

## Leadership through Entrepreneurship

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### Abstract

*The concept of entrepreneurship has been around for a very long time, but its resurgent popularity implies a “sudden discovery”, as if we had stumbled onto a new direction for American enterprise. This is a myth, as we shall see, because the American system of free enterprise has always endangered the spirit of entrepreneurship. America was discovered by entrepreneurs, nourished by entrepreneurs, and the United State became a world economic power/leader through entrepreneurial activity. More important, our future rests squarely on entrepreneurial ventures founded by creative individuals. They are inspired people, often adventurers, who can at once disrupt a society and instigate progress. They are risk takers who seize opportunities to harness and use resources in unusual ways, and thrust us into the twenty-first century with a thunderous roar. Leadership through entrepreneurship has given a new, integrative definition as, “leadership that creates visionary scenarios that are used to assemble and mobilize a ‘supporting cast’ of participants who become committed by the vision to the discovery and exploitation of strategic value creation”. This paper will discuss the origin, factors and theories of entrepreneurship, and concept of leadership through entrepreneurship besides skills required to become a successful entrepreneurial leader to conclude the interdependence of entrepreneurship and leadership.*

**KeyWords:** Leadership, Entrepreneurship, Theories of entrepreneurship, Entrepreneurs Skills, forentrepreneurship

### MEANING OF ENTREPRENUERSHIP

Entrepreneurship is one of the four mainstream economic factors capital, land, labour and entrepreneurship. The world itself, drive from 17<sup>th</sup> century French entrepreneur refers to individual whom were “Undertakers” meaning those who “undertook” the risk of new enterprise. They were “contractors” who bore the risks of profit or loss, and many early entrepreneurs were soldiers of fortune, adventures, builders, merchants,

and incidentally, funeral directors. How the term “undertakers” become associated with funeral is a mystery, but there is a considerable body of literature on entrepreneurship.

According to Richard Cantillon, a French Economist of Irish descent “an entrepreneur as a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using resources while consequently assuming the risk of enterprise.” A critical point in his argument was that entrepreneurs

consciously make decisions about resource allocation. Consequently, astute entrepreneurs would always seek the best opportunities for using resources for their highest commercial yields. Cantillon played out his theory in real life, becoming a wealthy arbitrator investing in European ventures, dealing in monetary exchange, and controlling commodities, such as farm produce, to auction in high demand markets. His vision illustrated for farm produce in figure.

**INVESTMENT TRANSFORMATION  
PROFIT/LOSS  
DEFINATIONS**

According to H.Cole “entrepreneurship is the purposeful activities of an individuals or a group of associated individuals undertaken to initiate, maintain and aggrandize profit by production or distribution of economic goods and services.”

According to John Kao, “entrepreneurship is the attempts to create values recognition of business opportunity, the management of risk-taking appropriate to the opportunity and through the communicative and management skills to mobilize human financial and material resources necessarily to bring a project to fruition.”

**NATURE OF ENTREPRENEURSHIP**

1. Economic Activity
2. Creative Activity
3. Goal-oriented Activity
4. A Function of Risk-bearing
5. An organizing Activity
6. Gap Filling Activity
7. Dynamic Activity

8. Innovative Activity
9. Managerial Skill
10. Leadership Activity

**ROLE OF ENTREPRENEURSHIP IN  
ECONOMIC DEVELOPMENT**

1. Entrepreneurship promotes capital formation
2. It provides immediate large-scale employment.
3. It promotes balanced regional development.
4. It helps in reducing the concentration of economic power.
5. It stimulates the equitable redistribution of wealth, income and political power.
6. It encourages effective resource mobilization.
7. It also induces backward and forward linkages.
8. It promotes foreign trade.

**FACTORS AFFECTING  
ENTREPRENEURSHIP**

**A. ECONOMIC FACTORS**

1. Capital
2. Labour
3. Raw Material
4. Market

**B.SOCIAL FACTORS**

1. Legitimacy of Entrepreneurship
2. Marginality
3. Security

**C.PSYCHOLOGICAL FACTORS**

1. Need-achievement
2. Locus of control

3. Tolerance for risk
4. Tolerance for ambiguity
5. Type 'A' behaviour

### **SCHUMPETER'S VIEW ON ENTREPRENEURSHIP**

Joseph Schumpeter has done pioneering work on entrepreneurship. According to him entrepreneurship is essentially a creative activity. It consists in doing such things as are generally not done in the ordinary course of business. An entrepreneur is one who innovates, i.e. carries out new combinations or enterprise. Entrepreneurs are especially motivated and talented class people and key figures in development. They foresee the potentially profitable opportunity and try to exploit it. Innovations involve problem solving and the entrepreneur is a problem solver. An entrepreneur gets satisfaction from using his capabilities in attacking problems.

### **WALKER'S VIEWS ON ENTREPRENEURSHIP**

Walker has considered an entrepreneur as an organizer and coordinator of the various factors for production. According to him, the true entrepreneur is one who is with above average abilities for organization and coordination. He is a pioneer and a captain of industry. However, in practice, entrepreneurs possess different degrees of organizational skill and coordinating capacity. The supply of true entrepreneurs is limited. The more competent entrepreneurs earn superior rewards in terms of profits.

### **DRICHER'S VIEW ON ENTREPRENEURSHIP**

According to Peter Dricher, an "entrepreneur is one who always searches for change, responds to it, and exploits it as an opportunity". Entrepreneurs innovate and innovation is a specific instrument of entrepreneurship. It creates resources because there is no such thing as a 'resource' until man finds a use for something and endows it with economic value.

### **THEORIES OF ENTREPRENEURIAL SUPPLY/ORIGIN**

The concept of entrepreneurship and its theory have been evolved over a period of more than two centuries. There are different opinions on the emergence of entrepreneurship. These opinions are classified into three categories:

1. The economist's view
2. The sociologist's view
3. The psychologist's view

### **ECONOMIC THEORY**

According to economists, economic incentives are the main drive for entrepreneurial activities. In some cases, it is not so evident, but the persons' inner drives have always been associated with economic gains. Therefore, these incentives and gains are regarded as the sufficient conditions for the emergence of industrial entrepreneurship. When an individual recognizes that the market for a product or service is out of equilibrium, he may purchase or produce at the prevailing price and sell to those who are prepared to buy at the highest price. Lack

of vigorous entrepreneurship is due to various kinds of market imperfections and inefficient economic policies. In short, entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favourable.

### **SOCIOLOGICAL THEORY**

According to sociologists social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship. According to Corchran, the entrepreneur represents society's model personality. His performance depends upon his own attitudes towards his occupation, the role expectations of sanctioning groups and the occupational requirements of the job. Society's values are the most important determinant of the attitudes and role expectation. According to Weber religious beliefs, produce intensive exertion in occupational pursuits, the systematic ordering means to end, and the accumulation of assets. They are those beliefs, which generate derive for entrepreneurship and economic development.

In several countries, entrepreneurs have emerged from a particular socio-economic class. The protestant ethic of the west is said to have contributed to the emergence of a new class of industrialists. In Britain, the United States and Turkey ranks of entrepreneurs were filled from commerce. Samurai in Japan, family pattern in France, Yoruba in Nigeria, Kikuyu in Kenya, Christians in Lebanon, Halai Memon industrialist in Pakistan, Marwari and Parsees in India, are

considered the dominant social classes as source of entrepreneurship.

According to Stokes, "social-cultural values channel economic action. He suggests that personal and social opportunity and the presence of the requisite psychological distributions may be seen as conditions for an individual's movement into industrial entrepreneurship".

### **PSYCHOLOGICAL THEORY**

According to the advocates of this theory, entrepreneurship is most likely to emerge when a society has sufficient supply individuals possessing particular psychological characteristics. Schumpeter believes they entrepreneurs are primarily, motivated by an atavistic will power, will to found a private kingdom or will to conquer. Their main characteristics are:

1. An institutional capacity and to see things in a way which afterwards proves correct,
2. Energy of will and mind to overcome fixed habits of thought,
3. The capacity to, withstand social opposition.

According to McClelland, it is the high need for achievement, which drives people towards entrepreneurial activities. This achievement motive is inculcated through child rearing practices, which stress standards of excellence, material warmth, self-reliance training and low father dominance. Individuals with high achievement motive tend to take keen interest in situations of high rest, desire of responsibility and a desire for a concrete measure of task performance.

According to Hagan considers withdrawal of status respect as the trigger mechanism for changes in personality formation. Status withdrawal is the perception on the part of the members of some social group that their purposes and values in life are not respected by groups in the society who they respect and whose esteem value. Hagen identifies four types of events that cover produce status withdrawal.

1. Displacement by force,
2. Denigration of valued symbols,
3. Inconsistency of status symbols with a changing distribution of economic power, and
4. Non-acceptance of expected status on migration to a new society

Each of the above theories is incomplete and none of them is right or wrong. Entrepreneurship influenced by a multitude factors and, therefore, no single factor by itself can generate entrepreneurship. Thus, entrepreneurship is the outcome of complex and varying combination of socio-economic, psychological and other factors.

### **INTRAPRENEURS- AN EMERGING CLASS**

The term 'intrapreneur' coined in America in the late seventies. Several senior executives of big corporations in America left their jobs to start their own small business because the top bosses in these corporations were not receptive to innovative ideas. These executive turned entrepreneurs achieved phenomenal success in their new ventures. Some of

them posed a threat to the corporation they left a few years ago. This type of entrepreneurs came to know as intrapreneur. Such corporate brain drain in a worldwide phenomenon and is not confined to the United States. Industrialists all over the world started devising ways and stopping the flight of their brightest executives.

In 1976, Norman Marcs wrote in the London Economist that successful big corporation should become 'confederations of entrepreneurs'. The idea was promising and the opportunities awaiting entrepreneurs inside large corporations could be tremendous provided it could be made workable. An American management expert Gifford Pinchot III wrote his famous book. *Intrapreneuring* in 1985 and used the term 'intrapreneurs' to describe the persons who resigned from their well paid executive positions to launch their own ventures.

Pinchot suggested the creation of a system, which will provide selected executives a status within the corporation similar to that of entrepreneurs in society. Such people are 'intra-corporate entrepreneurs' or intrapreneurs'.

The notion of intrapreneurship requires that managers inside the company should be encouraged to be entrepreneurs within the firm rather than go outside. For an entrepreneur to survive in an organization he/she needs to sponsor and give adequate freedom to implement his ideas otherwise the entrepreneurial spark will die. The entrepreneur who starts his own business generally does so because he aspires to run his own show and does not like taking orders from other. Both the entrepreneur and intrapreneur are

innovators and both perform the function of organization and management. However, contexts within which the two operate and the degree of risk they bear are different.

Many big corporations in America started practicing the intrapreneurs' concept as suggested by Pinchot. Even before Pinchot's suggestion, International Business Machines (IBM) the corporate giant adopted the concept of Independent Business Units (IBUS). Each unit is promoted and run by an executive as if he was 'an independent entrepreneur'. More than one dozen such units are now working in this company.

### **ENTREPRENEURIAL LEADERSHIP**

Thinking like an entrepreneur no longer just refers to people assuming risks in order to implement a new business plan. The mindset is now a strategy of renewal within existing organizations. This entrepreneurial leadership requires three key dimensions such as

1. Being inclined to take more business-related risks
2. Favouring change and innovation to obtain competitive advantage
3. Competing aggressively with other firms

Entrepreneurial leadership is given a new, integrative definition as "leadership that creates visionary scenarios that are used to assemble and mobilize a 'supporting cast' of participant who become committed by the vision to the discovery

and exploitation of strategic value creation'. This role necessitates an entrepreneurial approach to decision making to improve performance, adaptability, and long-term potential, particularly in highly competitive and invariably changing business environments. The leader builds a superordinate goal that drives all employees to higher levels of achievement and inventive organizational strategies.

A big challenge is to increase the capacity for adaption while considering the organization's resource limitations. This must be done in the face of conservative and risk-averse attitudes stemming from followers lack of confidence in the gains from innovation in uncertain environments.

### **REQUIREMENTS OF EFFECTIVE ENTREPRENEURIAL LEADERSHIP**

1. Extra exceptional commitment and effort from organizational stakeholders
2. Convince them that they can accomplish goals
3. Articulate a compelling organizational vision
4. Promise their efforts will lead to extraordinary outcomes
5. Preserve in the face of environmental change

Entrepreneurial leaders must "balance the desire for aggressive improvement with a pragmatic understanding of the capabilities of the individuals that will be involved in realizing the transformation".

In order to support this type of strategy, there must be effective communication of the overriding vision, systems in place for rapid product design and development, and enough resources available for new efforts. In addition, leaders must facilitate participative decisions-making, transparent communications, and empowerment of employees at all levels to generate their own new ideas. These are the central functions for leadership in order to identify emerging opportunities and capitalize on them

### **SKILLS FOR LEADERSHIP THROUGH ENTREPRENEURSHIP**

Following are the basic skills required to be become effective leader through entrepreneurship:

#### **A. UNDERSTANDING THE NEED AND CHARACTERISTICS OF THE POST**

Each individual participant of the group has certain needs and characteristics.

1. A leader should understand his or her own needs and characteristics.
2. A leader should understand the needs and characteristics of each participant of the group.
3. This understanding helps in planning the program and in getting things done.
4. This understanding creates trust and builds confidence among group participants.

#### **B. KNOWING AND USING THE RESOURCES OF THE GROUP**

Resources include all those things necessary to do a job. Resources also include people, because people have

knowledge and skills. Knowledge is what a person learns through familiarity or experience-what you know. Skill is the ability to use what you know. Attitude includes the desire to do something-motivation-and the belief that you can do it-confidence.

When leader uses the knowledge and skills of group participants to get a job done, the participants gain experience and improve skills. They also develop a positive attitude toward using a skill.

1. Keep the posts program capability inventory up-to-date and use it planning.
2. Understand the purpose and resources of your participating organization.
3. Survey the participants' parents; include them in your program capability inventory.
4. Find out your post participants' skills, interests, and resources.

#### **C. COMMUNICATION**

To improve your skills in getting information:

1. Pay attention and listen carefully.
2. Make notes and sketches.
3. Ask questions and repeat your understanding of what was said.

To improve your skills in giving information:

1. Be sure other are listening before you speak.
2. Speak slowly and clearly.
3. Draw diagrams, if needed.

4. Have the listeners repeat their understanding of what was said.

#### **D. PLANNING**

Planning is an important part of everything we do in Exploring. The following is the simple process for planning:

1. Consider the task and objectives. What do you want to accomplish?
2. Consider the resources.
3. Consider the alternatives.
4. Reach decision, evaluating each option.
5. Write the plan down and review it with the post.
6. Execute the plan.

#### **E. CONTROLLING GROUP PERFORMANCE**

A leader influences the performance of the group and individual participants through his or her actions. Setting the example is the most effective way of controlling the group. When working with post participants, do the following:

1. Continually observe the group.
2. Know what is happening and the attitude of the group.
3. Make your instructions clear and pertinent.
4. Pitch in and help when necessary.
5. Quickly deal with disruptions. Guide the post toward self-discipline.

#### **F. EVALUTING**

Evaluating helps measure the performance of groups in getting a job done and working together. Basic questions of evaluation are:

Getting the job done-

1. Was the job done?
2. Was the job done right?
3. Was the job done on time?

Keeping the group together—

1. Were relationships between group participants helped or hurt?
2. Was participation equally, distributed among group participants?
3. Did the group enjoy the activity?
4. Did the group handle conflicts well?

#### **G. SETTING EXAMPLE**

Setting example is probably the most important leadership skill. It is the most effective way to show others the proper way to conduct them, and is even more effective than verbal communication. Without this skill, all the other skills will be useless. One-way to think about setting the example is to imagine yourself as part of a group and think about how you would like your leader to act.

#### **H. SHARING LEADERSHIP**

While there are various ways to exercise leadership, the goal of exploring leadership is exemplified, in a quote from the ancient Chinese philosopher, Lao-Tzu: "But of a good leader...when



The work is done his aim fulfilled, they will say, ‘We did this ourselves’.”

The Exploring leader wants to give post participants the skills he or she possesses, not to use those skills in ways that keep the post weak or dependent. He or she offers leadership opportunities to post participants and teaches them the skills they need.

### **I. COUNSELING**

It is important:

1. To help people solve problems
2. To encourage or reassure
3. to help and explorer reach his or her potential

It can be effective when a person is:

1. Undecided-he or she cannot make a decision
2. Confused-he or she does not have enough information or has too much information
3. Locked in-he or she does not know any alternatives

How do you counsel:

1. First, try to understand the situation.
2. second, help list as many options as possible.
3. Third, help list the advantages of the options.
4. Finally, let the person decide on a solution.

### **J. REPRESENTING THE GROUP**

When do you represent the post? Post leaders represent the post at post committee meetings, Advisors’ meetings, officers’ meetings, and planning conferences, and to the participating organization.

The leader represents the post in two situations:

- a. Without consultation-when he or she doesn’t have the opportunity to consult with post officers about a decision.
- b. With consultation-when he or she can meet with post officers about the issue.

In some cases, the leader must represent the post’s decision exactly, in other cases, he or she must use independent judgment. You will need to solicit and analyze participants’ views and attempt to represent those views within the guidelines of your post, your participating organization, and Exploring.

### **K. EFFECTIVE TEACHING**

Effective teaching is a process to increase the knowledge, skills, and attitudes of the group and its participants. The focus is on learning, not teaching. For teaching to be effective, learning must take place.

The steps of effective teaching include:

1. Choosing the learning objectives
2. Providing a discovery experience that helps the learner understand the need for the skill
3. Demonstrating or explaining the skill

4. Allowing the learner to practice the skill
5. Evaluating the process

**FUNCTIONS OF LEADERSHIP IN TODAY’S SCENARIO**

- To articulate an organizational vision
- To empower employees to grow, develop, and be creative
- To exemplify organizational values and beliefs
- To promote a belief in the purpose of the organization
- To create sound culture
- To enable everybody’s leader style
- To promote ethical values

**CONCLUSIONS**

Leadership is a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organizational objectives. To encourage voluntary participation, leaders supplement any authority and power they possess with their personal attributes and social skills. Leadership is the process of influencing individuals and groups to set and achieve goals. Leaders guide, persuade, direct, coach, counsel and inspire others.

Leadership is the process of influencing the behaviour of others to work willingly and enthusiastically for achieving predetermined goals. As, it is evident that the target responses to use of power vary, along a continuum, ranging from resistance to commitment Any type of

compliance, tending towards resistance is unwillingly. On the other hand, compliance tending towards commitment is willingly and enthusiastically. The later type of response is the objective of leadership.

**ENTREPRENEURSHIP TO LEADERSHIP:**

- Control to Consent
- Efficiency to Effectiveness
- Regulation to Relationships
- Autocracy to Democracy
- Doing things right to Doing the right things
- Uncertainty to Certainty

In short, we can say that entrepreneurship requires all those skills what are required for an effective leader; in fact, to become a successful entrepreneur leadership is one of the requirements. Entrepreneurship gives a platform to

exercise the skills of leadership to become a successful leader along with a successful entrepreneur. Finally, one cannot think about leadership without entrepreneurship and entrepreneurship without leadership.

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