

## Challenges of Entrepreneurship Development

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### Abstract

Entrepreneurship is acknowledged to be a significant driver of national wealth. In this paper, we present a framework for developing technological entrepreneurship particularly for developing countries, with supporting policy directions. Therefore, entrepreneurs see “problems” as “opportunities,” then take action to identify the solutions to those problems. Entrepreneurial success is a function of the entrepreneur’s ability to see opportunities in the marketplace, initiate change (or take advantage of change) and creates value through solutions.

**Keywords** Entrepreneurship, Development, Innovation, Technological, SMEs.

### Entrepreneurship Concept:

The word entrepreneur is derived from the French concept “entrepreneur” which literarily is equivalent to the English concept “to undertake”. From the business point of view, to *undertake* simply means to start a business. An entrepreneur is one who organizes, manages, and assumes the risks of a business or enterprise. Often, individuals leave the job market, set up their own businesses or set up businesses due to one reason or the other. Accordingly, entrepreneur- ship is simply the establishment of a new business or business enterprise or venture.

Hisrich and Peters reported that entrepreneurship is the “process of creating something new with value by de- voting the necessary time and effort, assuming the ac- companying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence” (2004: p. 10). An examination of both definitions indicates that there should be formation of something valuable to stakeholders the entrepreneur as well as the market buyers. In return for the invested time and energy in producing the added value product, the entrepreneur is to receive benefits like independence and personal satisfaction. The exploration of entrepreneurship reflected on the following categorization of entrepreneurs. Cox (Sept. 2002) emphasizes on the types of entrepreneurs as:

### The Achiever:

They are the people who are willing to extend the working hours in order to reach their respective personal goals set for operating the venture. The achievers plan to make things happen in their execution of duties at the business established. It should also be known that achievers possess the ability to create new and useful ideas that solve the challenges faced by the business.

**Innovative:**

This type of entrepreneur is thoughtful of introducing something new into the market. Their primary concern is in innovations, and thereby invests substantially in research and development to unearth new ways of doing things.

**Imitating:**

Such entrepreneurs are also termed to as the copy cats. They observe existing entrepreneurial skills and modify it to suit their business directions. They could “improve on an existing product, production process, technology and through their vision create something similar but better”. This is the case of a student becoming better than the master.

**Fabian:**

They are the type of entrepreneurs who are very doubtful and cautious in every step made in the business life, especially in adopting changes. Apart from the named features of Fabian entrepreneurs, “they are lazy and shy to innovations, they are laggards”.

**Drone:**

These are those entrepreneurs who oppose to change. Another way of describing drone entrepreneurs is that they are conservative. That is, drones prefer to stick to their traditional or orthodox methods of production and systems.

In concluding on the types of entrepreneurs, all entrepreneurs have certain characteristics that make them unique as they journey through their business empire. Again, it can be said that they are motivated to become entrepreneurs due to their respective aspirations set.

**Review of Literature:**

Throughout history, innovators and entrepreneurs have had a tremendous impact on development, exploration, trade, education, science, and integration. During the 20th century, innovation and entrepreneurship have been regarded as key drivers in technological progress and productivity development worldwide. New radical innovations from new fields of knowledge such as information and communication technologies and biotechnology have emerged to influence very day life for most people. Realizing this, policy makers as well as individuals argue that innovative and entrepreneurial change processes need to be further implemented on the micro as well as macro levels in society (Abouzeedan, Busler, & Hedner, 2009; Busenitz, Gomez, & Spencer, 2000). The study of innovation is therefore likely to be an increasingly important topic in, for example, economics, business, entrepreneurship, technology, engineering, medicine, environmental biology, sociology, design, and regional development (cf. Etzkowitz & Klofsten, 2005). In ‘Theorie der Wirtschaftlichen Entwicklung’ (1912) or ‘The Theory of Economic Development’ (1934), Schumpeter defined innovation from an economic perspective as the introduction of a new good or of a new quality of a good, the introduction of a new method of production, the opening of a new market, the conquest of a new source of supply of raw materials or half manufactured goods, and the carrying out of a new organization of an industry.

On the individual level, innovation comprises the origination of an idea through to its implementation, at which point it can be transformed into something useful. Since innovation is also considered a major driver of the economy, especially when it leads to new product or service categories, or to increasing productivity, the factors that stimulate individuals or groups to innovate should be of major interest to policy makers. In particular, public-policy incentives could be implemented to spur innovation and growth. On the organizational level, innovation may be used to improve performance and growth through new concepts and methods that increase efficiency, productivity, quality, competitive positioning, and market share. Innovation policies and practices may be implemented in a variety of organizations, such as industries, hospitals, universities, as well as local governments.

While most forms and practices of innovation aim to add value, radical innovation may also result in a negative or destructive effect for some. Many new developments clear away or change aging practices, and those organizations that do not innovate effectively may be substituted by new organizations and firms that do. It is not only our understanding of the importance of innovations for development that is changing, but also the concept of how innovations are formed. New models of innovation are emerging that are shifting the concept of innovation from being shaped by a closed to an open paradigm (Hedner, Maack, Abouzeedan, & Klofsten, 2010). Such forms of innovation include, for example, user innovation, open innovation, crowd-sourcing, and crowd-casting, which all represent novel and interesting phenomena that may change our conception of how innovation of use, innovation in services, innovation in configuration of technologies, as well as innovation of novel technologies themselves are formed. In agreement with such open concepts of innovation, loosely formed groups of customers, users, scientific communities, or experts/researchers may collectively shape product or process innovations within a variety of sectors.

In addition, there is also an increasing emphasis on specific sectors where entrepreneurs are active, such as in the medical, life sciences, services, and technology areas, with new paradigms emerging as a result. Needless to say, other new paradigms and concepts within the field of entrepreneurship will appear in the future as the concept of entrepreneurship takes on new forms and shifts into new frontiers. Certainly, it is within the nature of the metaphor 'entrepreneurship' that such creativity and development should be anticipated. As such, the research in the entrepreneurship field needs to develop a better understanding of the important relationship between innovation, entrepreneurial activities, and economic development (Acs & Storey, 2004; Acs & Szerb, 2007; Carlsson, Acs, Audretsch, & Braunerhjelm, 2009; Reynolds, 1997; Reynolds, Carter, Gartner, & Greene, 2004; Stough, Haynes, & Campbell, 1998).

### **Importance of SME'S:**

Small and medium size enterprises in today's context are the principal driving forces in development of economy especially in third world countries. These SMEs encourage the skill of entrepreneurship and can adapt to the requirement of the market, act appropriately in the changing market with regard to demand and supply situations. A large number of employment opportunities are created through the

diversification of economic activities. The contribution is also significant in the sphere of trade and exports. The developing countries with transitional economy have acknowledged the importance of SMEs for creating an environment of industrial restructuring and formulation of favorable national policies.

SMEs are defined in both qualitative and quantitative ways. One should not only consider strictly the number of employees in a particular enterprise. The capacity to create jobs at lower cost, low capital to labour ratio considering the local demand of need based commodities are the criteria need to be considered with importance. Another important characteristic is that the wide spread ownership of small enterprises that can provide more accessibility and equitable distribution of income. After the liberalization process one notices the considerable increase of micro enterprises that operates mainly in the informal sector. It is important to understand the entrepreneur as the change agent, the qualities i.e. entrepreneurship and the process of intervention i.e. entrepreneurial activities. At the moment, many developing countries are experiencing a state of transition (Hisrich and Peters, 2000). There is a constant attempt to move from an integrated and inward looking local economy to a surplus seeking and market driven economy. This kind of orientation is getting intervened through the emergence of a number of small and medium sized enterprises.

The mounting foreign debt burdens and increasing budget deficits has compelled many developing countries to reduce the public sector undertakings. Many existing public sectors are being privatized as one of the initiatives or steps to reduce public expenses. Hence the public sectors would play a limited role for providing job opportunities to many job seekers. The shrinking of job opportunities in public sector has put pressure on the state to turn towards private sectors for entrepreneurial activities and creating job opportunities (Allan, 1999). The modern large-scale industries cannot absorb a large number of labor forces because of capital intensive production approach. In such situation establishment of small-scale enterprises is a step towards tackling the problem of unemployment. At the same time it helps in reducing the concentration of wealth in large business houses. *India* is one of the developing countries, requires adequate attention in establishing more number of small and medium sized enterprises.

#### **Factors Influencing Business Setup:**

Several factors influence the setting up of businesses in an economy but the study revealed the following:

**Desire to be independent** The business was influenced by their desire to be independent. Being their own boss and running the day-to-day activity of their business are the core goals of entrepreneurs.

#### **Government policies:**

Unfavorable government policies have an impact on business establishment. Greater proportion of the populace say that many entrepreneurs of today desire to set up businesses but due to the unfavorable government industrial policies (like high interest rate on loans, high tax system, unstable foreign currency, etc.) their dreams seem to be shattered. Continuously the Ghanaian cedi has depreciated, of which is

causing the businessmen and businesswomen so dearly [1st half of 2012]. Such a situation is likely to disturb already existing businesses as well as yet to be established ones.

**Difficulty of setting up your own business:** It was not easy setting up their respective businesses. It may be due to difficulty in raising startup capital, lack of managerial skills, and bureaucracy of seeking permission from Accra Metropolitan Assembly to operate small-scale enterprises.

### **Technological Entrepreneurship Development in India:**

The literature on technological entrepreneurship is sparse in India and technological entrepreneurs are very few. For instance, in a study of technological and non-technological women entrepreneurs in South-West India, the women in non-technological businesses were about twice as many as those in technological businesses. Entrepreneurs are catalysts of change in a market economy. They spur efficient use of resources and facilitate transactions between parties with different preferences and endowments. Central to entrepreneurial behaviour is the acceleration, generation, dissemination and application of innovative ideas. In the developing countries such as India, high level of entrepreneurship is important in reducing the adverse socioeconomic impacts by creating new employments. A society with a strong entrepreneurial culture have a positive influence on the rate at which new firms are created and their chances of survival and growth as well as the fate of already existing firms. In a more specific sense, entrepreneurship is the vehicle on which innovation, which is the application of knowledge in production, rides. Indeed, innovation is at the heart of entrepreneurship. Within this context, entrepreneurs are considered as “champions” of some sort who convert ideas into products and services and ultimately create wealth and reduce unemployment. In this section, we consider some critical issues and current research regarding technological entrepreneurship in India.

### **Challenges of Entrepreneurship**

#### **Sources of business idea:**

The idea generation of business is one of the crucial moments for establishing a business. Respondents narrated their experiences as to how to get a business started. Some of the sources indicated by them were through apprenticeship (9.5%), from friends (19%), and from family members (23.8%). Starting the business was a challenge after getting the idea (76.5) due to so many factors but predominantly capital.

#### **Pricing strategy of entrepreneurs:**

A little higher than 50% of the respondents agreed that the pricing of goods and services of small-scale business are on the high side. If that is the case, there is the likelihood for consumers to switch to other sellers whose produce are affordable. The purpose of consumers move is to enable them to save money for other activities. It was revealed that assess to loan to facilitate, grow or expand business were challenges faced by entrepreneur (86%). The banks according to majority of the respondents are willing to give out loans but the stress of paper work, interest rate, guarantor, and

collateral, “go and come” syndrome simply wears you out. Individuals who are ready to provide loans either have very high rates or are bent on becoming share holders.

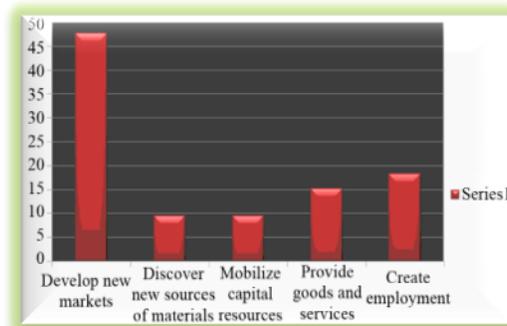
### **Choosing the right opportunity:**

The problem is that too many entrepreneurs never learn to say “no” to opportunities. It was established (79%) that, in an effort to get their business off the ground and keep it up and running, they say “yes” to everything. They end up trying to do too much for too many, which dilutes their focus and often the quality of their product or service.

**Delegation.** For a business entity to grow, the entrepreneur must grow. When growth begins, the entrepreneur would find that he needs help from others to properly serve customers. The survey revealed that most (91%) entrepreneurs do not like to give up control of any aspect of their business. Facing the fact that they cannot do it all on their own and that they must learn to rely on others to complete certain tasks (and not necessarily exactly how they themselves would do them) is a very hard reality.

### **Employee relations:**

Entrepreneurs often make employees part of a “family”. The study indicated that, the challenge arises when someone in the “family” is not performing according to expectations and has to be terminated. Majority (61%) entrepreneurs face an uphill battle in balancing loyalty and changing performance needs. If you let someone go who everyone else at the company loves or a poor performer stay you’ve created morale and emotional issues. Other challenges identified and the corresponding percentages listed by respondents are stated below: high competition (53%); lack of adequate formal education to record transactions (30%); electricity and water problems (73%); the influx of pirated brands (51%) and managing cash flow (4.8%).



**Figure 1. Respondent’s perception of entrepreneurs contributions toward Adentan Dodowa localities.**

### **Creating Market Opportunities:**

Entrepreneurial farms are crucial in defining the market economies. The market forces are never static, rather always in the process of change. The entrepreneurs will have to adjust and cope with the changing situation. One of the major problems for women entrepreneurs are marketing. At the initial stages women prefer to be involved in the programmes that ensure almost total marketing support,

since they are not confident enough to look for markets. They may take the major responsibilities of the enterprise, but marketing the products remains at the peripheral level of the priority. Marketing involves not just the entrepreneur's skill, but mobility with flexible timing, self confidence and positive attitudes from the family members are all important factors in dealing with the external world. Women have been discouraged to take up the challenging task of marketing in many instances.

### **Finance**

The finance to start an enterprise and the related facilities like land, building, other infrastructure is often restricted that add on to the problems of women entrepreneurs. Women face constraints for receiving funds for specific activities especially that are considered as male's domain. The field of marketing provides an example. For instance in the field of marketing though women are competent enough to establish the rapport with the customers, are not encouraged to do so. Women entrepreneurs irrespective of their income level can be engaged in marketing activities for selling the small and more expensive items. Marketing is considered as one of the important activities as it involves the financial matter and can affect the future of the enterprise. In this area the women's role is very marginal. There is no proper mechanism or institutional initiatives to make this sector more gender neutral.

### **Conclusion**

The challenges are often not at all what one might expect. Business-oriented people perceived the risks factor as the biggest challenge of entrepreneurship. Yet the findings of the study reveal that the sources of business ideas, pricing of products, among others, are equally challenges of entrepreneurship. These challenges seem to cut across all forms of entrepreneurship. Would-be entrepreneurs should enroll in the formal education to acquire knowledge. The purpose of such suggestion is to enable persons with the intention of being entrepreneurs to be effective as well as efficient in their business operations. For instance, the education might introduce future entrepreneurs to records management, people management, and personal financial management. Additionally, Linda J. Cox asserted in her entrepreneurship article that education and training can encourage entrepreneurship. Specifically, she said entrepreneurs should be exposed to topics on achievement, business, individuals, groups, creativity and experience (Ctahr, Sept. 2002). The government ministry in-charge of business should encourage owners of small enterprises to properly register with the government. Such behaviors might be avenues for the government to earn revenue and in turn financially assist upcoming entrepreneurs.

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