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## MODULE- 3

### **Social Responsibilities of Business & Entrepreneurship**

#### **Meaning of Social Responsibility**

- Social responsibility is the manager's responsiveness to public agreement.
- Two types of business obligations are:
  - Social-economic obligation
    - The economic consequences of its action do not affect public welfare.
  - Social-human obligation
    - To nurture and develop human values.
- Different views on Social Responsibility
  - Communist view
  - Capitalist view
  - Pragmatic view
  - Trusteeship view

#### **Social Responsibilities of Business towards Different Groups**

- Towards Employees and Workers
  - A fair wage to the workers
  - Just selection, training and promotion
  - Social security measures and good quality of life
  - Good human relations
  - Freedom, self-respect and self-realisation.
  - Increase in productivity and efficiency by recognition of merit, by providing opportunities for talent.
- Towards shareholders and other businesses
  - Promoting good governance through internal accountability and transparency.
  - Fairness in relations with competitors.
- Towards the state
  - Shunning active participation in and direct identification with any political party.
  - Observing all the laws of land.
  - To provide safeguard against errant business practices.
  - To allocate limited resources according to social priorities and preferences.
  - To enforce distributive justice to weaker section of community.
  - To implement rural uplift and secure balanced development of the country.

#### **Social audit**

- A systematic study and evaluation of the organizations social performance as distinguished from its economic performance.
- Benefits
  - It supplies data for comparison with the organization's social policies and standards.
  - It develops a sense of social awareness among all employees.
  - It provides data for comparing the effectiveness of different types of programmes.
  - It provides information for effective response to external groups which make demands on the organization.

### □ Limitations

- A social audit is a process audit rather than an audit of results. It determines only what an organization is doing in social areas.
- They are difficult to measure.
- Their classification under good or bad is not universally accepted.
- Most of them occur outside the organization, makes difficult to secure data.

## **Business Ethics and Corporate Governance**

### □ **Business Ethics**

- Business ethics is the application of moral principles to business problems. It involves goodness or badness of an act. The four important factors are:

- Government legislation
- Business codes
- Pressure groups
- Personal values of the manager himself.

### □ **Corporate Governance**

- In this companies run in an open and honest manner in the best interest of all stake-holders. The key elements are transparency and accountability. Major recommendations of this committee are:

- Formal selection process
- Companies should have remuneration committees
- Companies should have Audit committees
- Audit partners should be rotated.

### □ **Benefits**

- It creates overall market confidence and long –term trust in the company.
- It leads to an increase in company's share prices.
- It ensures the integrity of company's financial report.
- It maximizes corporate security.
- It limits the liability of top management.
- It improves strategic thinking at the top.

## **Entrepreneurship**

### □ **Definition of Entrepreneur**

- The entrepreneur is essentially a visualizer and an actualizer. He can visualize something, and when he visualizes it he sees exactly how to make it happen.
- An individual who bears the risk of operating a business in the face of uncertainty about the future conditions.
- He is the one who innovates, and introduces something new in the economy.
- An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices.

### □ **IMPORTANCE OF ENTREPRENEURSHIP**

- The significance are economic development, industrial development, regional growth and employment generation.

- Entrepreneur provides opportunities to unemployed youth, increase in per capita income, higher standard of living and increased individual savings, revenue to the government in the form of TAX.
- They invented new products. Also to capitalize on new opportunities and to create wealth and new jobs.
- In an entrepreneurship, it is you who set the goals, plan the action and reap the satisfaction and rewards of having achieved the goal.
- If you become an entrepreneur
  - You will be your own boss and boss to other people and make decisions that are critical to the business success or failure.
  - You will have the chance to put your ideas into practice.
  - You will make money for yourself rather than for someone else.
  - You will participate in every aspect of running a business and learn and gain experience in a variety of disciplines.
  - You will have chance to work directly with your customers.
  - You will have the personal satisfaction of creating and running a successful business.
  - You will be able to work in the field or area that you really enjoy.
  - You will have the chance to build retirement value.
- **Difference between a Manager and an Entrepreneur.**

Entrepreneur	Manager
Own boss	Salaried employee
Takes own decisions	Executes the decisions of the owner
Hires employees	He is an employee
Uncertain rewards which can be unlimited.	Fixed rewards and salary

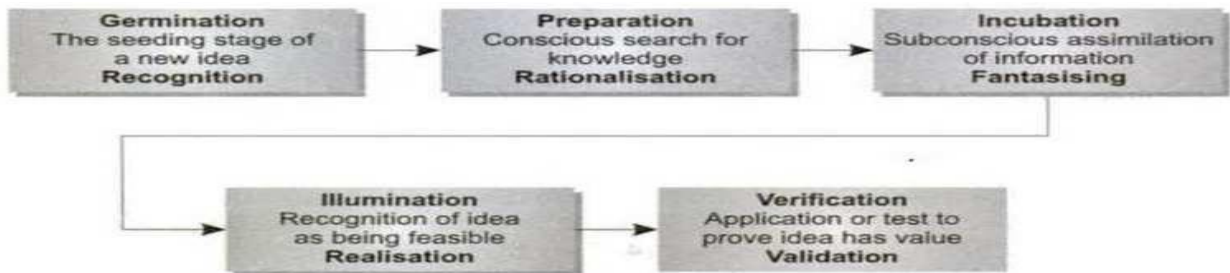
### CONCEPTS OF ENTREPRENEURSHIP

- Entrepreneur is a person who creates an enterprise. The process of creation is called as entrepreneurship.
- Entrepreneurial development is a key to socio-economic transformation of the region.
- Entrepreneurship can be defined as a process of action an entrepreneur undertakes to establish his enterprise.
- The word entrepreneur is derived from the French Verb *entreprendre*, means *to undertake*. This refers to those who undertook the risk of new enterprises.
- Entrepreneurial development process is in five stages.
  - Stage 1: Perceiving, identifying and evaluating an opportunity.
  - Stage 2: Drawing up a business plan.
  - Stage 3: Marshalling resources.
  - Stage 4: Creating the enterprise.
  - Stage 5: Consolidation and management.

## CHARACTERISTICS OF A SUCCESSFUL ENTREPRENEUR

□ The characteristics are:

- Creativity: The ability to bring something new into existence.
- The creative process is



- Innovation: The act that endows resources with a new capacity to create wealth.
- Dynamism: Dynamism constitutes a potential contribution and revises the targets of the enterprise.
- Leadership: Leadership is the basic quality of an entrepreneur and takes him forward.
- Teambuilding: An entrepreneur should have an ability to build a team. A team is group of individuals with a common purpose. The skills are:
  - Wanting to feel better
  - Identifying the problem and needs of the enterprise
  - Creating a vision
  - Setting goals for the group
  - Reviewing progress
- Achievement motivation: Entrepreneurs have a high need for achievement and are guided by their inner self, motivating their behavior towards accomplishment.
- Problem solving: the ability to solve problem and not to avoid them. The six steps are:
  - Define a problem
  - Gather information
  - Identify various solutions
  - Evaluate alternatives and select the best option.
  - Take action
  - Evaluate the action taken.
- Goal orientation: Goal setting is the achievement of targets and objectives for successful performance of an entrepreneur. The three steps are:
  - Definition of goal
  - Specific goals
  - Feedback about goal achieved
- *Aspects of goal setting*
  - Clarity of goals
  - Reformulation of goals
  - Restating goals
  - Plan of action
  - Defining standards of performance and measurement

- Recognizing risk and obstacles
- Goal reaffirmation
- Goal attainment.
- Types of Goals
  - Target oriented
  - Achievement oriented
  - Specific
  - Overall
  - Secondary
  - Long range/ short range
  - Personal/ social
- Risk taking and decision- making ability: Entrepreneurs are persons who take decisions under conditions of uncertainty, and therefore are willing to bear risk, but never gamble with results.
- Commitment: The amount of willpower.

### CLASSIFICATION OF ENTREPRENEURS

#### a) Based on Functional Characteristics

1. Innovative entrepreneur
2. Imitative or adoptive entrepreneur
3. Fabian entrepreneur
4. Drone entrepreneur

#### b) Entrepreneurial Core Competencies

	Core competencies	Entrepreneurial activities
1.	Initiative	Does things before asked for or forced to by events and acts to extend the business to new areas, products or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilizes necessary resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information of client or supplier's needs. Personally undertakes market research and make use of personal contacts or information networks to obtain useful information.
5.	Concern for quality work	States desire to produce or sell a better quality product or service. Compares his performance favorably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expands extraordinary effort to complete a job, accepts full responsibility in completing a job contract on schedule, pitches in with workers or work in their place to get the job done and shows utmost concern to satisfy the customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better and economically.

8.	Planning	Various inter-related jobs are synchronized according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to it in spite of initial setbacks.
11.	Experience	Possesses technical expertise in areas of business, finance, marketing, etc.
12.	Self-critical	Aware of personal limitations but tries to improve upon by learning from his past mistakes or experiences of others and is never complacent with success.
13.	Persuasion	Persuades customers and financiers to patronize his business.
14.	Use of influence strategies.	Develops business contacts, retains influential people as agents and restricts dissemination of information in his possession.
15.	Assertiveness	Instructs, reprimands or disciplines for failing to perform.
16.	Monitoring	Develops a reporting system to ensure that work is completed and quality norms.
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers and customers even if it means a loss of business.
18.	Concern for employee welfare	Expresses grievances. concern for employees by responding promptly to their.
19.	Impersonal relationship	Places long-term goodwill over short-term gain in a business relationship.
20.	Expansion of capital base	Reinvests a greater portion of profits to expand capital of the firm.
21.	Building product image	Concerned about the image of his products among consumers and does everything possible to establish a niche for his products in the market.

b) Based on the Development Angle

1. Prime mover
2. Manager
3. Minor innovator



4. Satellite
5. Local trading
- c) Based on Types of Entrepreneurial Business.
  1. Manufacturing
  2. Wholesaling
  3. Retailing
  4. Service
- d) Based on the Nine Personality Types of Entrepreneurs
  1. The Improver
  2. The Advisor
  3. The Superstar
  4. The Artist
  5. The Visionary
  6. The Analyst
  7. The Fireball
  8. The Hero
  9. The Healer
- e) Based on schools of Thought on Entrepreneurship

Entrepreneurial model	Central focus or purpose	Behaviours and skills	Situation
"Great Person" school	The entrepreneur has an intuitive ability – a sixth sense—and traits and instincts he is born with.	Intuition, vigour, energy, persistence, and self-esteem	Start up
Psychological Characteristics school	Entrepreneurs have unique values, attitudes, and needs, which drive them.	Personal values, risk taking, need for achievement, and others	Start up
Classical school	The central characteristic of entrepreneurial behaviour is innovation.	Innovation, creativity, and discovery	Start up and early growth
Management school	Entrepreneurs are organisers of an economic venture; they are people who organise, own, manage, and assume the risk.	Production planning, people organisation, capitalisation and budgeting	Early growth and maturity
Leadership school	Entrepreneurs are leaders of people; they have the ability to adapt their style to the needs of people.	Motivating, directing, and leading	Early growth and maturity
Intrapreneurship school	In corporations intrapreneurship is the development of independent units to create, market and expand services.	Alertness to opportunities, maximising decisions	Maturity and change

### INTRAPRENEUR:

- Intrapreneurship is the entrepreneurship with in an existing business structure.
- These "New Breed" of Entrepreneurs are emerging from Big Companies.
- In this Case the Entrepreneurial Spirit of Small Companies is transferred to Big Companies.
- Such Entrepreneurs of Big Companies are called as "Intrapreneurs", an Emerging Class of Entrepreneurs.
- *Intrapreneurship* is a Method of Stimulating & then Capitalizing on Individuals in an Organization who think that something can be done differently & better.

- The differences in the entrepreneurial and managerial domains have contributed towards an increased need for intrapreneurship.
- This need is growing due to variety of events occurring on social, cultural and business levels.
- In social level, there is an increasing interest in 'doing your own thing' and doing it on one's own terms.
- Some individuals having self confidence, self motivation and belief in their own talent, often desire to innovate on their own.
- They want own responsibility and to work in their own way.
- They become frustrated if this freedom is not given to them and get demotivated.
- Intrapreneurship is "one such method of providing freedom, simulating and capitalizing on individuals in an organization who think that things can be done in different and better way".
- The resistance against flexibility, growth and diversification can be overcome by developing a spirit of entrepreneurship within the organization which is called as intrapreneurship.
- Intrapreneurship is reflected more strongly in entrepreneurial activities and also in top management.

### Elements of intrapreneurship :

1. New business venturing:
  - The creation of new business within the organization.
  - Redefining the company's product or service,
  - Development of new market segment.
2. Innovations:
  - Innovation is the development of new product.
  - Improvement of existing products,
  - Development and simplified production methods and procedures.
3. Self – renewal:
  - The transformation of an organization through the renewal of main ideas.
  - This includes a redefinition of a business concept,
  - Reorganization or modifications in the system with an aim to initiate innovating.
4. Proactiveness:
  - Proactiveness includes initiative and risk taking.
  - Competitiveness and dashing to take new challenges.

### Brief comparison of Intrapreneurs, Entrepreneurs and Managers is given below:

Point	Intrapreneur	Entrepreneur	manager
1. Goal management	Independent, innovates new ideas	Independent, starts new venture and leads direct involvement	Delegates and supervises more than direct involvement .
2. Status	Not concerned about traditional status, but wants recognition	Not concerned about status	Concerned about status symbol



3. Risk	Owens moderate risk	Bears all the risk and uncertainty.	Does not bear any risk
4. Rewards	Gets fixed reward for his work. Many get extra for his work.	Since there is risk, he may get profit or loss depending his innovations	Workers for salary for his service which is fixed and definite.
5. Innovation	Innovative	Very innovative	Need not be innovative. He manages the ideas of top management.
6. Decision making	Moderate, limited to his work.	Very much involved in decision making.	Delegates the decisions of top management.

### Myths of Entrepreneurship

- Entrepreneurs are born, not made
- Entrepreneurs are academic and social misfits
- Entrepreneurs fit an ideal profile.
- All you need is money to be an Entrepreneur.
- All you need is luck to be an Entrepreneur.
- A great idea is the only ingredient in a recipe for business.
- My best friend will be a great business partner.
- Having no boss is great fun.
- I can make lots of money
- I will definitely become successful
- Life will be much simpler if I work for myself.

### Entrepreneurial Development Models

- The models suggested for the development of Entrepreneurship are:
  - Psychological Models
  - Sociological Models
  - Integrated Models
  - Psychological Models:
    - This model signifies that psychological factors are responsible for the development of entrepreneurial behavior in individuals.
    - McClelland: Importance to achievement motives
    - Latent need for achievement among adults
    - Motivation-training programme to make entrepreneurs willing and eager to exploit the opportunities provided
    - Creative Personality - status withdrawal (Everett Hagen's theory of social change)
    - John Kunkel – entrepreneurial supply as a function of the surrounding social structure. Can be influenced by manipulating economic and social incentives.
- Sociological models

- This model considers societal factors responsible for the development of entrepreneurial behavior in individuals.
- Young's theory: Change based upon Society's incorporation of relative subgroups
- Relativeness of a subgroup which has a low status in a larger society will lead to entrepreneurial behavior if the group has better institutional resources than others in the society at the same level.
- Suggests the creation of supporting institutions in society as the determinant of entrepreneurship
- Integrated models
- – TV Rao – Entrepreneurial disposition
  - Need for motive
  - Long-term involvement either at thinking level or activity level
  - Personal, social and material resources
  - Suitable socio-political system for establishment and development of enterprise

### Five stages for promoting small entrepreneurship

- Stimulation
- Identification
- Development
- Promotion
- Follow up

### Entrepreneurial Development Cycle

- The activities are:
  - Stimulatory activities
  - Support Activities
  - Sustaining Activities



- Stimulatory activities: These activities ensure the emergence of entrepreneurs in the society. The activities are:
  - Entrepreneurial education
  - Planned publicity for entrepreneurial opportunities.
  - Identification of potential entrepreneurs through scientific methods.
  - Motivational training to new entrepreneurs.
  - Help and guidance in selecting products and preparing project reports.
  - Making available techno-economic information and product profiles.

- Evolving locally suitable new products and process.
- Creating entrepreneurial forums.
- Recognition of entrepreneurs.
- Support Activities : These activities help a person to develop into an entrepreneur. They nurture and help entrepreneurship to grow. The activities are:
  - Registration of unit
  - Arranging finance
  - Providing land, shed, power, water and so on.
  - Guidance for selecting and obtaining machinery.
  - Supply of scarce raw materials.
  - Getting licenses/ import licenses
  - Providing common facilities
  - Garnering tax relief or other subsidy.
  - Offering management consultancy services.
  - Help marketing the product.
  - Providing information.
- Sustaining activities: These activities are all those that help in the continuous and efficient functioning of entrepreneurship. The activities are:
  - Help modernization
  - Help diversification/ expansion/ substitute production.
  - Additional financing for full capacity utilization.
  - Deferring replacement/ interest.
  - Diagnostic industrial extension/ consultancy services.
  - Production unit legislation/ policy change.
  - Quality testing and approving services.

### **Problems faced by Entrepreneurs and capacity building for Entrepreneurship.**

- The problems faced by entrepreneurs are:
  - Internal Problems
  - External Problems
  - Specific management Problems

#### **Internal Problem**

- Planning
  - Technical feasibility
  - Economic viability
- Implementation
- Production
  - Production management
  - Labour management
  - Marketing management
  - Financial management
  - Administrative management

#### **External Problems**

- Infrastructural
- Financial
- Specific management problems
  - Management deficiency
  - Finance
  - Manufacturing and technical problems
  - Product planning
  - Selection of equipment, plant and machinery
  - Human resource development
  - Technical know-how
  - Preparation of project report.

### **Capacity building for Entrepreneurship**

- To build capacity for entrepreneurship following measures can be taken such as availability of credit, imported raw materials, skilled labour, technology and equipment, infrastructural facilities, advisory services and access to market.
- Along with to
  - Create the right environment for success.
  - Ensure that entrepreneurs have access to the right skills.
  - Ensure that entrepreneurs have access to smart capitals.
  - Enable networking and exchange