blend in with the entire team rather than stick out like the proverbial sore thumb. Strong communication and interpersonal skills are, therefore, important assets in the repertoire of the skill set of successful leaders.

The challenges of a more competitive operating environment require tougher leaders. A successful leader must be highly result oriented and performance driven. If this means taking tough decisions, the leader must not waver even though some of these tough decisions may entail personal regret or pain. This does not imply that the leaders should not have compassion or a sense of empathy with their team. However, compassion or empathy should not get mixed up with a tolerance of poor performance. A fine balance must be struck.

## *The Future*

In the 21st century, the opportunities for growth, profits, success and the pace of development is increasing globally, and the ability to adapt to changes and willingness to adopt best practices, will acquire new value. This could only be added by the growth of entrepreneurship and spread of entrepreneurial behaviour. It is imperative that the students/people to realise the importance of being able to think from an entrepreneurial perspective.

Entrepreneurship has been considered for long as a process primarily aimed at creating one’s own business venture, and contributing to economic development and employment generation.

In recent times, globalisation and IT have created fundamental changes in the way businesses have to perform, compete and grow. The resultant forces have greatly accelerated the interest of managers to become entrepreneurial. In an increasingly turbulent global environment, organisations have to create entrepreneurial playing field that facilitates effective entrepreneurial behaviour individually, organisationally, and socially.

According to Harvard Chemist Mr. George Whitesides, it is not just about management, ideas or shortage of funds; the focus needs to be on the product.

You get there by having extensive and joint contact with your potential customers. As to the symptoms of a successful product, you have something worthwhile when someone’s willing to pay for it. And if something is technically interesting or challenging, it’s in all probability too premature for a start-up. “You ought to work on something that’s technically a pretty sure thing and, with luck, you succeed.”

Thus, the entrepreneur has to attach top priority to the end product and/or service, while giving importance to management, technology and funds. Value based product will stand the test of times in a competitive world in the future.

## **CONCLUSION**

Industrialisation is one of the important means to usher in economic and social transformation in the developing countries. More so when agriculture cannot sustain the burden of the population growth, it is the industry and service sectors which have to shoulder the responsibility to sustain as well as, accelerate the pace of growth. So industrialisation is indispensable for survival and growth.

Industrialisation results from the interaction of technological change, innovation, entrepreneurial growth, specialisation and trade. Good transportation and efficient communication system and an educated labour force help promote the rapid development of industries. Well-defined rules reduce the costs of transactions as specialisation increases and economies become more complex.

Large industrial units and business houses also play an important role in developing and sustaining new entrepreneurship. For, it should be noted that while the growth of entrepreneurship in India in the last 25-30 years have been remarkable, entrepreneurship is still a comparatively scarce factor in India, as indeed in all developing countries. In spite of our fairly good economic progress, India is one of the poorest countries in the world. On the other hand, our natural and human resources are such that we can be a fairly prosperous country. So, what we require is more entrepreneurship on the part of the government and the private sector.

*Entrepreneurship is a core sector which can be developed in a big way. What with so many technological and management institutes in India, it should not be difficult to develop thousands of entrepreneurs every year.* In this connection, economic policies of the government leave an important impact on the growth of entrepreneurship. Sometimes, the government gives the impression that the private sector will only be tolerated. This impression should be removed and there must be a formal recognition of the fact that in a country like India, we require entrepreneurship at various levels and of various sizes — Central Government, State Government, large, medium and small private sector units and also foreign entrepreneurship.

Entrepreneurship programmes globally continue to grow and gain academic legitimacy. The learning from entrepreneurship courses is considered as valuable, whether the students plan to become leaders in corporate organisations, run non-governmental organisations, be practicing professionals, or work for the government.

As managers, cultivating a behavioural seed of entrepreneurship from the early school/college days, and nurturing and growing it to a magnificent and sprawling stature, could be highly rewarding. Stakeholders are becoming more aware about the need for entrepreneurial behaviour — for example, engineers, doctors, teachers, social workers, government officials — practically every one in a society. In particular, career opportunities for management students would look brighter, as recruiters may look for more and more of entrepreneurially oriented students.

