

# Behind the Boom: What is Leading the Entrepreneurial Fire and its Nature in India

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**Abstract -** This case study is meant for discussing emergence, growth and characteristics of the New Age Indian Entrepreneur. Since time immemorial, the Indian business segment has been dominated by family-run businesses, with most of them hailing from traditional, money-lending or trading communities, known for their sharp business acumen. But over the past 18 years the number of new generation entrepreneurs is mushrooming. The young are engaged in varied form of small and medium enterprises varying from paper to electronics, engineering to electrical, textile to metal, construction to food processing, education to handicrafts. Considering this trend, on the basis of qualitative data generated through the case studies of Indian entrepreneurs, this article makes an effort to report on the characteristics of new generation entrepreneurs and explores the motivational factors and importance of other factors such as educational qualification, role of mentoring, prior experience. The article also brings out comparative study of new entrepreneurs and first generation entrepreneurs. The findings suggest that prominent 'Motivation Triggers' are 'Independence', 'Market Opportunity', 'Family Background', 'New Idea', 'Challenge', and 'Dream Desire'. Motivation triggers vary according to parameters such as gender, family background, and market opportunity. This new wave of entrepreneurship in India is more dominated by factors of higher education, training and incubation, work experience prior to opening a new venture.

**Keywords:** New Age Entrepreneur, Motivational Factors, First Generation Entrepreneur, Changing Trends, Independence, Education

## I. INTRODUCTION

Entrepreneurship is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise *de novo* or diversifying from an existing one (distinct from seeking self-employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good.

As per the 2008 Global Entrepreneurship Monitor Report (GEM), 11.5% of India's working population was in an early entrepreneurial stage while the overall entrepreneurial activity stood at 27.6% as against 8.5% and 13.9% in 2007. These statistics indicate the increasing prevalence of entrepreneurship in India. After Indian

independence, entrepreneurship was restricted to big industrial houses and family-run businesses. However, after liberalisation of the Indian economy in 1991, the environment became conducive for entrepreneurship to flourish and since then entrepreneurs have increased. Since 2004–2005, India has witnessed the emergence of a new breed of entrepreneurs. Most of them are young, well-educated and first-generation entrepreneurs, showing distinct difference from the entrepreneurs of the past.

## II. OBJECTIVES

1. To study the changing class of entrepreneurship in India;
2. To conduct comparative study of various motivational triggers among new generation entrepreneurs and with first generation entrepreneurs;
3. To study the changing trends of new age entrepreneurs.

## III. RESEARCH METHOD

The methodology adopted in preparing this report is based on the analysis of case studies first generation and new generation entrepreneurs in India from diverse sources and background.

## IV. INDIAN ENTREPRENEURSHIP: CHANGING LANDSCAPE

India always had a very large proportion of self-employed in its working population, and even now, by some estimates; over 65% of all adult Indians in the working age group are engaged in myriad self-employing vocations.

India, of course, has also seen some extraordinary entrepreneurs in the last 100 years and more and the myriad businesses that they gave birth to continue to provide a very visible growth momentum to the economy.

### A. Emerging "Middle Class" in the Context of Entrepreneurship

Until a generation ago, there were largely two classes of entrepreneurs in India. There were the mega (by the then Indian economy standards) entrepreneurs, which included major business houses such as Tata and Birla and a host of others, and the small & medium ones that owed their existence partly to the anachronistic policy of reserving thousands of articles of normal consumption for small-scale entrepreneurs.

The big became bigger due to their ability to successfully compete for the licences as well as successfully seek public capital by way of equity and debt. The small started up under the umbrella of the Small Scale Industries (SSI) reservation policy but the same policy subsequently came in the way of their becoming medium-scale enterprises.

It is really exciting to know that many are succeeding, and this success will provide motivation to tens of thousands of others to start the next generation of entrepreneurial ventures in incredibly diverse sectors.

This new “middle class” of entrepreneurs is fundamentally different from their yesteryear counterparts. They are, in many ways, more “genuine” entrepreneurs, since most of them are starting out in a field that is much more level than ever, and hence the competitive landscape for them is also much more challenging.

Further, the aspirations of most of this new breed of entrepreneurs go way beyond just achieving a comfortable living. They dream big, and while they may have respect for today's mega entrepreneurs-which include, beyond the Tata, Birla and Godrej families, the Ambanis, the Mittals, the Mahindras, the Ruias and the Munjals, among others-they are not overawed by them.

Indeed, many who were till recently “middle class” entrepreneurs, such as Adani, GMR and GVK, have already joined the ranks of mega entrepreneurs and hundreds more will do so over the next decade. These Gen Next entrepreneurs are also far more tuned with the emerging needs of the Indian (and global) economy and hence are aggressively entering potentially more exciting sectors of the future such as agri and biotechnology, healthcare, education, green energy, consumer-oriented services such as travel & hospitality, food services, etc., setting themselves up to join the ranks of the mega entrepreneurs of the next decade.

### **B. Emergence of New Generation Entrepreneurs**

Moreover, entrepreneurship in the Indian scenario has long been associated with the 'Tatas', 'Birlas' or 'Ambanis'. However, with many first-generation entrepreneurs bombarding the Indian business sector in the recent years, this trend has taken a back seat. Although these legendary business houses have played a major role in the country's business scenario, majority of the Indian start-ups in the recent past, are the brainchild of first-generation, middle-class entrepreneurs. Dictating professions by means of caste and social strata has become a matter of the past. The economic reforms and liberalisation have rekindled the latent

entrepreneurial streak of the Indian people, making entrepreneurship a desired choice of career. Further, easy access to resources and growing social acceptance has encouraged many Indians to jump on to the entrepreneurship bandwagon. Driven by the aim of creating ventures based on feasible business models and backed by innovative ideas, these new entrepreneurs are not leaving any stone unturned.

However, over the past 18 years, a host of factors has provided a very conducive environment for India's Gen Next entrepreneurs to venture into uncharted waters. These have included elimination of licensing and quotas, easier and more universal access to capital including risk capital, steady economic growth, increasing globalisation, profound changes in consumption not only in absolute terms but also in the consumption basket itself and increased spending by the Indian government in physical and social infrastructure.

### **V. MOTIVATIONAL TRIGGERS OF ENTREPRENEURSHIP**

There are varied reasons to understanding why new generation is deciding to venture into Entrepreneurship and, thereby, 'breaking traditional ways of doing things'. There can be various numerous studies psychological attitudes or profiles that describe all entrepreneurs or characteristics to which entrepreneurs generally conform.

Some theoretical explanations of what motivates entrepreneurs include the following:

1. The 'Achievement Orientation' or the desire to achieve purely for the sake of achievement alone'.
2. The interrelation between religion, norms, values, behaviour and the economy in a particular epoch.
3. The ability to comprehend opportunity, i.e., 'to reinterpret the meaning of things, fit them together in new ways' and 'see what others may have missed, such as an unsatisfied demand'.
4. The capacity to sustain a high degree of interest in the advancement and technological development of the industrial process and in the improvement in the scale of industrial operations.
5. The ability to make the best of what one has, in order to get what one needs, i.e., the capacity to innovate in figuring out the best ways to reach the market with minimum expenditure of time, effort and money.

### **A. Comparison of Motivational Factor of First Generation and New Generation Entrepreneurs**

The new-age entrepreneur is different in more ways than one. When it comes to business, they are primarily driven by

the urge to gain socio-economic independence and implement their ideas compared to those from the pre-1990s, who were mainly driven by factors like family background and market opportunity.

**1. Family Background:** It was family background which drove entrepreneurs before the economy opened up. But the influence of family history as a trigger for entrepreneurship has reduced significantly to only 12% of entrepreneurs' post-2000.

**2. Independence:** The study found that 35% of entrepreneurs who started their business after 2000 were driven by the urge to gain independence; only 12% businessmen had this as a motivating factor in the pre-1990s.

**3. Market Opportunity:** The study found 'market opportunity' has become an increasingly significant motivating trigger since the economic liberalization gathered momentum. 28% of those in the sample who started enterprises during 1991-99 and 22% of those starting after 2000 cited 'market opportunity' as the main motivating factor, compared to 11% of those starting enterprises before 1991.

#### **B. Comparison of Motivational Factor across Gender**

'Challenge' is the principal motivation driver or positive factor, even if not the most important trigger. Entrepreneurs view the future in terms of the nature and quality of work as well as turnover increase. By their very nature, entrepreneurs tend to be ambitious. Monetary gain is not as significant as either challenge or independence.

**1. Women:** Most of the business women surveyed said the sense of independence, challenge and employment generation is what drives them to be enterprising. Money is their last priority.

**2. Men:** Challenge is the most exciting factor, independence and money are also important.

### **VI. CHANGING TRENDS: NEW GENERATION ENTREPRENEURS**

#### **A. Education**

Generating a critical mass of entrepreneurs oriented to high levels of growth depends on the quality of education provided and the presence of an environment that encourages innovation.

A dynamic entrepreneurial environment is supported by a vibrant academic culture with innovation linking the two as a generator of new ideas and opportunities. Professional education (MBA & Engineering) is playing an important role in increasing the number of entrepreneurs in India.

#### **1. Qualification**

The study also reveals an interesting fact about the educational background of an entrepreneur. Most of the new-age (2000 onwards) entrepreneurs are post graduates, as compared to those in pre-2000 era, who were mostly undergraduates.

#### **2. Professional Education**

Skill development remains a crucial aspect for the growth of businessmen and the economy as well. The study also points towards increasing number of management graduates amongst those who turn entrepreneur. As against only 20% of entrepreneurs who were MBAs in pre-2000 years, 70% of new-age entrepreneurs who were surveyed turned out to be trained MBAs. This may be a trend among knowledge entrepreneurs for gaining formal experience through employment prior to starting their own enterprises.

#### **B. Training and Incubation**

1. 58% did get some kind of support, either in terms of incubation or mentoring.
2. About 21% got incubation support from one of the premier institutions in the country and support from alma mater, alumni network and acquaintances who were successful entrepreneurs.
3. 16% have preferred going without a mentor so that they can make their own mistakes. For some, support from mentors was invaluable when it came to new idea validation and helping them with the fundamentals of running a business.
4. Interestingly, 5% were helped by ex-bosses and academic deans.

#### **C. Prior Experience**

Prior experience is playing major role in effecting the growth of entrepreneurial activity. It is found to enhance the entrepreneurial alertness, which has helped them to increase the awareness of the changing trends in the market and recognise the business opportunities.

1. Interestingly, 95% of the entrepreneurs have worked in a corporate establishment before starting up.
2. 67% had 0-5 years of experience before they decided to turn entrepreneurs. It is here that they gained valuable work experience and probably expertise in their domain of choice.

#### ***D. Shift from Corporate to Become their Own Boss***

There has been find a new trend in new generation entrepreneurs, where there is shift from their lucrative jobs in corporates towards starting their own venture. While they do get their experience working in a corporate set up, it is here that situations push them towards becoming their own boss.

1. A huge 83% of the entrepreneurs have quit because there was an urge to break out and make my own idea come true . Out of which nearly half (56%) of the entrepreneurs decided on quitting and setting up a business because they had a business idea they could no longer hold back. It could be because the idea was linked to some developments in the industry they are operating in. As more time passed by, the idea could lose its effectiveness.
2. About 56% were making money or doing well for someone else, not for themselves. A similar percentage was not comfortable working as a part of strict hierarchy which exists in some corporate houses.
4. 50% felt they had to cope with seniors whose views were different from their own.
5. 39% recalled that they quit because they were forced to work on ideas that they did not agree with.

#### ***E. Barriers***

1. When they were contemplating setting up their business, funding was the biggest barrier in front of them, as indicated by 53% of the respondents.
2. 36% had problems because the market for their idea was not very well defined, they could not convince partners and could not source quality products consistently.
3. About 11% of the respondents felt one of the barriers was lack of family support.

### **VII. CONCLUSION**

From 2000 there has spread a new wave of entrepreneurs supported by the benefits of economic reforms and liberalisation and entrepreneurship has become another name of career. The development of Entrepreneurship in a particular milieu depends not on a single overriding factor but rather on 'a constellation of factors'. These factors are both internal factors of motivation and external factors.

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