UNIT 3 ENTREPRENEURSHIP: INDIAN AND GLOBAL CONTEXT

Structure

3.1 INTRODUCTION

International business is becoming increasingly important to more and more entrepreneurs and to their country's economy. Simply stated global entrepreneurship is the process of an entrepreneur conducting business activities across national boundaries. It may consist of exporting, opening a sales office in another country or something as simple as placing a classified advertisement in the Paris edition of Herald Tribune. The activities necessary for ascertaining and satisfying the needs and wants of target consumers often take place in more than one country. When an entrepreneur executes his or her business in more than one country global entrepreneurship occurs. As students of 'gender and development', it would be of interest to you to learn about the concept of entrepreneurship and to have knowledge about entrepreneurship at Indian and global context

3.2 OBJECTIVES

After studying this Unit, you would be able to

- identify the different aspects and importance of international entrepreneurship;
- analyze the strategic issues in global entrepreneurship; and
- explain the entrepreneurship at the Indian and global context.

3.3 IMPORTANCE OF GLOBAL BUSINESS

International business has become increasingly important to firms of all sizes particularly today when every firm is competing in a hyper competitive global economy. A successful entrepreneur is one who fully understands how international business, differs from purely domestic business and is able to respond accordingly. An entrepreneur entering the international market should address the following questions;

- Is managing international business different from managing domestic business
- What are the strategic issues to be resolved in international business management
- What are the options available for engaging the international business
- What are the factors influencing the decision to enter into an international market

An entrepreneur going global has many advantages:

- Large markets beyond home country borders
- Greater motivation in new opportunities
- Improvements in technologies, quality and operations
- Extending life of product cycle
- Challenges in doing business in a competitive environment
- Earning foreign exchange for the organization and the home country

- Reputation enhancement
- Better training to employees and wider vision
- More investments, diversified products and new products

Although international and domestic entrepreneurs alike are concerned with sales, costs and profits, what differentiates domestic from global entrepreneurship is the variation in the relative importance of the factors involved in each decision. International entrepreneurial decisions are more complex due to such uncontrollable factors as economics, politics, culture and technology.

3.4 ECONOMICS

When entrepreneurs design a domestic business strategy, s single country at a specified level of economic development is the focus of the efforts. The entire country is almost always organized under a single economic system and has the same currency. Creating a business strategy for a multi country area means dealing with differences in the following areas:

- Level of economic development
- Currency valuations
- Government regulations
- Banking
- Marketing and distribution system

These differences manifest themselves in each aspect of the entrepreneur's international business plan and methods of doing business.

3.5 STAGE OF ECONOMIC DEVELOPMENT

The United States is an industrially developed nation with regional variances of relative income. While needing to adjust the business plan according to regional differences, an entrepreneur doing business only in the US does not have to worry about a significant lack of such fundamental infrastructures as roads, electricity, communication system, banking facilities and systems , adequate educational system, a well developed legal system and established legal ethics and norms. These factors vary greatly in other countries - from those industrialized to those in the process of developing. The extent of the quality of these factors significantly impacts the ability to successfully engage in international business.

3.6 BALANCE OF PAYMENTS

With the present system of flexible exchange rates, a country's balance of payments (the difference between the value of a country's imports and exports over time) affects the valuation of the currency The valuation of one country's currency affects how business of that country do business in other countries.. At one time Italy's chronic balance of payments deficit led to a radical depreciation in the value of the lira, the currency of Italy.

3.7 CULTURAL AND POLITICAL ENVIRONMENT

An entrepreneur who would like to go international needs a high degree skill in managing a balance between the conflicting forces that call for on one hand and coordinate the policies of the international operations of the enterprise on the other hand. For example, a success brand or design in one country may not be acceptable in other country thus necessitating the need to evolve new products to suit particular countries, accordingly the market strategies, advertisement; efforts will have to be tailored to suit specific market. The entrepreneur will also have pressure for consolidating the product range, developing global brands and focus on the advertisement efforts. These forces will obviously be in constant conflict in different countries. The entrepreneurs will have to make compromises among different factors and develop strategies to optimize over- all gain to the proposed enterprise.

An international entrepreneur should get himself adapted to the cultural and political environment of the foreign country. There are three major dimensions

- The first dimension is competency in international market that is , in diversified cultural environment. The entrepreneur should have a sound grasp of marketing concepts, trends, tools and techniques

- The second dimension is good understanding of emerging pattern of consumer behaviour and ability to evaluate the differences and similarities between markets in different countries
- The entrepreneur should have necessary skills to study and adopt the socio political differences in managing, organizing and coordinating the project and operation complexities, particularly in human relationships.

An entrepreneur going global will have to work within the political environment of governmental institutions, political parties and the way the rules of the host country exercise their powers. Hence it is necessary that an entrepreneur should study the government and political structure in the target country and find important issues in the political environment. The points that are to be taken care of are the attitude of the political parties towards foreign companies, political risks, taxes and duties, investment and equity dilution policy of the government. The political risk may arise out of the changes in government policies after election. In many developing countries the political risks are too high making it difficult for investments. The bureaucratic controls also play a role in deciding the investments. In this context it is seen that India is known for its political stability and that works on democratic principles for more than five decades. However the foreign entrepreneurs and large multi national companies are hesitant to invest for reasons of bureaucratic controls.

Check Your Progress Exercise 1

Note: i) Use this space given below to answer the question.

ii) Compare your answer with the one given at the end of this Unit.

1. Define Balance of Payment.

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3.8 LEGAL ENVIRONMENT

All economic activity within the country is governed by the laws of the country. When the business transactions are made across the national boundaries then the question comes which country's law will apply to the export contract? This aspect is dealt in the contract entered between the parties as to what laws will apply, how the disputes will be settled, in case there are any disputes. In addition, conflict of laws and resolutions thereon also will be defined in the contract. These matters are discussed in the World Trade Organization (WTO) for institutionalizing the disputes emerging out of business. Some of the laws that need to be looked into by an entrepreneur are given below:

Common civil law

How the laws are applied in the host country and how good the legal system for the safe working atmosphere is to be looked into

Intellectual property, patent and trade marks

Patents in one country are not necessarily protected in other countries. Hence it becomes necessary that patents and trade marks be registered in the host country to protect rights, and to remove loopholes. In international patent agreement the importance is given to international convention for protection of Industrial property which is honoured by more than 100 countries.

Monopolistic and Restrictive trade practices

The laws are designed to fight restrictive trade practices and bring competition in the market place.

Trade secrets and Licensing

Use of patent trade marks technology and intangible assets are made available on payment of royalty to other companies. Licensing is an agreement document to allow use of intangible assets. An entrepreneur should see the laws in the host country regarding these issues.

Dispute settlement

Different countries have different methods of settlement of business, conflicts, litigation arising out of business. The degree of legal cooperation, the time frame for settlement of disputes, language of courts, enforcement and the legal system in the host country pose a complex situation

Arbitration

Arbitration is alternate to litigation for dispute settlement in business. Many countries have good practices of international commercial arbitration for settlement of litigation

Legal and ethical issues regarding corruption

An entrepreneur should check the corruption levels in the host country and how the different aspects affect the business

3.9 TECHNOLOGICAL ENVIRONMENT

Existing technology

The industry norms of the technology that exist in the host country be studied especially regarding productivity and cost of manufacture considering the capital expenditure. Improvements in technologies adopting state of art technologies will give the new enterprise a head start in the market place

Cost of acquiring new technology

The new technologies that are emerging will be costly as compared to the outdated technologies. A balance has to be achieved between the stage of technology and the capital cost. At the same time the product cost that comes out of the selection should match the market requirements

Capacity to absorb new technology

The human side of the technology namely the capacity of the local employees to accept, adopt and learn the new technologies selected is essential to select a technology. Non-absorption of the new technology will create more problems than solution

Standardization

The selection of the technology by the entrepreneurs should help in standardizing the end products for market acceptance and uniformity in the industry

Availability of technical support services and maintenance

The selection of new technology should be supported by proper maintenance and other technical services that are required to keep the equipments in order and increase the productivity. In case there are any problems in maintenance the whole exercise of acquiring a state of art technology will be lost. If the equipments are kept idle for want of spares or services the operations may go uneconomical.

Product quality requirements

The technology selected should consistently give a uniform product quality that is demanded by the customer segment

3.10 INCENTIVES AND BARRIERS TO INTERNATIONAL BUSINESS

Experience

An entrepreneur can leverage his experience in specialized product, market, management practices, strategies, products and promotional ideas for diversifying and increasing the sales overseas.

Resource utilization

Going global will help an entrepreneur to tap the best of the resources available worldwide. An entrepreneur can go to the places where resources are available of world class quality and cheapest which makes the enterprise most cost effective and efficient. An international company can seek the financial resources where there is the greatest opportunity to get return on investments.

Scale of economies

An international project can consider large volumes of product or services in a single establishment to get the scale efficient plans

Marketing strategies

An entrepreneur can adopt global strategies built on the information on global markets, study of environment, analysis of trends and identifying the opportunities

International versus Domestic Entrepreneurship

The factors that go in for making a new enterprise differ from country to country and this particular aspect brings changes in the entrepreneurial decision making by an international entrepreneur. The basic commercial activities of any business like marketing, production, transportation and supply chain management remain same. The factors have a profound influence how to achieve the results and thus the decision making becomes complex. The factors that affect the results are

- The economic factors
- Culture
- Language
- Political factors
- Legal and
- Technology

Some of the factors may be controllable and some of the factors may be beyond the control of the entrepreneurs. How to manage the diversity and at the same time be competitive is the critical issue to an international entrepreneur. Doing business outside a country will face the issues

Distance

As compared to domestic markets and manufacturing or service facilities the distances under global trade are large and thus increase in cost in handling materials and other resources

Different currencies

The currency in each country will be different and payment will have to be routed through the central bank of each country

Time element and communication

The method of documentation and distances bring time element as one of the issues in an international enterprise

Various ways an entrepreneur can market products internationally

There are various ways an entrepreneur can market products internationally. The method of entry into a market and the mode of operating overseas are dependent on the goals of the entrepreneur and the company's strength and weaknesses. The modes of entering or engaging global business can be classified under three categories

- Exporting
- Non equity arrangements and
- Direct foreign investment

Exporting

Usually an entrepreneur starts doing international business through exporting. Exporting normally involves the sale shipping of products manufactured in one country to a customer located in another country. There are two general classifications of exporting: direct and indirect

Indirect exporting

Indirect exporting involves having a foreign purchaser in the local market or using an export management firm. For certain commodities and manufactured goods, foreign buyers actively seek out sources of supply and have purchasing offices in markets through out the world. An entrepreneur who wants to sell his products into one of the overseas market can deal with one of these buyers. In this case the entire transaction is handled as though it were a domestic transaction, even though the goods will be shipped out of the country

Direct exporting

If the entrepreneur wants more involvement without any financial commitment direct exporting through independent distributors or the company's own overseas sales office is a way to get involved in international business. The independent distributors directly contact the foreign customers and take care of all the technicalities of arranging for export documentation, financing and delivery for an established rate of commission. Entrepreneurs can also open their own overseas sales office or hire their own sales people to provide market representation

Non equity arrangements

It refers to doing international business through an arrangement that does not involve any investment. When market and financial conditions warrant the change an entrepreneur can enter into international business by one of the three typses of non – equity arrangements

- Licensing
- Turn key projects
- Management contracts

Licensing

Licensing involves an entrepreneur who is a manufacturer (licensee) giving a foreign manufacturer (licensor) the right to use a patent, trademark, technology, production process or product in return for the payment of a royalty. The licensing arrangement is most appropriate when the entrepreneur has no intention of entering a particular market through exporting or direct investment. Since the process is low risk, yet provides a way to generate incremental income, a licensing arrangement can be a good method for the entrepreneur to engage in international business.

Turn key projects

Another method through an entrepreneur can do international business without much risk is through turn Key Projects. The under developed or less developed countries have recognized their need for manufacturing technology and infrastructure and yet do not want to turn over substantial portions of their economy to foreign ownership. One solution to this dilemma has been to have a foreign entrepreneur build a factory, train the workers, train the management and then turn it over to local owners once the operation is going, hence the term turn key operation. Financing is made by the local company or the government

Management contract

A final non equity method the entrepreneur can use in international business is the management contract. Several entrepreneurs have successfully entered into international business by contracting their management techniques and skills. The managing contract allows the purchasing country to gain foreign expertise without giving ownership of its resources to a foreigner for the entrepreneur the managing contract is another way of entering a foreign market without a large equity investment.

Check Your Progress Exercise 1

Note: i) Use this space given below to answer the question.

ii) Compare your answer with the one given at the end of this Unit.

1. What are the incentives needed to do international business?

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3.11 DIRECT FOREIGN INVESTMENT

The wholly owned foreign subsidiary has been a preferred mode of ownership for entrepreneurs using direct foreign investment for doing business in international markets.

Joint ventures and minority and majority equity positions are also methods for making direct foreign investments. The percentage of ownership obtained in the foreign venture by the entrepreneur is related to the amount of money invested, the nature of the industry and the rules of the host government

Minority interest refers to less than having 50 per cent ownership position.

Japanese companies having been frequent users of the minority equity position in direct foreign investment. A minority interest can provide a firm with a source of raw material or a relatively captive market for its products.. Entrepreneurs have used minority position to gain a foothold or acquire experience in a market before making a major commitment. When the minority stakeholder has something of strong value, the ability to influence the decision making process is often far in excess of the amount of ownership

Joint venture

Another DFI method used by entrepreneurs to enter foreign market is the joint venture. Although joint venture can take many forms, in its most traditional form, two firms get together and form a third company in which they share the equity. Joint ventures have been used most often by entrepreneurs in two situations

1. when the entrepreneur wants to purchase local knowledge as well as already established marketing or manufacturing facility
2. When rapid entry into a market is needed. Sometimes joint ventures are dissolved and the entrepreneur takes 100 % ownership

One of the frequent reasons an entrepreneur forms a joint venture is to share the cost and risks of a project. Projects where costly technology is involved frequently need resource sharing. This can be particularly important when an entrepreneur does not have the financial resources necessary to engage in capital intensive activities.

Synergy

Synergy between firms is another reason that an entrepreneur may form a joint venture. Synergy is the qualitative impact on the acquiring firm brought by complementary factors inherent in the firm being acquired. Synergy in the form of people, customers, inventory, plant or equipment provides leverage for the joint venture. The degree of the synergy determines how beneficial the joint venture will be for the companies involved.

Another reason for forming a joint venture is to obtain a competitive advantage. A joint venture can preempt competitors, allowing an entrepreneur to access new customers and expand the market base.

Joint ventures are frequently used by the entrepreneurs to enter markets and reap economies that pose entrance difficulties or to compensate for a company's lack of foreign experience. This has been the case for the transition economies of Eastern and Central Europe and the former U.S.S.R

Majority Interest

Another equity method for the entrepreneurs to enter international markets is to purchase a majority interest in a foreign business. In a technical sense, anything over 50% of the equity in a firm is majority interest. The majority interest allows the entrepreneur obtain managerial control while maintaining the acquired firm's local identity. When entering a volatile international market, some entrepreneurs take a smaller position which they increase upto 100 per cent as sales and profits occur.

Equity participation

Governments in developing countries are encouraging new companies with equity participation from overseas.

The extent of equity participation by the entrepreneur depends on the international venture planned. They are:

- Vision of the entrepreneur
- The competition in the target market and expected earnings
- Complementary strength of partners
- Government regulation
- Resource availability and fund requirements of the project
- Foreign exchange rate movements and repatriation facilities
- The type of control and ownership

Equity participation demonstrates commitment for a longer period and confidence to the host country.

3.12 MERGERS

An entrepreneur can obtain 100% ownership to ensure complete control. If the entrepreneurs have the capital, technology and marketing skills required for successful entry into a market there may be no reason to share ownership. Acquisitions and Mergers have been used significantly in engaging international business .The growth of larger companies world over is taking place due to acquisitions and mergers. In mergers the important issues are integration of operations and marketing activities of the companies involved in mergers. Not only the benefits and cost of a merger need to be determined, but special accounting, legal and tax issues must be addressed. The entrepreneur therefore must have a general understanding of the benefits and problems of mergers

There are five basic types of mergers.

- Horizontal
- Vertical
- Product extension
- Markets extension and
- Diversified activity

Horizontal merger

A Horizontal merger is the combination of two firms that produce one or more of the same or closely related products in the same geographical area. They are motivated by economies of scale in marketing, production or sales, an example of which is the acquisition of convenient food store chain

Vertical merger

Vertical merger is the combination of two or more firms in successive stages of production that often involve a buyer-seller relationship. This form of merger stabilizes supply and production and offers more control of these critical areas. Examples are McDonald's acquiring its store franchise and

Phillips Petroleum acquiring its gas station franchises. In each case these outlets became company-owned stores

Product/service extension merger

Product extension merger occurs when the acquiring companies have related production/ distribution activities but do not have products that compete directly width each other Examples are acquisitions of Western Publishing (children's book) by Mattel (toys)

Market extension merger

A market extension merger is combination of two firms producing the same products but selling them in different geographical markets. The motivation is that the acquiring firm can economically combine its management skills, production and marketing with that of the acquired firm. An example of this type of merger is the acquisition of Diamond Chain (a West Coast Retailer) by Dayton Hudson (a Mineapolis retailer)

Diversified activity merger

Under this merger, two or more companies that are totally unrelated in products, markets or geography join hands

The mergers take place due to the following advantages:

- Economies of large scale which can occur in production, coordination and administration , sharing central services such as office management and accounting, financial control and upper level management. Economies of scale increase operating, financial and managerial efficiency thereby resulting in better earnings.
- Use of tax benefits
- Benefit of complementary resources
- Faster growth in size, geography coverage and bring new products

Many Indian entrepreneurs are expanding their business by acquisitions and mergers. Lord swraj Paul Caparo Group in UK acquired five steel companies to consolidate its position in steel industry

3.13 INDIANS IN INTERNATIONAL VENTURE

Indians are making headway in international entrepreneurship in many countries in the last two decades partly due to information technology has given a boost in this direction. IT ventures need less capital and results are seen faster. IT companies need in-depth knowledge of IT processes in the industry and management skills. Indian entrepreneurs have made a mark in this area in USA. Some of the examples of international entrepreneurship are as follows:

- Co Founder of Sun Micro Systems in Vinod Khosla in USA
- Creator of Pentium Chip in Vinod Dahm in USA
- Founder and Creator of Hostmail is Sabeer Bhatia in USA
- Lord Swraj Paul established Caparo Group in UK. The group has large interests in steel companies in many countries
- Many software companies are started in USA and UK by Indian entrepreneurs For example two young software entrepreneurs recently made a headline for their entrepreneurial work in camera phone
- JK group is in Australia for manufacturing and marketing of health care products
- Aravind mills Denim Plant is in south America and Mauritius
- Vendanda group of Anil Agarwal has purchased BALCO in Korba in Copper Mines in Australia. They have large companies in mining and metals in many parts of world. They have grown by acquisitions, green field and brown field expansions

- L.N.Mittal group is a well known name in steel industry world over. He is largest steel producer in the world with the capacity of 70 million MT per year. They have grown by acquisitions and mergers
- Aditya Birla Group has gone to other countries
- Godrej group has gone to Malaysia
- Gururaj Deshpande and Sam Pistroda are entrepreneurs in USA and Canada in telecom sector
- Even public sector oil companies are acquiring oil exploration operations and drilling and pipelines overseas like Russia, Syria, Egypt, Venezuela, Libya, Iran, Ivory coast, Ecuador, Angola, Australia, Myanmar and Vietnam
- Dr. Reddy Laboratories , a Pharma company is also growing by its growth in international trade
- Bio Tech company Biocon of Bangalore has joint venture in Cuba for its growth
- Tata's company TISCO recently acquired mines in Australia.

The list is growing.

Global Trade- driving and restraining forces

Driving forces	**Restraining forces**
Technology	Culture
Culture	Market differences
Market fodrces	Costs
Cost	National controls
Free markets	Nationalism
Economic integration	War
Peace	Management myopia
Management vision	Organization history
Strategic intent	Domestic focus
Global strategy and action	

3.14 PROBLEMS OF GLOBAL TRADE

Conflict of interest at government problem

If the sponsoring country and host country have political differences, the non cooperation starts from day one for example problems of trade between India and Pakistan or India and Bangladesh. Conflict may start with any one side. Some governments may view trade in few commodities as new colonialism or control of their national interests or technological dominance or increase of unemployment. Based on these perceptions governments may resort to punitive actions.

Conflict within the organization

The organizations see its local interests or who should have controlling power. Subsidiary companies in different countries will have power struggles and look each other as rivals. Conflicts may also arise because of uncertainty or inconsistency above over all company policies. Important personnel in the organization may also play their own part in developing and controlling organization structure. The problem of conflict of interest is likely to be more if ownership of the subsidiary is split between international company and other local interests

Conflict within host or subsidiary company

These issues are more prevalent in international companies. The interest of employees or trade union rarely coincides with those of company interest with whom they work. There are constant tensions on one count or other. Usually in matters of recruitment, promotion, salary and perks there will be comparison width local or overseas companies and conflict starts. Differences also crop up in the areas of differences in attitudes, work ethics and social concepts An entrepreneur has to study economic environment, developments in global trade and trading systems to take up international venture. The electronics is changing markets and fast and reducing distances. Another major trend is the transition towards market economic in many countries that had been centrally controlled earlier. India, CIS (commonwealth of independent states), China are examples. The type of commodities and volume can be estimated based on the stage of economic development, level of per capita income and balance pf payments position. Demand pattern also can be obtained from size of consumer segment and saturation levels

The global entrepreneurship gets complex due to

- More than 200 national markets: each with their own patterns

- Economic cooperation agreements between neighbouring on political allies
- Trade blocks
- Counter trade agreements
- Trade restrictions and barriers
- Free Trade Zones
- Most favoured nation status or concessions bt few countries to their allies

GATT and its successor organization WTO are trying to bring global business to competitive levels and remove restrictive practices.

WTO has helped in the areas of

- Removal of trade restrictions
- Low tax regime across globe
- Agreements on TRIPs and TRIMs
- Growth of service industries
- Market access to number of advanced countries without discrimination or trade restrictions like large industries or procedural hassles

Each nation has its own issues to be taken up with WTO based on past trade experiences and current trends in markets. An international entrepreneur should be aware of these issues which affect business and its growth. Indian entrepreneurs are going global IT and BPO industries. The growth of these industries is critical to Indian Economic development.

3.15 ENTREPRENEURSHIP – INDIAN CONTEXT

Entrepreneurship has been 'embedded' in the Indian genius and is part of its tradition. The salience pf entrepreneurship in India has intensified in recent times particularly width the rise in knowledge-intensive services. New entrepreneurs who do not belong to traditional business communities have begun to emerge in large numbers. Crucial efforts initiated after economic liberalization – including systematic attempts to reduce the 'licence raj' , greater efforts to make finance more easily accessible to entrepreneurs and other institutional support to 'techno-preneurs' – have helped improve the climate for entrepreneurship. The software industry in particular has taken giant strides with the top companies working within the market and with a full understanding of the rules of international commerce. Thus the opportunities created by today's global knowledge economy coupled width the 'unshackling' of indigenous enterprise' have contributed to making India a 'fertile ground' for entrepreneurship.

Statistics on the growth of India's technology driven entrepreneurship are telling. In a recent survey by Deloitte group, India ranks 2nd globally as home to the fastest growing technology firms. In high skill innovation driven entrepreneurship, the opportunities offered by complex and inter connected global networks are also relevant. The ability to adapt to changing market conditions and anticipate future technologies and economic trends and leverage across large number of markets provides 'opportunities for exploiting economies of scale'. As such comparative knowledge leverage at lower costs would play a key role in the race to achieve economic competitiveness

Recent surveys such as those undertaken by Goldman Sachs and Price Water House Coopers, have estimated that India has the potential to be among the world's leading economies by 2050. Further, India's economy can potentially gain significantly from the country's characteristic features –

- a democratic open society,
- a strong technology base ,
- unparalleled diversity,
- vibrant capital markets including private equity and venture capital markets,
- an increasingly youthful population (50 per cent of India is 25 years and younger),
- a sizable market of a large number of customers with vast unmet needs as well as
- an environment of full and free competition in the private sector..

3.16 DOES THE STATE FACILITATE ENTREPRENEURSHIP IN INDIA?

NKC study on entrepreneurship has identified the following deterring factors for entrepreneurship in India

- ❖ According to the study, 61 per cent of the entrepreneurs found the helpfulness of the government 'extremely unsatisfactory' or somewhat unsatisfactory.
- ❖ While the government has significant policy to help entrepreneurs the implementation of the policies is extremely poor.
- ❖ It was also felt that government schemes and initiatives are not publicized adequately

- ❖ Corruption and red-tapism result in the schemes not reaching the targeted people
- ❖ Banks are not favourable to the entrepreneurs

Currently there are a number of policies and schemes in place to promote and assist entrepreneurs in India at central and state levels. The Ministry of Micro Small and Medium enterprises also provide a package of incentives and subsidies for the promotion of micro and small industries. The challenge is to make the policies into catalysts for driving entrepreneurship in India.

Table 3.1 : Research tasks
Interview two entrepreneurs involved in multinational business

3.17 PACKAGE FOR PROMOTION OF SMALL AND MEDIUM ENTREPRENEURS

Legislation

The Micro, Small and Medium Enterprises Development Bill 2006 has been enacted for the promotion and development of enterprises. The government is also expected to enact relevant Law on Limited Liability Partnerships

Credit support

RBI has issued guidelines to the public sector banks to ensure 20 per cent year-on-year growth in credit to the SME sector. The State Industrial Development Bank of India is expected to upscale its credit operations for micro enterprises and cover 50 lakh additional beneficiaries over five years beginning 2006-07. The Union Government is to provide grants to SIDBI to augment its Portfolio Risk Fund and enable it to create a Risk Capital Fund. To strengthen the Credit Guarantee Fund the corpus of the Fund is expected to be raised from Rs.1189 crores as of 1.4.2006 to Rs. 2500 crore over a period of five years

Fiscal support

The government is expected to examine the feasibility of increase in the General Excise Exemption Limit and the existing eligibility limit to GEE.; also consider extending the time limit for payment of excise duty by micro and small enterprises and extending the GEE benefits to small enterprises on their graduation to medium enterprises for a limited period.

Support for cluster based development

The government accelerates the holistic development of clusters, including provision of Common Facility Centers, developed sites for new enterprises, upgradation of existing industrial infrastructure and provision of Exhibition Grounds / Halls and also for creation and management of infrastructure-related assets in the public private partnership mode. The ceiling on project cost is expected to be raised to Rs.10 crore.

Technologies and Quality upgradation support

Four training cum Product Development centres for agro and Food processing industries, it has to be set up. A Technology Mission to be set up to assist MSMEs in technology upgradation, energy conservation pollution mitigation

Support for Entrepreneurial and managerial development

50000 entrepreneurs to be trained in information technology, catering, agro and food processing, pharmaceuticals, bio technology etc during the five year plan: a new scheme to be formulated to provide financial assistance to select management / business schools and technical institutes, to conduct tailor made courses for new as well as existing micro and small entrepreneurs; a new scheme formulated to provide financial assistance to five selected universities / colleges to run 1200 entrepreneurial clubs

PPP in India

PPP in infrastructure refers to a project based on a contract or concession agreement between a government or statutory entity on the one side and a private sector company on the other for delivering an infrastructure service upon payment of user charges. The government of India has established a Cabinet Committee on Infrastructure (CoI) and a high level committee of secretaries in addition to sector wise task forces to streamline rapid decision making and operationalize PPPs in highways, airports, sea ports, power generation, railways etc. It has initiated the Viability Gap Funding Scheme and established India Infrastructure Finance Company Limited to provide long term debt finance to PPP projects and has intensified its efforts in strengthening public sector capacity and enabling environment for attracting private sector participation in infrastructure. Over all the government sees PPPs as an important tool for producing an accelerated and larger pipeline of infrastructure investments and catching up with the infrastructure deficit in the country.

While 86 PPP projects have been contracted there are an estimated 500 PPP projects that exist in India together valued at about 340 billion in 12 states and three central agencies. The roads and port sectors constitute a major portion of the number and size of PPPs.

PPPs contribute private capital and managerial efficiencies to enhance public services. Dome of the PPPs may provide entrepreneurial opportunities where none existed before. For example the task of modernizing airports in various cities in India has received a fillip due to the involvement of private players such as the GMR Group who had themselves started as entrepreneurs

3.18 KEY RECOMMENDATIONS AND WAY FORWARD

- There is need to demystify perceptions of risks and failure by facilitating dissemination of best practices as well as documentation of unsuccessful ideas in the entrepreneurial space. Recognition and rewards right from the local up to the national level will energize and encourage new entrepreneurs.
- Involving entrepreneurial networks and associations will also help in giving visibility and encouragement to entrepreneurship
- An imaginative combination of assessing debt and equity would require positive efforts on the part of the banks, financial institutions and angel investors. In India financiers need to be more proactive in assessing the business opportunities generated by Indian entrepreneurs
- Innovation in risk management will also reduce information asymmetry and making funding more accessible.
- Angel investors and private equity funds are beginning to become more active particularly in knowledge intensive sectors and need incentives for greater involvement. To create incentives for seed capital funding some steps include the following - establishing secondary market for smaller companies, creating new instruments for start up funding and providing financial literacy to start-ups
- Synergy between education (including modern vocational education, training / skill development), innovation (converting ideas into wealth and employment) and entrepreneurship should be encouraged

- NKC (National Knowledge Commission) has recommended the need of uniform legislation for publicly funded research that would grant IP rights for successful results of research to universities / research centres and also entitle the inventors to a share of the royalties from commercialization as a source of innovation and entrepreneurial advancement
- NKC has recommended that Government should set up a Global Technology Acquisition Fund in Intellectual Property which can enable crucial technology acquisition across the world especially for SMEs. Funds could be placed width a financial institution or a special purpose vehicle (SPV) could be created to manage the fund with members of industry and government invited on the board. Relevant financial instruments including support in the form of loans and equity could be evolved for such technology intensive acquisition.
- A comprehensive Incubation Policy at the national level can be developed which would increase quantity, enhance quality and increase access to financing. There is also a need to increase Business Incubation for Entrepreneurship (BIE) by comprehensively exploring policy options to improve access to financing. While valuable work is being done by Indian Incubators, there is huge scope for them to become entrepreneurial by themselves by providing services such as market data, helping in preparing business models, recruiting skilled employees etc.
- Crucial incentive structure in Incubation such as land schemes, tax sops, banking policies, micro funds, innovative financial schemes, outcome measurement and delivery mechanism can be explored
- Possibilities of PPP as well as private incubation centres can be explored as a way to increase the number of incubation centres in the country and thereby providing wider access to incubation opportunity for new entrepreneurs
- Growing a pool of skilled people is a key priority. This entirely depends upon access to quality education. In Vocational Education and Training there is needed to completely overhaul and modernize current institutions and practices. Reforms in VET require
    1. innovative delivery models,
    2. providing incentives for state,
    3. ensuring performance based training and assessment,

4. re-branding,
5. certification,
6. encouraging learning by doing,
7. incentivizing English speaking skills,
8. ensuring flexibility of VET alongside the higher education stream for easier crossover and choice as critical success factors.

- Economic liberalization has been a key catalyst to encourage entrepreneurship in India. There are a number of initiatives at the centre and state levels which aim to improve the ease of doing business. Infact the 'Doing Business Report 2008' published by World Bank states that India can jump 55 places from its current rank of 120th if some of the local best practices are adopted nation wide. Priority should be given to the MCA-21 project initiated by the Ministry of Company Affairs ro fully automate processes of enforcement and compliance. Other suggestions to enhance Entrepreneurship include the following:
    - Meaning implementation of Single Window System
    - Introducing a Single Composite Application form as already done in a few states
    - Introducing 'Single Unique Company Number (for company, tax and social security registration)
    - Reducing the frequency of tax payments for entrepreneurs from monthly to quarterly
    - Creating specialized commercial courts
    - Introducing Limited Liability Partnership
    - Creating 'one-stop-shop' to provide all relevant information needed to start an entrepreneurial activity.

There are a number of websites relating to entrepreneurship in India. In this regard NKC proposes to explore the possibility of having an all encompassing website on entrepreneurship as a one-stop information portal for current and aspiring entrepreneurs. In addition Entrepreneurship in India will also grow significantly with the spread of e-governance and quality infrastructure development.

3.19 SUMMING UP

It will be beneficial to an entrepreneur to enter international markets by partnering with entrepreneurs of that country.

Business is going global due to the reasons of globalization and development of state of art technologies, infrastructural facilities and reducing time and energy for transactions. Entrepreneurs are taking up new ventures in their quest for global ventures, profits and large markets beyond the national boundaries of the entrepreneurs. With the result entrepreneurship is also going global thus making manufacturing, marketing and management that are represented by different nationalities. The situations call for different strategies in countries as diverse as South East Asian countries, USA, Kazakhastan, Kenya etc.

An entrepreneur can choose his entry strategy among the different alternatives available to him/her in the global arena. Exploring licensing, joint ventures, mergers and acquisitions and strategic partnerships are alternatives. Each has distinct advantages and disadvantages.

For faster development in international entrepreneurship, India has to choose the strategy. The choice can be made by an entrepreneur only after assessing market potential, distance and extra shipping costs, market access, competition from other players in the industry and substitute materials, product fit, government policies and service requirements. Since last decade Indian entrepreneurs are going international and following the above mentioned routes to establish new ventures overseas.

In choosing products and countries while going global, stage by stage developments for an entrepreneur are as given below:

- Go for a few segments in a few countries;
- Concentrate on a country and go for diversification;
- More countries but concentrate on products; and
- Diversify countries and diversify products.

Indian entrepreneurs are at stage I and at stage II level.

3.20 GLOSSARY

Foreign Direct Investment: An investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies.

3.21 ANSWRS TO CHECK YOUR PROGRESS EXERCISES

Check Your progress Exercise1

1. The difference between the value of a country's imports and exports over time. The valuation of one country's currency affects how business of that country do business in other countries. At one time Italy's chronic balance of payments deficit led to a radical depreciation in the value of the lira, the currency of Italy.

Check Your Progress Exercise 2

1. An entrepreneur can leverage his experience in specialized product, market, management practices, strategies, products and promotional ideas for diversifying and increasing the sales overseas.

3.22 REFERENCES FURTHER READINGS

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3.23 QUESTIONS FOR REFLECTION AND PRACTICE

1. What is the difference between licensing and joint venture?
2. What is meant be FDI?
3. What is meant by management contract?
4. Discuss the methods by which an entrepreneur can enter international business.
5. What are the driving forces and restraining forces for an entrepreneurs in a global trade?